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THE DES REPORT

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GM's Corner by Tim Hestle

Good News, Bad News

Most people do not like a conversation that starts with “I have good news and I have bad news. Which do you want to hear first?” I believe the majority of people would rather receive bad news first in hopes the following good news will lessen the sting of the bad news. I have chosen to begin with good news.

Recently, I received an announcement from our local gas company. It stated that since *natural gas prices* have plummeted, they *dropped* rates 23 percent to 25 percent beginning February 1. Non-gas-related charges, such as transportation, are also going to be reduced beginning March 1. Given that the primary fuel used by Constellation Energy to produce steam for the Nashville District Energy System is natural gas, this is very good news for our customers.

One contributing factor of lower costs is reduced usage. Even though conservation efforts are being made, the reduced usage is primarily the result of an unusually mild winter. Buttercups started blooming and trees began budding before the end of February.

In times past, natural gas and gasoline prices have tracked one another. Every time I stop to fill up the tank on my truck, it is apparent they are now going in opposite directions. According to some analysts, gasoline prices may top \$4 per gallon by Memorial Day and \$5 per gallon by the end of the year. This would, in turn, cause food and other products to go up in price because of their increased transportation costs.

Hopefully, the *higher gasoline prices* did not deter fans from attending the Women's Southeastern Conference Basketball Tournament and the two rounds of the Men's NCAA Basketball Tournament that were hosted at the Bridgestone Arena or the Men's and Women's Ohio Valley Conference Basketball Tournaments that were held at Nashville's Municipal Auditorium. These events are good for Nashville, and I am proud to report that both of these venues are Nashville District Energy System customers.

Board Member Spotlight: Phil Ryan,

Executive Director, Metropolitan Development and Housing Agency



Phil Ryan is the executive director of the Nashville Metropolitan Development and Housing Agency, a Metro government organization devoted to providing safe, decent and affordable housing to thousands of families throughout Nashville as well as assisting with the completion of several large projects downtown such as LP Field, the Nashville Public Library and the Schermerhorn Symphony Center. He has served on the Metro DES Advisory Board since its establishment in 2004.

Q: Nashville made the commitment to district energy back in 1974. A number of other cities have done so over the years – including Austin, Seattle and St. Paul – but few other cities have moved to district energy systems in recent years. From your perspective, do you think district energy has been a good investment for Nashville?

A: Since approximately one-third of the District Energy System's customer base is composed of buildings owned and operated by Metro, I think having a central energy distributor has been a good investment for our city. The challenge we face is making sure that energy system is run efficiently and reliably and continues to provide a cost savings to its customers. I believe our board and our management team are aligned toward that goal.

Q: What has been the most difficult challenge Metro DES has faced during your time on the board? What do you think is the biggest challenge that Metro DES will face in the immediate future?

A: Like much of the rest of the city, the flood of May 2010 was a major challenge. We had customers who were affected and needed time to recover and come back online. My feeling is that if we can handle that challenge, we're well-positioned for the future.

Q: What are the benefits of having a district energy system for the downtown area for the development of new areas/buildings like the Country Music Hall of Fame and the Nashville Public Library?

A: What the District Energy System does is give developers and potential investors options in terms of assessing their energy needs. If we can continue to provide practical, cost-effective alternatives to installing their own "stand-alone" heating and cooling systems, we can reduce the amount of space taken up by on-site HVAC systems in a neighborhood where every square foot is important.

Q: How does having a district energy system affect LEED certification and making buildings more "green"?

A: Buildings tied into the District Energy System use their energy to heat and cool their buildings, not to power boilers, chillers and cooling towers. That lowers their carbon footprint

and makes them more efficient.

Q: What plans does MDHA have for the development of downtown Nashville over the next few years?

A: Downtown Nashville continues to be a vibrant part of the community. With the Music City Center coming online in 2014 and the continued investment in new hotels and the expansion of the Country Music Hall of Fame, we're continuing to see strong interest in downtown investment in both commercial and residential space. I think that, as the national economic picture continues to improve, we're going to continue to see that. It will likely be gradual, but I think the next decade is going to be an exciting time for Nashville's downtown.

Q: What is the most rewarding aspect of working for MDHA? What is the project you are most proud of?

A: The most rewarding aspect of working for MDHA is the ability to put a mark on both the skyline and the quality of life in this community. We've been fortunate to work on some major projects downtown, but also some really incredible improvements to neighborhoods, with new affordable housing investments that help families build new lives, grow and prosper. We've gotten high marks nationally from the U.S. Department of Housing and Urban Development, the Urban Land Institute, and others for some of the innovation we've launched. Take a look at Rolling Mill Hill, for example. Our Nance Place development was the first multifamily structure in Tennessee to be certified LEED Platinum, and when our Ryman Lofts artists' community launches, it will be another first for our state. We work hard to stay at the cutting edge of redevelopment efforts here in Nashville, and the entire MDHA team takes great pride in that.



Customer Spotlight: Fifth Third Center

Located at the corner of Fifth Avenue and Church Street, the Fifth Third Center is a Class A, 490,281-square-foot office tower that has a great past and an even greater future. The 31-story (490-feet) building was designed by Eugene Kohn, principal of world-renowned architecture firm Kohn Pedersen Fox, and completed in 1986. Its amenities include Starbucks, Fifth Third Retail Branch, an upscale men's barber shop, executive shoe shine and on-site 24-hour security. The building also has a covered walkway to The Nashville City Club, downtown Nashville's only elite business club.

It serves as the Nashville headquarters for Fifth Third Bank, Loews Hotel Shared Services and many other businesses and was the tallest building in Nashville before the AT&T building was completed in 1994.

Metro DES has cooled the building since it opened. The building's chief engineer, Layman

Harris, commented, "We both expect and receive a very high level of reliability from DES on the chilled water system. On the few occasions that there been concerns, they were very quick to respond, and they do an outstanding job of coordinating pre-planned outages with us as a customer."

While Fifth Third Center may be considered a postmodern skyscraper, its architects conceived the building as an extension of Nashville's rich architectural heritage. The building's design blended classical elements from William Strickland's Downtown Presbyterian Church across the street with modern materials. The church's influence can be most easily seen in the two towerlike structures designed to reflect the double-steeple configuration of the church and the repeating Egyptian revival columns used on both the interior and exterior of the tower. It has also recently undergone renovations to its plaza, building entrance, lobby, elevators, multitenanted-floor elevator lobbies and restrooms to maintain its status as one of Nashville's premier office buildings.



Employee Spotlight: Vincent Meredith, Stationary Engineer

Q: What do you do at Metro DES? How long have you worked there?

A: I have worked at Metro DES since 2003 as a stationary engineer in the Energy Generation Facility Control Room. My job primarily consists of operating the steam and chilled-water plants in a safe, reliable and efficient manner to heat and cool 40 downtown buildings in Nashville. If a customer issue arises during my shift, I report it and then attempt to resolve it. I also write work orders for repair of plant equipment and follow up to make sure they get done.

Q: What did you do before working at Metro DES? What brought you here?

A: At the end of my four-year Navy service, I moved to Nashville from a small town in Kentucky due to the lack of jobs there and got a job at the Nashville Thermal Transfer Plant in 1992. I left the Thermal Transfer Plant for one year for a job closer to home operating boilers for Western Kentucky University, then came back to the thermal plant after realizing that the grass isn't any greener on the other side. I do not ever plan on leaving again.

Q: How is working at Metro DES different from working at Western Kentucky University?

A: Working at Metro DES is definitely more dynamic than my job at WKU. It is just on so much a larger scale: all of downtown Nashville compared to just the WKU campus. I also have a lot more actual control over the equipment here at Metro DES, which makes my job a lot more exciting, too.

Q: What is the best thing about working at Metro DES?

A: At Metro DES, I work with great people in a clean environment and have great benefits.

Q: During the dead of winter, how much energy goes through the Metro DES system? What are the best ways for Metro DES customers to save energy while still keeping warm until spring? What is the worst thing that some customers do as far as

conserving energy during the winter?

A: During the dead of winter at Metro DES, I have seen 135,000 lbs/hr of steam flowing downtown. I guess customers could turn their thermostats down several degrees and wear warmer clothing to save energy. However, because of the mild winter we had, Metro DES saw a significant decrease in steam flow. People just don't need heat if it isn't cold.

Q: After many long and happy years at Metro DES, where do you see yourself living, and what will you be doing when you retire?

A: As far as retirement, I have never really thought about what I would do afterward. I would live in Kentucky on the farm where my father was born. I also would not mind driving the ol' historic Route 66 road in my '66 Impala SS. Who knows?

Q: What is your most memorable moment at Metro DES?

A: Near the end of March 2011, my then 10-year-old son had to be rushed to the hospital for emergency brain surgery for what was found to be Moyamoya disease (a rare, progressive cerebrovascular disorder caused by blocked arteries at the base of the brain in an area called the basal ganglia) that usually causes strokes.

I will never forget how the people at Metro DES and even some guys from the old plant sent my family and me money, cards and countless offers to do anything they could to help. I was with my son while he was in the hospital and recovering in rehab for two weeks, all of which was covered by my friends and co-workers at Metro DES. I will always be grateful for what they did for my family and me. That is definitely my most memorable moment.



**Exelon-
Constellation
Merger Closes,
Creating
Nation's No. 1
Competitive
Energy Provider**

Constellation and BGE become part of Exelon family of companies

Exelon Corporation (NYSE:EXC) and Constellation Energy (NYSE:CEG) today announced that they have completed their merger, effective today. The merger creates the leading U.S. competitive energy provider with one of the industry's cleanest and lowest-cost power generation fleets, and one of the largest retail customer bases in the nation.

Upon the closing of the merger, Christopher M. Crane became president and CEO of the combined company, and Mayo A. Shattuck III became executive chairman. The new company retains the Exelon name and remains headquartered in Chicago, with significant operations in Maryland, Illinois and Pennsylvania. It will trade on the New York Stock Exchange under the symbol EXC.

"Today, the State of Maryland and City of Baltimore become an important new home for Exelon, joining Chicago and Philadelphia," said Crane. "The combined strengths of Exelon and Constellation provide a solid platform for the future."

The merged company is now one of the nation's largest competitive energy products and services suppliers by load (about 164 terawatt-hours per year) and customers (approximately 100,000 business and public-sector and approximately 1 million residential), serving more than two-thirds of America's Fortune 100 companies. Exelon will have a coast-to-coast presence with operations and business activities in 47 states, the District of Columbia and Canada. The company also has one of the nation's largest and cleanest power generation fleets, with approximately 35,000 megawatts of owned power generation, including more than 19,000 megawatts of nuclear power.

The three utilities within Exelon – BGE, ComEd and PECO – remain headquartered in Baltimore, Chicago and Philadelphia, respectively. Together, they make Exelon one of the nation's largest residential electricity and natural gas distribution companies, serving 6.6 million gas and electric customers across three states.

“Exelon is now uniquely positioned in the industry to advance customer choice and clean energy,” said Shattuck. “We also are unique in our presence across the energy value chain – from generation to power sales to transmission to delivery and development of an array of innovative energy products and services that help our customers succeed. This gives us unmatched perspective on today's energy challenges, and the ability to address them.”

The two companies are combining operations immediately, and integration efforts are well under way.

“Today, we come together as one company. We have the best talent in the energy business, and we share a commitment to excellence,” said Crane. “We are a diverse team reflecting the strengths of both Exelon and Constellation, and together we will continue to deliver world-class performance.”

The transaction has been approved by shareholders of Exelon and Constellation. Required regulatory approvals or reviews have been completed by the Federal Energy Regulatory Commission, Maryland Public Service Commission, New York Public Service Commission, the Public Utility Commission of Texas, the Department of Justice and the Nuclear Regulatory Commission.

About Exelon

Exelon Corporation (NYSE: EXC) is the nation's leading competitive energy provider, with approximately \$33 billion in annual revenues. Headquartered in Chicago, Exelon has operations and business activities in 47 states, the District of Columbia and Canada. Exelon is the largest competitive U.S. power generator, with approximately 35,000 megawatts of owned capacity comprising one of the nation's cleanest and lowest-cost power generation fleets. The company's Constellation business unit provides energy products and services to approximately 100,000 business and public-sector customers and approximately 1 million residential customers. Exelon's utilities deliver electricity and natural gas to approximately 6.6 million customers in central Maryland (BGE), northern Illinois (ComEd) and southeastern Pennsylvania (PECO). Learn more at: www.exeloncorp.com.

Constellation Energy/Metro DES Annual Golf Tournament

The annual Constellation Energy/Metro DES golf tournament will be held on Saturday, July 21, at Pine Creek Golf Course in Mt. Juliet. The tournament will kick off with a shotgun start at 8 a.m. If you plan to participate, please arrive at least 30 minutes early in order to register and

warm up. As in the past, the format will be a best-ball scramble, and a barbecue luncheon and awards ceremony will take place immediately following play.

The cost to enter is \$70 per person, and includes range balls, greens fees, a cart, lunch and prizes. Hole sponsorships, which include a sign at the hole and recognition at the awards ceremony, are \$150 per hole.

If you are interested in participating, please email Tim Hestle at tim.hestle@constellation.com to request a registration form.

We hope to see you on the links!

90 Peabody Street | Nashville, TN 37210 US