



Metro Nashville

DISTRICT ENERGY SYSTEM

Metro District Energy System Advisory Board Regularly Scheduled Meeting of

May 16, 2019

Minutes of Meeting

The meeting was held at the Energy Generation Facility at 90 Peabody Street Nashville, TN 37210

Facilitators: Dan Coyle, DES Project Contract Administrator and Kevin Jacobs, Thermal Engineering Group (TEG)

Board Members Present:

Freddie O'Connell
Ann McGauran
Eric Swartz
Nicholas Woollen
Laurel Creech (*on behalf of Nancy Whittemore*)
Tom Eddlemon (*on behalf of Talia Lomax-O'dneal*)
Jim Thiltgen (*on behalf of James E Harbison*)

Others Present:

Dan Coyle, TEG
Kevin Jacobs, TEG
John Schaffer, Constellation
Tim Hestle, Constellation
Elizabeth Sykes, Constellation
Adrienne Fancher, MWS
Michelle Hernandez-Lane, Metro Purchasing
Shawn McGuire, Metro Finance
Jamie Hunter, Metro Purchasing

The meeting was called to order by the Chair and began at 10:10 A.M.

With no additions, comments or edits to the previous meeting's minutes, a motion was made to approve the minutes and seconded. The Board voted and approved the minutes for the February 21, 2019 meeting.

At the request of the Chair, Mr. Jacobs proceeded with the presentation to the Board.

Mr. Jacobs reviewed the Customer Sales Cost Comparison table for the previous twelve month period. On an aggregate basis for the previous twelve (12) months, the steam consumption and chilled water total costs were up. The Steam cost is about 6% higher with an 8% increase in sales. The cost for chilled water increased by 4% and consumption was up by about 8.5%.

Mr. Jacobs reviewed the DES Contractor Performance for FY19, which included the efficiency and performance tables for steam electric consumption, steam gas consumption, steam water consumption, CHW electric consumption, and CHW water consumption. Mr. Jacobs explained the contractor's performance monitoring criteria as identified on the Power Point presentation with the use of the green, yellow and red dots noted on the slides. The green dots indicate excellent performance, the yellow dots indicate satisfactory performance where some improvement may be necessary and the red dots indicate poor performance. Constellation's performance continues to remain excellent in all areas except with the



CHW electric conversion. There was a slight decrease in efficiency which is believed to be related to the cooling towers. The change was investigated and one issue was found and addressed by Constellation. The matter will continue to be monitored.

Mr. Jacobs reviewed the Water Treatment. Several years ago, there were some bacteria found in the chilled water. The water was treated and in the past year and there was no measurable concentration found. The water will continue to be monitored for biologicals. There is some weather related temperature variability on the amount of condensate returned. Although it is part of the agreement with customers that they must return their condensate, some customers are unable to return the condensate. Constellation does investigate and assist customers with repairs to leaks that may be in their building systems once they become known. The CNE performance guarantees for the steam are dependent on amount of condensate returned each month.

Mr. Jacobs reviewed the EGF (Energy Generating Facility) walkthrough and all areas are good. The quarterly physical walkthrough of the plant indicates it is well maintained. Mr. Coyle discussed EDS (Energy Distribution System) options to mitigate water infiltration and the corrosion of metal components in the vaults and tunnels. Progress is being made with new coating on the metal components. The EDS's vaults and tunnels are inspected once yearly by TEG by reviewing partial sections quarterly. The areas reviewed in the most recent quarter looked relatively good. There is room for improvement by reducing water infiltration into the vaults and addressing the corrosion of metal components within the vaults and portions of the tunnels.

Mr. Jacobs continued with Natural Gas Purchasing review. The Steam Sendout was higher than what was budgeted. The fuel usage is over budget exclusive of the budgeted contingency but under budget when the contingency is included. The plant efficiency was at 1.377 MMBtu (million BTU's) per Mlb of steam and the unit cost of fuel was at \$3.951 MMBtu, which is approximately 2.4% higher than the pre-contingency budget. The pre-contingency budgeted cost for FY19 was approximately \$3.860 per MMBtu, and approximately \$3.50 per mmBTU is the current price range delivered. The expectation is to remain below budget for FY19. The price contingencies are included if there are any unanticipated fluctuations in the market. The values shown in the presentation do not include contingencies.

Mr. Coyle continued with the Actual and Projected Gas Cost Comparison History. Mr. Jacobs explained there has not been any natural gas hedging in FY19 and no hedging is anticipated in the near future. Mr. Jacobs and Mr. Coyle explained the graph in the presentation included propane and transportation costs. The red line on the chart notes market unit prices; the blue line notes actual unit costs in previous months and the expected unit costs in future months. The green line notes the budgeted unit costs without contingencies.

Mr. Jacobs continued with FY19 Costs to Date report. All expenditures appear to be consistent with expectations and within budget. The Fixed Operating Costs (FOG) paid to Constellation was approximately 78.25% of FY19 budget. The non-energy expenditure was approximately 78.38% of the budget. The water expenditure was approximately 61.62% of the budget. The natural gas base expenditure, including the FEA and gas consultant, was approximately 93.01 % of the budget. The electric expenditure was approximately 66.17% of the budget. Total expenses were 74.31 % of the budget and total revenues were approximately 71.48% of the budget.

Mr. Jacobs continued with the Marketing update. The Customer Service Agreement and Easement are in place for the 5th and Broadway (601 Commerce) location. The agreement does not include steam. Service connections have been completed; and anticipated usage during construction in the summer of 2019. The building's contractor has not completed construction of the HVAC system but service is anticipated to start January 18, 2020.

Negotiations are ongoing and favorable for Hyatt Centric (3rd Avenue and Molloy). The agreement will not include steam. Service is expected to occur during construction Spring 2020 and is anticipated to open in February 2021.



The Chair asked about connections to DES. Mr. Jacobs clarified there is no contract yet but the contract is being discussed and is expected to be finalized by FY20. Mr. Jacobs, Mr. Coyle and the Chair discussed the footprint and possible changes by the Architect.

Service to Lot K is in negotiations and will include a new service east of EGF under the parking lot.

New Hotels at 1st and KVB are expected to include retail space. DES is in early discussions for service which would potentially include new service along Peabody Street. The Hotels will be located on KVB and extend to Peabody St and include the block between 1st and 2nd Aves. Meetings with the architect and engineer have occurred. The developer is still unknown at this time.

Mr. Jacobs continued with DES 139 RFP. Mr. Jacobs introduced Michelle Hernandez-Lane, Chief Procurement Officer, Purchasing Agent who provided an update on the DES RFP process and status. Ms. Hernandez-Lane confirmed the information presented to the Board was accurate. Five round one proposals of the RFP advanced to round two. Four of the round two proposals were received. One proposal was to purchase and three proposals were to operate. Based on the evaluation of scores Metro issued Intent to Award Letter to Engie Development, LLC contingent upon successful negotiations to purchase.

Ms. Hernandez-Lane continued by explaining to the Board that a protest to the Intent to Award was received from Constellation New Energy Inc. A protest hearing was held on May 3, 2019 with Constellation New Energy Inc. who gave argument on why they were protesting. Ms. Hernandez-Lane had not made a decision on the protest but determination would be issued within the next couple of business days.

The Chair clarified there was a challenge to the Intent to Award and Ms. Hernandez-Lane would make the determination and then notify all parties concerned of the decision. Ms. Hernandez-Lane confirmed and noted the determination would address all other interested parties and would include whether the protest was valid and further action by Metro was needed or if the protest would be rejected.

The Chair asked what the standpoint of Metro was as an additional question to Mr. McGuire. The Chair also asked about whether or not a special called meeting was necessary and if action was required or recommended by the DES Board. The Chair questioned if recommendations by the Board would be a benefit.

Mr. McGuire responded that Metro values the opinion of the Board and agrees their input is appropriate. The Chair voiced the RFP update should have further discussion and consideration as a contingency to the challenge to the Intent to Award.

Ms. Hernandez-Lane asked if there were any additional questions for her. The Board asked if they would be notified of the determination of the protest. Ms. Hernandez-Lane noted the determination will be made public and that she copies Mr. McGuire on any correspondence. Mr. McGuire will forward the information to the Board as soon as it is available. Ms. Hernandez-Lane departed the meeting.

Discussions continued with the Chair and the Board members on the RFP update. The Chair recalled past conversations of the DES previous options to keep, expand or sell. The Chair invited open discussion about the RFP update and process. The discussion included Capital investments, customer agreements, impacts and costs, challenges to include new customers and capacity, metrics of quality and legalities.

Some Board members expressed that the RFP process should move forward as it has been in discussion for some time and the plan of action consensus has been previously agreed upon in multiple discussions. Other Board members expressed there has not been enough communication with the Board on the plan of action and impact to customers before moving forward with the RFP process.



The Chair moved to accept a motion for a provisional special called meeting to discuss the sale of DES after the protest determination and successful proposal has been made. A motion was made, and seconded; there was some discussion to include in the meeting customer impact to the RFP. The Chair asked the Board to send any questions to him and Mr. Bob Lackey with Metro Finance prior to the special called meeting. Mr. McGuire will connect with Mr. Lackey to confirm a date for the special called meeting. The Chair will connect with Ms. Hernandez-Lane and Mr. Lackey after the protest to determine if a representative from the Awardee (if protest is invalid) can attend the meeting where the Board can ask direct questions; the Board voted and approved the motion.

Mr. Jacobs continued with the Capital Expenditure Update report (as of 04/22/19). Mr. Jacobs gave \$2,694 as the amount remaining of available EDS R&I funds to date for FY19. The 49109 (2010 Bond Fund) remaining balance has \$17,111. Bond fund 49107 has \$2,221 remaining. Bond Fund 49116 has \$1,381,621 remaining.

Mr. Jacobs reviewed the Capital Projects report.

Active Capital Projects

DES 133.1 -Broadway Tunnel Damage Recovery; on going.

DES 135 There is a leak at 5th Ave and Union, but the exact location has not been found. Once the 3rd Ave leak was repaired, the average flow of 80 GPM decreased to approximately 27 GPM. CNE will resume search for the 5th Ave leak, will conduct additional testing, and coordinate with Metro Water Services.

DES 144 - Manhole 6 repair has been completed.

DES 149- 1st and Molloy Hot Spot has been completed.

DES 151 - Manhole 23 Repairs - metal corrosion & concrete repairs; construction was completed in 3rd Qtr. FY19; anticipate closure in 4th Qtr. FY19.

DES 152 - Manhole A and M Coating Repairs - on hold.

DES 153 - Manhole L Repairs - metal corrosion repairs, concrete repairs, CND piping hammer; in design;

DES 154 - Manhole K Repairs - metal corrosion repairs - on hold.

DES 157 - Manhole 9 Repairs - metal corrosion & concrete repairs; in design; anticipated bid and award in 4th Qtr. FY19.

DES 158 - Manhole 18A Repairs and MH 18 Anchor Repair - metal corrosion repairs; construction completed; MH 18A will be closed 4th Qtr. FY19; MH 18 requires additional work to take place during summer under new project number.

DES 159 - Manhole B2 Repairs - metal corrosion & concrete repairs; in design; anticipated bid and award in 4th Qtr. FY19.

DES 160 - 5th + Broadway Service Connection - connections for service completed; waiting to install instruments after mechanical work is complete.

DES 162 - Hyatt Centric Service - negotiations with new customer ongoing.

DES 163 - MDHA Parcel K Service - negotiations with new customer in early stages.



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DES 164 - Broadway Tunnel Repairs - construction complete; anticipate closure in 4th Qtr. FY19.

DES 165 - AA Birch Tunnel Repairs - construction complete; anticipate closure in 4th Qtr. FY19.

DES 166- Miscellaneous Tunnel Repairs - construction complete; anticipate closure in 4th Qtr. FY19.

DES 168- First and KVB Hotel - in discussion

Close-out/Closed

DES 144 - Manholes 6 Repair

DES 149- 1st and Molloy Hot Spot

Without further discussion, and upon a motion, the meeting was adjourned at 11:15 A.M.

The next Board Meeting will be held Thursday, August 15, 2019 at 10:00 A.M.

Prepared by: Jamie Hunter

Jamie Hunter, Recording Secretary
(on behalf of Starla Friedmann)

Date: 8/15/19

Approved: Freddie O'Connell

Freddie O'Connell, Chair, DES Advisory Board

Date: 8/15/19

Approved: Bob Lackey

Bob Lackey, DES Liaison

Date: 8/15/19