



Operations Monitoring Report

Second Quarter FY26

Prepared by:

**Thermal Engineering Group, Inc.
105 Hazel Path Court, Ste 2
Hendersonville, TN 37075**

January 30, 2026

I. Executive Summary

A review of the fiscal year 2026 (FY26) Second Quarter performance and contract obligations between DE Asset Operations, LLC (DEAO) and the Metropolitan Government of Nashville and Davidson County (Metro) is presented in this report by Thermal Engineering Group, Inc. (TEG). The status of the available funds for all active capital construction and repair and improvement projects is also presented.

During the Second Quarter FY26, DEAO did not meet the performance guarantees for the steam-fuel for November and December, but met the other performance guarantees each month. DEAO is required to meet the performance criteria included within Amendments 2 and 3 each month in accordance with Paragraph 8.d of Amendment 2 of the Amended and Restated DES Management Agreement (ARMA) between Metro and DEAO and Section 18 of the ARMA. DEAO has made operational changes and other improvements to the DES over the past few years which have resulted in increased efficiency of the boiler and chiller plants. DEAO and TEG continue to monitor the efficiency and performance of the DES looking for means of improving the system.

A discrepancy in the capture of the in-plant electric data during FY25 led to an investigation by DEAO and TEG about how this data is used and included in the customer invoices. TEG and DEAO have known for some time that the reported monthly electric usages for the chiller and boiler plants do not match the billed usage from NES (Nashville Electric System). The customers are charged the appropriate values for the steam and chilled water electric costs, but the FEA and performance metrics use values which do not equate to the total monthly usage as reported by NES. The FEA true-up performed at the end of each fiscal year captures and corrects the totals for the FEA, but this correction does not account for the monthly variation in electric cost. TEG believes the correction should be made monthly such that a more appropriate FEA is charged to the customers and the reported monthly chilled water and steam-electric metrics are accurate in lieu of making an annual correction. If the correction is implemented monthly, the performance metrics would reflect lower system efficiencies.

The Second Quarter FY26 chilled water sales increased marginally compared to the previous Second Quarter (FY25) which coincided with a 17.7% decrease in cooling degree days. The chilled water sendout increased 1.0% over the previous Second Quarter resulting in an increase in the system losses. The peak chilled water demand for the current quarter was 14,290 tons, which was 3.8% higher than in the previous Second Quarter.

Steam sendout for the current quarter increased 12.0% over the previous Second Quarter with steam sales increasing 13.6%. Total steam system losses increased marginally from the previous Second Quarter. The peak steam demand for the current quarter was 117,400 pounds per hour, which represents a decrease in the previous Second Quarter demand of approximately 1.5%. The number of heating degree days increased 6.1% to 1,006.

Work continued with EDS Projects during the Second Quarter. There are twenty-one projects listed in this report. Eight projects were closed during the quarter, three others are in close-out, and six projects were added. TEG provides development, design, or construction phase services for customer and EDS related projects. Of the ten active projects, eight projects have ongoing

design or construction activities performed by TEG as of the end of the quarter, and two include development related to potential new services. DEAO's scope managing the construction phase of projects has ongoing activities in four of these projects. As noted in prior quarterly monitoring reports, several deficiencies remain deferred or postponed which can result in increased maintenance costs to DES.

The current fiscal year operating costs to date are \$10,977,671. This value represents approximately 49% of the total budgeted operating cost for FY26. The total system revenues from the sales of steam and chilled water to date are \$10,580,763 (48% of budgeted amount) which includes the annual true-up amount for FY25 and other miscellaneous revenue sources. Since the electric costs for the summer months is typically greater than other quarters, the costs to date reflect electric expenses greater than 25% of the budgeted amount. Metro has reported that the Metro Funding Amount (MFA) transfers of \$192,500 (50% of budget) have been made to date. The actual MFA can only be estimated due to outstanding invoices as of the date of this report.

Table of Contents

Section	Description	Page
I.	Executive Summary	i
II.	Energy Distribution System Sales and Performance	1
	A. Chilled Water	1
	1. Sales and Sendout	1
	2. Losses.....	3
	3. Performance	6
	B. Steam.....	8
	1. Sales and Sendout	8
	2. Losses.....	10
	3. Performance	12
	C. Contract Guarantee Performance.....	15
	D. Operating Costs.....	17
III.	EGF Operations	19
	A. Reliability.....	19
	B. Efficiency.....	20
	C. Environment, Health, and Safety	20
	D. Personnel.....	20
	E. Training.....	20
	F. Water Treatment	20
	G. Maintenance and EGF Repairs	23
	H. EGF Walkthrough.....	25
IV.	Capital Projects	28
	A. Second Quarter FY26 Open Projects	28
	B. Second Quarter FY26 Closed Projects	34
	C. Capital Projects Budget.....	35
V.	Energy Distribution System Repair, Improvements, PM, and Emergencies...36	
	A. Repairs and Improvements	36
	B. Preventive Maintenance.....	37
	C. Emergencies.....	38
	D. EDS Walkthrough.....	38
VI.	Customer Relations.....	44
	A. Marketing.....	45
	B. Customer Interaction.....	46
VII.	Recommendations.....	47

II. Energy Distribution Sales and Performance

A. Chilled Water

This section of the report discusses and presents performance information regarding the operation of the EGF for the periods described. Charts and tabular data are also presented to provide a more detailed description of the actual EGF performance.

1. Sales and Sendout

A comparison for the Second Quarter chilled water sales is shown in Figure 1. This data reflects a 0.6% increase in sales for the current quarter over the same quarter of the previous fiscal year. However, the number of cooling degree days decreased by 17.7%. Many of the issues related to the customer meter panels were resolved during the quarter and issues remain at only a few customer buildings. DEAO and TEG continue to address these problems so that customer sales values do not have to be estimated and remote access to the panels and the data they record can be maintained. DEAO and TEG continue to direct the customers to resolve those issues under their control.

The peak chilled water demand as measured at the EGF for the current quarter was 14,290 tons, which was 3.8% greater than the previous Second Quarter.

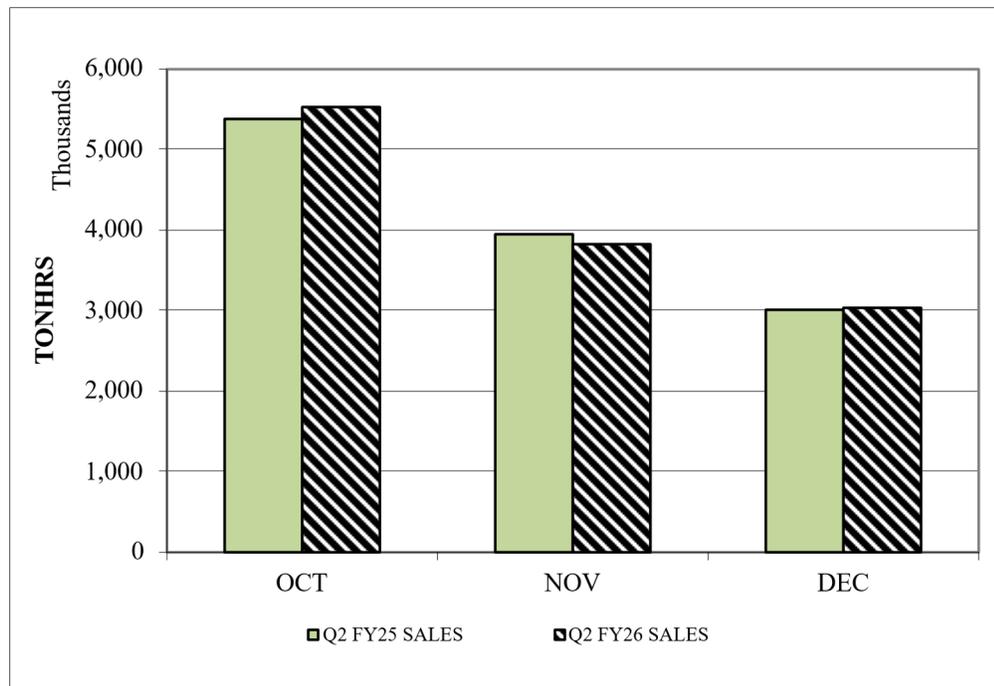


Figure 1. Chilled Water Sales Comparison

Figure 2 shows the chilled water sales, sendout and losses for the previous twelve months.

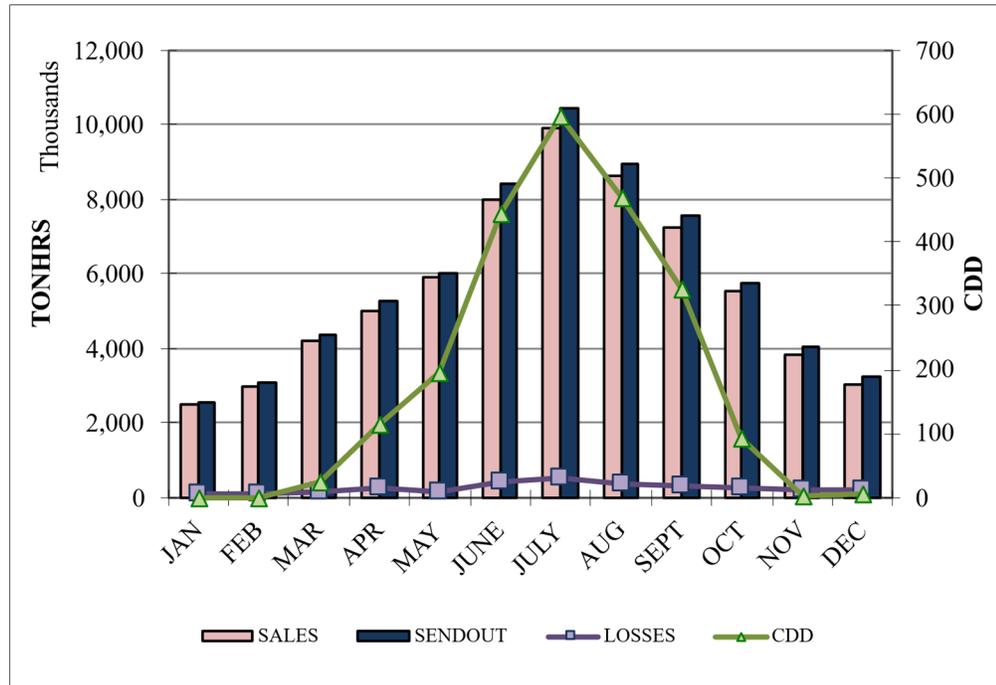


Figure 2. Chilled Water Sales, Sendout, Losses and CDD for the Previous Twelve Months

2. Losses

A comparison of the total chilled water energy losses in the EDS for the Second Quarter FY26 is shown in Figure 3. These losses are the difference in chilled water sendout and sales and may reflect differences in the meter accuracy between the EGF sendout meter, the customer meters, and the monthly usage estimated for several of the customers. The losses increased 10.5% over the previous Second Quarter. The increase in losses in December may be related to an increase in the EDS make-up water to the system. The mass of the make-up would have been measured by the sendout meter at the EGF but may not have been captured by the customer meters.

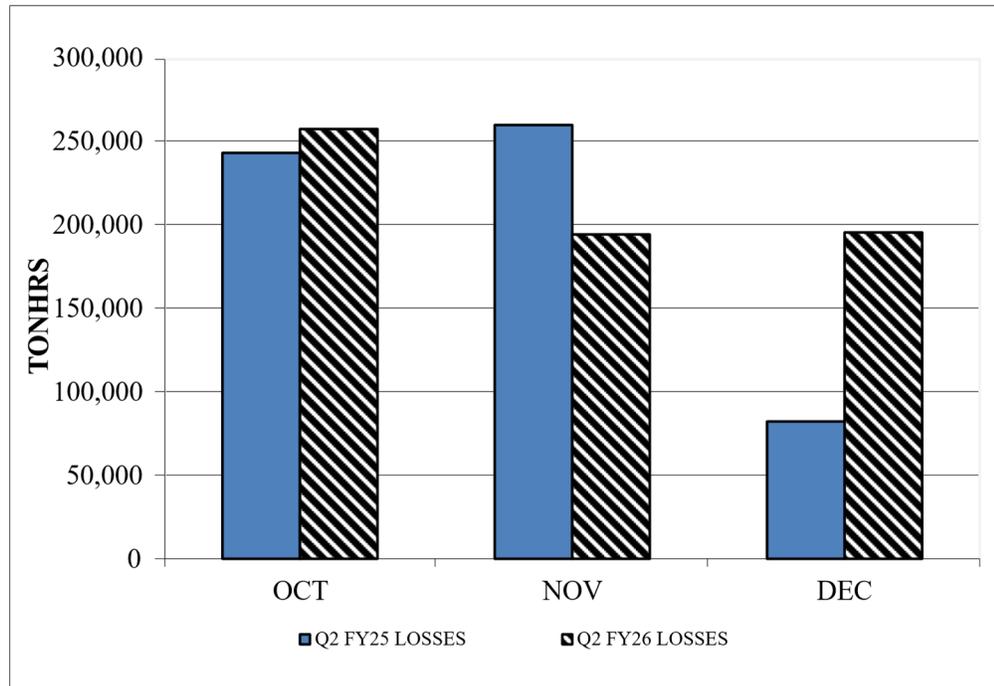


Figure 3. Chilled Water System Loss Comparison

The EDS make-up increased 40.5% over the previous Second Quarter due largely to refilling portions of the system and customer buildings after repairs. TEG and DEAO continue to monitor the EDS make-up to locate any additional leaks within the EDS. If additional leaks are discovered, DES will address the issue promptly.

The make-up to the cooling towers decreased 1.9% over the previous Second Quarter coinciding with a 1.0% increase in chilled water production. The amount of cooling tower blowdown decreased marginally. The water usage in the cooling towers is typically proportional to the production of chilled water and should likewise vary with chilled water sales. With cooler weather, the proportion of total sensible heat rejection in the cooling towers can increase resulting in lower evaporation rates. The cooler weather is noted by a 17.7% decrease in the number of cooling degree days for the quarter. The total chiller plant water use decreased

marginally over the previous Second Quarter. The overall city water make-up comparison for the chilled water system Second Quarter is shown in Figure 4. (Chilled water production is the same as chilled water sendout since there are no in-plant losses for the chilled water.)

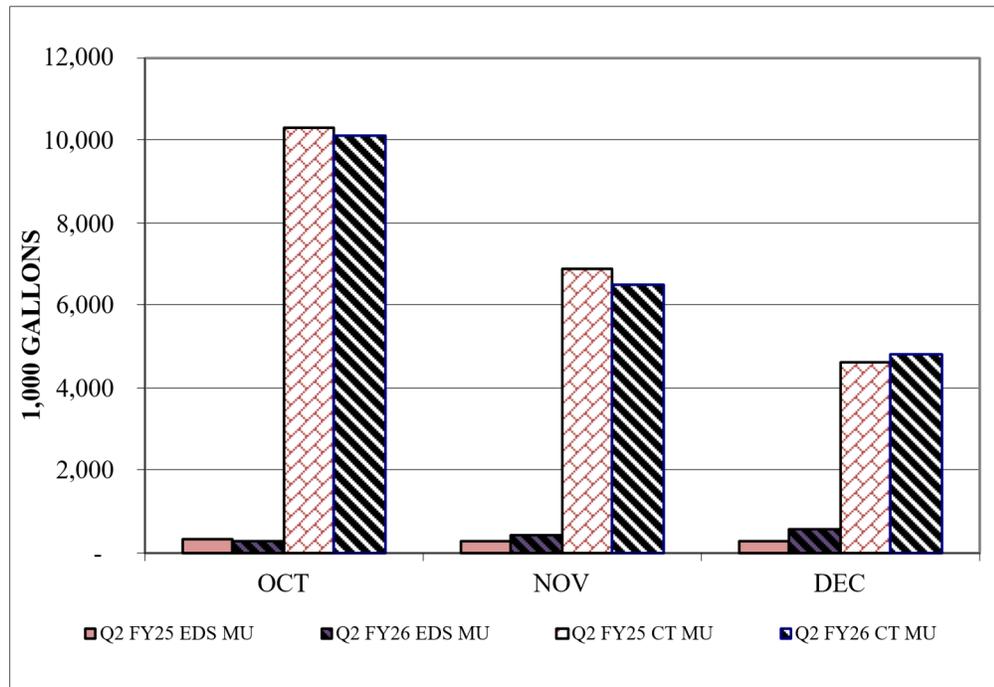


Figure 4. Chilled Water System City Water Usage Comparison

The cooling tower blowdown is monitored and controlled to maintain the conductivity of the condensing water within a range of 1,000 to 1,150 micromhos. The relationship between the cooling tower blowdown and the chilled water production should be consistent and tracking this relationship has proven helpful in reducing the chiller plant make-up water usage. DEAO has made operational changes with respect to the ratio of the cooling tower blowdown to the chilled water production over the past several years with the expectation of reducing the water usage and improving their performance relative to the chilled water-water guarantee. A comparison of the Second Quarter values between FY25 and FY26 are shown in Figure 5.

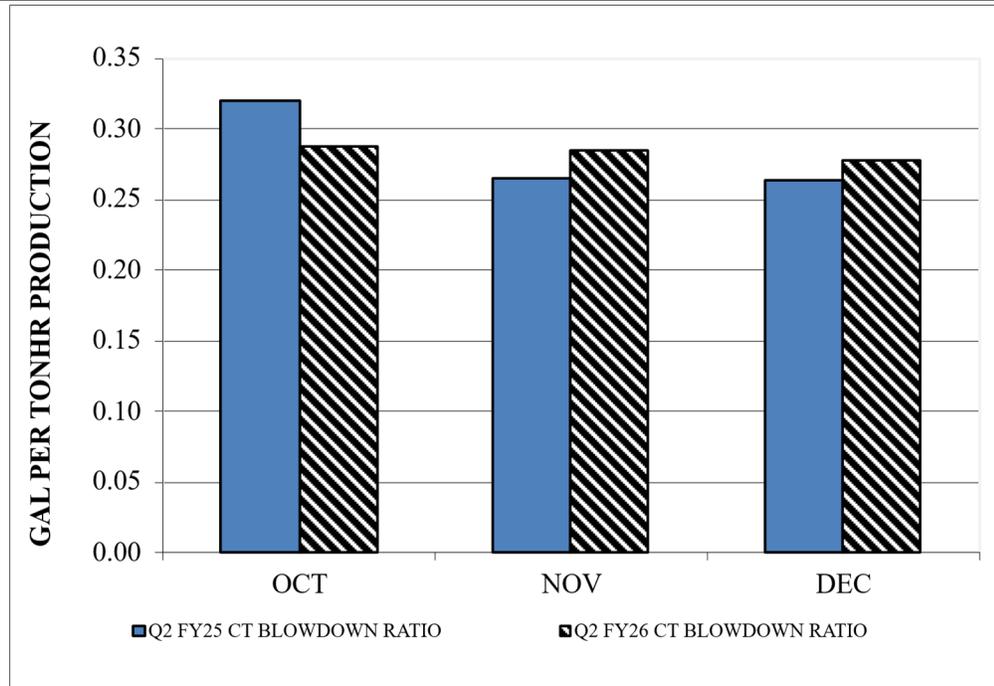


Figure 5. Cooling Tower Blowdown Ratio Comparison

When a comparison is made between the Second Quarter FY25 and FY26, the average cooling tower blowdown ratio decreased 1.2%. The chilled water-water performance guarantee was met each month during the Second Quarter FY26. During both quarters, the average cooling tower blowdown ratio was above 0.30 gallons per ton-hour. The metric averaged 0.285 gallons per ton-hour produced for the Second Quarter FY26 which validates previous assertions that values between 0.27 and 0.30 appear to result in more favorable operation and water usage and the chilled water-water performance metrics are met. The cooling tower blowdown ratio metric will continue to be tracked and monitored to verify the operational changes made by DEAO at the EGF continue to result in a decrease in chiller plant water usage.

3. Performance

The performance of the chilled water portion of the EGF is presented in the following two charts, Figures 6 and 7, for the previous twelve months. The electricity usage per unit of sales decreased 0.1% over the previous Second Quarter and the chilled water-electric metric was met each month. DEAO’s investigation into the capture of the in-plant electric data in FY25 led to a discrepancy with the steam-electric data and how this data is used with the information provided to TEG and included in the customer invoices. The impact on the chilled water-electric remains unknown as of the end of the Second Quarter, but the investigation and potential corrective factors are ongoing.

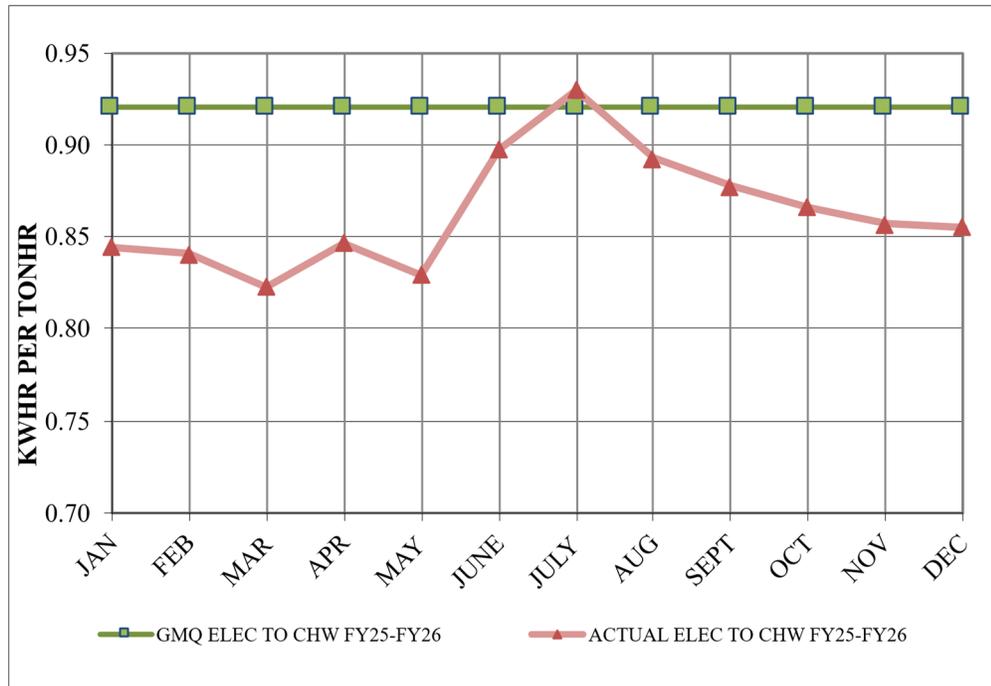


Figure 6. Chiller Plant Electric Performance Guarantee Comparison for the Previous Twelve Months

The total consumption of city water for the chiller plant for the current quarter decreased marginally over the previous Second Quarter. The cooling tower blowdown decreased marginally while the side stream filter backwash decreased 25.3%. DEAO met the chilled water-water performance metric each month during the quarter and operated with a cooling tower blowdown ratio between 0.27 and 0.30 each month. Figure 7 shows the metric for the previous twelve months. TEG and DEAO continue to monitor the water usage and chiller plant performance with the goal of decreasing the energy and water usage for the system.

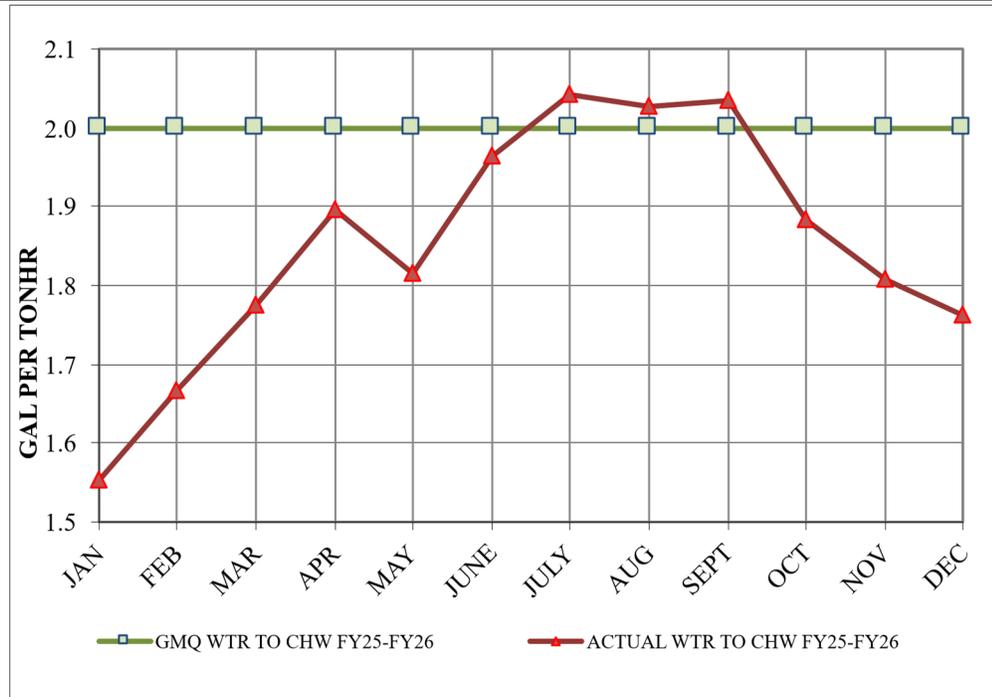


Figure 7. Chiller Plant Water Consumption Performance Guarantee Comparison for the Previous Twelve Months

B. Steam

1. Sales and Sendout

The steam sendout increased 12.0% over the previous Second Quarter, and the sales increased 13.6%. The number of heating degree days increased 6.%. The steam system losses increased marginally. The relative amount of condensate return increased 1.6% over the previous Second Quarter. The peak steam demand for the current quarter was 117,400 pph, which reflects a 1.5% decrease in the peak steam production over the previous Second Quarter.

Many of the issues related to the customer meter panels were resolved during the quarter and issues remain at only a few customer buildings. DEAO and TEG continue to address these problems so that customer sales values do not have to be estimated and remote access to the panels and the data they record can be maintained. In addition, data from a number of the customer panels had to be manually retrieved due to this issue and disconnected internet connections. DEAO and TEG continue to direct and coordinate with the customers to resolve those issues under their control. A comparison for the Second Quarter steam sales is shown in Figure 8.

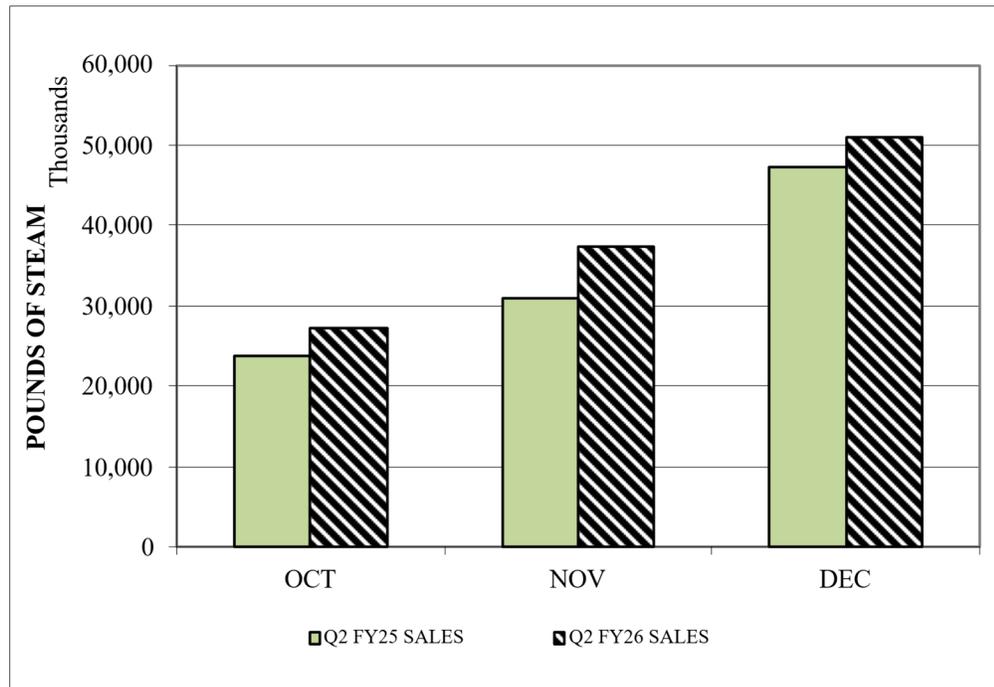


Figure 8. Steam Sales Comparison

Figure 9 shows the steam sales, sendout and losses for the previous twelve months. The losses on this figure are defined as the difference in pounds per month between the recorded sendout and sales values and represent the total mass loss in the EDS between the EGF and the customer meters.

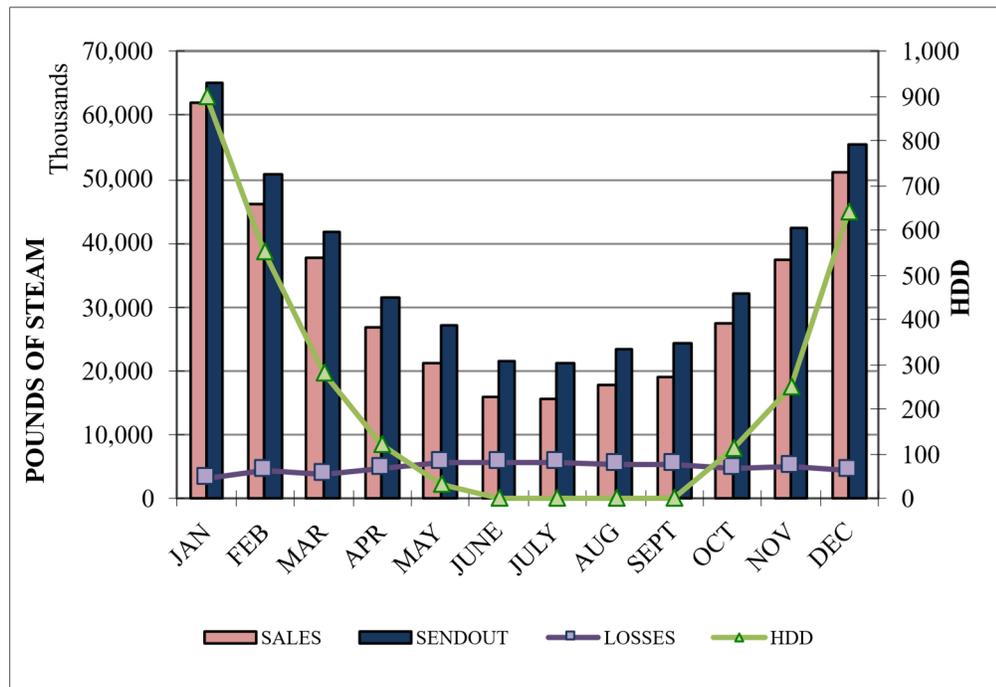


Figure 9. Steam Sales, Sendout, Losses and HDD for the Previous Twelve Months

2. Losses

A comparison of the total steam mass losses in the EDS for the Second Quarter is shown in Figure 10. The mass loss is caused by the heat loss in the EDS between the EGF and the customer meters, resulting in a mass loss at steam traps. Faulty traps, steam leaks, or meter error could also be a contributing cause of these losses.

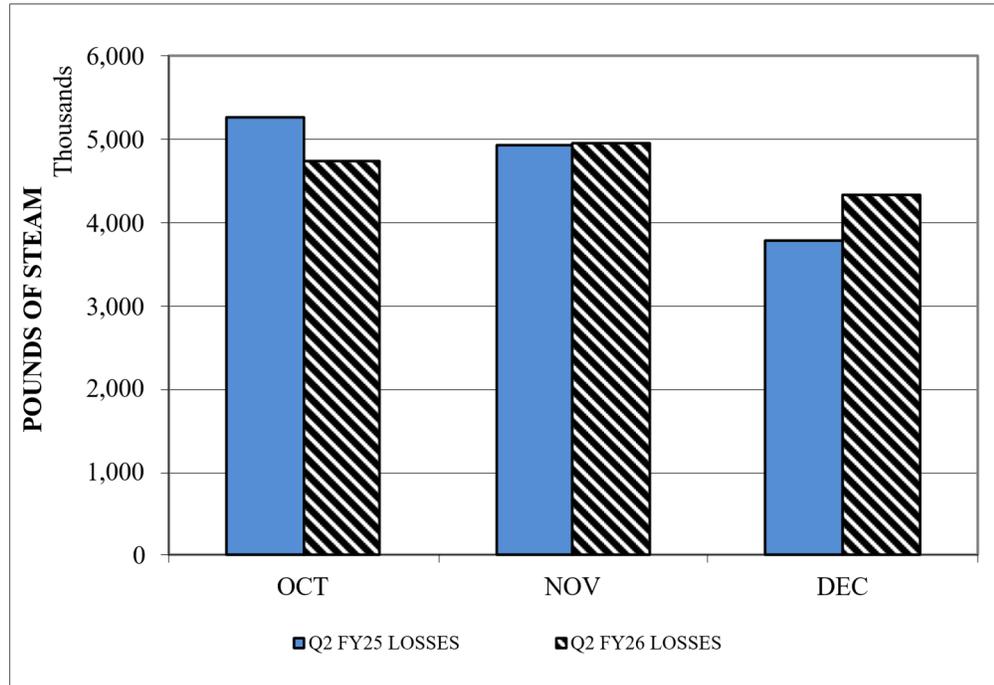


Figure 10. Steam System Losses

The amount of city water make-up (MU) to the steam system consists of the loss in mass between the EGF and the customers, in the condensate return from the customers to the EGF and losses at the EGF. The amount of make-up to the steam system increased 1.8% over the Second Quarter FY25. The relative amount of condensate return increased 1.6% over the previous Second Quarter. With an increase in the amount of make-up water, the relative amount of condensate return may be expected to decrease. However, an additional leak on Third Avenue North was discovered during the quarter and repaired in December. During the period between the discovery of the leak and the restoration of service, the condensate return from the customers in this area was drained at their buildings and not returned to the plant. The corresponding data for steam system make-up is shown in the comparison of Second Quarter data in Figure 11.

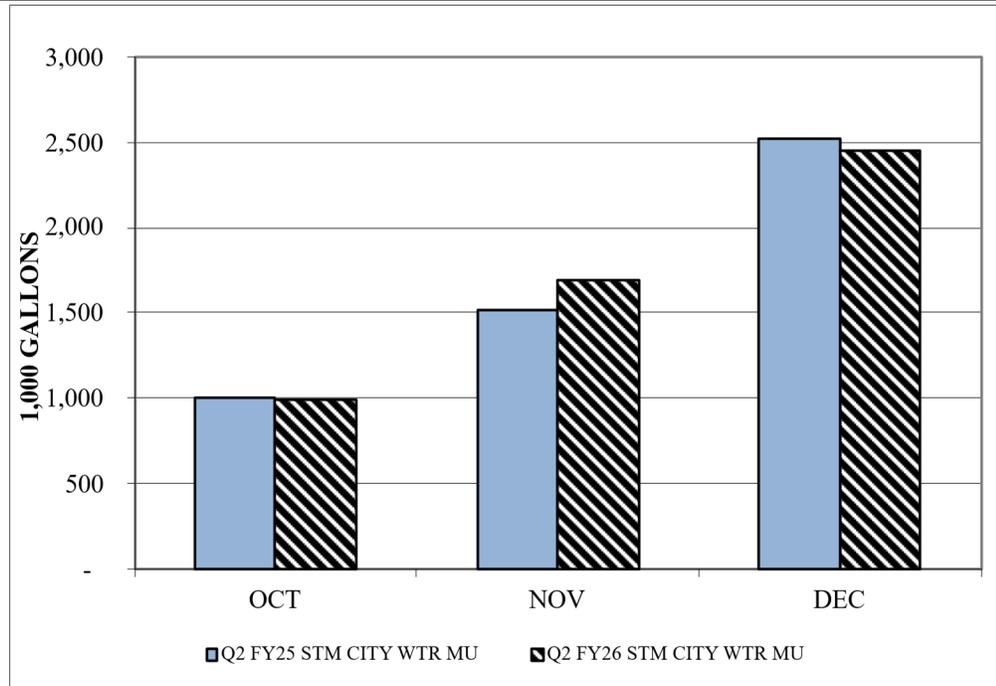


Figure 11. Steam System City Water Make-up Comparison

3. Performance

The performance of the steam system of the EGF is presented in the following three charts, Figures 12, 13, and 14. The steam electric conversion factor was met for each month of the quarter. The steam plant electric consumption for the current quarter was 7.5% higher in the Second Quarter FY26 than in the previous Second Quarter. The steam-electric metric decreased 6.3% over the previous Second Quarter.

DEAO’s investigation into the capture of the in-plant electric data in FY25 led to a discrepancy with the steam-electric data and how this data is used with the information provided to TEG and included in the customer invoices. This issue may have influenced the inability to meet the performance goal in May. The impact on the steam-electric remains unknown as of the end of the Second Quarter. However, the decrease in total plant electric usage coinciding with an increase in steam sales and an increase in the peak steam demand for the quarter may indicate an issue with both the customer meters used to determine sales and the capture of the in-plant electric usage.

The monthly steam-electric conversion factors, along with the guaranteed values, for the previous twelve months are shown in Figure 12.

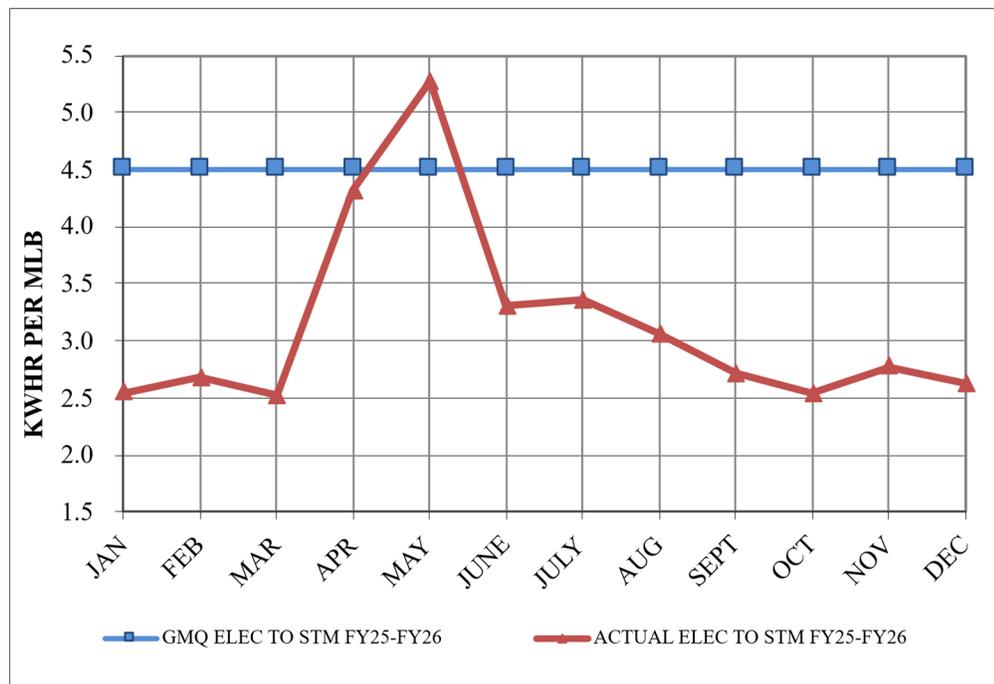


Figure 12. Steam Plant Electric Performance Guarantee for the Previous Twelve Months

For the Second Quarter, the boiler plant water usage increased 1.8%. The metric performance was met each month during the quarter. Figure 13 shows the steam-water metric using new methodology addressed in Amendment 3.

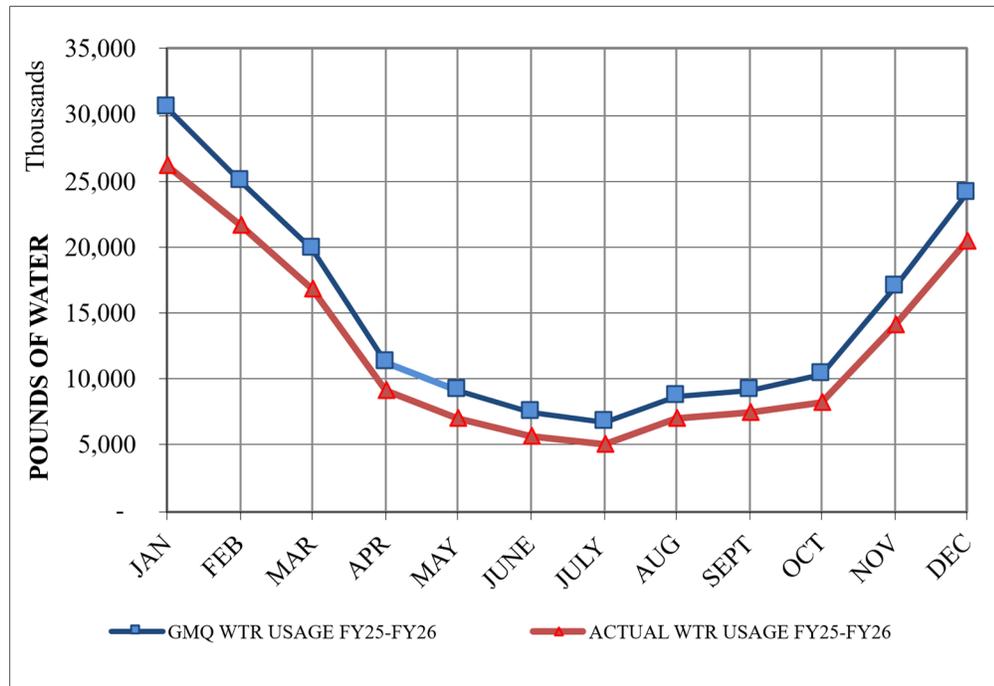


Figure 13. Steam Plant Water Performance Guarantee for the Previous Twelve Months Using a Mass Comparison

The steam-fuel metric did not change in Amendment 3; however, the relative amount of condensate return is reported using the mass flow determined by the density corrected values used in the steam-water metric (see Figure 13). The actual steam-fuel metric was met in October but not in November or December. The fuel consumption per unit of steam sendout decreased marginally over the previous Second Quarter indicating an increase in efficiency.

Figure 14 shows the performance of the conversion factors for the previous twelve months. The relative amount of condensate return is shown on this graph to reflect the influence the condensate return has on the plant efficiency.

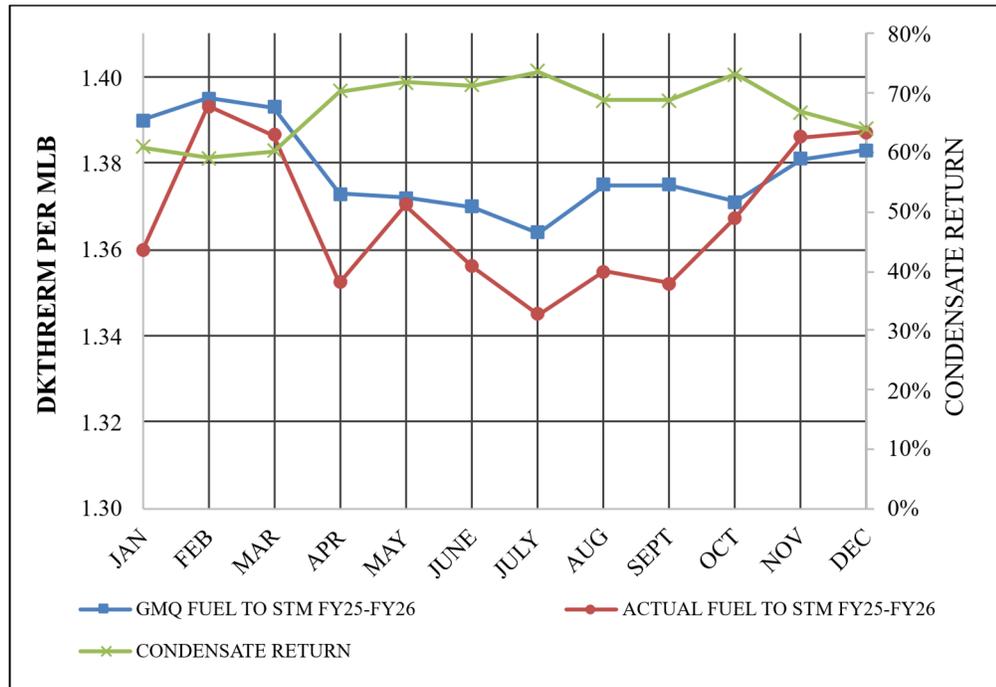


Figure 14. Steam Plant Fuel Performance Guarantee for the Previous Twelve Months

C. Contract Guarantee Performance

The production and sales performance for the EGF and EDS are summarized in Table 1 for the current quarter and the fiscal year. Additional parameters, such as cooling tower blow-down and peak demands are listed in this table, as well. Table 2 presents the Second Quarter comparisons of the Guaranteed Maximum Quantities (GMQ) or System Performance Guarantees of the criteria commodities (fuel, water, and electricity). Table 2 lists the steam-water conversions (GMQ and actual) based on the volumetric and mass flow comparisons.

Table 1. Second Quarter Production, Sales, and Consumption Summary

Item	Unit	Second Quarter FY26	Second Quarter FY25	*Percent Difference
	days	92	92	0.00%
Total Electric Use	kWhrs	10,959,510	10,944,929	0.13%
Chilled Water	kWhrs	10,652,293	10,659,239	-0.07%
Steam	kWhrs	307,217	285,690	7.54%
Total Water Use	kgal	27,822	27,772	0.18%
Total Chilled Water	kgal	22,693	22,735	-0.18%
EDS Make-up	kgal	1,304	928	40.52%
Cooling Towers	kgal	21,388	21,806	-1.92%
Calc CT Evaporation	kgal	17,679	18,089	-2.27%
CT Blowdown	kgal	3,709	3,717	-0.21%
Calc # Cycles		4.77	4.87	-2.07%
Sidestream Filter Backwash	gal	6,632	8,872	-25.25%
Steam	kgal	5,129	5,037	1.83%
Total Fuel Use	mmBTU	179,527	160,831	11.62%
Natural Gas	mmBTU	179,494	160,807	11.62%
Propane	mmBTU	33	25	34.69%
Condensate Return	kgal	10,741	9,455	13.60%
	lbs	87,146,421	76,640,379	13.71%
Avg Temp	°F	179.0	178.0	0.56%
Sendout				
Chilled Water	tonhrs	13,025,800	12,896,600	1.00%
Steam	lbs	129,917,000	116,052,000	11.95%
Peak CHW Demand	tons	14,290	13,768	3.79%
Peak Steam Demand	lb/hr	117,400	119,200	-1.51%
CHW LF		41.28%	42.42%	-2.69%
Steam LF		50.12%	44.09%	13.66%
Sales				
Chilled Water	tonhrs	12,378,718	12,310,921	0.55%
Steam	lbs	115,885,086	102,058,019	13.55%
Losses				
Chilled Water	tonhrs	647,082	585,679	10.48%
Steam	lbs	14,031,914	13,993,981	0.27%
		10.80%	12.06%	-10.43%
Degree Days				
CDD		102	124	-17.74%
HDD		1,006	948	6.12%
Cooling Tower Blowdown Ratio				
Cooling Tower Blowdown	gal	3,709,000	3,716,704	-0.21%
Chilled Water Production	tonhrs	13,025,800	12,896,600	1.00%
Ratio	gal/tonhrs	0.285	0.288	-1.20%

*positive percent difference values imply an increase from FY25 to FY26

Table 2. Second Quarter Performance Guarantee Comparison for Steam and Chilled Water

GMQ Calculations	Unit	Second Quarter FY26	Second Quarter FY25	*Percent Difference
Steam				
GMQ Elec Conversion	kWhr/Mlb	4.50	4.50	
Electric Conversion	kWhr/Mlb	2.64	2.82	-6.26%
GMQ Plant Efficiency	Dth/Mlb	1.378	1.379	
Plant Efficiency	Dth/Mlb	1.380	1.386	-0.41%
Actual %CR		67.08%	66.04%	1.57%
Avg CR Temp	°F	179	178	0.56%
GMQ Water Conversion	lbs	51,324,695	47,293,945	8.52%
Water Conversion	lbs	42,782,197	42,015,067	1.83%
Chilled Water				
GMQ Elec Conversion	kWhr/tonhr	0.920	0.930	
Electric Conversion	kWhr/tonhr	0.859	0.866	-0.75%
GMQ Water Conversion	gal/tonhr	2.00	2.00	
Water Conversion	gal/tonhr	1.82	1.81	0.23%

*positive percent difference values imply an increase from FY25 to FY26

D. Operating Costs

The fixed operating costs for the DES include the management fee to DEAO, debt service payments on the bonds and engineering and administration costs and are charged to the Initial System Customers (ISCs) relative to their contract demand. For all non-ISCs, their fixed costs are principally based on a value established by their contracts and are not tied directly to the actual costs of the debt service or DEAO's management fee.

The variable costs are dependent on the amounts of steam and chilled water produced and sold to the customers. These latter costs include the utility and chemical treatment costs and are passed onto the customers directly without mark-up resulting in a 100% recovery of the costs by the customers. A summary of the total operating costs for the fiscal year-to-date is shown in Table 3.

Table 3. DES Expenses and Revenues to Date

Item	FY26 Budget	First Quarter Expenses	Second Quarter Expenses	Third Quarter Expenses	Fourth Quarter Expenses	Total Spending to Date	% of Budget
Operating Management Fee							
FOC: Basic	\$ 4,378,300	\$ 1,082,900	\$ 1,082,900	\$ -	\$ -	\$ 2,165,800	49.47%
9th Chiller	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
C/O 6A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
C/O 6B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
C/O 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
C/O 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
Pass-thru Charges: Chemical Treatment	\$ 330,300	\$ 91,695	\$ 76,224	\$ -	\$ -	\$ 167,919	50.84%
Insurance	\$ 40,200	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Marketing: CNE Sales Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
Incentive Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
FEA: Steam	\$ 81,900	\$ 4,164	\$ 4,082	\$ -	\$ -	\$ 8,246	10.07%
Chilled Water	\$ 140,500	\$ (22)	\$ 20,043	\$ -	\$ -	\$ 20,021	14.25%
Misc: Metro Credit	\$ -	\$ (449,767)	\$ (273,259)	\$ -	\$ -	\$ (723,026)	n.a.
ARFA	\$ 68,800	\$ 17,031	\$ 17,031	\$ -	\$ -	\$ 34,063	49.51%
Deferral	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
Subtotal - Man Fee =	\$ 5,040,000	\$ 1,195,769	\$ 1,200,280	\$ -	\$ -	\$ 2,396,048	47.54%
Reimbursed Management Fee + Chem Treatment		\$ 1,180,295	\$ 396,087	\$ -	\$ -	\$ 1,576,382	0.00%
Metro Costs							
Pass-thru Charges: Engineering	\$ 102,500	\$ 34,995	\$ 19,105	\$ -	\$ -	\$ 54,100	52.78%
EDS R&I Transfers	\$ 763,600	\$ 190,900	\$ 190,900	\$ -	\$ -	\$ 381,800	50.00%
Metro Marketing	\$ 76,600	\$ 34,936	\$ 10,544	\$ -	\$ -	\$ 45,479	59.37%
Project Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
Metro Incremental Cost	\$ 533,900	\$ 131,608	\$ 114,156	\$ -	\$ -	\$ 245,765	46.03%
Utility Costs: Water/Sewer	\$ 1,250,900	\$ 428,695	\$ 252,638	\$ -	\$ -	\$ 681,334	54.47%
EDS Water/Sewer	\$ -	\$ 51	\$ 101	\$ -	\$ -	\$ 152	n.a.
EDS Electricity	\$ 73,800	\$ 21,072	\$ 20,024	\$ -	\$ -	\$ 41,096	55.69%
Electricity	\$ 5,986,100	\$ 2,162,237	\$ 1,065,490	\$ -	\$ -	\$ 3,227,727	53.92%
Natural Gas Consultant	\$ 18,600	\$ 4,140	\$ 2,520	\$ -	\$ -	\$ 6,660	35.81%
Natural Gas Transport	\$ -	\$ 79,794	\$ 122,714	\$ -	\$ -	\$ 202,508	n.a.
Natural Gas Fuel	\$ 3,593,840	\$ 335,003	\$ 752,594	\$ -	\$ -	\$ 1,087,597	30.26%
Propane	\$ 144,160	\$ 95,176	\$ 95,176	\$ -	\$ -	\$ 190,352	132.04%
Subtotal - Metro Costs =	\$ 12,544,000	\$ 3,518,607	\$ 2,645,962	\$ -	\$ -	\$ 6,164,569	49.14%
Subtotal - Operations =	\$ 17,584,000	\$ 4,714,376	\$ 3,846,241	\$ -	\$ -	\$ 8,560,617	48.68%
Debt Service							
2012A Bonds	\$ 3,430,800	\$ 913,320	\$ 865,943	\$ -	\$ -	\$ 1,779,263	51.86%
Self-Funded Debt	\$ 1,355,600	\$ 318,895	\$ 318,895	\$ -	\$ -	\$ 637,791	47.05%
MIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
Oper Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n.a.
Subtotal - Capital =	\$ 4,786,400	\$ 1,232,216	\$ 1,184,839	\$ -	\$ -	\$ 2,417,054	50.50%
Total =	\$ 22,370,400	\$ 5,946,591	\$ 5,031,080	\$ -	\$ -	\$ 10,977,671	49.07%
Customer Revenues							
Taxes Collected		\$ 142,191	\$ 106,875	\$ -	\$ -	\$ 249,065	n.a.
Taxes Paid		\$ 142,190	\$ 72,250	\$ -	\$ -	\$ 214,440	n.a.
Interest & Misc Revenue	\$ 568,700	\$ 102,800	\$ 97,527	\$ -	\$ -	\$ 200,328	35.23%
Penalty Revenues/Credits	\$ -	\$ (39,535)	\$ 68,844	\$ -	\$ -	\$ 29,309	n.a.
Energy Revenues Collected	\$ 21,416,700	\$ 5,591,834	\$ 4,724,668	\$ -	\$ -	\$ 10,316,502	48.17%
Revenues =	\$ 21,985,400	\$ 5,655,100	\$ 4,925,664	\$ -	\$ -	\$ 10,580,763	48.13%
Metro Funding Amount =	\$ 385,000	\$ 291,492	\$ 105,416	\$ -	\$ -	\$ 396,908	103.09%

The revenues shown in Tables 3 and 4 (Customer Revenue Summary to Date) reflect the charges to the customers for their respective steam and chilled water service. The difference between the total costs and revenues from the customers is the shortfall that must be covered by Metro. The shortfall exists due to the remaining unsold capacity at the EGF and the debt service for bonds to which the customers do not directly contribute.

The current fiscal year operating costs to date are \$10,977,671. This value represents approximately 49% of the total budgeted operating cost for FY26. The total system revenues from the sales of steam and chilled water for FY26 are \$10,580,763 (48% of budgeted amount) which includes the annual true-up amount for FY25 (\$40,134.19) and other miscellaneous revenue sources. Metro has reported that the Metro Funding Amount (MFA) transfers of \$192,500 (50% of budget) have been made to date. The actual MFA can only be estimated due to outstanding invoices as of the date of this report.

The DES serves 22 customers and 43 buildings in downtown Nashville (including the Auto Nashville Hotel). These customers are divided into three categories: 1) Privately-owned buildings, 2) State of TN-owned buildings and 3) Metro-owned buildings. The New Customers listed in Table 4 are non-Initial System private customers. Parkway Towers accepted a new customer service agreement during quarter resulting in them shifting from an ISC to a New Customer; however, their total costs and usages are not included in the New Customers shown in Table 4. A summary of the annual costs for each of these three categories is presented in Table 4. This row contains values for late fees and penalties, and any unpaid balances.

Table 4. Customer Revenue Summary to Date

Building	Chilled Water			Steam		
	Total Cost	Consumption (tonhrs/yr)	Unit Cost (\$/tonhr)	Total Cost	Consumption (Mlb/yr)	Unit Cost (\$/Mlb)
Private Customers	\$ 2,539,421	13,243,917	\$ 0.1917	\$ 801,593	40,383	\$ 19.8497
State Government	\$ 1,874,310	8,147,401	\$ 0.2301	\$ 1,055,900	56,681	\$ 18.6287
Metro Government	\$ 2,956,215	16,757,768	\$ 0.1764	\$ 1,089,995	71,478	\$ 15.2493
New Customers	\$ 1,844,124	9,369,668	\$ 0.1968	\$ 716,491	48,917	\$ 14.6470
Total	\$ 7,369,946	38,149,086	\$ 0.1932	\$ 2,947,487	168,543	\$ 17.4881

Total Revenue \$ 10,317,433
True-up and Adjustments (Net) \$ 263,330
Net Revenue \$ 10,580,763

III. EGF Operations

Items relating to the facility operations presented herein are derived from the monthly reports issued by DEAO for FY26. TEG continues to provide oversight of the System Operator (DEAO) and continues to meet regularly to communicate about important issues and on-going projects. DEAO has reported and operated the EGF satisfactorily although improvements in addressing the items noted in the EGF Walkthrough reports are necessary.

A. Reliability

The principal issues surrounding the reliable operation of the EGF relate to the ability to operate without significant interruption, exclusive of planned outages, and disruption of service to the customers. Due to improvements in the operation of the EGF, the number of reportable thirty-minute periods where the steam sendout pressure was less than 150 psig and where the chilled water sendout temperature exceeded 43.3°F continue to remain lower than in previous years. However, trips and excursions are noted for the quarter and the fiscal year.

First Quarter:

A planned outage occurred in August as part of the project DES228. The steam pressure was less than 150 psig for approximately nineteen hours.

The steam pressure was below 150 psig on September 11 for approximately forty-five minutes reaching a low of 101 psig due to a boiler trip. DEAO's investigation revealed a hot spot on a bolted electrical connection on the 1B transformer which is believed to have caused the trip. The transformer was deenergized, repairs were made that day and the transformer was reenergized.

Second Quarter:

While performing electrical maintenance in November, a breaker for the boiler controls opened causing the boilers to shut down. The boilers were immediately restarted. The steam pressure was below 150 psig for forty-five minutes. The minimum steam pressure during the period was 95 psig.

NES made emergency repairs to the 69kV electric service on Peabody St in December. As a result, the EGF was without power for one hour. The loss of power was not the result of actions by DEAO. The steam pressure was below 150 psig for 135 minutes reaching a low pressure of 60 psig. The chilled water temperature was above 43.3°F for 105 minutes reaching a maximum temperature of 48.9°F.

B. Efficiency

DEAO did not meet the steam-fuel metric in November and December. All other metrics were met during the quarter. A more detailed discussion of the contract guarantee performance was presented previously in this report.

C. Environment, Health, and Safety

No environmental violations were reported during the quarter.

DEAO has implemented and requires regular attendance of online and in-person safety courses for their employees. For the Second Quarter, the courses included: SWPPP/SPCC Training and “corporate training.” TEG questions whether the latter topic fulfills the environmental, health, and safety training in accordance with Section 17 and Appendix 11 of the ARMA.

D. Personnel

In July, one of DEAO’s stationary engineers passed away due to natural causes. DEAO hired his replacement during the quarter and are currently staffed with nineteen full-time employees, one remote part-time employee and two shared employees. Of the current number of employees, ten were previously employed by Nashville Thermal Transfer Corporation.

E. Training

Staff training for this quarter consisted of the Health and Safety discussed previously and other corporate training.

F. Water Treatment

The water treatment program consists of regular testing and monitoring of the water chemistry in the steam, condensate, chilled water, and condensing water systems. Chemicals are added to control the water hardness, chlorine levels, and biologicals and to aid in the prevention of corrosion. Remote testing of the condensate at the AA Birch, Tennessee Tower and the Andrew Jackson buildings also occurs regularly to monitor the concentration and distribution of the steam system chemicals.

- Steam System
 - The relative amount of condensate return averaged approximately 67.1% of the steam sendout during the quarter, which represents an increase over the previous Second Quarter of 1.6%. The condensate return decreased in November and December due to a leak discovered on Third Avenue North during the quarter but increased after repairs were completed in late December.

- Feedwater iron, pH, and hardness (for the portion of the condensate returned) remained within their acceptable ranges during the quarter and the fiscal year.
- Condensing Water System
 - The conductivity of the condensing water continues to be normal.
 - The cooling tower blowdown decreased marginally over the previous Second Quarter. This change resulted in an average decrease in the cycles of concentration in the cooling towers of 2.1% for the quarter.
 - DEAO began monitoring and tracking the ratio of the cooling tower blowdown to the chilled water production. The average value for the quarter decreased 1.2% over the previous Second Quarter.
- Chilled Water System
 - DEAO continues to monitor and test for the presence of bacteria in the system. The biological growth in the system, as measured at the EGF and at the customer buildings, has become non-existent. Chem-Aqua's proprietary biological treatment system continues to function properly.
 - The side stream filter has significantly reduced the amount of suspended solids in the chilled water and improved the turbidity of the system since it became operational in 2023. However, the turbidity shows an increasing trend through the First and Second Quarters of FY26. The water treatment vendor has stated they believe the increase in turbidity may be due to one or more of the following: 1) the presence of the dye in the system used to detect leaks within the EDS, 2) degradation of the filter media, and 3) the presence of particulates entering the system from customer buildings. Additional samples and testing are anticipated in the Third Quarter to help determine the cause and potentially adjust the water treatment.
 - Figure 15 shows the results of several measured metrics within the chilled water system which may be affected through the use of the side stream filter. Values shown at or near zero may be at or below the detectable limit and are represented by "zero" on the graph. Data for December 2025 was not available at the time of publishing this report.

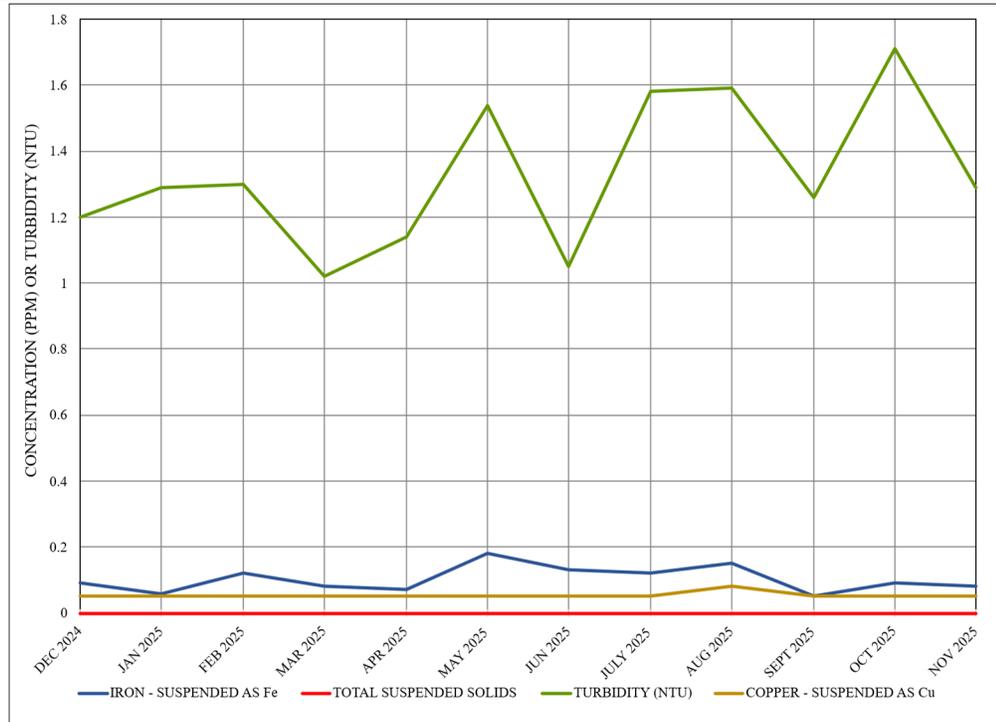


Figure 15. Chilled Water Composition Downstream of Side Stream Filter

G. Maintenance and EGF Repairs

DEAO continues to report on the routine and preventative maintenance activities performed on the EGF primary and ancillary equipment. The principal items are discussed herein as they relate to the repair, maintenance or replacement of equipment or devices at the facility and are not considered extraordinary. The cost for these items is included as part of the FOCs and are not the responsibility of Metro or the DES customers.

Several deficiencies related to the cooling tower maintenance and repair have been noted in several of the previous EGF Walkthrough Reports. TEG remains convinced that the block-style fill in the cooling towers from Evapco used to replace the OEM fill does not provide the same performance as the OEM fill. This type of fill is prone to collecting silt and other deposits further reducing the air flow through the towers. The block-style fill negatively impacts the tower performance which reduces the efficiency and capacity of the chillers.

Repairs and As Needed Maintenance

- Office Janitorial Services, equipment room cleanup, and pest control;
- Checked, updated, and backed up plant computers and servers;
- Assisted with data acquisition for Plant Efficiency (Skyspark);

Repairs or Replacement

- The purge pump on chiller 7A and 6A were replaced;
- The blowdown valve for boiler 4 was replaced;
- The air curtains were repaired;
- The inlet valve for DA 1 was rebuilt;
- Repairs on the air curtain 3 were made;
- New fans were installed during the quarter near the ceiling above boiler 4 which are intended to provide circulation near the air curtain to assist in freeze protection;
- Other repairs, maintenance, and preventative maintenance were made during the quarter and are listed in the monthly reports issued by DEAO.

DEAO includes in their monthly reports to Metro the amounts spent for maintenance and repairs at the EGF. These costs are borne by DEAO and are not included in Metro's budget. Preventive maintenance, equipment replacement, labor, and sub-contractor costs are included in the values shown in Table 5.

Table 5. DEAO Annual EGF Maintenance and PM Reported Costs

Month	Maintenance	Preventive Maintenance
Jul-25	\$44,930	\$34,484
Aug-25	\$65,904	\$22,194
Sept-25	\$70,096	\$22,255
Oct-25	\$53,663	\$22,496
Nov-25	\$66,724	\$22,691
Dec-25	\$21,403	\$25,798
Annual Totals	\$322,720	\$149,917

H. EGF Walkthrough

The EGF Walkthrough was conducted on January 6, 2026, by Kevin L. Jacobs, P.E. Based on the review of the EGF, the following comments and observations are presented. Mr. Jacobs observed the following items during this Walkthrough which require attention..

- The historic customer invoice database files and customer meter data were backed-up by TEG during the quarter to a separate drive and removed from the Metro PC located in the Metro office at the EGF. Data stored on this computer is backed-up daily via Carbonite, but when the files are removed from the PC, the files are subsequently erased from the Carbonite off-site storage. Upon review of the database files, TEG discovered access was restricted by password. TEG, Metro, and DEAO have discussed the need to have passwords to all pertinent computers, systems, and data, such as the customer invoice database files. As of the date of this report, the password and username for the EGF control and monitoring system has been provided to TEG and Metro. However, the other passwords and usernames have not been provided as of the end of the quarter. Resolution to this issue was completed in the Second Quarter. This item will be removed from future reports.
- During the Fourth Quarter FY24 Walkthrough, the control valve on the city water makeup was not insulated and was sweating. DEAO reported at that time they would have the valve insulated by their insulator who was onsite during the Walkthrough making insulation repairs elsewhere in the EGF. During the Fourth Quarter FY24 a bucket with a drain hose was noted as having been installed beneath the valve to collect the condensation from the valve and a small leak from the flange. DEAO repaired the leak and removed the bucket prior to the Second Quarter FY25 Walkthrough. **The control valve insulation was repaired during the Third Quarter FY25, but the adjoining isolation and bypass valves have not been insulated. DEAO and TEG discussed insulating the adjoining manual valves during the First Quarter FY26. DEAO explained that the valves in question had never been insulated, as well as several other city water valves within the plant. Although TEG recommends these valves be repaired and insulated, this item will be removed from future reports unless similar issues recur with the control valve.**
- The insulation on the condensate and feedwater lines south of boiler B4 needs to be repaired in several locations. The insulation on the steam line west of boiler B4 also needs to be repaired. The hangers on these pipes need to be adjusted and tightened if necessary. **As of the Fourth Quarter FY25 Walkthrough, DEAO had repaired much of this insulation but a section of insulation on the piping beneath the make-up valve west of boiler 4 needed repair. During the Second Quarter FY26 Walkthrough, some of the insulation had been removed on the condensate piping. DEAO needs to complete the insulation repairs.**
- The water distribution box for cooling tower 11 may be leaking. This leak is similar to the leak noted in cooling towers 12 and 18 and reported in the McHale and Associates report on the cooling towers dated March 6, 2025. **DEAO reported they have investigated the issue and will make repairs after the cooling season. It could not be determined during the Fourth Quarter Walkthrough if the**

boxes were leaking since all of the towers were operating. **During the First Quarter FY26 Walkthrough, the distribution boxes in cooling towers 18, 15, 11, and 3 were all noted as leaking. Towers 11 and 15 were the most significant. During the Second Quarter FY26 Walkthrough a) CT-18 was running and the leak could not be verified, b) CT-15 was not running, water was not flowing through the tower, and a leak could not be verified, c) CT-11 was running and noticeably leaking, and CT-3 was not running, water was not flowing through the tower, and a leak could not be verified. DEAO needs to repair the distribution boxes.**

- Damage to the inboard side fill of cooling tower 1 was previously noted. This damage included broken louvers and separated sections of the fill. In addition, similar damage was noted during the Third Quarter FY25 Walkthrough of the outboard side of cooling tower 18 and the inboard sides of towers 4, 10, 14, and 18. “Inboard” refers to the side of the towers facing one another. “Outboard” refers to the side of the towers facing toward the outside of the EGF. **DEAO needs to schedule the replacement and repair of the fill prior to the upcoming cooling season and provide Metro/TEG with the schedule. This item will remain in the Walkthrough reports until such time as the replacement and repairs have been made. As of the Second Quarter FY26 Walkthrough, the fill had not been repaired or replaced.**
- DEAO previously made repairs to the ceiling on the operating floor above motor control center 4 and near boiler 3. The ceiling decking (corrugated metal panels) between boilers 1 and 2 and above motor control center 3 appears to be showing signs of rusting which may lead to further degradation of the decking or damage to structure and equipment below. **DEAO needs to investigate this area for potential leaks and make repairs, as necessary. As of the Second Quarter FY26 Walkthrough, the repairs have not been completed.**
- Condensing water pump 2 was spraying water from the inboard packing gland. Calcium or other deposits covered a portion of the adjoining piping and the pump volute. **DEAO made the necessary repairs. This item will be removed from future reports.**
- Insulation was noted as damaged or missing at the following locations: the 150 psig steam line east of the de-aerators, condensate piping south of de-aerator 2, and the softened water line on the mezzanine. **As of the Second Quarter FY26 Walkthrough, the damaged insulation has not been repaired.**
- The dry wall in the office hallway is damaged in several areas. These areas include at the corner near the breakroom, near the west end of the hallway, and near the copier area. **DEAO has repaired the damaged sections of dry wall and repainted the areas. They are investigating installing rigid corner guards or stainless steel wainscotting. This item will be removed from future reports.**
- The vacuum breaker for DA-1 was leaking hot condensate and venting. **DEAO needs to repair or replace the vacuum breaker.**
- Algae was noted in several of the cooling tower basins and on the roof decking surface. **DEAO needs to remove the occurrences of algae.**

- The unused wooden pallets previously noted as being stored in the parking lot have been removed. However, a plastic pallet is located on the south end of the parking lot and has been there for several weeks. **DEAO needs to remove this pallet.**
- One of the bumpers and some of the caution tape on the beam flanges located on the south side of the cooling tower deck have become detached from the beams. DEAO has replaced the bumpers and applied replaced the caution tape. As discussed with DEAO personnel, the tape and bumpers continue to fall off the galvanized beams. A more permanent solution may require painting the beams in a high-visibility yellow or similar color and attaching the bumpers with galvanized bands or wire-ties. **No action has been taken by DEAO since the First Quarter FY26 Walkthrough. DEAO needs to consult with their safety personnel and discuss their options and make the necessary changes.**
- The splash blocks on the east side of the plant (near the parking lot) are not oriented correctly and may be allowing rainwater to collect and/or drain underground against the outer wall of the plant. This situation may be related to the issues noted above regarding the rusting ceiling decking above motor control center 3. **DEAO needs to re-orient the splash blocks and ensure rainwater drains away from the plant walls.**
- DEAO should review the IMaint attachments on the Metro drive and verify the most recent files have been updated so that they can be backed-up. IMaint attachments should be included when available and updated as maintenance items are addressed. Some items have been updated, but these may not be indicative of the maintenance performed by DEAO since few files have saved dates in CY2025. **DEAO needs to ensure the IMaint attachments are included.**
- The customer building meter and instrumentation calibrations have been updated and provided to TEG. However, the EGF meter and instrumentation calibrations have not been provided. These calibration reports need to be saved to the Metro drive so they can be backed-up. **Although the calibration reports have not been stored on the Metro drive, they were provided to TEG. This item will be removed from future reports.**
- The hard drive space on the Metro PC is nearly full. TEG has taken action by removing some of the older customer meter and invoice data files to increase the available space. However, the DEAO server has repeatedly pushed the older meter data files back onto the Metro PC. The older customer invoice database files are not being pushed back onto the PC. **DEAO needs to investigate why the deleted meter data files are being restored once removed or DEAO needs to install a second hard drive to make more space available. With an additional hard drive, TEG can change the Carbonite settings to ensure the data on the new drive is backed-up**
- Other action items previously noted to be addressed by DEAO may have been completed. (See also the “Quarterly EGF Walkthrough Report,” dated January 6, 2026, by TEG for additional information.)

IV. Capital Projects

The Capital Projects discussed in this section are those projects funded through the issuance of bonds by Metro. Costs for these projects will be paid from funds already appropriated. The status of the projects is discussed, and the project cost-to-date and bond balances are also presented.

A. Second Quarter FY26 Open Projects

The following projects remained open at the end of the First Quarter FY26.

1. DES163 – New Service to MDHA Parcel K (Peabody Union)

The Peabody Union development includes the construction of Guthrie St that has required modification to the east retaining wall along the EGF property. The installation of this new road affects the entrance and exit to the EGF site and result in the loss of DES property. This project number is used to track costs and activities associated with the new road, the on-site construction activities by the Peabody Union contractors, and the overall impact on DES.

TEG reviewed the installation of the fencing and work on the DES performed by Peabody Union’s contractor (Turner Construction Company) and provided a punch list of incomplete or unacceptable items to Turner and AR Coleman on February 27. A follow-up punch list was issued on June 3, 2025. A subsequent review was completed by TEG in November 2025 with another follow-up punch list issued to Turner on November 14, 2025.

DES believes the poor visibility while entering and exiting the parking lot at the EGF creates a potentially hazardous condition which needs to be addressed by Peabody Union. Communications with NDOT and Peabody Union occurred during the quarter attempting to address this issue. As of the end of the First Quarter, NDOT installed a roadway sign on Guthrie St marking the entrance of vehicles from the south gate of the parking lot. TEG met with NDOT personnel onsite on October 30, 2025, to discuss the poor visibility issues raised by TEG and DEAO. As of the date of this Second Quarter report, NDOT has reported they were addressing the issues. TEG recommends additional action is necessary to mitigate traffic accidents travelling along Guthrie St, entering, and existing the EGF parking lot.

DES is not expecting to incur additional costs related to this project. Therefore, this project is closed.

2. DES202 – 7th and Commerce Hotel

The developer for the new hotel has reported their project is progressing with financing. Due to a lack of progress by the developer, this project is closed. Should additional work be required, a new project number will be created.

3. DES203 – Printers and Bankers Alley Building

The engineers for the developer reported the project is moving forward and that chilled water service from DES is included in the design. Due to a lack of progress by the developer, this project is closed. Should additional work be required, a new project number will be created.

4. DES213 – 4th Ave, 7th Ave, and Broadway Tunnel Piping Support Slide Repairs

The piping supports in the three main tunnels (4th Ave, 7th Ave, and Broadway) include slides and guides to allow the piping to move freely due to thermal expansion and contraction in a linear direction with minimal resistance. The slides include Teflon coatings which have been damaged or have become unattached over the years of service. TEG has modeled these supports to determine the resulting forces on the supports based on varying friction factors. As a result of the modeling, TEG determined these slides and guides need to be repaired, restoring the low resistance to thermal movements as originally designed thereby preventing excessive forces on the supports and anchors. This project addresses the replacement or repair of these supports.

TEG conducted a site review to confirm the extent of the work needed; 208 supports were found to be worn or damaged. The design documents for these support modifications were completed during the Fourth Quarter FY24. Due to other project schedules, DEAO has postponed the bidding of this work. TEG agreed to a temporary delay provided the work proceeded in the First Quarter FY26, which did not occur. DEAO qualified two additional mechanical contractors, and a pre-bid meeting was held on December 10, 2025, with four contractors present. The bid due date is January 7, 2026.

5. DES217 – Auto Nashville Hotel, LLC DES Service Connection

The building's contractor previously noted a postponement of the building's construction of five to six months which has progressed into nearly a twelve month delay. Therefore, the start date for the design completion and construction of the new service is unknown.

6. DES222 – Valve Tagging

To facilitate identification of the valves in the EDS, and more efficient tracking of their maintenance, TEG recommended the development of manhole and tunnel drawings to identify all EDS valves and their locations. After discussions with DEAO and the DES liaison, this project was established.

TEG began and completed the development of the valve identification drawings during the Fourth Quarter FY24, and they were transmitted to DEAO. During the

Second Quarter FY25, DEAO began tagging the valves. DEAO completed the tagging of the valves and provided TEG with documentation identifying any discrepancies between field conditions and the information represented by the drawings generated by TEG during the quarter. TEG is now reviewing this information and making corrections to the drawings. Once this phase is complete, TEG will develop a method to identify all the buried EDS valves. This project will remain open until all the valves in the EDS have been tagged or identified.

7. DES228 - Manholes B2 and B3 Dripleg Modification

This project is now closed.

8. DES229 – Miscellaneous Manhole Insulation Repairs

This project is now closed.

9. DES230 – Manhole 6A Investigation

Manhole 6A consists of two separate manholes which house the Hermitage Hotel's service valves for chilled water (first manhole) and steam/condensate (second manhole). Each of these manholes have only one manway and the floors are dirt. Because each manhole only has one manway, if maintenance personnel need to access either manhole, ventilation ducting must be introduced through this single manway. This is not ideal and can potentially be a safety hazard, especially with the elevated ambient temperature of the steam manhole. Additionally, the steam service valve is not operational.

Hermitage Hotel personnel have made changes in their mechanical space during the quarter, which has improved access to the DES instrumentation. Modifications to the mechanical space valve gear boxes on the two DES chilled water valves to make their operation more accessible is now postponed since operable valves in the EDS (Manholes 6 and 23) can be used to isolate the building. In addition, the modifications made by building personnel have largely improved access to the existing valve gear boxes.

The corroded condensate return isolation valve in Manhole 6 has been replaced.

Because the Hermitage Hotel steam and condensate service can be isolated in Manholes 6 and 23, and because the Hermitage Hotel chilled water can be isolated in the mechanical room and the chilled water Manhole 6A valves, then no further action is needed at this time regarding Manhole 6A. However, TEG will notify DEAO that Manhole 6A steam should not be used to isolate the Hermitage Hotel steam or condensate service. This manhole should be reviewed on a regular basis from street level. If any maintenance is needed in this manhole, it will be addressed at the time the need arises.

This project will be closed in the Third Quarter FY26.

10. DES231 – Tennessee Tower Service Piping Relocation

The DES service piping to the Tennessee Tower passes through the State’s Gold Parking Lot adjacent to the tower. The State of Tennessee unknowingly located a new back-up generator over top of a portion of these service lines. To ensure accessibility to this piping for future maintenance or replacement, the State asked DES to relocate a portion of these service lines such that none of the piping is underneath this generator.

The State has agreed to reimburse Metro for the costs of relocating these lines.

Bids were received for this work during the Third Quarter FY25, and documentation was forwarded to the State, with a recommendation for review. The State agreed with the recommendation and site work is scheduled to begin July 28, 2025. The steam piping and condensate piping work was completed during the First Quarter FY26. The chilled water piping relocation work was completed October 31 and November 1, 2025. The parking lot was repaved, and re-stripped, and mechanical room piping was re-insulated during the quarter. TEG reviewed the completed work and generated a punch list in December 2025. TEG asked the State to provide a punch list of any items which they believed needed to be addressed. The State punch list had not been received by the end of the quarter but was received in January 2026.

This project is now in close-out.

11. DES233 – Manhole 12 to Manhole 15 Hotspot Investigation

Water intrusion into Manhole 15 increased dramatically during the Second Quarter FY25, and the water’s temperature was unacceptably hot. TEG directed DEAO to schedule a thermographic scan of the area around Manhole 15. This scan was conducted and indicated that a hot spot existed east of Manhole 15, between Manhole 12 and Manhole 15. TEG directed DEAO to hire an excavation contractor to excavate the hot spot. This revealed a leak in the condensate return piping. TEG developed a design for the replacement of this piping.

The replacement of this piping and site restoration was completed during the Third Quarter FY25. The manhole wall penetration sealing in Manhole 15 and Manhole 12 was completed during the Fourth Quarter FY25.

This project is in close-out awaiting cost substantiation information from the contractor. DEAO has contacted the contractor to retrieve this information on several occasions to no avail. Recently, DEAO contacted someone in the executive level of the contracting company and DEAO has been assured that this information is forthcoming.

Additional correspondence was received from the contractor after January 1, 2026, and TEG is in the process of reviewing this information.

12. DES236 – 3rd Ave Condensate Return Replacement

Because of the condensate piping leaks/failures associated with DES235, this project was initiated to replace the remainder of the uninsulated “gas wrap” piping that was installed in 2003. The scope will include the portion of 3rd Ave North from Deaderick Street to a point just north of James Robertson Parkway.

TEG prepared construction documents based upon the installation of Metro-furnished pre-insulated piping and this work was bid. None of the bidders could begin the project work in a timely manner, therefore TEG decided to postpone the project until the spring of 2026. However, TDOT began re-paving James Robertson Parkway at the 3rd Avenue North intersection, and a condensate leak was uncovered in this process. TEG spoke with TDOT and explained that DES needed to replace the condensate piping crossing James Robertson at 3rd Avenue and did not want to excavate the new pavement about to be placed. TDOT was cooperative and gave DES a three-week window to replace the condensate piping in this intersection. Fortunately, a contractor that has done work on the EDS was able to quickly respond and begin the piping replacement. This piping in this intersection was replaced during September.

During the second quarter, DEAO noted another drop off in the amount of condensate return to the plant. Through its thermographic subcontractor, DEAO identified several additional hot spots on the existing condensate line south of the James Robertson intersection (outside the area of the previous repairs). After reviewing the additional thermography in the field, TEG confirmed that another leak was present and needed to be repaired. The carrier pipe was replaced in December, but portions of the insulation did not arrive until after January 1, 2026. This portion of the work was completed early in the third quarter.

The remaining portion of this work will be bid during the Third Quarter.

13. DES237 – DDC (formerly CJC) Area Chilled Water Leak

This project is closed.

14. DES238 – Leak at Indigo Hotel

This work was completed during the Second Quarter FY26 and is now closed.

15. DES239 – Manhole S4A Steam Leak

This work was completed during the Second Quarter FY26 and is now closed.

16. DES240 – Viridian Manhole Platform

Portions of the insulation in this manhole needed to be replaced. This was done under DES229. The manhole is small, and the entry ladder is extremely close to the piping. The newly installed insulation obstructs the use of the entry ladder rungs. Therefore, this project was opened to install a maintenance platform in the manhole which the upper portion of the entry ladder can access. This platform will provide access to the manhole valves.

TEG is designing this platform. It is expected that this project will be bid during the Third Quarter FY26.

17. DES241 – Manhole D3 Electrical

Manhole D3 is located at the east end of the AA Birch Tunnel. This manhole is located on 2nd Avenue North between the AA Birch Building and the Downtown Detention Center. There is an irrigation system which serves the AA Birch Building which has a leak. Whenever the irrigation system is energized, water flows into Manhole D3 and drips on electrical enclosures/components within the manhole. Representatives from the Parks Department, AA Birch and the Downtown Detention Center have been contacted and there is a question regarding the ownership of the supply line serving the irrigation system. Additionally, the leak is believed to be in an area which is extremely difficult to access. Believing that a repair to this leak will not occur soon, through discussions with the DES liaison, it was decided to replace the electrical components in Manhole 3 with watertight appurtenances. TEG prepared a written scope and presented it to DEAO. DEAO is coordinating contractors for a pre-bid meeting which should take place during the Third Quarter FY26.

18. DES242 – Woodland Street Bridge - CHW Insulation Repairs

DES chilled water is supplied to the Nissan Stadium. The service piping to the stadium is suspended underneath Woodland Street Bridge. On the east end of the bridge, the chilled water turns vertically down from the bridge into the ground and is buried to the stadium. Some portions of the insulation and jacketing on these vertical pipes are corroded and in need of repair. This project addresses these repairs.

NDOT is preparing to renovate portions of the bridge, and this DES repair work will have to be coordinated to not interfere with NDOT's work.

TEG is preparing a scope for these repairs.

19. DES243 – 414 Union Street Service

During the Second Quarter FY26, TEG met with and began discussing the potential steam and chilled water service to 414 Union St. This building is currently a 25-story office building, and the owners intend on re-developing the upper twelve floors into a specialty hotel. The remainder of the building will undergo some renovations but will largely retain office space with an additional restaurant.

TEG has met and collaborated with the developer during the quarter through marketing efforts and providing technical information related to receiving service from DES. The capacity for the building is currently being evaluated by the building engineers. Discussions have proven favorable and service to the building may begin in FY27.

20. DES244 – Nashville Fire Department Headquarters Service

In late FY25 and through the first two quarters of FY26, TEG began working with various Metro departments evaluating the potential service to a proposed Fire Department Headquarters building located at Second Ave North and Gay Street. The financial and technical aspects of the service have been fully evaluated. As of the end of the quarter, the development's MEP began working on the preliminary in-building design assuming steam and chilled water service from DES.

21. DES245 – MH-23 Anchor Pedestal Repair

There is a steam and condensate slip joint concrete anchor pedestal located in Manhole 23. Part of the concrete on this pedestal has spalled and a small portion of rebar is exposed. This project addresses this repair.

DEAO is coordinating a meeting with a contractor to take place in early January 2026 to review the repair.

B. Second Quarter FY26 Closed Projects

DES163, DES202, DES203, DES228, DES229, DES237, DES238 and DES 239 were closed during the Second Quarter.

DES230, DES231 and DES233 are in close-out.

C. Capital Projects Budget

The following table summarizes the costs and remaining balance of the DES capital projects based on reported expenditures to date. Open projects or completed projects that require some additional management efforts are shown. Projects discussed in this report that are not listed did not have any expenses during the quarter. Total costs for projects that are closed are shown with a gray highlight. Only the funds currently available are shown. All the projects closed during FY25 and in the First and Second Quarter FY26 may not be noted due to outstanding invoices from the contractors.

Table 6. Capital Projects Expense Summary

DES Project #	Description	Total Budget	FY26 Spending to Date	Total Spent to Date	Remaining Balance
Fund-49116					
DES163	Parcel K Service	\$ 1,018,802	\$ 3,792	\$ 117,991	\$ 900,811
DES202	Service to 7th and Commerce	\$ 1,630,000	\$ -	\$ 44,841	\$ 1,585,159
DES203	Service to Printer's Alley Residential	\$ 850,000	\$ -	\$ 1,675	\$ 848,325
DES213	Tunnel Support Repair	\$ 321,500	\$ 3,365	\$ 52,635	\$ 268,865
DES217	DES Service to AutoNashville Hotel, LLC	\$ 3,079,000	\$ 25,396	\$ 56,162	\$ 3,022,838
DES220	MH20 Cond Repair & Grating	\$ 51,700	\$ -	\$ 20,663	\$ 31,037
DES221	WM/LP Service Modifications	\$ 160,000	\$ 171	\$ 57,035	\$ 102,965
DES222	EDS Tagging Program	\$ 44,000	\$ 1,489	\$ 33,392	\$ 10,608
DES223	MH-18 Electrical Repair	\$ 121,000	\$ 61	\$ 8,301	\$ 112,699
DES225	1st Ave and Molloy Hot Spot	\$ 330,000	\$ -	\$ 277,385	\$ 52,615
DES226	State PRV Replacement	\$ 110,000	\$ 1,021	\$ 40,535	\$ 69,465
DES227	MH-16 CND Line	\$ 55,000	\$ 114	\$ 14,060	\$ 40,940
DES228	MH-B2 & B3 Dripleg Mod	\$ 82,500	\$ 128,687	\$ 138,189	\$ (55,689)
DES229	MH Insulation Repair	\$ 75,000	\$ 1,231	\$ 4,816	\$ 70,184
DES230	MH 6A Evaluation	\$ 404,000	\$ 2,246	\$ 15,091	\$ 388,909
DES231	TN Tower Service Relocation	\$ 510,000	\$ 24,776	\$ 94,254	\$ 415,746
DES233	MH12 to MH15 Hot Spot	\$ 110,000	\$ 629	\$ 13,053	\$ 96,947
DES236	3rd Ave Condensate Replacement	\$ 1,100,000	\$ 279,545	\$ 290,284	\$ 809,716
DES237	3rd Ave Chilled Water Leak	\$ 375,000	\$ 411	\$ 272,450	\$ 102,550
DES238	Indigo Hotel Exploratory Excavation	\$ 110,000	\$ 9,782	\$ 9,782	\$ 100,218
DES239	MHS4A Steam Leak	\$ 110,000	\$ 3,021	\$ 3,021	\$ 106,979
DES240	Viridian Platform	\$ -	\$ 973	\$ 973	\$ (973)
DES241	MH-D3 Electrical	\$ -	\$ 1,545	\$ 1,545	\$ (1,545)
DES242	Woodland St-Insulation Repairs	\$ -	\$ 1,543	\$ 1,543	\$ (1,543)
DES243	414 Union Service	\$ 718,600	\$ 8,748	\$ 8,748	\$ 709,852
DES244	NFD Service	\$ 3,258,100	\$ 6,345	\$ 6,345	\$ 3,251,755
Total Closed Projects		\$ 6,820,370	\$ -	\$ 6,820,370	\$ -
Metro Project Admin		\$ -	\$ -	\$ -	\$ -
Project Man, Development, etc		\$ 4,555,428	\$ -	\$ -	\$ 4,555,428
Fund Total		\$ 26,000,000	\$ 504,890	\$ 8,405,140	\$ 17,594,860

Included within the costs listed above DEAO performs regular maintenance of the EDS and occasional maintenance at customer buildings. The material costs, equipment rental, and overtime labor costs realized by DEAO for these efforts are reimbursable by Metro. Each month DEAO invoices Metro for these R&I expenses. The total for these reimbursable expenses is \$68,642 for FY26. An annual credit limit of \$20,000 for such work was included as part of the Amendment 3 of the ARMA. Of this total, \$16,000 has been credited thus far for FY26. Additional project costs are also included in Table 7, which are not part of this total but are reimbursable by Metro.

B. Preventive Maintenance

Preventive maintenance, tunnel and manhole inspections and reviews of customers' mechanical rooms were performed during the quarter. The principal items for discussion are presented.

1. EDS Manhole/Tunnel Inspections
 - a. The monthly vault and tunnel reviews were conducted as scheduled.
 - b. The monthly thermographic scans were performed.
 - c. DEAO continues to replace trap assemblies within the EDS as needed and any removed or damaged insulation should be repaired or replaced after the trap is replaced. This insulation repair or replacement has not been taking place in some instances, and the insulation of some of these traps was included in DES229.
 - d. DEAO should continue to clean areas of minor corrosion and then paint those areas with cold galvanizing paint. If maintained, this should help reduce or slow down the progression of some areas of corrosion.
 - e. Additional action items and maintenance issues are discussed in the EDS Walkthrough section of this report.
2. Water chemistry samples at customer buildings were taken as scheduled.
3. DEAO continues to perform thermographic surveys of the EDS each month.
4. Recent projects and repairs have required the isolation of specific sections of the EDS. The repairs have involved chilled water, steam, and condensate return systems. In several of these instances, the isolation valves unexpectedly did not close adequately. Additional isolation valves upstream of the project and repair area had to be closed to perform the work needed. This situation resulted in requiring isolation of additional customers who would otherwise not have been impacted if adequate isolation could have been achieved as planned. On numerous occasions over the past several years, TEG has directed DEAO to include in their EDS maintenance program the semi-annual exercising and testing of all valves to identify deficiencies. To date, DEAO has not implemented such a program nor included any regular maintenance inspection of valves in their CMMS. Based upon recent attempts to isolate portions of the EDS, TEG has directed DEAO to identify all valves within the EDS that either do not function

properly or do not adequately isolate and therefore, need maintenance, repair, or replacement. Once this task is complete, TEG will coordinate with DEAO and develop a comprehensive maintenance, repair, and replacement plan for deficient valves. DEAO expects to review the chilled water valves during the Third Quarter FY26.

DEAO reports their total cost for maintenance in the EDS in their monthly reports. These costs include the non-reimbursable expenses and the reimbursable expenses shown in Table 7. DEAO’s total reported costs are shown in Table 8.

Table 8. DEAO Annual EDS Maintenance and PM Reported Costs

Month	Maintenance	Preventive Maintenance
July-25	\$17,925	\$9,112
Aug-25	\$23,566	\$10,791
Sept-25	\$21,708	\$13,921
Oct-25	\$19,028	\$19,189
Nov-25	\$19,464	\$17,122
Dec-25	\$19,469	\$28,861
Annual Totals	\$121,160	\$98,996

C. Emergencies

There were no emergencies during the quarter.

D. EDS Walkthrough

This quarter’s walkthrough was conducted on October 1, 2025, October 8, 2025, and November 13, 2025. The manholes that were visited include Manholes B1, B1A, B2, B3, B4, B5, B6, B7, B8, B9, B10, 16A, Viridian and S4A. The following comments and observations are a result of these visits.

Most of the manholes reviewed this quarter have steel piping supports which have been part of our ongoing effort to remediate, repair, and prevent corrosion and have been cleaned and coated as a part of this effort. It is important that these supports be monitored closely by DEAO, and any degradation observed be reported immediately to TEG and repairs made quickly. This should result in instances of corrosion being addressed at minimal cost to Metro.

There is an action item list included at the end of the Quarterly EDS Walkthrough Report which identifies sixteen (16) high priority items that need to be addressed by DEAO, fourteen (14) of which have been reported multiple times; five (5) of the fourteen have been reported for the last 4 to 5 years.

1. Manhole B1
 - a. This is a sump pump manhole located in 1st Avenue South to the west of Manhole B. It was constructed to reduce/control the amount of groundwater infiltration into Manhole B. There is always water in this manhole.
 - b. There are three electrical enclosures in this manhole (excluding recently added stainless steel enclosures). One is painted steel and the other two smaller enclosures are galvanized steel. The painted steel enclosure has some minor corrosion that should be cleaned with a wire brush and painted with cold galvanized paint. The two smaller galvanized enclosures have experienced “white rust” (oxidation of galvanized surfaces) corrosion. These two enclosures should be cleaned with CLR cleaning solution and a nylon brush (do not use a wire brush). Once cleaned, the two enclosures should be painted with cold galvanizing paint.

2. Manhole B1A
 - a. This is a sump pump manhole located in the sidewalk on the northwest corner of the intersection of 1st Ave South and Molloy St. This manhole was constructed because of the discovery of groundwater accumulating in this area which resulted in a large “hot spot” underneath the sidewalk.
 - b. This manhole always has water in it.
 - c. The sump pump discharge hose has an aluminum camlock fitting at the connection to the copper tubing. The camlock fitting is experiencing “white” corrosion. Other manholes with the same fitting and fitting materials have not experienced this corrosion. This corrosion is probably due to the extremely high humidity in the manhole. DEAO should replace this hose with another hose which incorporates stainless steel camlock fittings instead of aluminum.
 - d. There is an extension split pipe clamp that provides support for the copper tubing. This clamp is corroded and should be replaced with a similar clamp that is copper.

3. Manhole B2
 - a. This manhole was not accessible because the manway opening had been plated due to Avenue being paved. The following comments are based upon a review of completed insulation work for DES228 on October 1, 2025.
 - b. This manhole has an electric sump pump. However, the sump is not deep enough to enable the removal of all water before the level control/float stops the pump. As a result, there is always a small amount of water in the floor of this manhole, and it required pumping prior to entry. TEG investigated deepening the sump to eliminate this problem, but a well point needs to be installed to prevent the groundwater from flooding the manhole while the

- work takes place. The addition of a well point would add substantially to the construction cost, so this option was not pursued.
- c. The piping support steel in this manhole was cleaned and coated by Enecon to help prevent corrosion. There have been recurring issues with failed coating areas in this manhole. DEAO should monitor and report to TEG any problems with these coatings.
 - d. The side rails of the access ladder had extended above the bottom of the manway frame which could have been damaged by a milling machine when the street is repaved. Both side rails were “cut back” during the execution of DES-228.
 - e. The dripleg in this manhole was modified during DES228 to shorten the vertical piping and raising the trap and drain piping connections to a higher position. This was done to help avoid corrosion of this piping due to water accumulation in the floor.
 - f. The western steam penetration pre-insulated piping end can was badly corroded and allowing groundwater to enter the manhole. This penetration was repaired using Enecon products to rebuild the end can and then form a “donut” around the penetration with an Enecon hydraulic cement material. There has been some distress/cracking to this cement material. DEAO should monitor this and report any problems to TEG.
 - g. The insulation jacketing was removed from the steam isolation valve next to the western steam wall penetration when the penetration repairs [see item f) above] were completed. The re-installation of this jacketing was postponed ensuring that the wall penetration repair was effective. This jacketing needs to be re-installed, and the insulation possibly needs repair. This had not been accomplished as of this review, but it is TEG’s understanding that this has been scheduled with an insulator. DEAO should make sure that these repairs are completed as soon as possible. **This item appeared in the last three reviews.**
 - h. The insulation jacketing on the northern lower CHW 90° ell needs to be repaired and the two drain valves on the CHW piping should be insulated. DEAO should have this insulation jacketing repaired. **This item appeared in the last three reviews.**
 - i. There are 3 electrical enclosures in the manhole for the sump pump; one of these enclosures is stainless steel and in good condition. The other two enclosures are painted steel and are corroded, one of them badly. In the quarterly report four years ago, I estimated that these enclosures needed to be replaced within the next 2 years. Based upon the condition of one of these enclosures, they need replacement now. DEAO needs to replace these two enclosures as soon as possible with 316 stainless steel, non-corrosive, code-compliant, NEMA 4X enclosures. In addition, some of the existing conduit is corroded and should be replaced. **This item appeared in the last four reviews.**
 - j. Unistrut supports are used for the electrical conduit and sump pump discharge piping supports; these supports are corroded and need to be replaced. DEAO should replace these supports with 316 stainless steel

when item i) above is addressed. **This item appeared in the last four reviews.**

4. Manhole B3
 - a. There was a small amount of water in the manhole that was removed by pumping prior to entry.
 - b. Due to a steam leak in a nearby building, the steam piping in this manhole was recently isolated and the dripleg and trap piping was modified. The dripleg was shortened in length to increase the elevation of the drain piping in the bottom of the dripleg. This will help keep the drain piping from being submerged by the groundwater accumulation in this manhole and reduce the chances of corrosion degradation of this piping. This piping was re-insulated, however, the insulation on the trap piping is not complete or finished in a professional manner. In addition, the lagging on the main steam valve next to the dripleg is coming apart. These areas should be completed/repaired as soon as possible.
 - c. The CHW piping drain valves are sweating and resulting in ponding water in the floor. These need to be insulated. **This item has appeared in the last five reviews.**
 - d. The insulation/jacketing around the CHW valves is damaged. This needs to be repaired. **This item has appeared in the last two reviews.**
 - e. There is water seeping from the western CHW wall penetrations. This could be groundwater seepage at the wall penetration, or it could be condensation resulting from inadequate or unsealed insulation at the wall penetration. The source of this water needs to be investigated. If the source is the wall penetrations, the link seals need to be tightened or Enecon's hydraulic cement needs to be installed. This work should be done during the winter months to reduce the amount of condensation. **This item has appeared in the last two reviews.**
 - f. The installed pre-insulated steam piping extends a couple of feet into the manhole at the eastern steam penetration. The seal between the pre-insulated piping HDPE casing and the end can has deteriorated and there is a small amount of water dripping from the HDPE casing. TEG will evaluate how this needs to be repaired and transmit this information to DEAO for execution.
 - g. The Enecon coating on the entry ladder wall brackets is peeling and there is corrosion on the bracket. These need to be wire brushed and either painted with cold galvanizing paint or re-coated with Enecon products.

5. Manhole B4
 - a. There was a small amount of water present in this manhole, it did not require pumping prior to entry.
 - b. The structural metal supports in this manhole were recently cleaned and coated and remain in good condition.

- c. The piping within this manhole was re-insulated after the cleaning and coating of the structural metal supports. This insulation is in good condition.
 - d. No deficiencies noted.

- 6. Manhole B5
 - a. There is a “moat” area at the symphony that is designated as Manhole B5. This moat houses DES steam, condensate return, and chilled water service piping along with the associated flow meter stations. The moat area is secured with a grating cover that has padlocked hatchways for access. DEAO does not have keys to these padlocks so to access this area, arrangements must be made with Symphony personnel. Therefore, this review was conducted looking through the grated covering.
 - b. The lagging is absent on the chilled water valve gearboxes located at the entrance to this moat area. The insulation appears to be Armaflex which can absorb water. This insulation needs to be inspected to determine if it needs to be replaced and lagging needs to be installed and sealed on these gearboxes.

- 7. Manhole B6
 - a. There was a small amount of water present in this manhole which was pumped prior to entry.
 - b. The wall penetration end can retainer plates and the anchor beam were recently cleaned and coated by Enecon and are still in good condition.
 - c. There is some hairline cracking of the concrete. DEAO should monitor this cracking and notify TEG of any significant changes.
 - d. There is some minor debris left from recent insulation work completed. This debris should be removed.

- 8. Manhole B7
 - a. There was only a small amount of water present in this manhole, so it did not require pumping prior to entry.
 - b. During the 2020 quarterly review, the steam piping entering from the south showed evidence of movement. At that time, the evidence of this movement included debris on the floor of the manhole from a sealant at the wall penetration that had broken apart; the link seal at the wall penetration was dislodged; and creases were noted in the insulation jacketing on the inside radius of the nearby steam elbow. These conditions remain and do not show any evidence of additional movement. The anchor welds were reviewed and there is no evidence of any cracking or splitting. DEAO should continue to monitor the piping and the pipe anchor in this manhole and immediately report any changes to TEG.
 - c. Some of the lagging on the condensate piping is loose because the lagging banding has broken. This should be repaired.

- d. The base of the entry ladder has some corrosion damage. DEAO should add this manhole ladder to their Amendment 3 obligation to be replaced this year.
9. Manhole B8
 - a. There was a small amount of water in this manhole, but it did not require pumping.
 - b. The eastern retaining plate on the condensate return piping has been coated by Enecon on a couple of occasions. This plate is located underneath the secondary ventilation manway, so it is impacted by runoff water. DEAO should monitor this plate, wire brush/paint as needed. Notify TEG if its condition worsens.
 10. Manhole B9
 - a. There was a small amount of water in this manhole, but it did not require pumping.
 - b. The handwheel on the blowdown valve on the trap strainer downstream of the trap is missing. It is my understanding that DEAO has been unsuccessful in locating a replacement handwheel. Because this strainer is located downstream of the trap, it can be eliminated. DEAO should plan to remove this strainer and valve at the earliest opportunity. **This item appeared in the last two reviews.**
 11. Manhole B10
 - a. There was no water in this manhole.
 - b. DEAO should continue to monitor the corrosion on the steel and clean/paint it as needed.
 - c. There are some hairline cracks in the ceiling of this vault. DEAO should monitor these cracks and report any significant changes to TEG.
 - d. The handwheel on the blowdown valve on the trap strainer downstream of the trap is missing. It is my understanding that DEAO has been unsuccessful in locating a replacement handwheel. Because this strainer is located downstream of the trap, it can be eliminated. DEAO should plan to remove this strainer and valve at the earliest opportunity. **This item appeared in the last two reviews.**
 - e. There is a small section of spalled concrete in the ceiling at the eastern wall. No rebar is visible. This should be patched using Enecon's Duraquartz LW material within the next six months.
 - f. The steam and condensate carrier pipes are visible at the east end of the manhole, where the piping expands into the slip joints. It is my hypothesis that this occurred because the slip joint insulation blankets' ID appears to match the OD of the hard insulation. Therefore, when the piping was re-energized after the August steam shutdown, the hard insulation moved with the carrier pipe leaving a "gap" of hard insulation, revealing the carrier pipes. The ID of the slip joint insulation blanket insulation should equal the carrier pipe OD. To prevent this from recurring, the insulation blankets

should be temporarily removed, the hard insulation should be re-positioned, and additional insulation should be installed on the carrier pipe entering the slip joints, and the insulation blankets re-installed over this newly added insulation. This should be addressed in the next 6 months.

12. Viridian Manhole
 - a. There was water present in the manhole, and it required pumping.
 - b. Insulation repairs were recently completed in this manhole. Because of the proximity of the entry ladder to the pipe insulation, it is not possible to use the lower rungs. Therefore, the manhole was only reviewed from the manway. TEG has opened a project and is working on design drawings to install grating to give access to the chilled water valves in this manhole.
 - c. Normally, there is some mud in this manhole. If this mud has not been removed, DEAO should clean this manhole within the next quarter. **This item appeared in the last three reviews.**

13. Manhole 16A
 - a. This manhole is at the top of a vertical shaft which connects to the 4th Ave Tunnel.
 - b. There was no water in this manhole.
 - c. No deficiencies to report.

14. Manhole 18A
 - a. The trap and trap piping was recently replaced and rerouted in this manhole.
 - b. The slip joint insulation blankets in this manhole were recently replaced.
 - c. The eastern structural steel base has some minor corrosion. This corrosion should be cleaned and the area painted with cold galvanizing paint as soon as possible.

15. Manhole S4A
 - a. There was not any water in this manhole.
 - b. The piping and insulation in this manhole were recently replaced and reconfigured because of a condensate leak.
 - c. Wall brackets that were supporting the trap piping were removed during the piping replacement. The remains of the anchor bolts are still in the concrete wall. These “stubs” need to be wire brushed and painted with cold galvanizing paint to prevent water from being wicked into the concrete possibly resulting in spalling.

VI. Customer Relations

This section contains descriptions of the marketing efforts made by the DES Team during the quarter and prominent existing customer interactions. The topics of interactions, meetings and training seminars with the customers are also discussed. There are currently 22 customers, comprised of 43 different buildings (including the Auto Nashville Hotel) connected to the EDS.

Service to each of these buildings continues to prove satisfactory, and the responsiveness to customer issues is managed by DEAO in an expeditious and professional manner.

A. Marketing

TEG continues to research and investigate potential developments along the Peabody St corridor and in the Rolling Mill Hill area and throughout the downtown area. Overall, TEG has contacted or discussed services with over ten potential new customers within the past year. Of these, four are existing buildings (not new developments) either expanding or renovating their buildings or in need of replacement equipment. Potential service to five of these buildings appears promising as DES provides the greatest financial benefit. Most of the new developments are in the preliminary phases of their projects which delay firm decisions in choosing DES. In addition, TEG continues to follow-up with several other potential customers with whom discussions have continued as they consider service from DES.

Favorable discussions with the 414 Union building and the proposed Nashville Fire Department Headquarters were held prompting the creation of two new project numbers. In addition, the Parkway Towers building executed a New Customer contract during the quarter containing additional capacity. This building will begin renovation soon and converting their existing office space into a hotel. Discussions were also held with two other existing customers which intend to make significant renovations and convert some or all of their existing office space to hotel rooms. Executing new agreements for additional capacities and a longer terms for these buildings are favorable to DES and the customer.

The loss of Nissan Stadium in FY28 as a customer will allow for additional sales depending on where within the system the potential new customers are located. The loads previously served to the Stadium can be re-allocated to the potential expansion of the Bridgestone Arena, TPAC, or Music City Center if these proposed projects come to fruition.

Otherwise, significant increase in the customer base will require the expansion of new piping within the system and the installation of new capacity at the EGF. Metro has several options for future expansion which include the expansion of services into the Rolling Mill Hill area which can also be interconnected to the existing distribution system north of Korean Veterans Boulevard. Such expansions of the distribution pipe and the addition of equipment at the EGF may not result in an immediate return on capital expenditures. Metro has yet to decide if such expansions would be pursued.

Metro Water Services (MWS) participates on the East Bank coordinating staff, which consists of engineering consultants and representatives from Metro departments associated with development and infrastructure in the city. The Metro Liaison represents DES infrastructure. The Metro Liaison has been actively promoting the use of district energy in the East Bank planning process by identifying synergies with other utilities, transportation, and public recreation agencies. DES continues to pursue options and potential customers on the East Bank.

B. Customer Interaction

DEAO's customer service representative (CSR) has occasional communications with some of the DES customers which often entailed discussions of a technical nature, scheduling outages, and ongoing projects. However, some communication DEAO had with the customers involved minor problems with the customers' heating and cooling systems that are unrelated to DES service. Customers also occasionally contact TEG with technical questions and issues related to their invoices. Other more significant issues are summarized herein.

- The facility manager at the Downtown Detention Center (DDC) contacted DEAO's CSR requesting to know their peak steam flow rate so that the steam pressure reducing valve could be sized properly. The CSR contacted TEG and asked if they could provide the information. TEG responded promptly to DDC's request.
- As a follow up from previous reports, the Music City Center removed the strainer in their chilled water supply piping in December. DEAO and TEG were notified prior to their shutting their chilled water system down. The impact the strainer had on the pressure drop has not been determined conclusively as of the date of this report.
- With DEAO's development of the customer invoices for November, TEG discovered errors with the invoicing for the State buildings. These errors were corrected in the November invoice. However, resolution regarding their capacity adjustment (if any) due to the sale of Citizen's Plaza remains incomplete as of the end of the quarter.
- During November, Bridgestone Arena personnel made DEAO aware of unauthorized entrance into the building. The trespassers appeared on their security footage which may indicate access was gained through the DES Broadway tunnel and through the Bridgestone mechanical room. DEAO contacted Metro Water Services, and Bridgestone filed a police report (complaint 2025-0712162). Bridgestone staff stated they intend to increase security on the building side of the tunnel. DEAO would be provided keys to any additional locks which may be installed. TEG believes knowledge of the DES tunnel system has been too publicized by DEAO and others which led to the unauthorized access. Metro has directed that access to the tunnel system be restricted to only DES personnel and authorized contractors.
- Personnel from the Tennessee Towers building contacted TEG with questions on the operation of their steam pressure reducing valves. After some discussion, TEG determined that one or more of their pressure reducing valves may be undersized.
- Additional communications between DEAO and the DES customers are included in their monthly reports.

VII. Recommendations

DEAO is obligated to meet the standard of good utility practice and performance guarantees as outlined by the ARMA. DEAO continues to improve its operation and has succeeded in meeting most of the guaranteed metrics during the quarter. In TEG's opinion, DEAO needs to continue their efforts to improve the operations of the EGF to meet the performance metrics more consistently. In addition, several outstanding and unaddressed issues noted in the EDS and EGF Walkthrough reports need to be addressed by DEAO, especially the long-outstanding items.

Based on the review of the Second Quarter FY26 EGF and EDS operations, the following recommendations are made. Several of the following items have been reported in previous Monitoring Reports and remain unresolved.

- DEAO needs to address the maintenance items included in the EGF and EDS Walkthrough sections of this report as soon as possible.
- DEAO needs to ensure the regular and preventive maintenance plans for the EGF and EDS equipment as recommended by their respective manufacturers and Good Utility Practice are being implemented.
- The inability to properly and sufficiently isolate sections of the EDS results in additional expenses to Metro and requires the isolation of additional customers which would not have otherwise needed to be isolated. To mitigate this problem, DEAO needs to address the maintenance of the distribution valves and identify which valves need repair or replacement.
- The structural steel within vaults and tunnels that has been professionally cleaned and coated should be closely monitored so that if deterioration occurs, it can be addressed quickly and cost effectively.
- Structural steel within the vaults and tunnels that have not been professionally cleaned and coated which exhibit evidence of corrosion should be cleaned and coated by DEAO using cold galvanizing paint to mitigate the progression of corrosion.
- Insulation that is absent or in disrepair in the vaults and tunnels should be repaired or replaced.
- Steam traps which need repair or replacement should be addressed immediately.
- Expansion joint leaks should be repaired by either re-packing the joint or injection of a sealant once the leak(s) is sufficient for the repair to be effective.
- DEAO should continue to remove debris and mud from the tunnels and manholes.