Metro Nashville
DISTRICT ENERGY SYSTEM

Operations Monitoring Report

Third Quarter FY26

Prepared by:

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I. Executive Summary

A review of the fiscal year 2026 (FY26) Third 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 Third Quarter FY26, DEAO did not meet the performance guarantees for the steam-fuel for January, 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 Third Quarter FY26 chilled water sales increased 13.9% compared to the previous Third Quarter (FY25) which coincided with a significant increase in the number of cooling degree days. The chilled water sendout increased 15.0% over the previous Third Quarter resulting in an increase in the system losses. The peak chilled water demand for the current quarter was 12,252 tons, which was 1.9% lower than in the previous Third Quarter. The weather varied significantly over the quarter with an ice storm occurring in January and February and unseasonably warm weather in March.

Steam sendout for the current quarter decreased 2.5% over the previous Third Quarter with steam sales decreasing 2.8%. Total steam system losses increased marginally from the previous Third Quarter. The peak steam demand for the current quarter was 135,075 pounds per hour, which represents an increase in the previous Third Quarter demand of approximately 3.4%. The number of heating degree days decreased 8.6% to 1,584 despite having an ice storm with frigid temperatures for over a week in late January and early February.

Work continued with EDS Projects during the Third Quarter. TEG provides development, design, or construction phase services for customer and EDS related projects. There are seventeen projects listed in this report. One of these projects was closed during the quarter, two others are in close-out, and seven projects were added. Of the fourteen active projects, eight projects have ongoing design or construction activities performed by TEG as of the end of the quarter, and three include development related to potential new services. DEAO's scope managing the construction phase of projects has ongoing activities in six of these projects.

As noted in prior quarterly monitoring reports, several deficiencies remain deferred or postponed in the EGF and EDS which can result in increased maintenance costs to DES.

The current fiscal year operating costs to date are $15,755,920. This value represents approximately 70% of the total budgeted operating cost for FY26. The total system revenues from the sales of steam and chilled water to date are $15,651,896 (71% 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.

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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 Third Quarter chilled water sales is shown in Figure 1. This data reflects a 13.9% increase in sales for the current quarter over the same quarter of the previous fiscal year with a significant increase (196%) in the number of cooling degree days due to an unseasonably warm March. 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 12,252 tons, which was 1.9% lower than the previous Third Quarter.

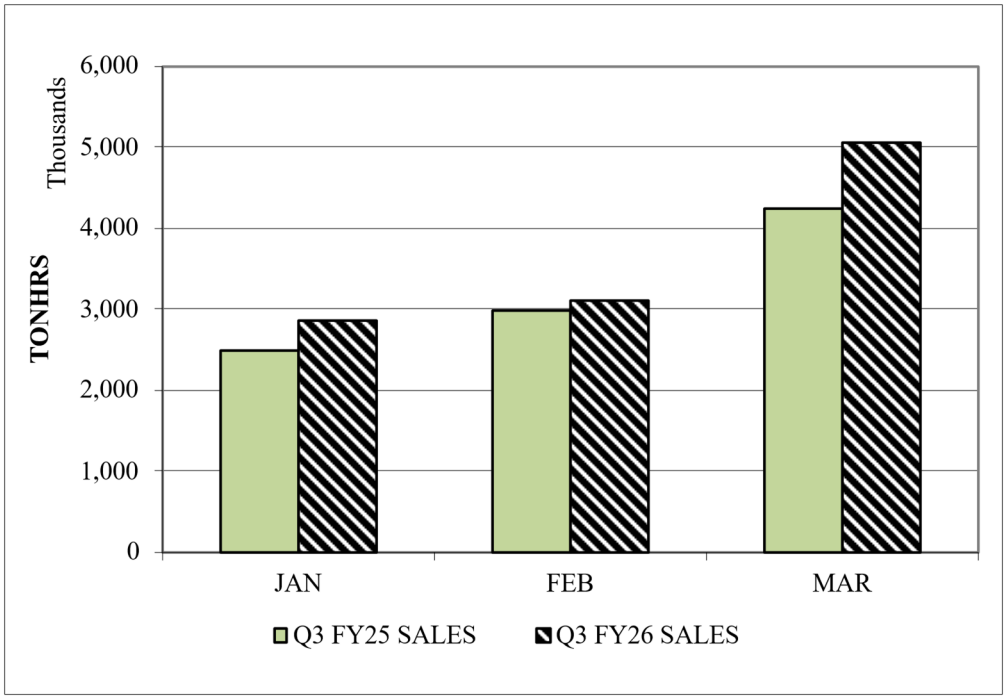

Figure 1. Chilled Water Sales Comparison

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

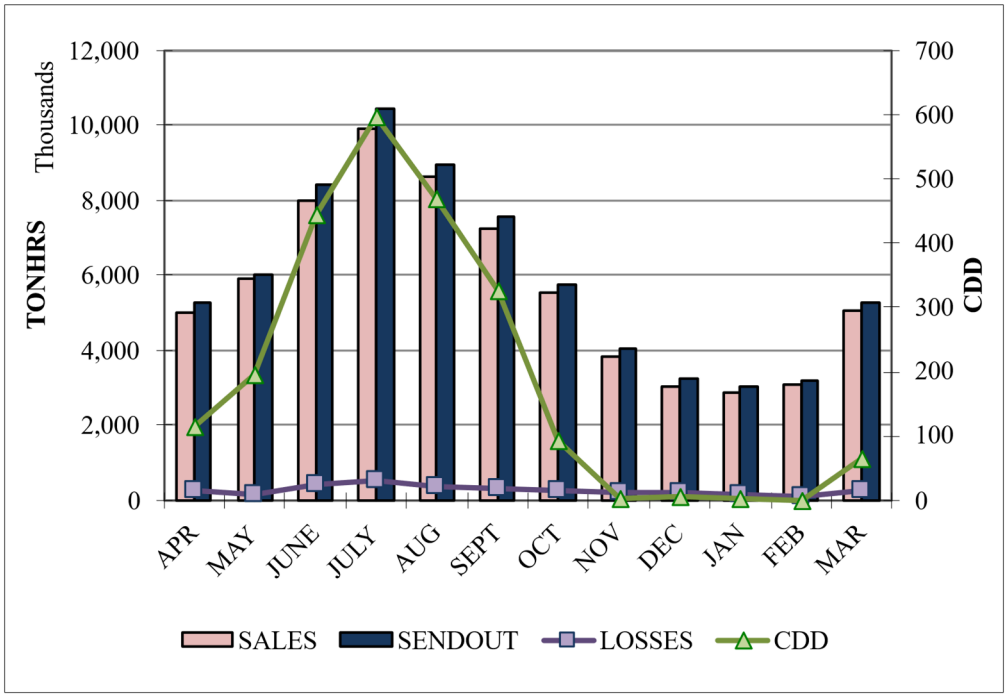

Figure 2. Chilled Water Sales, Sendout, Losses and CDD for the Previous Twelve Months

2. Losses

A comparison of the total chilled water energy losses in the EDS for the Third 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 any estimated monthly usage for the customers. The losses increased 45.6% over the previous Third Quarter.

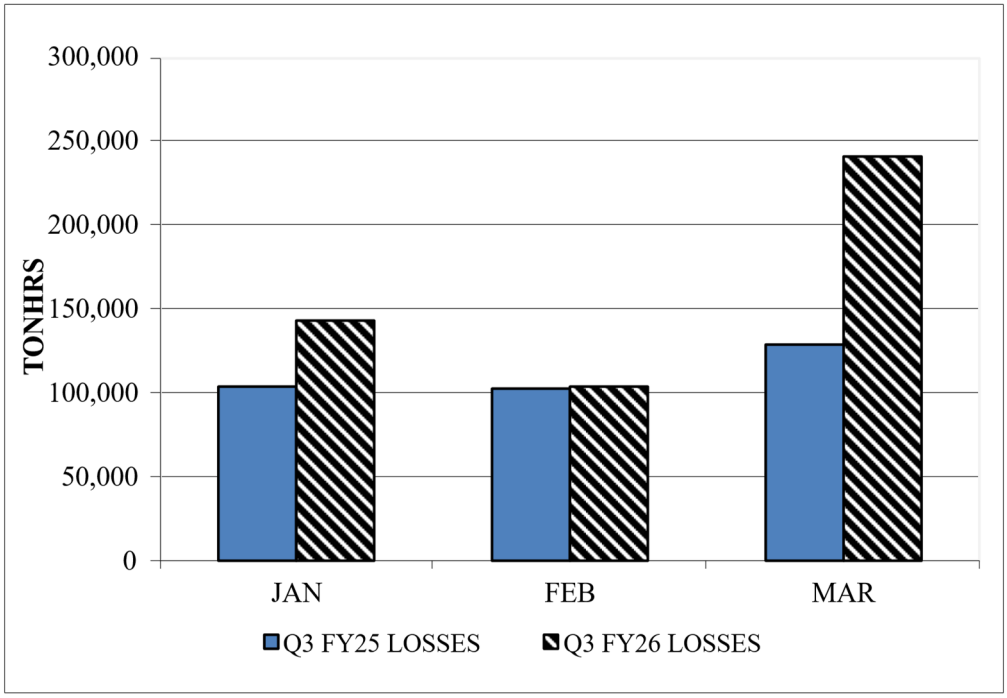

Figure 3. Chilled Water System Loss Comparison

The EDS make-up increased 217% over the previous Third Quarter. The make-up increased during the Second Quarter FY26 and continued to increase slightly in January and February. However, the amount of make-up decreased during March. This variation may be due to issues at customer buildings, but a leak is suspected but not confirmed on Fifth Ave N. TEG and DEAO continue to monitor the EDS make-up to locate any additional leaks within the EDS. If additional leaks are discovered and their location(s) confirmed, DES will address the issue promptly.

The make-up to the cooling towers increased 21.4% over the previous Third Quarter coinciding with a 14.9% increase in chilled water production. The amount of cooling tower blowdown increased 44.6%. The water usage in the cooling towers is typically proportional to the production of chilled water and should likewise vary with chilled water sales. However, during the Third Quarter, the number of cycles of concentration appear to have decreased indicating on increase in the amount of blowdown. The total chiller plant water use increased 27.3% over the previous Third Quarter. The overall city water make-up comparison for the chilled water

system Third 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.)

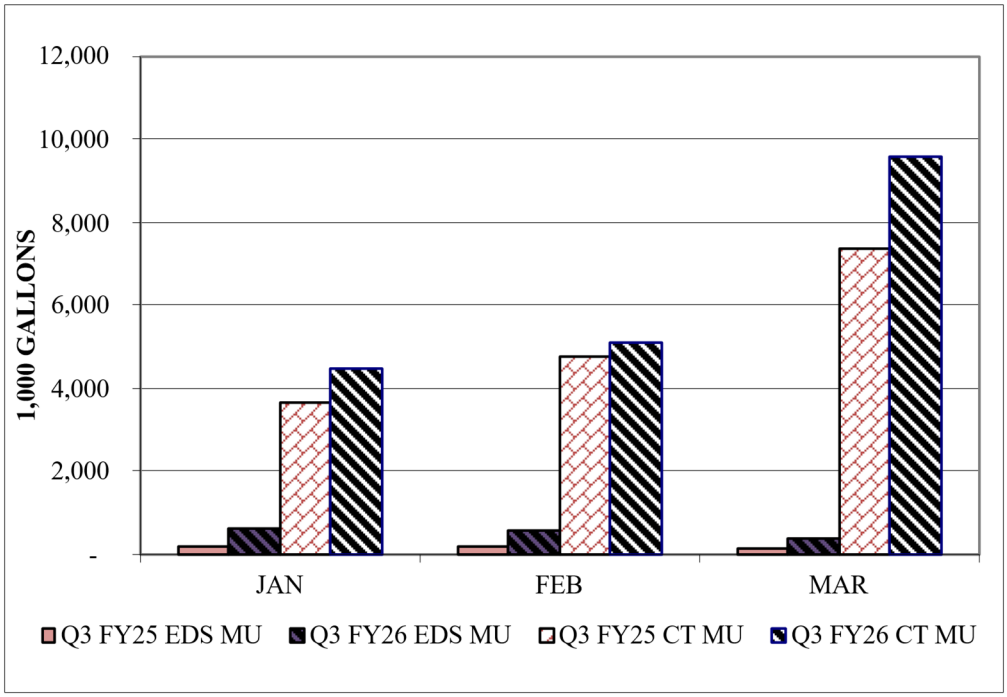

Figure 4. Chilled Water System City Water Usage Comparison

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 Third Quarter values between FY25 and FY26 are shown in Figure 5.

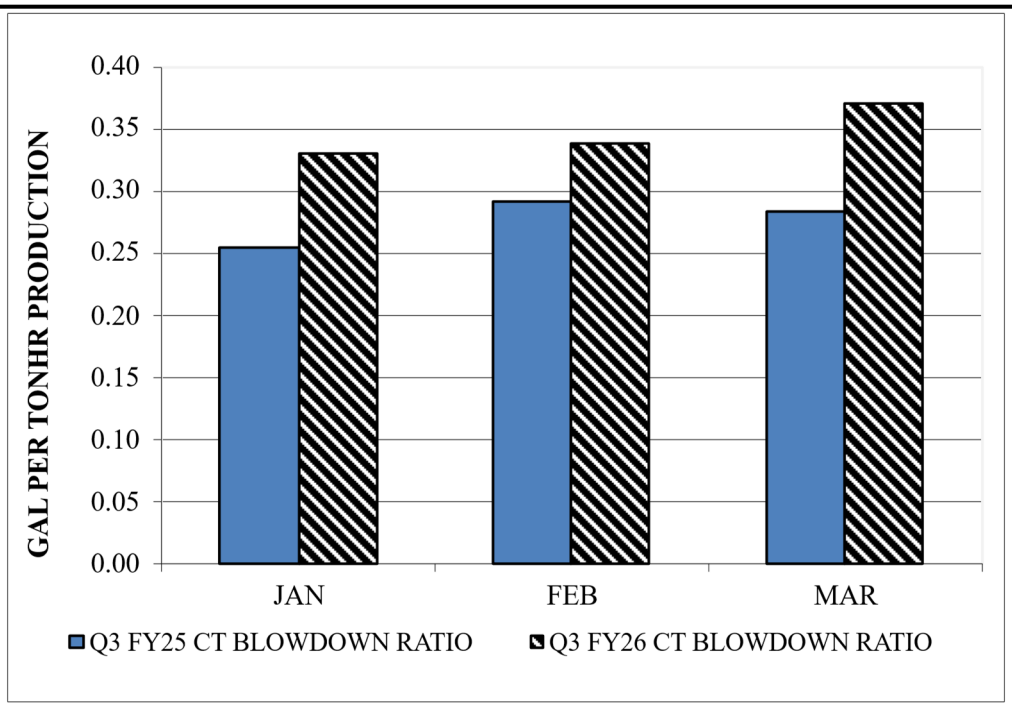

Figure 5. Cooling Tower Blowdown Ratio Comparison

When a comparison is made between the Third Quarter FY25 and FY26, the average cooling tower blowdown ratio increased 25.8%. The chilled water-water performance guarantee was met each month during the Third Quarter FY26. However, the metric averaged 0.35 gallons per tonhr in FY26 and 0.28 in FY25. Previous analysis of the cooling tower blowdown indicated values between 0.27 and 0.30 appeared to result in more favorable operation and water usage. Although the chilled water-water metric was met each month during the quarter, the average value increased 11.5%. Additional factors may have impacted the performance during the Third Quarter FY26. 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 increased 3.5% over the previous Third 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 Third Quarter, but the investigation and potential corrective factors will be included in the year-end true-up.

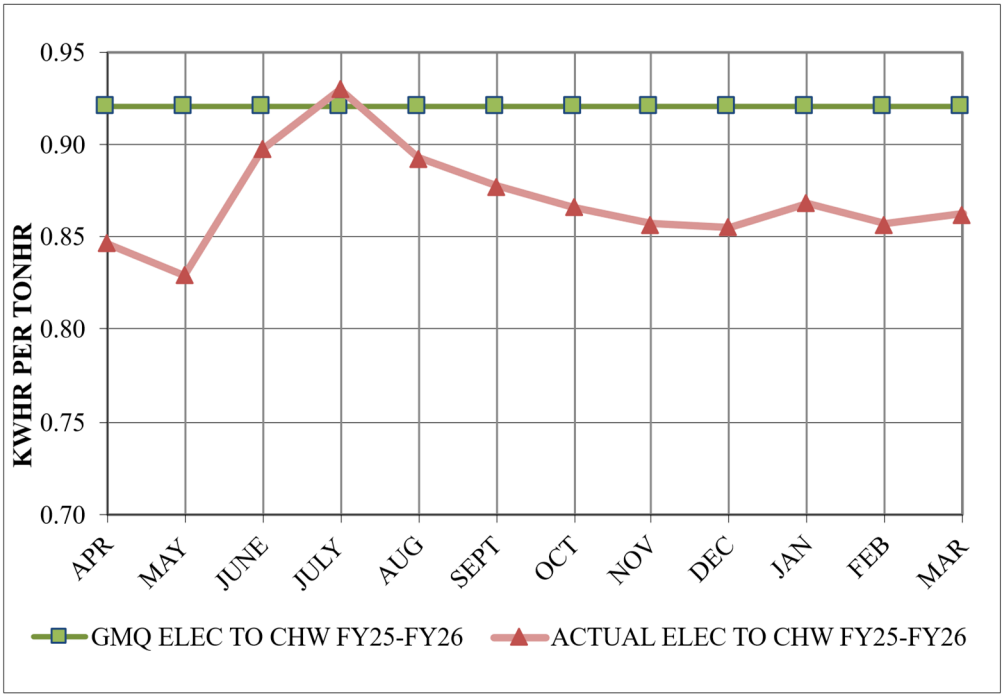

Figure 6. Chiller Plant Electric Performance Guarantee Comparison for the Previous Twelve Months

The total consumption of city water for the chiller plant for the current quarter increased 27.3% over the previous Third Quarter marked by significant increases in the EDS make-up and cooling tower blowdown. However, the side stream filter backwash decreased 55.6%. DEAO met the chilled water-water performance metric each month during the quarter, but the average chilled water-water metric increased 11.5%. 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.

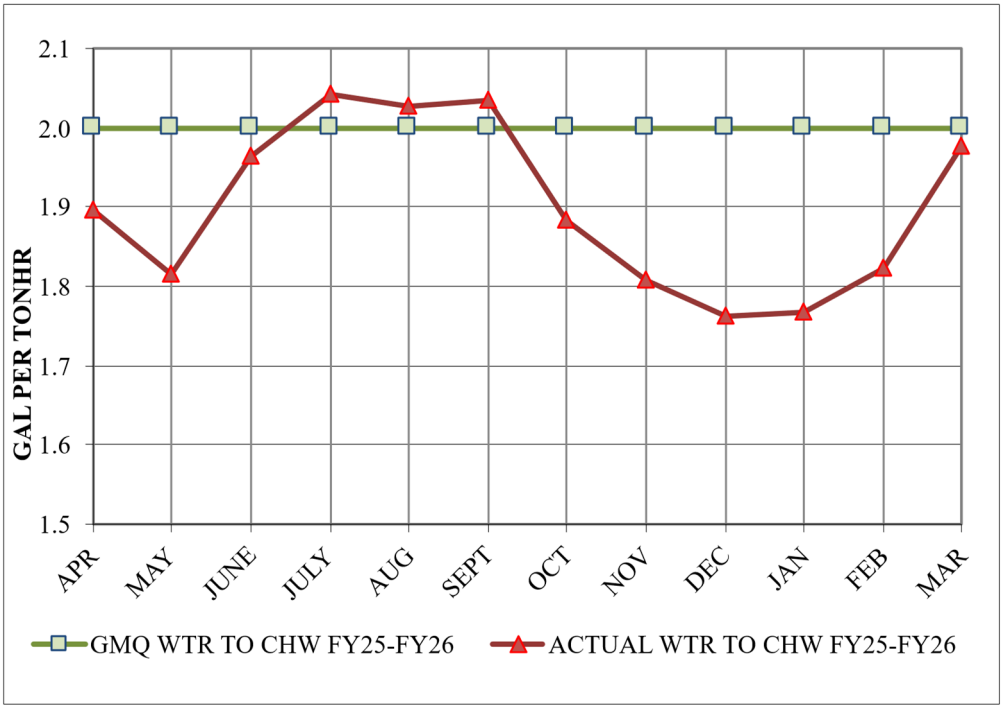

Figure 7. Chiller Plant Water Consumption Performance Guarantee Comparison for the Previous Twelve Months

B. Steam

1. Sales and Sendout

The steam sendout decreased 2.5% over the previous Third Quarter, and the sales decreased 2.8%. The number of heating degree days decreased 8.6% despite frigid weather accompanied by a snow and ice storm in later January through early February. The steam system losses increased marginally. The relative amount of condensate return increased 11.4% over the previous Third Quarter. The peak steam demand for the current quarter was 135,075 pph, which reflects a 3.4% increase in the peak steam production over the previous Third 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. DEAO and TEG continue to direct and coordinate with the customers to resolve those issues under their control. A comparison for the Third Quarter steam sales is shown in Figure 8.

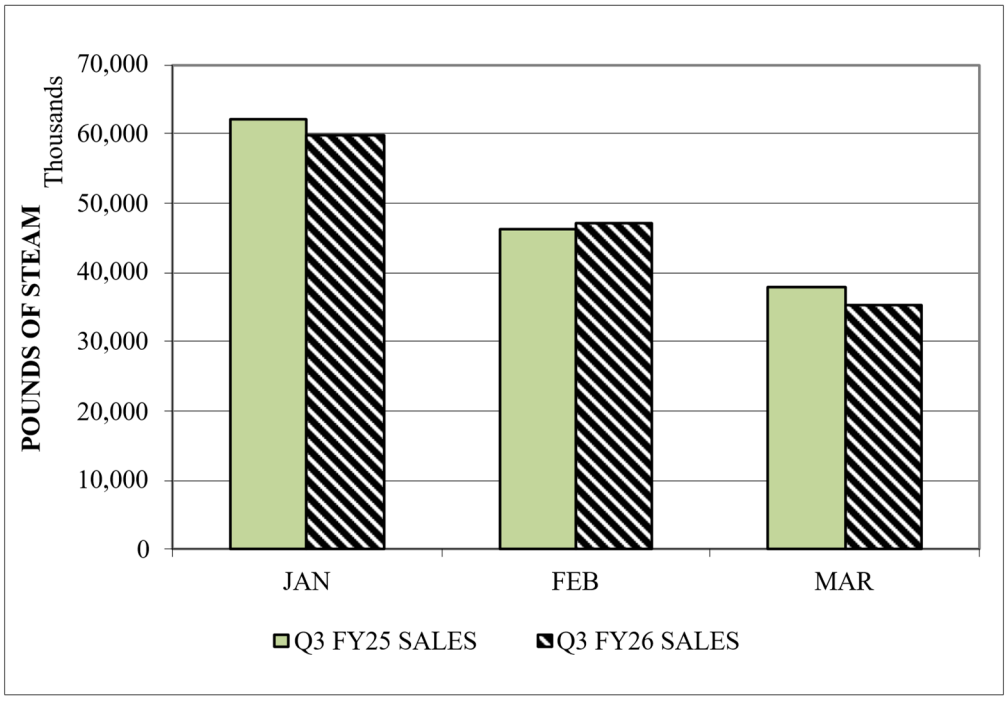

Figure 8. Steam Sales Comparison

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.

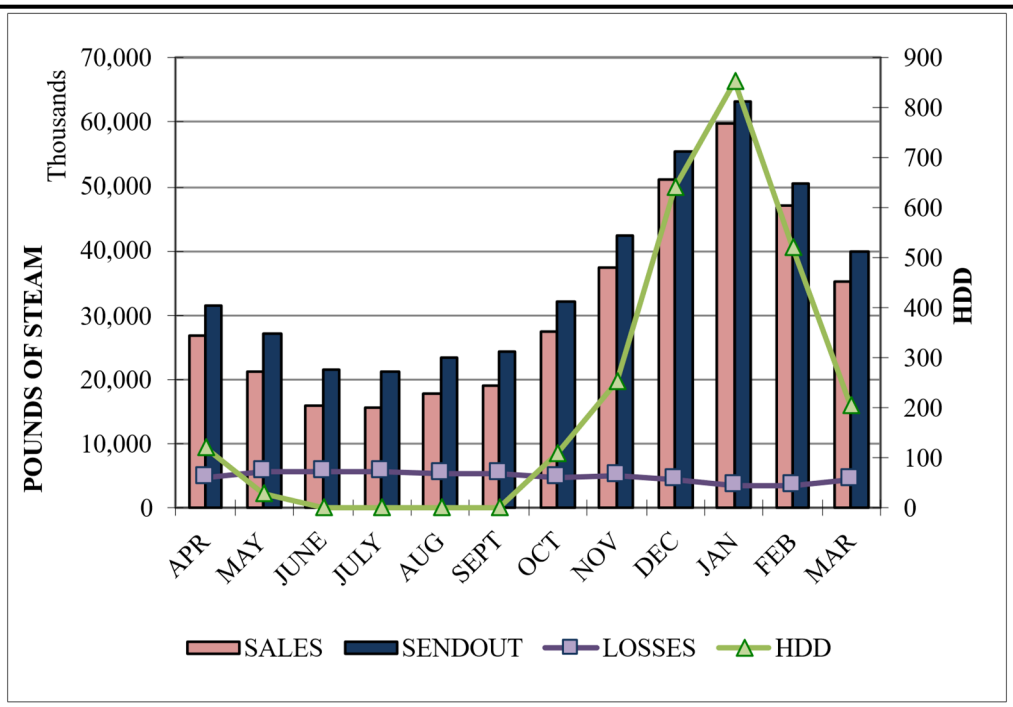

Figure 9. Steam Sales, Sendout, Losses and HDD for the Previous Twelve Months

2. Losses

A comparison of the total steam mass losses in the EDS for the Third 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.

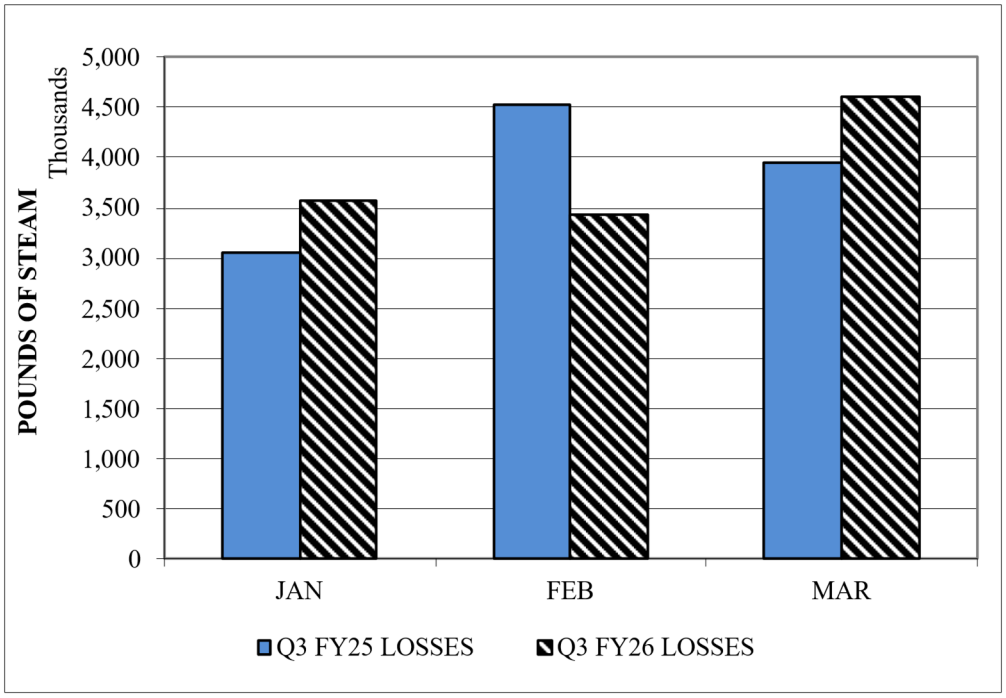

Figure 10. Steam System Losses

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 decreased 21.3% over the Third Quarter FY25. The relative amount of condensate return increased 11.1% over the previous Third Quarter. The decrease in make-up and increase in condensate return are due to recent condensate repairs to the EDS. Additional leaks may be present in the condensate piping in Third Ave N, which will be addressed in the Fourth Quarter FY26. The corresponding data for steam system make-up is shown in the comparison of Third Quarter data in Figure 11.

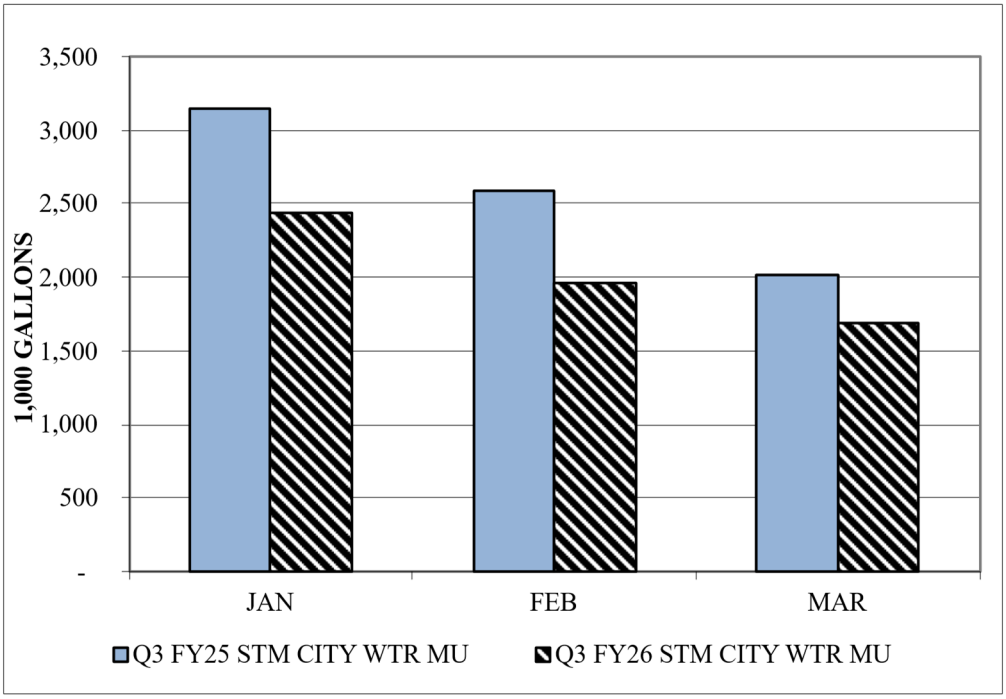

Figure 11. Steam System City Water Make-up Comparison

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 3.0% lower in the Third Quarter FY26 than in the previous Third Quarter. The steam-electric metric decreased marginally over the previous Third 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. The impact on the steam-electric remains unknown but any differences will be determined during the year-end true-up.

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

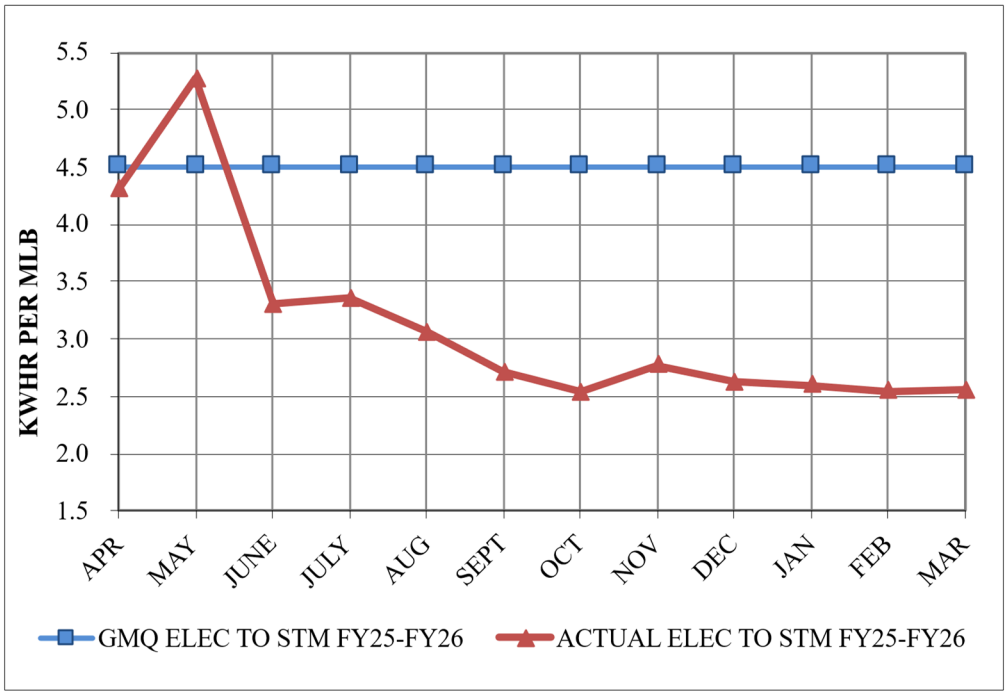

Figure 12. Steam Plant Electric Performance Guarantee for the Previous Twelve Months

For the Third Quarter, the boiler plant water usage decreased 21.3%. The metric performance was met each month during the quarter. Figure 13 shows the steam-water metric using new methodology addressed in Amendment 3.

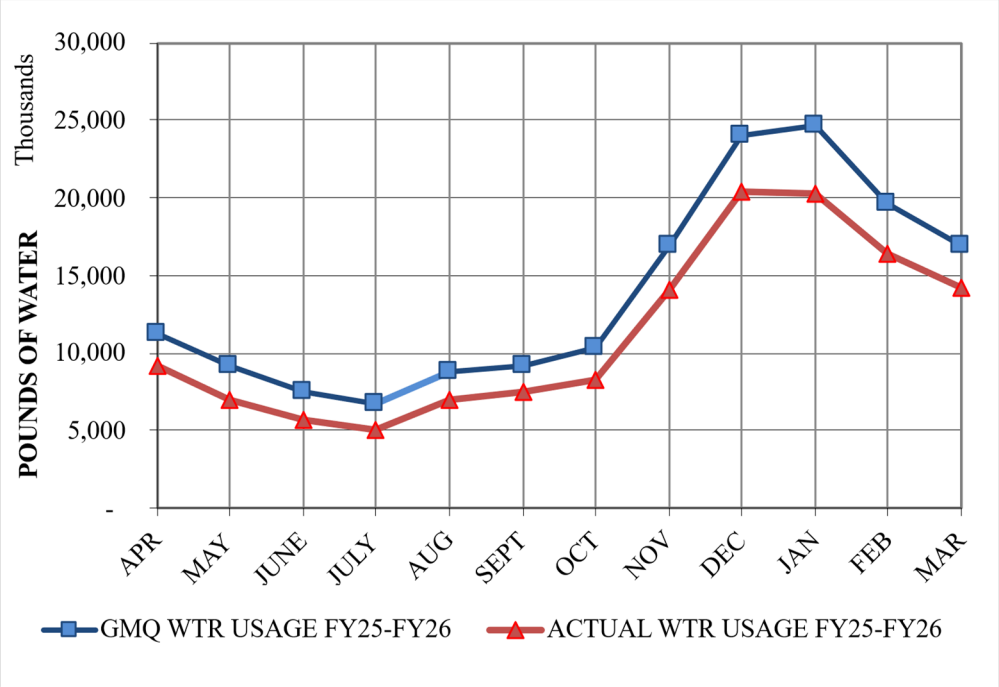

Figure 13. Steam Plant Water Performance Guarantee for the Previous Twelve Months Using a Mass Comparison

The steam-fuel metric did not change in Amendment 3; however, the relative amount of condensate return is currently 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 each much except January. The fuel consumption per unit of steam sendout decreased marginally over the previous Third Quarter and has remained consistent for the year.

During the ice storm in late January and early February, an Operational Flow Order (OFO) was issued limiting the amount of natural gas which could be used. As a result, a significant amount of pre-purchased propane was used in addition to some usage provided by local suppliers. The use of propane appears to have had no influence on the steam-fuel performance, but 8,474 mmBTUs of propane were burned during the quarter. Some propane is burned monthly to test the system, but the amount burned during the OFO was significantly greater than normal.

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.

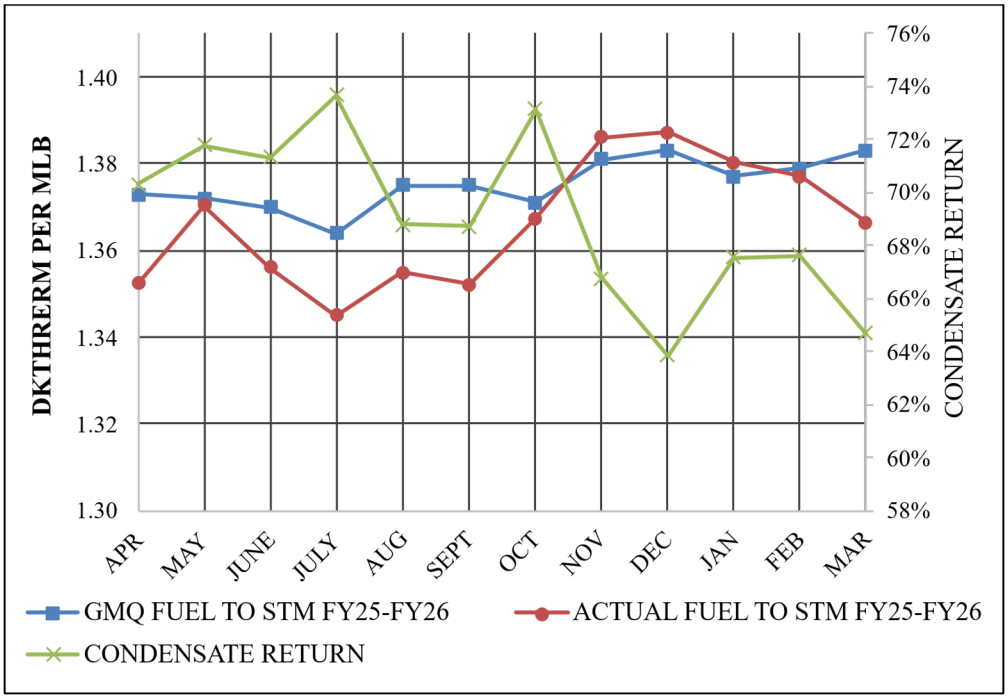

Figure 14. Steam Plant Fuel Performance Guarantee for the Previous Twelve Months

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 Third 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. Quarterly Production, Sales, and Consumption Summary

Item	Unit	Third Quarter FY26	Third Quarter FY25	*Percent Difference
	days	90	90	0.00%
Total Electric Use	kWhrs	9,855,956	8,436,031	16.83%
Chilled Water	kWhrs	9,490,921	8,059,720	17.76%
Steam	kWhrs	365,035	376,311	-3.00%
Total Water Use	kgal	26,848	24,043	11.67%
Total Chilled Water	kgal	20,752	16,300	27.32%
EDS Make-up	kgal	1,565	494	216.84%
Cooling Towers	kgal	19,187	15,806	21.39%
Calc CT Evaporation	kgal	15,159	13,020	16.43%
CT Blowdown	kgal	4,028	2,786	44.58%
Calc # Cycles		3.76	4.67	-19.47%
Sidestream Filter Backwash	gal	4,030	9,085	-55.64%
Steam	kgal	6,096	7,743	-21.28%
Total Fuel Use	mmBTU	211,217	217,004	-2.67%
Natural Gas	mmBTU	202,743	216,963	-6.55%
Propane	mmBTU	8,474	41	20467.96%
Condensate Return	kgal	12,647	11,674	8.34%
	lbs	102,613,001	94,716,397	8.34%
Avg Temp	°F	179.7	175.0	2.67%
Sendout				
Chilled Water	tonhrs	11,494,300	10,002,700	14.91%
Steam	lbs	153,544,000	157,516,000	-2.52%
Peak CHW Demand	tons	12,252	12,488	-1.89%
Peak Steam Demand	lb/hr	135,075	130,675	3.37%
CHW LF		43.43%	37.08%	17.13%
Steam LF		52.63%	55.81%	-5.70%
Sales				
Chilled Water	tonhrs	11,005,726	9,667,048	13.85%
Steam	lbs	141,945,031	145,993,437	-2.77%
Losses				
Chilled Water	tonhrs	488,574	335,652	45.56%
Steam	lbs	11,598,969	11,522,563	0.66%
		7.55%	7.32%	3.27%
Degree Days				
CDD		68	23	195.65%
HDD		1,584	1,732	-8.55%
Cooling Tower Blowdown Ratio				
Cooling Tower Blowdown	gal	4,028,000	2,786,000	44.58%
Chilled Water Production	tonhrs	11,494,300	10,002,700	14.91%
Ratio	gal/tonhrs	0.350	0.279	25.82%

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

Table 2. Quarterly Performance Guarantee Comparison for Steam and Chilled Water

GMQ Calculations	Unit	Third Quarter FY26	Third Quarter FY25	*Percent Difference
Steam				
GMQ Elec Conversion	kWhr/Mlb	4.50	4.50	
Electric Conversion	kWhr/Mlb	2.57	2.58	-0.40%
GMQ Plant Efficiency	Dth/Mlb	1.380	1.393	
Plant Efficiency	Dth/Mlb	1.375	1.378	-0.22%
Actual %CR		66.83%	60.13%	11.14%
Avg CR Temp	°F	180	175	2.67%
GMQ Water Conversion	lbs	61,117,199	75,359,524	-18.90%
Water Conversion	lbs	50,850,329	64,592,356	-21.28%
Chilled Water				
GMQ Elec Conversion	kWhr/tonhr	0.920	0.930	
Electric Conversion	kWhr/tonhr	0.863	0.834	3.45%
GMQ Water Conversion	gal/tonhr	2.00	2.00	
Water Conversion	gal/tonhr	1.86	1.66	11.45%

*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	$ 1,082,900	$ -	$ 3,248,700	74.20%
	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	$ 87,008	$ -	$ 254,927	77.18%
	Insurance	$ 40,200	$ -	$ -	$ -	$ -	$ -	0.00%
Marketing:	CNE Sales Activity	$ -	$ -	$ -	$ -	$ -	$ -	n.a.
	Incentive Payments	$ -	$ -	$ -	$ -	$ -	$ -	n.a.
FEA:	Steam	$ 81,900	$ 4,164	$ 4,082	$ 8,010	$ -	$ 16,256	19.85%
	Chilled Water	$ 140,500	$ (22)	$ 20,043	$ 18,392	$ -	$ 38,412	27.34%
Misc:	Metro Credit	$ -	$ (449,767)	$ (273,259)	$ (209,613)	$ -	$ (932,639)	n.a.
	ARFA	$ 68,800	$ 17,031	$ 17,031	$ 17,031	$ -	$ 51,094	74.26%
	Deferral	$ -	$ -	$ -	$ -	$ -	$ -	n.a.
	Subtotal - Man Fee =	**$ 5,040,000**	**$ 1,195,769**	**$ 1,200,280**	**$ 1,213,341**	**$ -**	**$ 3,609,389**	**71.61%**
Reimbursed Management Fee + Chem Treatment			$ 1,180,295	$ 1,184,806	$ 395,018	$ -	$ 2,760,118	0.00%
Metro Costs								
Pass-thru Charges:	Engineering	$ 102,500	$ 34,995	$ 19,105	$ 12,349	$ -	$ 66,448	64.83%
	EDS R&I Transfers	$ 763,600	$ 190,900	$ 190,900	$ 190,900	$ 63,633	$ 636,333	83.33%
	Metro Marketing	$ 76,600	$ 34,936	$ 10,544	$ 8,779	$ -	$ 54,259	70.83%
	Project Administration	$ -	$ -	$ -	$ -	$ -	$ -	n.a.
	Metro Incremental Cost	$ 533,900	$ 131,608	$ 118,318	$ 116,082	$ 6,383	$ 372,391	69.75%
Utility Costs:	Water/Sewer	$ 1,250,900	$ 428,695	$ 252,638	$ 191,867	$ -	$ 873,201	69.81%
	EDS Water/Sewer	$ -	$ 51	$ 101	$ 52	$ -	$ 204	n.a.
	EDS Electricity	$ 73,800	$ 21,072	$ 20,024	$ 17,758	$ -	$ 58,854	79.75%
	Electricity	$ 5,986,100	$ 2,162,237	$ 1,065,490	$ 1,054,286	$ -	$ 4,282,013	71.53%
	Natural Gas Consultant	$ 18,600	$ 4,140	$ 3,780	$ 5,310	$ 1,620	$ 14,850	79.84%
	Natural Gas Transport	$ -	$ 79,794	$ 122,714	$ 134,918	$ -	$ 337,426	n.a.
	Natural Gas Fuel	$ 3,593,840	$ 335,003	$ 752,594	$ 1,024,513	$ -	$ 2,112,110	58.77%
	Propane	$ 144,160	$ -	$ 95,176	$ (3,669)	$ -	$ 91,507	63.48%
	Subtotal - Metro Costs =	**$ 12,544,000**	**$ 3,423,431**	**$ 2,651,383**	**$ 2,753,146**	**$ 71,636**	**$ 8,899,596**	**70.95%**
	Subtotal - Operations =	**$ 17,584,000**	**$ 4,619,200**	**$ 3,851,663**	**$ 3,966,486**	**$ 71,636**	**$ 12,508,986**	**71.14%**
Debt Service	2012A Bonds	$ 3,430,800	$ 913,320	$ 865,943	$ 829,881	$ -	$ 2,609,144	76.05%
	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**	**$ 865,943**	**$ 1,148,776**	**$ -**	**$ 3,246,935**	**67.84%**
	Total =	**$ 22,370,400**	**$ 5,851,415**	**$ 4,717,606**	**$ 5,115,262**	**$ 71,636**	**$ 15,755,920**	**70.43%**
Customer Revenues								
	Taxes Collected		$ 142,191	$ 106,875	$ 106,693	$ -	$ 355,758	n.a.
	Taxes Paid		$ 142,190	$ 106,874	$ 73,913	$ -	$ 322,977	n.a.
	Interest & Misc Revenue	$ 568,700	$ 102,800	$ 97,527	$ 86,590	$ -	$ 286,917	50.45%
	Penalty Revenues/Credits	$ -	$ (39,535)	$ 68,844	$ (68,969)	$ -	$ (39,660)	n.a.
	Energy Revenues Collected	$ 21,416,700	$ 5,591,834	$ 4,724,668	$ 5,055,356	$ -	$ 15,371,857	71.78%
	Revenues =	**$ 21,985,400**	**$ 5,655,100**	**$ 4,891,040**	**$ 5,105,757**	**$ -**	**$ 15,651,896**	**71.19%**
	Metro Funding Amount =	**$ 385,000**	**$ 196,315**	**$ (173,433)**	**$ 9,506**	**$ 71,636**	**$ 104,024**	**27.02%**

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 $15,755,920. This value represents approximately 70% of the total budgeted operating cost for FY26. The total system revenues from the sales of steam and chilled water for FY26 are $15,651,896 (71% 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. 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	$ 3,464,775	16,673,471	$ 0.2078		$ 1,365,267	78,533	$ 17.3847
State Government	$ 2,699,354	10,717,617	$ 0.2519		$ 1,777,778	101,128	$ 17.5796
Metro Government	$ 4,159,309	21,763,724	$ 0.1911		$ 1,906,307	130,827	$ 14.5712
New Customers	$ 2,629,163	12,372,553	$ 0.2125		$ 1,290,344	93,000	$ 13.8747
Total	**$ 10,323,437**	**49,154,812**	**$ 0.2100**		**$ 5,049,352**	**310,488**	**$ 16.2627**

Total Revenue	**$ 15,372,789**
True-up and Adjustments (Net)	**$ 279,107**
Net Revenue	**$ 15,651,896**

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.

Third Quarter:

No excursions were reported during the Third Quarter.

B. Efficiency

DEAO did not meet the steam-fuel metric in January. 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 Third Quarter, the courses included: Electrical Lockout/Tagout Procedures, PPE Training, Proper Tool Usage and Safety Training, Emergency Egress and "Tornado Take Cover Training."

D. Personnel

In February, another 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 66.8% of the steam sendout during the quarter, which represents an increase over the previous Third Quarter of 11.1%. An additional leak may be present on Third Avenue North which will be investigated during the Fourth Quarter FY26.
    - 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 increased 44.6% over the previous Third Quarter. This change resulted in an average decrease in the cycles of concentration in the cooling towers of 19.5% 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 increased 25.8% over the previous Third 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. The water treatment vendor stated the increase in the turbidity in the First and Second Quarter 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. The turbidity dropped to 1 NTU in the Third Quarter which is the detectable limit.
  - 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.

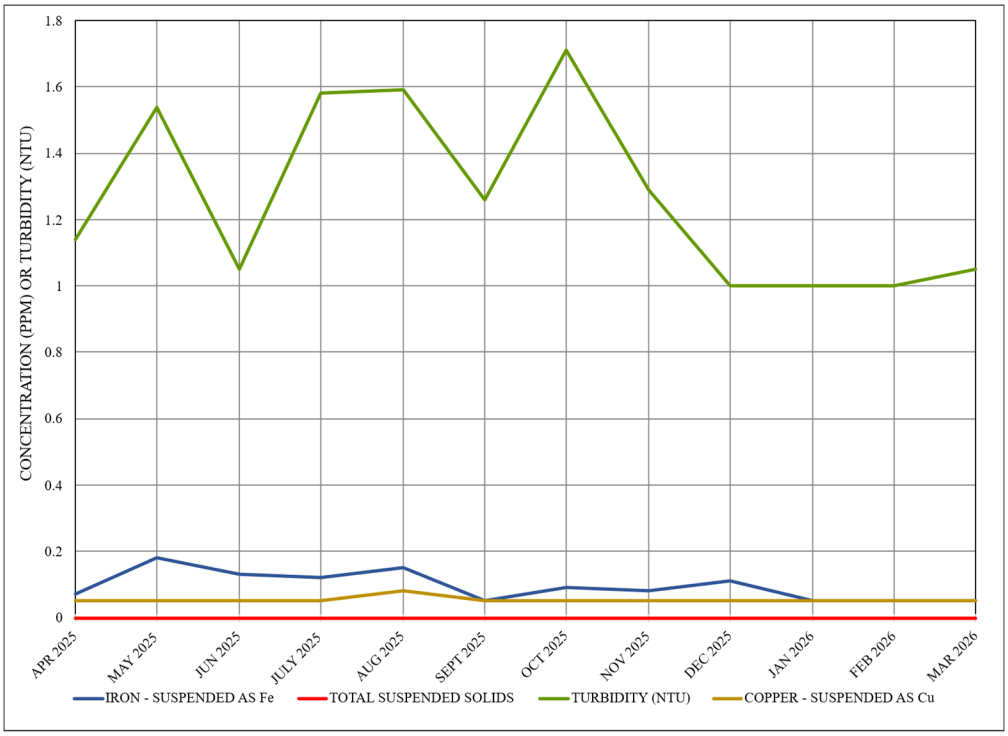

Figure 15. Chilled Water Composition Downstream of Side Stream Filter

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 fan belts on cooling towers 1 and 15 were replaced;
- The vibration switch on cooling tower 12 was replaced;
- The bearings on boiler feedwater pump 3 were replaced;
- The first and second stage guide vanes, filter driers, and all gaskets on chiller 7A were replaced;
- A leak was repaired on the condensate line at the air curtain;
- Refrigerant was added to chillers 6 and 7;
- Chilled water pumps 4, 5, and 6 inlet and outlet valves, check valves, and strainers were re-insulated;
- Chillers 6 and 7 were re-insulated;
- The outboard bearing on chilled water pump 1 was replaced;
- The bearings on cooling tower 3 were replaced;
- 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
Jan-26	$84,766	$22,647
Feb-26	$91,878	$23,243
Mar-26	$44,911	$53,105
Annual Totals	**$544,274**	**$248,912**

H. EGF Walkthrough

The EGF Walkthrough was conducted on March 31, 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 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. During the Third Quarter FY26 Walkthrough, portions of this piping had been repaired. However, additional work is necessary and was discussed with DEAO. DEAO needs to complete the insulation repairs.**
- The water distribution box (balance chamber) 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. During the Third Quarter FY26 Walkthrough, a) CT-18 was not running, water was not flowing through the tower, and a 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 d) CT-3 was not running and DEAO was in the process of making repairs. DEAO stated they were working on repairing the distribution boxes on all these towers.**
- 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. All cooling towers were reported by DEAO as having been cleaned**

during the quarter. As of the Third 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. This item was discussed with DEAO during the Third Quarter FY26 Walkthrough. As of the Third Quarter FY26 Walkthrough, the repairs have not been completed.**
- The vacuum breaker for DA-1 was leaking hot condensate and venting during the Second Quarter FY26 Walkthrough. **During the Third Quarter FY26 Walkthrough, the vacuum breakers for both DA-1 and DA-2 were leaking hot condensate and venting. DEAO has the replacement vacuum breakers on hand and are intending to install them after the heating season.**
- Algae was noted in several of the cooling tower basins and on the roof decking surface. **DEAO cleaned the cooling tower deck and towers during the quarter. No algae was noted during the Third Quarter FY26 Walkthrough. This item will be removed from future reports.**
- TEG, MWS, and DEAO have previously discussed adding a pass key reader to the pedestrian gate at the north end of the parking lot. In addition, DEAO requested the water meter sensor be relocated to the inside of the fence near this pedestrian gate. DES has been released to install these components on the new fence panels. **DEAO needs to install both devices.**
- 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. **The plastic pallet was removed prior to the Third Quarter FY26 Walkthrough. However, additional wooden pallets were noted in the parking lot. DEAO needs to remove these 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. **DEAO painted the beams and have installed bumper guards. This item will be removed from future reports.**
- 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 under item 1.e. above. **DEAO has re-oriented the splash blocks. This item will be removed from future reports.**
- 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 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.**
- **DEAO needs to provide the most recent boiler inspection reports in addition to those for the upcoming inspections for 2026. DEAO needs to inform TEG for the schedule of the 2026 inspection and wants to review and document the condition of the economizers and lower portions of the stacks.**
- **DEAO needs to provide the most recent Eddy Current Inspection reports and any vibration analysis reports for the chillers inspected and tested in 2025 and 2026.**
- Other action items previously noted to be addressed by DEAO may have been completed. (See also the "Quarterly EGF Walkthrough Report," dated April 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. Third Quarter FY26 Open Projects

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

1. 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 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 was January 7, 2026. The bids were reviewed and the project awarded. The work is scheduled to begin early in the Fourth Quarter FY26.

2. 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.

3. 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. This phase is expected to be completed early in the Fourth Quarter FY26. Once completed, 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.

4. DES230 – Manhole 6A Investigation

This project is closed.

5. 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-striped, 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's responded in January 2026 with no punch list items.

This project is in close-out awaiting final reimbursement from the State.

6. DES233 – Manhole 12 to Manhole 15 Hotspot Investigation

This project is in close-out with the final invoice expected early in the Fourth Quarter FY26.

7. DES236 – Third 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 Third 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 Third 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 Fifth 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 and executed during the Fourth Quarter.

8. 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 has designed this platform and will be bid during the Fourth Quarter FY26.

9. DES241 – Manhole D3 Electrical

Manhole D3 is located at the east end of the AA Birch Tunnel. This manhole is located on Second 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. A pre-bid meeting was held, and the work was awarded during the Third Quarter FY26. This work will be executed during the Fourth Quarter pending delivery schedules.

10. 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.

11. DES243 – 414 Union Street Service

TEG has remained in communications with the owners, developers, and engineers for the 414 Union St building as they progress in their renovation designs. This building is currently a 25-story office building, and the owners intend on re-develop 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. The renovations and redesign will include steam and chilled water from DES. An executed Customer Service Agreement is pending. Once received, the design of the service piping and Energy Transfer Station will commence. Service is anticipated in FY27.

12. 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 Second Quarter, the development's MEP began working on the preliminary in-building design assuming steam and chilled water service from DES. Approval of the construction of the building is pending Metro approval, but this building is expected to become a DES customer.

13. 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 coordinated a meeting with a contractor in early January 2026 to review the needed repairs. The contractor has presented time and material pricing, and TEG has followed up with some questions. TEG is awaiting the contractor's response to these questions.

14. DES246 – Boring Company

Current work boring tunnels in Nashville by the Boring Company has remained distant to the EDS. TEG has been in contact with the Boring Company's engineering team to discuss locations of EDS piping and structures and potential conflicts along their proposed pathways. The progress of their work may create the need for more data and document exchange. However, little interaction occurred during the Third Quarter. TEG will remain engaged and monitor the Boring Company's activities as they relate to DES.

15. DES247 – FVB Study Support

During the Third Quarter FY26, Metro retained a consultant to evaluate the Program Recommendations for the DES. This consultant, FVB Energy, Inc. requested information from Metro to support their analysis. This information was provided to them during the quarter. Meetings were also held between FVB, TEG, and MWS during the quarter to discuss the requested information and FVB's scope.

16. DES248 – EDS Valve Maintenance Plan

TEG has directed DEAO to identify all valves within the EDS that either do not function properly or do not adequately close and seal effectively such that associated pipeline sections may be isolated. This project addresses this effort.

DEAO is currently developing a plan to address the primary chilled water distribution valves. DEAO is expected to develop a plan for the steam and condensate isolation valves also.

Any repair and replacement of valves will be included within this project. This project will continue until all issues are resolved..

17. DES249 – Nissan Stadium Termination Plan

During the Third Quarter FY26, MWS requested TEG develop a plan for the termination of the chilled water service to the existing Nissan Stadium. This plan will be developed and presented to MWS during the Fourth Quarter. The plan will include options for terminating and demolishing the service laterals to the stadium and will include a coordination plan for working with the stadium's contractors and other utilities in the area.

B. Third Quarter FY26 Closed Projects

DES230 closed during the Third Quarter.

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 FY26 may not be noted due to outstanding invoices from the contractors. The total budgets for DES248 and 249 have not been determined to date and will change as the scope of the work and expenses to DES are more fully defined.

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	$ 5,501	$ 54,771	$ 266,729
	DES217	DES Service to AutoNashville Hotel, LLC	$ 3,079,000	$ 25,733	$ 56,499	$ 3,022,501
	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	$ 1,832	$ 33,736	$ 10,264
	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	$ 1,233	$ 4,818	$ 70,182
	DES230	MH 6A Evaluation	$ 404,000	$ 2,246	$ 15,091	$ 388,909
	DES231	TN Tower Service Relocation	$ 510,000	$ 28,020	$ 97,498	$ 412,502
	DES233	MH12 to MH15 Hot Spot	$ 110,000	$ 98,604	$ 111,028	$ (1,028)
	DES236	3rd Ave Condensate Replacement	$ 1,100,000	$ 282,866	$ 293,605	$ 806,395
	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	$ 49,500	$ 6,455	$ 6,455	$ 43,045
	DES241	MH-D3 Electrical	$ 55,000	$ 4,153	$ 4,153	$ 50,847
	DES242	Woodland St-Insulation Repairs	$ 82,500	$ 3,144	$ 3,144	$ 79,356
	DES243	414 Union Service	$ 810,000	$ 19,765	$ 19,765	$ 790,235
	DES244	NFD Service	$ 3,258,100	$ 6,345	$ 6,345	$ 3,251,755
	DES245	MH 23 Anchor Repair	$ 49,500	$ 2,183	$ 2,183	$ 47,317
	DES246	Boring Co Coordination	$ 17,000	$ 1,834	$ 1,834	$ 15,166
	DES247	FVB Study Support	$ 52,000	$ 6,755	$ 6,755	$ 45,245
	DES248	EDS Valve Maintenance Plan	$ 275,000	$ 2,976	$ 2,976	$ 272,024
	DES249	Nissan Stadium Service Termination	$ -	$ 1,519	$ 1,519	$ (1,519)
		Total Closed Projects	$ 6,820,370	$ -	$6,820,370	$ -
		Metro Project Admin	$ -	$ -	$ -	$ -
		Project Man, Development, etc	$ 3,883,528	$ -	$ -	$ 3,883,528
		Fund Total	**$ 26,000,000**	**$ 648,225**	**$8,548,475**	**$17,451,525**

V. Energy Distribution System Repairs, Improvements, PM, and Emergencies

Several EDS repairs and improvements were made during the Second Quarter. The principal items for discussion are presented in the following sections.

A. Repairs and Improvements

Several repairs were made to the EDS and at customer buildings during the quarter. The remaining value of the R&I account to date is $22,093. Table 7 provides a summary of the FY26 expenditures and revenues to date associated with the R&I budget.

Table 7. FY26 Repair and Improvement Expenditure and Revenue Summary

Description	Date	Tracking #	Vendor	Expenditure	Transfers	Balance
Value at end of FY25				**$ 329,065.96**		**$ 70,657.57**
Interest	7/1/2025	-	-	$ 982.60		
Interest	7/1/2025	-	-	$ (982.60)		
DES-238 Indigo Hotel Exploratory Excavation	8/26/2025	DES2488	DEAO	$ 2,800.00		
DES-219 7th Ave Tunnel Repairs	8/26/2025	DES2488	DEAO	$ 19,277.21		
DES-223 MH18 Electrical Repair	8/26/2025	DES2488	DEAO	$ 66,551.93		
July 2025 EDS R&I	8/26/2025	DES2488	DEAO	$ 14,662.23		
Interest	8/1/2025	-	-	$ 1,108.49		
Interest	8/1/2025	-	-	$ (1,108.49)		
Interest	9/3/2025	-	-	$ 992.70		
Interest	9/3/2025	-	-	$ (992.70)		
DES-226 State PRV	9/22/2025	DES2490	DEAO	$ 27,372.00		
DES-227 MH-16 Condensate Piping Replacement	9/22/2025	DES2490	DEAO	$ 8,896.60		
DES-228 - MH B2 and MH B3 Drip Leg Modificatio	9/22/2025	DES2490	DEAO	$ 6,640.97		
DES-237 - CJC Area Chilled Water Leak	9/22/2025	DES2490	DEAO	$ 47,087.04		
Aug 2025 EDS R&I	9/22/2025	DES2490	DEAO	$ 523.88		
DES-236 3rd Ave Condensate Line Replacement	10/20/2025	DES2493	DEAO	$ 3,198.15		
DES-237 - CJC Area Chilled Water Leak	10/20/2025	DES2493	DEAO	$ 57,600.00		
Sept 2025 EDS R&I	10/20/2025	DES2493	DEAO	$ 1,402.03		
		Sub-Total First Quarter		**$ 256,012.04**	**$ 190,899.99**	**$ 5,545.52**
Interest	10/01/25	-	-	$ 1,064.04		
Interest	10/01/25	-	-	$ (1,064.04)		
Interest	11/03/25	-	-	$ 1,108.95		
Interest	11/03/25	-	-	$ (1,108.95)		
DES-236 3rd Ave Condensate Line Replacement	11/18/25	DES2493	DEAO	$ 200.00		
DES-222 Valve Program	11/18/25	DES2493	DEAO	$ 810.00		
DES-238 Indigo Hotel Exploratory Excavation	11/18/25	DES2493	DEAO	$ 661.22		
Oct 2025 EDS R&I	11/18/25	DES2493	DEAO	$ 16,094.25		
Nov 2025 EDS R&I	12/30/25	-	DEAO	$ 26,586.11		
DES-239 MHS4A Steam Leak - Viridian Platform	12/15/25	-	DEAO	$ 34,912.36		
DES-230 MH6 Condensate Valve Replacement	12/15/25	-	DEAO	$ 24,084.11		
DES-238 Indigo Hotel Exploratory Excavation	12/15/25	-	DEAO	$ 83,506.46		
Interest	12/01/25	-	-	$ 1,116.30		
Interest	12/01/25	-	-	$ (1,116.30)		
Short Term Capital Gains Income	12/19/25	-	-	$ 5.68		
Short Term Capital Gains Income	12/19/25	-	-	$ (5.68)		
Dec 2025 EDS R&I	01/20/26	-	DEAO	$ 9,373.74		
DES-229 EDS Manhole Insulation	01/15/26	-	DEAO	$ 69,034.14		
		Sub-Total Second Quarter		**$ 265,262.39**	**$ 190,899.99**	**$ (68,816.88)**
Interest	01/02/26	-	-	$ 912.77		
Interest	01/02/26	-	-	$ (912.77)		
Jan 2026 EDS R&I	02/20/26	-	DEAO	$ 26,742.79		
DES-236 3rd Ave Condensate Line Replacement	02/15/26	-	DEAO	$ 36,934.17		
Interest	02/02/26	-	-	$ 890.83		
Interest	02/02/26	-	-	$ (890.83)		
Feb 2026 EDS R&I	03/17/26	-	DEAO	$ 10,131.32		
DES-231 TN Tower Service Piping Relocation	03/17/26	-	DEAO	$ 60,055.34		
Mar 2026 EDS R&I	04/16/26	-	DEAO	$ 29,759.49		
Interest	02/02/26	-	-	$ 957.91		
Interest	02/02/26	-	-	$ (957.91)		
		Sub-Total Third Quarter		**$ 163,623.11**	**$ 190,899.99**	**$ (41,540.00)**
		Sub-Total Fourth Quarter		**$ -**	**$ 63,633.33**	**$ 22,093.33**
		FY26 Year to Date		**$ 684,897.54**	**$ 636,333.30**	**$ 22,093.33**

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 $135,276 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, $20,000 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 been addressed 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. DEAO is starting to address this need under

DES248. As this task is completed, TEG will coordinate with DEAO and develop a comprehensive maintenance, repair, and replacement plan for deficient valves. DEAO was not able to review the chilled water valves during the Third Quarter FY26 as anticipated due to complications encountered with a direct buried chilled water valve needing repair.

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
Jan-26	$21,531	$6,752
Feb-26	$35,157	$9,972
Mar-26	$19,663	$11,749
Annual Totals	**$197,512**	**$127,468**

C. Emergencies

There were no emergencies during the quarter.

D. EDS Walkthrough

The Third Quarter FY 2026 walkthrough was conducted on February 12 and 13, 2026. The manholes that were visited included A, B, B1, B1A, K, L, M, N1, N2, S5, S6 and the chilled water piping suspended underneath the Woodland Street Bridge. The following comments and observations are a result of these visits.

Many 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. The coating is cracking in several locations, and 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 walkthrough report identifying fourteen (14) high or critical items that need to be addressed by DEAO, four (4) of which have been reported multiple times. Subsequent to this review, DEAO has completed the critical task and is in the process of addressing three of the high priority, long-term items.

1. Manhole A
   a. There was a lot of water present in this manhole, and it required pumping prior to entry.
   b. The northern steam wall penetration link seal is starting to "back out" of the wall penetration. DEAO should attempt to re-position this link seal into the wall penetration. If unsuccessful, DEAO should obtain a quotation from a contractor to re-position or, if needed, replace this link seal. **This appeared in last year's report. UPDATE: DEAO is obtaining a quotation from a contractor to either replace the link seals or seal the annular space with hydraulic cement.**
   c. The Enecon coating at the bases of several of the piping supports is cracking and corrosion is present. DEAO should have Enecon review these failures and comment on the reason for the failures and a possible remedy.
   d. The rebar chair feet that Enecon covered with ceiling patches are "showing through" the patches. It appears that Enecon may not have followed all the instructions when these areas were patched. The instructions were to chip away the concrete around these "feet" to about 1" deep, cut back and remove the exposed portion of the "foot" and then patch the hole with the concrete patching material. DEAO should have Enecon review these areas and comment.

2. Manhole B
   a. There was a small amount of water in the floor of both sides of this manhole.
   b. The O-ring seals on some of the Fibrelite manway lids are frayed in some spots and need to be replaced. DEAO should do this as soon as possible**.**
   c. The Enecon coating at the bases of several of the piping supports is cracking and corrosion is present. DEAO should have Enecon review these failures and comment on the reason for the failures and a possible remedy**.**
   d. The link seals at the southern and northern steam and condensate return wall penetrations are dislodged. DEAO should attempt to re-position this link seal into the wall penetration. If unsuccessful, DEAO should obtain a quotation from a contractor to re-position or, if needed, replace this link seal. **This item appeared in the last five years' reports. UPDATE: DEAO is obtaining a quotation from a contractor to either replace the link seals or seal the annular space with hydraulic cement**.
   e. The end can of the steam penetration at the western wall on the chilled water side of the manhole was repaired with hydraulic cement by Enecon several years ago. Water is infiltrating at this point, but it is only a consistent drip - which has not changed substantially since the last report. DEAO should continue to monitor this penetration and report any changes to TEG.

f. Several of the electrical enclosures in the chilled water side of the manhole are experiencing corrosion. DEAO should review these components and determine if they can be repaired or if they need to be replaced. This would include conduits and connectors.

g. The Enecon coating on the steam piping supports on the chilled water side of the manhole are starting to show corrosion. It appears that this may be from areas that were inaccessible when the coating was applied. DEAO should review these supports and determine if they can be cleaned and re-coated or if new supports are needed.

3. 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 entering Manhole B.

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" 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.

c. There is a corroded pipe support and some corroded uni-strut in this manhole that is not being used. These components should be cut from the wall, the remaining anchor bolts cut flush with the wall, cleaned and coated with cold galvanizing paint**.**

4. Manhole B1A

a. This is a recently constructed manhole located in the sidewalk in the northwest corner of the 1st Ave North and Molloy intersection. It houses a sump pump to control the amount of groundwater accumulating in this area of the EDS.

b. The water level in the manhole was high, and the pump was not running. Even with long boots, maintenance personnel cannot stand on the manhole floor without getting wet. DEAO should lower the float positions to reduce the level of the standing water so that maintenance personnel can access the manhole when needed. (The Weil recommended sump pump settings result in no more than 10 starts per hour and a minimum run time of 1-1/2 minutes.)

c. Several of the concrete form ties remain in place and present a potential safety hazard for maintenance personnel. These ties should be cut flush with the manhole interior wall surface and the portion of the ties remaining in the walls should be painted with cold galvanizing paint. **Since this review, DEAO has removed the form ties.**

d. 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 this manhole. DEAO should replace this hose with another hose which incorporates 316 stainless steel camlock fittings instead of aluminum**.**

e. 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**.**

5. Manhole K
   a. There was water in this manhole, and it required pumping prior to entry. After DEAO discovered that surface water was entering the manhole through the concrete roof seams, TEG directed DEAO to caulk these seams and the amount of infiltration has been substantially reduced. DEAO should continue to monitor the water infiltration and caulk openings as needed.
   b. There are some hairline cracks in the concrete patching of the southern manhole wall. DEAO should monitor these cracks and notify TEG of any significant changes.
   c. There was a small amount of moisture at the 6 o'clock position of the eastern Wildhorse Saloon chilled water service line wall penetration. It is not known if this is due to groundwater infiltration or a failure of insulation sealing. DEAO should monitor this moisture and report any significant changes to TEG immediately.

6. Manhole L
   a. There was no water in this manhole.
   b. The west end of the horizontal anchor beam has some Enecon coating flaking/cracking on the top of the northern flange. Other areas on this beam are also flaking/failing. DEAO should have Enecon review these failures and comment on the reason for the failures and a possible remedy.

7. Manhole M
   a. There was no water present in this manhole.
   b. The O-ring seals on some of the Fibrelite manway lids are frayed in some spots and need to be replaced. DEAO should do this as soon as possible.
   c. Several of the pipe support base plates that were coated by Enecon have some corrosion on the edges and around the anchor bolts. DEAO should have Enecon review these failures and comment on the reason for the failures and propose a remedy.
   d. The link seal on the steam line penetration at the northern wall has dislodged from the top portion of the pipe. DEAO should attempt to re-position this link seal into the wall penetration. If unsuccessful, DEAO should obtain a quotation from a contractor to re-position or, if needed, replace this link seal. **This item appeared in the last five years' reports. UPDATE:**

DEAO is obtaining a quotation from a contractor to either replace the link seals or seal the annular space with hydraulic cement.

8. Manhole N1
   a. The CHW piping in this manhole was recently insulated. To prevent condensation on the ceiling of the manhole, the ceiling was also insulated. There is an area in the north ceiling area where water has accumulated between the insulation board and the ceiling, presumably from condensation. DEAO should have the insulator that installed the insulation review this area and offer an opinion for the cause and remedy. Additional insulation pins and thicker insulation may be needed**.**

9. Manhole N2
   a. This manhole is in the northwestern corner of the Nissan Stadium campus.
   b. The chilled water bypass piping and isolation valves in this manhole were never insulated. The surface condensation ("sweating") is causing some corrosion to occur. However, because the new Nissan stadium is being constructed, and the new stadium will not receive chilled water from DES, this manhole will probably be demolished. Therefore, the uninsulated piping in this manhole will not be insulated.

10. Manhole S5
   a. There was a small amount of water in this manhole. There is a sump pump in this manhole which was used to remove most of the accumulated water.
   b. There are some cracks in the manhole interior wall surfaces. DEAO should monitor these cracks and report any degradation to TEG**.**
   c. There is some minor insulation jacket damage in this manhole. This should be repaired the next time insulation work is done in this manhole. **This appeared in last year's report.**

11. Manhole S6
   a. No deficiencies noted.
   b. DEAO should continue to monitor the structure, anchor, and piping**.**

12. Chilled Water Piping Underneath Woodland Street Bridge
   a. The aluminum insulation jacketing on the west riverbank is damaged in several locations. It appears that the damage is from vandalism. This damage should be repaired when repairs are made to the insulation on the eastern riverbank. (See item b. below).
   b. On the eastern riverbank, the chilled water piping drops vertically into the ground. This piping has a galvanized conduit protecting the pipe insulation. This galvanized conduit is badly corroded in several places and needs repair. TEG is preparing a scope of work for these repairs**.**

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, both north of Korean Veteran's Blvd and in Rolling Mill Hill with whom discussions have continued as they consider service from DES. Two existing buildings north of Korean Veteran's Blvd which are not currently connected to the DES are evaluating their options.

A project number (DES-243) was developed during the quarter to cover work associated with the steam and chilled water service connections to the 414 Union building. An executed Customer Service Agreement is anticipated in the Fourth Quarter FY26 with service expected in FY27.

Another project number (DES-244) was created to cover work for the proposed Nashville Fire Department Headquarters. This building is proposed to be located at Second Ave N and Gay St and is pending funding approval from Metro. If approved, this building is expected to become a DES customer and utilize steam and chilled water.

In addition, TEG has been in contact with two existing customer buildings with proposed or ongoing renovations. The discussions have centered around possible expansions or increase in service demands and the execution of new Customer Service Agreements which would extend the service to the buildings for another thirty years.

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 Veteran's Boulevard. Such expansions of the distribution pipe and the addition of equipment at the EGF may not result in an immediate return on capital expenditure. 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.

- TEG met with personnel from the Music City Center in March to review the changes they have made to their chilled water system since the removal of the strainer. Their operation during February revealed low delta Ts and occasions of high flow rates with their pump turning on and off within thirty minutes. They reported they were making changes to their control system and set points and were monitoring the situation. TEG notes their changes have improved the delta T for March and have lessened the impact of the flow rate swings.
- DEAO responded to a steam leak at St Mary's Church and determined the leaking strainer was the customer's responsibility. DEAO recommended a contractor.
- DEAO assisted Tennessee Tower personnel with the presence of excess water in a pit near the service entrance to the building. They determined the customer's sump pump was not operating.
- DEAO and TEG met with personnel from the Fairlane Hotel to discuss the venting of steam from a vent pipe into MH-4. While onsite, Fairlane personnel asked if the chilled water to their building could be chemically tested as they noted discolored water in their building.
- 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. It should be noted that DEAO has addressed several of the outstanding EDS items.

Based on the review of the Third 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. DEAO is currently developing a plan to test and evaluate several of the chilled water distribution valves.
- 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.