



**Metro District Energy System Advisory Board
Regularly Scheduled Meeting of**

May 20, 2021

Minutes of Meeting

The meeting was held via WebEx teleconference and in person at the MWS Biosolids Building.

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

Board Members Present:

Freddie O'Connell
Ann McGauran
Laurel Creech (*on behalf of Nancy Whittemore*)
Jim Thiltgen (*on behalf of James Harbison*)
Brian Taylor
Nick Woollen

Others Present:

Dan Coyle, TEG
Kevin Jacobs, TEG
Randy Pomeroy, PMC
Tim Hestle, Constellation
John Schaffer, Constellation
Adrienne Fancher, MWS
Dontrai Buchanan, Metro ITS (host)
Heidi Hoeffner, Metro Finance

Freddie O'Connell, Board Chair, called the meeting to order at 10:15 a.m. Mr. O'Connell proposed accepting the previous meeting minutes. Nick Woollen moved to accept the minutes and Ann McGauran seconded the motion. The minutes were approved unanimously by verbal acceptance. Without further comment, Mr. O'Connell requested that TEG proceed with their presentation.

Kevin Jacobs reviewed the Customer Sales Cost Comparison table. Mr. Jacobs, comparing data from the non-pandemic period with the pandemic period, explained that customer sales were down in nearly every category. Steam sales were down approximately 9% and chilled water sales were down approximately 22%. There were corresponding reductions in costs due to reduced volumes.

Mr. Jacobs further explained the decrease in chilled water and steam sales volumes for FY2021 compared to the previous five years. Current year data is similar to volumes experienced during 2015, but overall sales are below average. Volumes began recovering in March and April. Steam sales this year experienced a less significant jump than in 2015, but with spring recovery, we expect calendar year 2021 to be an "average" year.

In response to nCOVID-19, the Advisory Board decided to waive late fees through the second quarter of the year. As a reminder, two customers opted for the deferrals plan, and both are on-schedule with payments. There have not been additional requests for deferral, and there are no customers in arrears. Constellation continues to maintain its COVID protocols. Mr. O'Connell commented that given the rollback of COVID protocols at Metro and the State and the apparent local business recovery, it does not appear necessary to



extend the late fee waiver or deferral option. Ms. McGauran and Mr. Woollen agreed. With no objections and no further action required from the Advisory Board, the temporary policies will be allowed to expire.

Mr. Jacobs noted that the new performance guarantees for Constellation began in FY2021 with Constellation's contract Amendment 2. The steam electric conversion performance exceeded the guarantee in August, and despite boiler issues during the winter, this performance measure did not represent an issue at this time. However, the steam fuel efficiency is an issue in that the fuel usage exceeded the guarantee but is expected to return to normal usage following resolution of the boiler issues.

Mr. Jacobs noted that the new guarantees for steam water conversion did not change and the plant performance is consistent with historic performance. The winter variation is typical.

Constellation has worked to improve the chilled water electric conversion efficiency and meet the new guarantee.

The chilled water-water conversion is a new calculation for both the actual performance and the guarantee. Performance has slightly exceeded the guarantee. Mr. Jacobs explained that this metric accounts for all of the water used in the chilled water system but limits the amount of EDS makeup water to 30,000 gallons per day on average to avoid penalizing Constellation for system leakage. In the past, the conversion calculation did not account for all water.

Regarding water treatment, Constellation contracted a new vendor for water treatment services to begin in January. New equipment and programs have been installed, addressing biological control in particular. To date, the new systems appear effective.

Mr. Jacobs stated that based on the quarterly EGF Walkthrough, Constellation had improved the EGF building and grounds and equipment maintenance.

Mr. Coyle next discussed the slide on the EDS Walkthrough. Mr. Coyle reminded the Board that there had been significant metal corrosion issues in the EDS and that there have been several major projects to address the corrosion, including adding new coating to tunnel/pipe supports. Ongoing projects expect to conclude in May.

Mr. Jacobs reviewed the natural gas spending. DES has implemented the gas purchase hedging policy due to rising prices. We are meeting the budget. We purchased propane as a winter contingency and were able to sell back unused gas for a higher price than purchased. This credit will be returned to the customers as a pro rata share of steam used when calculating the year-end true-up of expenses. The FY2022 budget accounts for projected higher prices.

Electricity is a major part of the budget, but spending is on track. Water costs are exceeding the budget due to several chilled water and condensate leaks that have been fixed. The FY2022 budget for water was increased in anticipation of future issues.

Mr. Jacobs reviewed the FY2021 Budget slide. Mr. Jacobs determined that none of the customers are over budget. Mr. O'Connell asked about the status of savings through the Metro Funding Amount and whether the FY2022 MFA budget is realistic. The MFA budget has not changed for FY2022: \$630,000. Although the MFA has declined intentionally, we anticipate additional debt service and a maximum 3% CPI escalation in FY2022; therefore, the MFA remains the same. Mr. Coyle added that the MFA is nearly half the \$1.3 million of two years ago due in large part to Constellation's new contract. Mr. Jacobs noted that a portion of the bond debt will be retired in the next two years which should help reduce the debt service. The FOC change in the FY2021 budget, due to the contract change, has reduced the cost – which is passed on to customers.

Mr. Jacobs reviewed the Marketing efforts and explained that conversations continue with the developers of Peabody Union [to be located adjacent to the EGF] regarding the potential use of chilled water, although they



have declined to use steam. Development of the new KVB hotels has stalled and potential ownership changes are pending; therefore, discussions of DES service to these hotels may be suspended until the development proceeds. There are no updates to report on the Peabody Street hotel or development north of KVB. The new hotel at 4th & Union is still interested in chilled water service and would like to resume discussions in June pending resolution of financing issues. A new Molloy Street development is a favorable service target in that the developer has connected to DES previously.

The capital expenditures through the end of April were reviewed. The \$1.1 million spent to date is primarily for maintenance and repair projects in the EDS and connecting the new Hyatt Centric. Hyatt Centric received its first bill for service in April. Approximately \$430,000 remains available to be spent.

Mr. Coyle explained the details of active projects. There is an ongoing legal effort to recover blasting damages from the Fifth + Broadway construction. Thermal Engineering is working with Metro on a review of options for efficiency improvements and business growth. There are several projects addressing metal corrosion in the tunnels which are projected to be completed this quarter. Additional projects are addressing system leaks. Although the Hermitage Hotel is conducting sewer repair work near the DES lines, it appears that DES may not be impacted by the work – in which case, the project will be closed.

As an update on the EDS chilled water make-up, Mr. Jacobs noted that the flow has been relatively consistent at approximately 17 gallons per minute for the last two months – considerably lower than it had been. The previously reported goal of 5 gallons per minute has been deferred due to a few suspected leaks, but it is important to note that the make-up rate is stable.

Election of New Customer and Initial System Customer representatives will occur soon to occupy the places currently held by Eric Swartz and Nick Woollen, respectively, whose terms are expiring. Mr. Jacobs and Mr. Coyle explained the nomination and election process. Mr. O'Connell urged Board members to submit nominations.

Mr. Thiltgen asked if DES has any cybersecurity exposure, particularly in the distribution system. Mr. Jacobs responded that Constellation is responsible for the cybersecurity of the facilities and that cybersecurity has not been an issue. DES interfaces with customers through metering panels that are accessed by an IP address for monitoring only – no control functions. Plant controls are local with no outside/internet control access. There are some pumps in the EDS with hardwired controls at the plant such that there is no internet exposure.

Ms. Creech inquired about the annual customer meeting. Mr. Jacobs responded that last year's meeting had been cancelled due to the pandemic, but that we anticipate having a meeting this year.

Mr. O'Connell accepted a motion to adjourn. Mr. Thiltgen moved to adjourn, and Ms. McGauran seconded the motion. The board voted unanimously to adjourn at 10:55 a.m.

The next regular Board Meeting will be held Thursday, November 18, 2021 at 10:00 A.M.

These minutes were approved on August 19, 2021.