



**Metro District Energy System Advisory Board
Regularly Scheduled Meeting of
August 18, 2011**

Minutes of Meeting

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

Facilitator: Harry Ragsdale, DES Project Contract Administrator and Kevin Jacobs, Thermal Engineering Group

Board Members Present:

Karen Bennett
Phil Ryan
Brian Taylor
Tom Thompson
Lannie Holland *on behalf of Richard Riebeling*

Board Members not Present:

Yuri Cunza
Joy Harris
Richard Riebeling
Tom Turner
Nancy Whittemore

Others Present:

Glenn Mohon, Metro Government, General Services
Josh Stites, State of Tennessee, Treasury
Tim Hestle, CEPS General Manager
Bob Lackey, DES Liaison
Robin Lamborn, DES Advisory Board Secretary

The meeting was called to order by the Chair and began at 10:09 A.M.

A motion to approve the minutes of the May 19, 2011 Board Meeting was made, seconded and approved by the Board.

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

Mr. Ragsdale and Mr. Jacobs discussed the customer cost comparison for the previous twelve (12) months. On an aggregate basis, the steam costs were down 4.89% due to less customer consumption and low fuel prices. Chilled water costs had an increase of 4.61% due to warmer temperatures.

Mr. Ragsdale and Mr. Jacobs discussed the review of the contractor's performance for the fourth quarter of FY 2011 and reviewed the conversion tables for electricity, water, and plant efficiency. The contractor's performance is excellent in all areas.

Mr. Ragsdale and Mr. Jacobs reviewed the results of the inspections of both the Energy Generating Facility (EGF) and the Energy Distribution System (EDS). Continuing areas of focus include: water infiltration, corrosion of the structural metal components, and safety items. Mr. Jacobs indicated that some of the vault repairs and safety issues will be addressed in upcoming capital projects.



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Mr. Ragsdale and Mr. Jacobs provided an update on the natural gas purchasing and the cost of fuel. Mr. Ragsdale indicated that fuel prices continue to remain low. Actual total fuel costs to date for FY 2011 are 40.9% lower than what was budgeted. Information was presented to the Board on the gas purchasing over the past three years. The budgeted fuel costs for FY 2012 are significantly reduced from previous years and should be closer to the market value. By having a sophisticated metering system and good historic information, potential customer consumption and fuel costs are becoming easier to predict.

Mr. Jacobs reviewed the FY 2011 costs to date report. Through the end of this period of operations, approximately 86% (\$17,505,822) of the FY 2011 budget (\$20,302,800) has been expended.

Mr. Jacobs and Mr. Ragsdale reviewed the FY 2012 budget status report. The FY 2012 budget includes expenses and revenues associated with providing steam for temporary heating to the Music City Convention Center (MCCC) during construction this winter. However, soon after the budget was approved, DES was informed that the MCCC will not be requiring steam this winter. Mr. Jacobs and Mr. Ragsdale provided a separate FY 2012 budget status report with the MCCC omitted and discussed the differences in the projected expenses and revenues.

Mr. Ragsdale discussed the new TVA/NES time of use rates program. This program is designed to promote NES customers to shift their energy usage so that everyone is not using energy at the same time and putting a burden on the system. As an incentive, customers will be charged a reduced rate for energy consumed during "off peak" hours. The Board was provided a table illustrating the differences between what peak demand charges are relative to what the historical costs were, according to the three periods in which there are major changes in the electric rate structure. Mr. Ragsdale indicated they are looking at ways to help reduce energy costs to DES customers, based upon their actual consumption.

A summary of capital projects was then reviewed with the Board. Bond fund expenditures and balances were reported and summarized. Mr. Ragsdale and Mr. Jacobs provided the Board with updates on the active and proposed DES capital projects, as well as projects that are closing-out. Mr. Ragsdale again discussed a potential capital project to build a thermal storage tank to store chilled water that was cooled during "off peak" hours for use during "high peak" hours, which would significantly reduce energy costs. Mr. Ragsdale also discussed another potential capital project for a new power factor corrector capacitor, which would improve the power factor efficiency and reduce charges associated with it. Both projects are still in the planning phase.

Without further discussion, and upon a motion, the meeting was adjourned by the Chair.

The next Board Meeting will be held Thursday, November 17, 2011 at 10:00 A.M.

Prepared by: Robin Lamborn

Robin Lamborn, DES Advisory Board Secretary

Date: 11/17/11

Approved: Karen Bennett

Karen Bennett, Chair, DES Advisory Board

Date: 11/17/11

Approved: Bob Lackey

Bob Lackey, DES Liaison

Date: 11/17/11