



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

February 17, 2022

Minutes of Meeting

The meeting was held via WebEx teleconference.

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

Board Members Present:

Freddie O'Connell
Brian Taylor
Laurel Creech (*on behalf of Velvet Hunter*)
Heidi Hoeffner (*on behalf of Kelly Flannery*)
Jim Thiltgen (*on behalf of Troy White*)
Chris Proctor
Ann McGauran
Bill McKnight

Others Present:

Dan Coyle, TEG
Kevin Jacobs, TEG
Jon Belcher, TEG
Tim Hestle, Constellation
John Schaffer, Constellation
Mats Bergquist, Constellation
Bill Purcell, Frost Brown Todd LLC
Adrienne Fancher, MWS
Sonia Allman, MWS
Charda Johnson, Metro ITS (Webex host)

Brian Taylor, Board Vice-Chair, called the meeting to order at 10:05 a.m. Mr. Taylor proposed accepting the minutes of the previous meeting. Bill McKnight moved to accept the minutes and Heidi Hoeffner seconded the motion. The minutes were approved unanimously by verbal acceptance. Mr. Taylor then asked TEG to proceed with its presentation.

Kevin Jacobs reviewed the Customer Sales Cost Comparison table. Mr. Jacobs noted that steam and chilled water sales were up as part of the pandemic recovery [increased building occupancy]. Increased natural gas cost is a key driver of increased steam costs. Chilled water sales for October were much higher than typically seen in October. However, November was lower than average, and December was on the high end but typical. Significant recovery compared to 2020 began in March. Steam sales for October and November were slightly below and above average, respectively, but December was significantly lower than average. November was relatively cold, and December was a relatively warm month.

In response to nCOVID-19, the Advisory Board waived late fees through the early part of the pandemic. Late fees were re-activated in May 2021. Three customers are in arrears more than 30 days and will be charged late fees. One of the customers is nearly 60 days late, which is cause for concern. Constellation continues to maintain its COVID protocols and limits access to the plant. Freddie O'Connell asked if the customer that is



very late is due to COVID-related issues or due to building operations. That is, is the customer acting in good faith? Mr. Jacobs responded that we are approaching the disconnection threshold. Dan Coyle stated that they are not aware of a particular issue, but this customer has a history of payment issues. Nevertheless, Mr. Coyle expected to resolve the situation in approximately the next 15 days.

The steam electric conversion performance exceeded the guarantee only in July. The former guarantee was exceeded historically in summer due to the low steam load. The steam plant efficiency was exceeded 9 of the last 12 months, but the exceedances have been by a small margin. The condensate return is at approximately 80%, which reflects well on the condition and operation of the distribution system. The steam water conversion guarantee was missed mostly in the fall months, which may be due, in part, to the meter issue that has been resolved. The chilled water electric conversion guarantee was exceeded only in December. The chilled water water conversion was exceeded 9 of the last 12 months, due in part to the excess makeup water required by a system leak.

Regarding water treatment, there have been no biological issues. The water treatment vendor, Chem Aqua, is preparing a proposal to add a sidestream filter that will filter the chilled water return and remove solids from the chilled water system to improve heat transfer at the customer buildings.

Mr. Jacobs stated that based on the quarterly EGF Walkthrough, Constellation continues to maintain the EGF equipment well. Buildings and grounds maintenance has improved, but there are outstanding items that have been scheduled to address. Mr. Jacobs noted the 4 new trees planted on the west side of the plant.

Jon Belcher discussed the EDS Walkthrough. Mr. Belcher noted that the vault and tunnel housekeeping is in a similar condition to last quarter; however, there has been consistent improvement. There have been small improvements in the maintenance tasks, and the projected work should bring the ratings for these items to "green" in the next several months. Constellation continues to perform well in Safety.

Mr. Jacobs reviewed the natural gas purchasing. In spite of usage below budget and plant efficiency above budget, the price of gas has increased spending to 41.7% over budget. The pre-purchased propane that is stored in Kentucky has not been used; hopefully we can sell it back for a good price. We have hedged approximately 30% of our natural gas purchase as a price control, but we expect to exceed the budget at the end of the year.

Mr. Jacobs reviewed the FY2022 Costs to Date. After half of the year, most costs are near 50% of budget. The spending for water is at 80% of budget due to additional makeup water required by the leak (that has been fixed) and cooling towers running more in summer. Water spending is expected to be close to budget at the end of the year. The fuel base cost is at 66%, and it does not include the peak winter use. Electricity spending is below 50% year-to-date.

To update the Marketing efforts for Lot K [Peabody Union] located immediately east of the EGF, Adrienne Fancher explained that despite years of negotiations with the developer, Peabody Union will not become a DES customer. The developer will construct a new road, "Guthrie Street," between the properties to connect Peabody Street and Korean Veterans Boulevard. To achieve the alignment of the proposed road, it will be necessary to transfer a portion of DES property to public right-of-way and to eliminate some of the parking spaces in the DES driveway. The developer is providing garage parking to compensate for the loss of driveway spaces. There will be gates on either end of this road to secure the DES property. Mr. Jacobs added that there will be a knee wall and fencing at the property line to protect the propane installation. Mr. O'Connell asked about the nature of the discussions that led to Peabody Union deciding against DES. Ms. Fancher and Mr. Coyle explained that the developer of this commercial/residential property did not reconcile the initial capital costs with long-term O&M savings. Even after DES made concessions on rates and life-cycle costs, the developer was resistant to join the system.

Mr. Jacobs continued the Marketing report with noting that the proposed development at First & KVB and the Union Street Hotel are both on hold by the developers as they pursue tenants – although both are committed



to using DES. In response to new interest in developing properties south of Peabody Street, DES has surveyed from the plant to 4th Avenue for a new service corridor along Peabody, similar to the extension made for the Music City Center.

Mr. O'Connell asked if DES had been in contact with the 2nd & Peabody or Cumulus sites which are at the pre-construction stage. Mr. Jacobs noted that he had reached out to the architect and developer of 2nd & Peabody, but not heard from them. Mr. O'Connell offered to facilitate a meeting with the DES team.

Mr. Coyle added that DES is pursuing opportunities to serve the Oracle campus and the new East Bank re-development. Mr. O'Connell asked about the existing capacity to serve new East Bank properties. Mr. Jacobs noted that because there is no steam service to the East Bank, it may be cost-beneficial to provide hot water. O&M costs for hot water systems are less than steam systems. DES provides chilled water to the stadium, and that line has capacity to serve more. We are investigating a satellite facility for the north end of East Bank. Mr. O'Connell asked the East Bank Technical Advisory Committee to send a recommendation for DES participation to the Advisory Board. Mr. Coyle noted that the available 2,429 tons of chilled water and 24,622 pph of steam capacity are based on the current configuration of the EGF. There is space available to add another chiller, which would add another 3,000 tons, plus replacing an aged chiller with a newer more efficient model would add capacity. Mr. O'Connell suggested that the Advisory Board needs to prepare for future capital investment. DES, perhaps with the Sustainability Committee, should be able to make the case for capital investment to benefit customers and Metro's sustainability goals. Mr. O'Connell asked for a motion for Metro Water Services and General Services to present a capital investment analysis to the Board. Mr. Taylor made the motion; Ann McGauran seconded; motion approved by verbal acceptance.

Mr. Jacobs noted that approximately \$25,000 is contributed to the R&I fund each month to address major maintenance. The capital expenditures Fiscal-Year-To-Date are \$30,201 for R&I projects and \$818,561 for other infrastructure, with approximately \$1.9 million remaining for the year. Mr. Belcher reviewed the details of active capital projects and projects that have been completed and closed. There are several manhole and tunnel projects addressing water intrusion, insulation problems, and metal corrosion. Mr. Jacobs presented an illustration of the effect of repairing a 100,000 gallons per day chilled water leak on Third Avenue.

The System Operator Constellation NewEnergy (CNE) presented an update for the Advisory Board. John Schaffer introduced the CNE team. Mr. Schaffer presented the result of a third-party Environmental, Health & Safety audit that achieved the highest possible rating. Mr. Schaffer also noted that the DES facility has gone without a lost-time accident for nearly 11 years and without a Notice of Violation since the inception of the contract in 2003. Mr. Schaffer reviewed the system performance data regarding the contract guarantees and bonuses earned. Mr. Schaffer outlined the performance improvement actions that CNE is taking, including hiring IC Thomasson to consult on operations. CNE shared its recent community involvement activities.

Mr. Coyle and Mr. Jacobs followed Mr. Schaffer's comments to explain how CNE earns bonuses through contractual shared savings for fuel and other pass-through costs. Customers are not penalized when CNE fails to meet a guarantee.

Mr. Coyle mentioned that the Thermal Engineering contract expires in April, and he offered thanks to the Board members for their participation over the years. Mr. O'Connell expressed his appreciation for Thermal's service. Mr. Jacobs reminded the Board of the upcoming Customer Meeting on March 3rd.

Mr. Taylor also expressed gratitude to the Thermal team for its responsiveness, and he commended Ms. McGauran for her recognition as a 2022 Woman of Influence. Mr. Taylor also asked Ms. McGauran for comments on recent activity concerning the TPAC building. Ms. McGauran responded that the State is preparing to divest itself of the TPAC real estate as part of a long-term discussion of how the State will support TPAC. She added that Citizens Plaza will be transferred to Metro, as it has been vacant for the last 3 years except for the Arts Commission. There are some State agency moves that will be required to divest these properties. Mr. Coyle added that DES customer contract changes will be necessary when building ownership changes.



Ms. McGauran asked how management of DES would continue after Thermal's contract expires. Ms. Fancher responded that an RFP is in queue with Metro Purchasing. She added that provisions had been made to continue Thermal's services during the procurement process and that it is Metro Water Services' plan to execute another 5-year program administrator agreement for DES. Ms. McGauran asked if the Board needed to take any action with respect to Thermal's contract. Ms. Fancher responded that no further administrative action was needed.

With no further questions from other Board members, Mr. O'Connell encouraged Board members to review the schedule of upcoming meetings. Mr. Taylor moved to adjourn the meeting; Ms. McGauran seconded; the motion was approved by verbal acceptance. The meeting adjourned at 11:25 a.m.

The next regular Board Meeting will be held Thursday, May 19, 2022, at 10:00 a.m.

These minutes were approved on May 19, 2022.