

Quarterly Report to the State Building Commission

Metro Nashville District Energy System

Advisory Board Meetings

By Ann McGauran, State Architect

Advisory Board Representative of the Government of the State of Tennessee

The following section of the State Building Commission Policy and Procedures sets the reporting requirements:

13.01 METRO NASHVILLE DISTRICT ENERGY SYSTEM

The Commission, in accordance with the Metropolitan Government of Nashville and Davidson County requirements relating to the Metro Nashville District Energy System, will appoint for a term of two years, by name and State title, an individual to serve as the Representative of the government of the State of Tennessee on the Advisory Board for the Metro Nashville District Energy System, and the Representative shall report on the meetings of the Advisory Board to the Commission on a quarterly basis, or at any other such times the Commission requests.

This report addresses the Advisory Board meeting held on August 17, 2023. The meeting was held in person at the Biosolids Building Conference Room and via WebEx teleconference.

August 17, 2023 Meeting

- Freddie O'Connell, Board Chair, called the meeting to order at 10:04 a.m., and confirmed that quorum was in attendance. Ann McGauran moved to accept the minutes of the previous meeting, and Bill McKnight seconded the motion. The minutes were approved unanimously by verbal acceptance.
- Kevin Jacobs reviewed the Customer Sales. Mr. Jacobs stated that there are 0 customers in arrears for more than 30 days. In reviewing the Customer Cost Comparison, Mr. Jacobs reported that for steam and chilled water, revenues and usage were both increased over the same period during the previous year. Water costs have increased, but electricity costs are the same. Consumption is consistent with average.
- On Figure 3A, Chilled Water sales were approximately 10% higher in April and lower in May and June. Ms. McGauran inquired about the average for the quarter. Mr. Jacobs noted that usage was lower due to weather. Mr. Jacobs noted on Figure 3B that Nashville had experienced an average winter and mild spring which resulted in average steam consumption.
- In reviewing the operator's performance, Mr. Jacobs noted that the performance guarantee for Steam-Electric has been met all year. The Steam-efficiency has been consistent when condensate has been at 70%. There was a spike in January and a dip in February that reflect when Constellation Energy Solutions (CES) was tuning the boilers and addressing instrumentation issues. There was a discussion regarding the representation of anomalous data caused by routine maintenance activities. Mr. Jacobs offered to re-format the graphs for the Board's review. The Steam-Water graph illustrates seasonal variation in data that is historically close to the guarantee. The Chilled Water-Electric guarantee was met every month of the quarter. The Chilled Water-Water graph appear to show seasonal variation.
- Water treatment performance parameters are all good. Mr. Jacobs noted that the side stream filter has been running since May 9th. Mr. Jacobs stated that based on the quarterly EGF Walkthrough, Constellation continues to improve the maintenance of the plant, grounds, and equipment.
- John Belcher discussed the EDS Walkthrough and relative improvements. Mr. Belcher noted that some of the outstanding items from his survey will be addressed during the upcoming planned steam system outage. Mr. Belcher noted that he has recommended applying different methods for addressing water infiltration in the tunnels. Ms. McGauran asked about a recent water main break near the State Tunnel.
- Mr. Jacobs reviewed the natural gas spending. He noted that while spending is below the budget, DES has missed the unit cost target. Efficiency was better than expected. In FY23, the DES team increased the amount of fuel hedging

purchases to cope with the gas market volatility. There was a discussion of the hedging policy with respect to the market and the impact on customers.

- Mr. Jacobs reviewed the FY2023 Costs to Date. Water/Sewer costs exceeded the budget. The Debt Service refunding of self-funded bonds did not require an MFA transfer this quarter.
- In presenting the FY24 Budget, most costs have increased. Mr. Jacobs noted that all customer contracts have escalators: ISCs and the Fixed Operating Cost (FOC) are capped at 3% (actual escalator is 5.2%). Based on the natural gas market volatility of the last year, the gas budget was increased. The MFA was increased for FY24 (and may increase for FY25) to accommodate larger “balloon” payments for the retiring General Obligation Bond. There was a discussion of debt management with respect to system growth.
- Regarding Marketing, Mr. Jacobs reviewed several prospective customers that are anticipated to join the system in 2026 or 2027. There followed a discussion of how available capacity is managed and marketed, including how we plan the availability of capacity – particularly for the East Bank. The discussion addressed potential alternatives for delivering water and steam, including redirecting the CHW flow after the demolition of Nissan Stadium and adding Thermal Energy Storage.
- Mr. Jacobs highlighted the Capital Expenditures to date through the end of FY23. Adrienne Fancher provided an update on plans for River North. No connection work for pending new customers will proceed until there are executed Customer Service Agreements. Mr. Belcher reviewed capital projects in the EDS and noted that there are projects on hold until the State has completed repairs in the State Tunnel. He also noted that there will be an overnight steam system outage on September 24-25.
- Mr. Jacobs commented on the Side Stream Filter operation. The filter has already shown reduction in total suspended solids and turbidity constituents.
- The System Operator, Constellation Energy Solutions (CES), presented an update for the Advisory Board. John Schaffer, Vice President and Director of Asset Operations, reported continued good performance in Environmental Health and Safety. Mr. Schaffer highlighted the FY23 performance that resulted in \$273,000 in customer savings, \$85,000 in bonus to CES, and \$181 lost due to narrowly missing the Chilled Water – Water guarantee. There was a review of the history of the Amendment 2 performance guarantees.
- Mr. O’Connell thanked the Advisory Board members for their service during his eight-year tenure on the Board, and he introduced Jacob Kupin, District 19 Council Member-elect. Ms. Fancher presented a certificate of appreciation to Mr. O’Connell and thanked him for his service on the Board. Mr. Taylor also expressed his appreciation to Mr. O’Connell.
- Mr. Jacobs reported on the Customer Meeting held on May 25th and the Energy Saving webinar held on August 2nd.
- For his final act as Board Chair, Mr. O’Connell adjourned the meeting at 11:27 a.m.

The next regular Board Meeting will be held Thursday, November 16, 2023, at 10:00 a.m.

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