

Quarterly Report to the State Building Commission

Metro Nashville District Energy System

Advisory Board Meetings

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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 May 21, 2015 held at the Energy Generation Facility at 90 Peabody Street in Nashville. Below are key issues that were stated at this meeting:

May 21, 2015 meeting

- Mr. Harry Ragsdale, the Project Administrator with the Thermal Engineering Group (TEG), reviewed the customer cost comparison table for the previous 12 months. It was noted that, on an aggregate basis for the previous twelve months, the steam costs and consumptions were down with the unit price 3.8% higher. This was a cooler quarter than the same quarter of the previous year. The reasons the unit price appears so significant is because our gas cost was lower than last year. The chilled water cost increase is primarily related to the cost increase of electricity, which has been going up about 12-15% per year.
- Kevin Jacobs, with the Thermal Energy Group (TEG), reported consumption is down in chilled water for everybody and proceeded to discuss the TIFS (Thermal Energy Fuel Surcharge). This is the surcharge that all customers pay if their chilled water Delta T is less than their contract Delta T. The Board had asked at the previous meeting to present the most significant customer buildings incurring TIFS. Mr. Jacobs presented the tables and graphs showing the customer TIFS and average Delta T's from July 2013 through March 2015. Customer rankings for this were based on most dollars paid in TIFS and greatest Delta T variance. This was presented along with the customers with the best Delta T's. Mr. Jacobs explained that sometimes a high Delta T was not indicative that a building was performing well, but that the building age, maintenance, and installed equipment may be insufficient to actually provide adequate cooling.
- Mr. Ragsdale and Mr. Jacobs discussed the contractor's performance for the previous quarter relative to their contract performance guarantees for electricity, water, and plant efficiency. It was reported that the contractor's performance remains very good, except for chilled water electricity usage, which had been high during previous quarters, but did show signs of improvement during the third quarter.

- Mr. Jacobs discussed the contractor's performance for the water treatment. The chilled water chemistry is showing signs of bacteriological growth and therefore gets a yellow dot, (meaning it could be a problem and needs continued monitoring) and is mostly tied to some of the Delta T issues that the system is experiencing.
- Mr. Jacobs reported this quarter's Energy Generation Facility(EGF) walkthrough found the facility in very good condition. The EDS walkthrough continues to recognize water infiltration issues at a number of our underground vaults. They are being addressed as is the corrosion of the steel components.
- Mr. Jacobs reviewed actual gas spending as it relates to the budget. Fuel consumption was higher than budgeted (without contingency) as a result of high steam sales due to colder weather, however, the plant efficiency was improved. It was noted that fuel costs were within budget for the fiscal year when the price and consumption contingencies are included. Fuel costs are expected to continue to fall within budget.
- Mr. Jacobs discussed the current expenditures to date and compared them to the budgeted amounts. All costs are expected to be within the budgeted amounts.
- Mr. Ragsdale and Mr. Jacobs reviewed the active capital projects. The Manhole and Tunnel Steel Corrosion Repair and Prevention is ongoing. Time of Use (TOU) billing remains a goal and they continue to research methodology for creating TOU invoicing. West Riverfront Park Manhole repairs are commencing. EGF Alternative Fuels Evaluation is nearly complete. The EGF Combined Heat and Power project is still under evaluation and remains a viable opportunity to reduce operating costs and improve system reliability and capacity. The modifications to the Metro Courthouse chilled water piping was also discussed.

The next Board meeting will be held Thursday, August 20, 2015 at 10:00 am.

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