UTILITY COMMITTEE

A G E N D A

September 26, 2011 - 5:00 P.M. - Council Chambers - City Hall - City of Dover
Public comments are welcomed on any item and will be permitted at appropriate times. When possible, please notify the City Clerk (736-7008 or e-mail at CityClerk@dover.de.us) should you wish to be recognized.

AGENDA ADDITIONS/DELETIONS

1. Discussion - Informational Presentation by Delaware Electric Cooperative (Referred Back to Committee by Council on 09/12/2011) *(On August 22, 2011, the Committee Recommended That the City Proceed with a Request for Proposals (RFP) for an Independent Study to Be Conducted by an Entity That Is Not Currently or Planned to Be Associated with the City of Dover, the Delaware Electric Cooperative (DEC), or Any Other Local Electric Company, to Determine the Feasibility of the City Remaining in the Electric Business, the Possibility of Getting Out of the Electric Business, and the Anticipated Ramifications of Either Approach)*

2. Cost of Service Study to be Performed on the Electric Utility and the Possibility of Allowing Some Rate Classes to Shop for Services

3. Review of Utility Related Capital Investment Plan (CIP) *(Electric and Water/Wastewater)*

4. TEA/NAES Monthly Report *(July)*

5. Adjournment by 5:25 P.M.

/tm
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THE AGENDA ITEMS AS LISTED MAY NOT BE CONSIDERED IN SEQUENCE. THIS AGENDA IS SUBJECT TO CHANGE TO INCLUDE THE ADDITION OR THE DELETION OF ITEMS, INCLUDING EXECUTIVE SESSIONS.

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MEMORANDUM

To: Councilman Bonar & Members of Utility Committee

From: Donna Mitchell, Controller/Treasurer

Copy: City Council, Mayor Carey, Scott Koenig, Ron Lunt and Traci McDowell

Date: September 19, 2011

Subject: Electric Utility – Previous studies and analyses

Attached are copies of four Committee/Council Action forms dating back to 2002 for electric rate studies. I thought this history would be helpful to the Utility Committee. Please note, that Burns and McDonnell performed the original rate study and subsequent updates have been completed by them at a lesser charge. The electric forecast and rate model we use for budgeting each year was developed by Burns & McDonnell. I manage the input and analysis in this model for budgeting when we don't have Burns & McDonnell do a complete review.

I concur we do need a complete review of our rates since we are providing such a high PCA credit at the current time. I also believe it would be beneficial to our customers if the rates were adjusted appropriately rather than using the PCA credit. At the same time we should include any other analysis the Committee would like completed.

I have posted on the City's website, under the Finance Department's public documents link, the following items that I thought may be of interest to the Committee based on recent discussions of the Utility Committee.

- Annual Engineer Report - the City is also required to have an Engineering firm review our electric utility system and finances each year per our bond resolution. The condition of the system assets are discussed in this report.
- Generation Revenue Forecast – a presentation to Council on March 14, 2011 prepared by Pace Global on our behalf to discuss the life expectancy of the units and projected cash flows on the power plant assets and capacity market changes.
- 2008 Power Plant Valuation Report – a valuation of the electric plant assets as prepared by Burns & McDonnell as required by our insurance carrier.
- 2008 Electric Rate Study – Report
- 2006 Electric Rate Study – Power Point Presentation

If anyone needs help in accessing the documents listed, please feel free to contact our office and we will provide assistance. Thank you.

COMMITTEE ACTION FORM

NO.: U 8/12/02 - 3

SUBJECT: Electric Rate Study

PURPOSE:

The purpose of this study is to provide Council and staff with information to allow the development of a long-range plan and financial strategy to meet the needs of the City of Dover Electric customers. There are three components of the rate study. The "Cost of Service" study will determine the actual cost to provide service to each class of customer. The "Revenue Requirements" study will develop the revenues required for the operation of the electric system going forward for the next five years. The "Rate Design" will develop rates that will provide the required revenue to operate the system allocated to each class of customers based on the cost to serve that class of customers.

BACKGROUND:

There has been no review of revenue requirements or costs to provide electric service to our customers since 1993. This was also the last time that the electric rates for each class were reviewed. In what has become a very dynamic and rapidly changing market for electric energy, it is of vital importance that we understand the costs involved and revenue required to supply an ever increasing demand for electric energy. It is equally important that we understand the specific cost to supply each customer class. Without this information, it is very difficult to budget and plan for future years.

In the future, our customers will require ever increasing levels of dependability and reliability while at the same time expect the lowest possible price for electric service.

In order to be able to plan for the next five years, a Request for Proposals was prepared for "revenue requirements, cost of service and rate design." We received five responses:

Burns & McDonnell	$ 90,000
R. W. Beck	96,000
Black & Veatch	100,000
Downes Associates	135,000
Middle West Service Company	no bid

Burns & McDonnell was the low bidder at $90,000. Burns & McDonnell's proposal was reviewed by staff and Kirk Betts, our attorney who specializes in the electric industry. It meets all the requirements of the Request for Proposals. Burns & McDonnell has been serving cities like Dover since 1898 and is still providing services for Iola, Kansas, its first major customer at the turn of the century. They have been providing the kind of studies we have requested for many years to a large number of cities. They have the background, experience and staff to successfully complete the requested studies.

TIME LINE:

Utility Committee review will occur on August 12, 2002. The request will then be presented to Council on August 12, 2002. See attached "Project Schedule." NOTE: The proposed schedule has a start date of the last week in July. Due to time required by staff to review and evaluate the proposals, the start date will be August 13, 2002, if approved by Council on the 12th.

The final report will be presented to the Council for approval on January 27, 2003; and the new rate will be effective as of March 1, 2003.

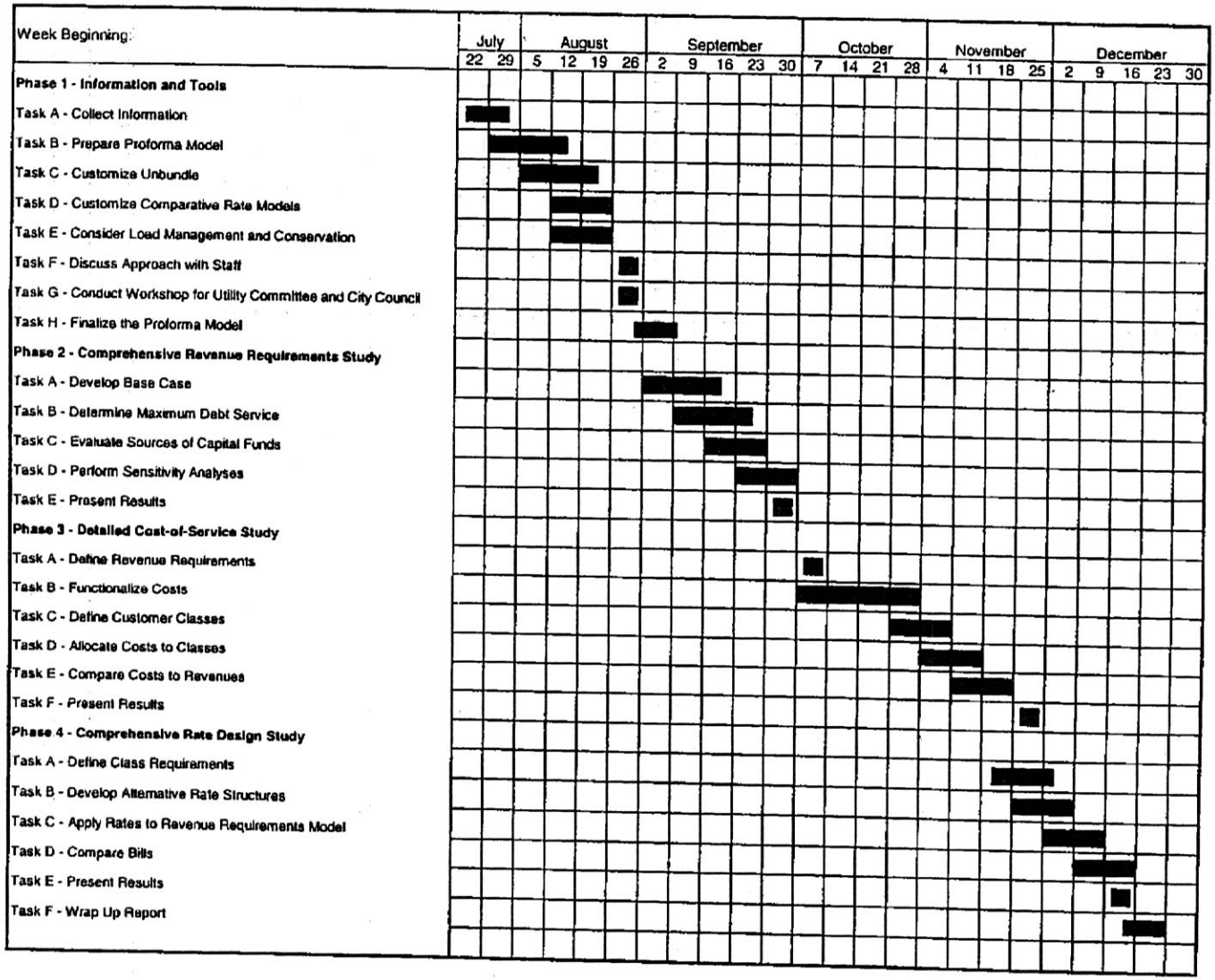
FUNDING SOURCE:

The funding source is the Electric Revenue Fund operating budget in account 480-8400-564-30-31, Contractual Services. A total of $100,000 has been budgeted for this study.

STAFF RECOMMENDATION:

Staff recommends that the study be awarded to Burns & McDonnell for an amount not to exceed $90,000 with $10,000 reserved for change orders if required by the City.

Proposed Project Schedule



ACTION FORM

PROCEEDING: Utility Committee	**AGENDA ITEM**: 1/10/2005 - 2
DEPARTMENT OF ORIGIN: City Manager	**DATE SUBMITTED**: 1/3/2005
PREPARED BY: Teresa Tieman	
SUBJECT: Presentation – Electric Rate Study	
REFERENCE: 2003 Rate Study	
RELATED PROJECT: N/A	
APPROVALS: N/Al	
EXHIBITS: Exhibit A – Copy of Electric Rate Study presentation made to customers Exhibit B – Copy of responses to the proposed rate study recommendations Exhibit C – Copy of rate change proposals	
EXPENDITURE REQUIRED: $ N/A **FUNDING SOURCE (Dept./Page in CIP & Budget)**: N/A	**AMOUNT BUDGETED**: $ N/A
TIMETABLE: Utility Committee approval 01/10/05, Council approval 01/24/05, implementation 11/01/05 effective with winter rates.	
RECOMMENDED ACTION: Implement the recommendations of the Rate Study for a change in customer charge and power factor as detailed in options 2 and 3. Authorize the City Manager to implement rate consolidation for Church, Municipal, Agricultural Residential, Primary Time-of-Use and Primary 2 rate classes as detailed in Option 6 (see third page of action form). Authorize the City Manager to transition Playtex to a less complicated rate structure that fits within the City of Dover's rate model over the next three to five years as detailed in Option 7 (see third page of action form).	

BACKGROUND AND ANALYSIS

In 2003, The City of Dover retained the Burns & McDonnell Engineering Company to prepare a Comprehensive Electric Revenue Requirement Cost of Service and Rate Design Study. In September 2003, the Electric Rate Study Implementation Committee was established to further analyze and validate the findings of the Rate Study. The Committee's ultimate goal was to suggest ways of implementing the Study's recommendations in such a way as to ensure its objectives.

The final recommendations of the Committee were presented to the Utility Committee on February 24, 2004. At that meeting, the City Manager was instructed to meet with our customers to explain the rate study recommendations and discuss the impact of implementing the recommendations. Since August 17, 2004, the following groups have received presentations: Luther Towers, Playtex, Central Delaware Chamber of Commerce, Central Delaware Economic Development Council, Del Tech – Terry Campus, Dover Bowl, Delaware Economic Development Office, Dover Downs, Kent County Tourism, Main Street Dover, Delaware State University, Dover Post, Sara Lee, Bay Developers, Greater Dover Committee, Chesapeake Utilities, Sheraton, and the Capital School District. The Sunroc Corporation was e-mailed a copy of the presentation since they were unable to schedule or attend a presentation.

Data comparing proposed billing to actual billing was made available upon request. We have received feedback in the form of three letters (attached).

Electric Rate Study Implementation Committee Recommendation Highlights:

1. The Committee supports the recommendation of the Study that power cost adjustment be used annually to keep revenues in line with wholesale power cost increases supporting a stable rate structure over time.

2. The Committee recommends accepting the energy rates and customer service charges proposed by the Study with a minor adjustment to the residential rate structure ($.0880 to $.0890 kWh). Our calculations indicated that without this slight adjustment, the rate would not recover the cost of service.

3. The Committee recommends lowering the demand rates proposed in the Study for medium commercial, large commercial, primary and transmission customers. The demand rates recommended by the Committee are still higher than the current rates.

4. The Committee supports the Study's recommendation that we use a .95 power factor in our medium commercial, large commercial, primary, and transmission customer rates instead of the current practice of .90 power factor.

5. The committee supports the Study's recommendation to use 100 percent ratcheting for medium commercial, large commercial, primary, and transmission customers.

6. The committee supports the Study's recommendation of moving Church Rate, Agricultural Commercial Rate, Municipal, Agricultural Residential, and Primary Time-of-Use customers into their appropriate rate classes.

Options for Implementing the Committee's Recommendations:

1. Adopt the rate study as proposed by the Committee. This is a revenue-neutral proposal that would reduce charges for most commercial customers and increase them for residential customers and large primary customers. Parts of the proposal were criticized by two large business groups and a major employer in the area. Please see attachments for specific information. In general, opposition was to increased demand charges for Primary customers, ratcheting, and rate consolidation for primary customers. There was little opposition voiced against customer charge increases or shifting power factor from 90 percent to 95 percent.

2. Increase customer charges as proposed by the Cmmittee. This would support part of the Rate Study Implementation Committee's recommendation #2 by bringing more balance to the cost associated with serving each rate class. It would also address the cost of service concern of the Study. This would result in additional annual revenue of approximately $407,100; over half of the revenue is due to the $1 per month increase to residential customers.

3. Change the power factor to 95 percent versus 90 percent. This would result in approximately $371,881 of additional revenue per year and support the Committee's recommendation #4. The Dover power system is currently charged for any power factor under 98.5 percent when it purchases power from Conectiv. The change to 95 percent would assist us in keeping our system power factor above 98.5 percent and lower the costs of purchased power for our system. This is also an energy component that can be controlled and corrected by our customers. This change would promote efficient use of energy and address some of the concerns of the rate study by bringing customer standards for efficient energy use closer to Dover's system standards.

4. Change the ratcheting to 100 percent which would result in approximately $326,006 annually. This would bill customers for their highest demand all year long. The current rate bills at 60 percent of the

highest demand in a twelve-month period if it is greater than the actual demand. This would bring customers more in line with the method used to bill the City for demand in the City's wholesale power supply contract and address the Committee's recommendation #5. This change to our rates may be very difficult for some of our larger customers to control throughout the year.

5. Change the power factor to 95 percent and ratcheting to 100 percent which would result in approximately $697,891 annually. This scenario is very close to the Rate Study Implementation Committee's original recommendation. We believe this would be opposed by businesses in the community

6. Move the Church, Agricultural Commercial, Municipal, Agricultural Residential, Primary Time-of-Use and Primary 2 rate customers into their appropriate rate classes. We believe this change would be of little impact to our customers financially. However, this effort would require a great deal of planning before implementing. We would like to phase it in one rate class at a time for a smooth transition.

7. It was expressed by Playtex during our discussions with them that their rate structure is very complicated and difficult to calculate and understand. Over the next three to five years, we would like to transition Playtex Products, Inc. to a less complicated rate structure that fits within the City of Dover's rate model as recommended by the Burns and McDonnell Rate Study. At this time, we are unable to determine the financial impact of this effort.

8. Do not implement any part of the rate study. This is also a revenue-neutral proposal, but would not address any of the corrections needed to our rate structure.

ACTION FORM

TITLE: Potential Electric Rates for January 1, 2007 **AGENDA ITEM:** 11/27/06 - 3

PROCEEDING: Utility Committee
DEPARTMENT OF ORIGIN: City Manager's Office
PREPARED BY: Terry Tieman

SUBJECT: Electric Rates for January 1, 2007	**DATE SUBMITTED:** 11/27/06
RELATED PROJECT: N/A	
APPROVALS: N/A	
EXHIBITS: Potential Rates	
EXPENDITURE REQUIRED: N/A	**AMOUNT BUDGETED:** N/A
FUNDING SOURCE (Dept./Page in CIP & Budget): N/A	
TIMETABLE: Rates should be effective January 1, 2007	

RECOMMENDED ACTION: Staff recommends the potential rates if City Council determines additional revenue is needed.

BACKGROUND AND ANALYSIS: Current rates were implemented July 1, 2006. At the time these rates were adopted in June 2006, it was conveyed that there would be a need to adjust the rates again in the next six to twelve months. The attached rates are designed to provide the $3.144 million additional revenue which was discussed during the Burns & McDonnell, October 23, 2006 presentation and at the November 13, 2006 presentation by Mrs. Mitchell, Finance Director. You will notice that some adjustments have also been made to our demand rates. These adjustments were made so as not to overcharge these customer classes and are based on a cost of service analysis by Burns & McDonnell.

Only two customers currently have a power cost adjustment--Tilcon and Dover Air Force Base. Both of these customers are contractual. The combined rates for power cost adjustment and energy equal the standard Dover energy rates of Primary and Transmission respectively. These two customers also have seasonal demand charges (charges that are different in the summer and winter billing months). Tilcon's contract will expire in February. Beginning in March 2007, Tilcon will be moved to the standard Primary rate. We are currently working with the Dover Air Force Base to move them to the standard Transmission class.

Following are the potential rates:

Customer Class Rates	kWh Energy Charge		kW Demand Charge		Purchase Power Adjustment	
	Current	Proposed	Current	Proposed	Current	Proposed
Residential	$ 0.1146	$ 0.1240	N/A	N/A	N/A	N/A
Small Commercial 1 Phase	$ 0.1163	$ 0.1270	N/A	N/A	N/A	N/A
Small Commercial 3 Phase	$ 0.1163	$ 0.1270	N/A	N/A	N/A	N/A
Medium Commercial 1 Phase	$ 0.0743	$ 0.0870	$ 10.75	$ 10.00	N/A	N/A
Medium Commercial 3 Phase	$ 0.0743	$ 0.0870	$ 10.75	$ 10.00	N/A	N/A
Medium Commercial w/ Reactive Meter	$ 0.0743	$ 0.0885	$ 10.75	$ 10.00	N/A	N/A
Primary	$ 0.0815	$ 0.0840	$ 8.00	$ 7.50	N/A	N/A
Tilcon *	$ 0.0450	$ 0.0450	$ 8.00	$ 8.00	$ 0.0368	$ 0.0390
Dover Air Force Base*	$ 0.0411	$ 0.0411	$ 6.60	$ 6.60	$ 0.0485	$ 0.0399
Transmission	$ 0.0738	$ 0.0810	$ 6.75	$ 6.75	N/A	N/A
First State (NRG)	$ 0.0463	$ 0.0703	$ 6.75	$ 6.75	N/A	N/A
Water Pumping FP	$ 0.1146	$ 0.1306	$ 9.25	$ 9.00	N/A	N/A
Water Pumping F2	$ 0.1146	$ 0.1306	$ 9.00	$ 9.00	N/A	N/A

*** Demand rates are different for Winter months, but no changes are proposed. Please see below:**

	Winter kW Demand Charge	
	Current	Proposed
Tilcon	$ 5.30	$ 5.30
Dover Air Force Base	$ 5.05	$ 5.05

Outdoor Lighting

Outdoor Development Lighting Rate	$ 0.1146	$ 0.1240

	Unmetered Monthly Charge	
	Current	Proposed
Private Outdoor Lighting		
100 watt HPS	$ 6.9500	$ 8.6900
175 watt MV	$ 8.2100	$ 10.2600
70 watt HPS	$ 6.0500	$ 7.5600
Decorative Lighting		
70 watt HPS w/o ladder rest	$ 10.5300	$ 13.1600
150 watt HPS w/o ladder rest	$ 13.1100	$ 16.3900
250 watt HPS w/o ladder rest	$ 18.3500	$ 22.9400
175 watt MV w/o ladder rest	$ 12.8100	$ 16.0100
175 watt MV contemporary	$ 13.3800	$ 16.7300
Roadwary Lighting		
100 watt HPS	$ 8.3200	$ 10.4000
175 watt MV	$ 9.3100	$ 11.6400
250 watt HPS	$ 12.9000	$ 16.1300
250 watt MV	$ 12.9000	$ 16.1300
400 watt MV	$ 17.3100	$ 21.6400
400 watt HPS	$ 17.3900	$ 21.7400

ACTION FORM

PROCEEDING: Utility Committee	**AGENDA ITEM NO.:**
DEPARTMENT OF ORIGIN: Finance Department	**DATE SUBMITTED**: 03/24/08
PREPARED BY: Donna Mitchell, Controller/Treasurer	
SUBJECT: Electric – Cost of Service Study	
REFERENCE: N/A	
RELATED PROJECT: N/A	
APPROVALS: Committee/Council	
EXHIBITS: N/A	
EXPENDITURE REQUIRED: **$25,000**	**AMOUNT BUDGETED**: $25,000
FUNDING SOURCE (Dept./Page in CIP & Budget): (Adjusted for in the FY08 Revised Budget)	
TIMETABLE: To Be Completed by May 20, 2008	
RECOMMENDED ACTION: The completion of a Cost of Service Study to determine electric rates by customer class for FY09.	

BACKGROUND

Dover Air Force Base ('Base') notified the City some time ago they would be setting aside the funds for the FY08 electric rate increase until they completed a review of the City's rate study data and determined if the new rates were fair to the Base. Dover Air Force Base has completed their review and both the City and base personnel met on March 18 to discuss their concerns. Also in attendance were Ted Kelly of Burns & McDonnell (City consultant) and Dr. Dennis Goins (DAFB consultant). Along with the Cost of Service Study, Burns & McDonnell will be providing us with the tools necessary to do cost of service by customer class simultaneously with the financial model updates.

The main concern of the Base was the across the board rate increases that were implemented in July 2006, January 2007, and July 2007 without conducting a formal cost of service study. Across the board increases are done based on energy and no consideration is given to demand. The Base contends that the fixed cost components are being allocated on a per megawatt basis as you would do for power supply (variable cost). Therefore, the Base believes it was charged higher rates than it would be had we included the demand component. It was agreed that the City would perform a cost of service study to determine its FY09 rates.

FY07 & FY08 Rates - The Base agreed to provide the City with the necessary cost and pricing data forms to be completed for FY07 and FY08. It had not been communicated to the City in the past (under prior base personnel) that it was necessary to submit these forms with notification of rate increases. The City explained to the Base that the current rate could not be retro-actively changed as it would have adverse consequences on our debt covenants and bond rating. Once we submit the forms for review, we will hear back from the Base on this matter

City of Dover
Capital Investment Plan
Project Tracking Report
July 31, 2011

Points to Remember -

* Original Project Budget = Original Total Project Budget initially included in approved annual budget.
* Latest Project Budget = Revised Total Project Budget included in most recent approved annual budget or one of the following: bond resolution, revolving fund loan agreement, Council approved budget amendment, or City Manager approved amendment as per the Budget Amendment Procedure.
* Current Fiscal Year - Revised Fiscal Year Budget = Current Year approved project budgets plus carry forward balances of unspent budgets in the prior fiscal year. Project Carry Forward balances will be submitted to City Council for amendment in January 2010. Can also be amended with City Manager approval per the Budget Amendment Procedure.
* Water Quality, Inflow/Infiltration, Distribution Upgrades and New Development projects are budgeted as a blanket project and once individual projects are identified and estimated they are created using an allocation of the overall budgeted amount.
* Status and Comments provided by City Manager.
* For Finance purposes projects are considered completed when placed in service and **all** charges have been processed.

Current Year Budget Funding Sources	General	Community Transportation	Water & Wastewater	Electric	Total CIP
Budget Balance	$ 78,000	$ -	$ 404,682	$ 360,333	$ 843,015
Project Carry Forward Balances			686,750	87,045	773,795
Federal and/or State Grants	5,597,505	1,900,000			7,497,505
Revolving Fund Loans			3,910,330		3,910,330
Transfer from Capital Reserves				370,730	370,730
Proposed Bond Issue	1,000,000				1,000,000
Impact Fees			760,270		760,270
Library Donations/Contributions	2,334,889				2,334,889
Library Reserve	3,262,615				3,262,615
Transfer from Operating Funds	623,847		1,750,000	3,500,000	5,873,847
Interest Earned	10,900			38,400	49,300
Total Funding Sources (Unaudited)	$ 12,907,756	$ 1,900,000	$ 7,512,032	$ 4,356,508	$ 26,676,296

City of Dover
General Fund - Major CIP Projects
July, 2011

	Hide		TOTAL PROJECT - PAST, CURRENT & FUTURE BUDGETS						CURRENT FISCAL YEAR				
	Project Code	Type	Description	Original Project Budget	Latest Project Budget	Project To Date Expenses	Project Budget Balance	% Budget Spent	Current Fiscal Yr. Budget	Fiscal YTD Expenses	% Budget Spent	Status	Comments
1			**FY2009**										
2	LB0901	M/G	New Library Project	$ 18,200,000	$ 24,679,934	$ 3,559,714	$ 21,120,220	14.4%	$ 11,195,009	$ 13,951	0.1%	Started	Bid Pack A - Done. Bid Pack B - Construction Started.
3			**Totals - FY09**	$ 18,200,000	$ 24,679,934	$ 3,559,714	$ 21,120,220	14.4%	$ 11,195,009	$ 13,951	0.1%		
4													
5			**FY2012**										
	---		Ann FD truck Payment	$ 244,820	$ 244,820	$ 1,631	$ 243,189	0.7%	$ 244,820	$ 1,631	0.7%		
6	---		Vehicles & Equipment	377,927	377,927	-	377,927	0.0%	377,927	-	0.0%		
7	PR1201		Roof Replacement @ Dover Park	30,000	30,000	-	30,000	0.0%	30,000	-	0.0%		
8	ST1201		Streets & Alleys Program	1,000,000	1,000,000	-	1,000,000	0.0%	1,000,000	-	0.0%		
9	ST1202		Concrete Program	30,000	30,000	-	30,000	0.0%	30,000	-	0.0%		
10	ST1203		Streets Dump Truck Refurbishment	30,000	30,000	-	30,000	0.0%	30,000	-	0.0%		
11			**Totals - FY12**	$ 1,682,747	$ 1,682,747	$ 1,631	$ 1,681,116	0.1%	$ 1,712,747	$ 1,631	0.1%		
12													
13			**Grand Totals**	$ 19,882,747	$ 26,362,681	$ 3,561,345	$ 22,801,336	13.5%	$ 12,907,756	$ 15,582	0.1%		

Legend

M = Multi-year project - a project with a specific schedule to occur over multiple years.
R = Recurring project - a project that begins and ends each fiscal year and is rebudgeted to start over each fiscal year.
G = Grant funded project

City of Dover
Community Transportation & General Fund Street Funds - Major CIP Projects
July, 2011

	Hide			TOTAL PROJECT - PAST, CURRENT & FUTURE BUDGETS					CURRENT FISCAL YEAR					
	Project Code	Type	Description	Original Project Budget	Latest Project Budget	Project To Date Expenses	Project Budget Balance	% Budget Spent	Current Fiscal Yr. Budget	Revised Fiscal Yr. Budget	Fiscal YTD Expenses	% Budget Spent	Status	Comments
1			**FY 2007**											
2			E. Water Street Brick	$ 65,000	$ 65,000	$ -	$ 65,000	0.0%	$ -	$ -	-	0.0%		Specialty contract needed.
3			**Totals**	$ 65,000	$ 65,000	$ -	$ 65,000	0.0%	$ -	$ -	$ -	0.0%		
4														
5			**FY 2009**											
6			Schutte Parking Lot	$ 21,950	$ 21,950	$ -	$ 21,950	0.0%	$ -	$ -	-	0.0%		Deferred
7			**Totals**	$ 21,950	$ 21,950	$ -	$ 21,950	0.0%	$ -	$ -	$ -	0.0%		
8														
9			**FY2012**											
10			Misc. Street Projects	$ 2,200,000	$ 2,200,000	$ -	$ 2,200,000	0.0%	$ 2,200,000	$ 1,000,000	$ -	0.0%		
11	TE1201		Lincoln Park Center	-	-	-	-	0.0%	-	900,000		0.0%		
12			**Totals**	$ 2,200,000	$ 2,200,000	$ -	$ 2,200,000	0.0%	$ 2,200,000	$ 1,900,000	$ -	0.0%		
13														
14			**Grand Totals**	$ 2,286,950	$ 2,286,950	$ -	$ 2,286,950	0.0%	$ 2,200,000	$ 1,900,000	$ -	0.0%		

Legend
M = Multi-year project - a project with a specific schedule to occur over multiple years.
R = Recurring project - a project that begins and ends each fiscal year and is rebudgeted to start over each fiscal year.
C = Project funded by combination of CT Funds and General Fund

City of Dover
Water/Wastewater Improvement & Extension Fund - Major CIP Projects
July, 2011

				TOTAL PROJECT - PAST, CURRENT & FUTURE BUDGETS					CURRENT FISCAL YEAR					
	Project Code	Type	Description	Original Project Budget	Latest Project Budget	Project To Date Expenses	Project Budget Balance	% Budget Spent	Approved Fiscal Yr. Budget	Revised Fiscal Yr. Budget	Fiscal YTD Expenses	% Budget Spent	Status	Comments
1			**FY 2008**											
2	WD0804	M	1.0 MG Elevated Water Storage	$ 4,196,600	$ 2,590,000	$ 21,084	$ 2,568,916	0.8%	$ -	$ 178,916	$ -	0.0%	Started	Land site selected, starting negotiations
3	WD0805	M	Piney Point Well	398,800	665,000	67,682	597,318	10.2%	-	147,318	-	0.0%	Started	DNREC permitting ongoing; FY12 = Constr.
4	WW0810	M/SL	US 13 East Sanitary Sewer Interceptor	2,376,800	3,409,641	2,943,812	465,829	86.3%	-	236,519	-	0.0%	Started	Project complete, holding retainage
5			**Totals - FY08**	$ 6,972,200	$ 6,664,641	$ 3,032,578	$ 3,632,063	45.5%	$ -	$ 562,753	$ -	0.0%		
6														
7			**FY2009**											
8	WQ0905	M/SL	Bayard Avenue	$ 590,910	$ 490,910	$ 291,137	$ 199,773	59.3%	$ -	$ 204,120	$ 4,347	2.1%	Started	Installation is 85% complete
9	WQ0907	M/SL	Route 13 Water Main	1,058,700	2,226,783	396,732	1,830,051	17.8%	-	1,885,950	-	0.0%	Started	Installation is 60% complete
10			**Totals - FY09**	$ 1,649,610	$ 2,717,693	$ 687,870	$ 2,029,823	25.3%	$ -	$ 2,090,070	$ 4,347	0.2%		
11														
12			**FY2010**											
13	WW1001	M/SL	Inflow/Infiltration Removal	$ 1,800,000	$ 1,800,000	$ 924,200	$ 875,800	0.0%	$ -	$ 875,801	$ -	0.0%	Started	Work is complete, close-out documents in progress
14	WW1007	M/SL	Fox Hall Pump Station	427,900	392,044	50,463	341,581	12.9%	-	360,687	250	0.1%	Started	Bid Awarded
15	WW1008	M/SL	Heatherfield F/M Rerouting	220,400	324,916	48,945	275,971	15.1%	-	237,505	250	0.1%	Started	Bid Awarded
16	WW1010	I	Tar Ditch Interceptor Upgrade	518,230	518,230	22,871	495,359	4.4%	-	495,359	-	0.0%	Started	Reviewing design and easement issue.
17			**Totals - FY10**	$ 2,966,530	$ 3,035,190	$ 1,046,478	$ 1,988,712	34.5%	$ -	$ 1,969,352	$ 500	0.0%		
18														
19			**FY2011**											
20	WQ1103		WQI - Ross Street	-	76,840	4,250	72,590	5.5%	71,840	71,840	-	0.0%		Preliminary design complete
21	WW1101	M/SL	Inflow/Infiltration Removal	500,000	500,000	32,367	467,633	6.5%	-	465,717	-	0.0%	Started	30% complete
22	WW1104	SL	Lepore Road P/S Replacement	52,000	402,000	55,536	346,464	13.8%	350,000	350,000	-	0.0%	Complete	Bidding in November
23			**Totals - FY11**	$ 552,000	$ 978,840	$ 92,153	$ 886,687	9.4%	$ 421,840	$ 887,557	$ -	0.0%		
24														
25			**FY2012**											
26	---		Vehicles & Equipment	$ 115,000	$ 115,000	$ -	$ 115,000	0.0%	$ 115,000	$ 115,000	$ -	0.0%		Ordered through State Contract
27	WD1201		Pay-As-You-Go Water Station	30,240	30,240	-	30,240	0.0%	30,240	30,240	-	0.0%		
28	WD1202	R	Misc. Distribution Upgrades	60,000	60,000	-	60,000	0.0%	60,000	60,000	-	0.0%		Ongoing
29	WD1203	R	Wellhead Redevelopment Program	65,000	65,000	-	65,000	0.0%	65,000	65,000	-	0.0%		Well #1 under rehabilitation
30	WD1204	R	Emergency Generators	80,000	80,000	-	80,000	0.0%	80,000	80,000	-	0.0%		Grant dependent
31	WQ1201		WQI - Wesley Campus	51,200	51,200	-	51,200	0.0%	51,200	51,200	-	0.0%		Design complete, late spring const.
32	WQ1202		WQI - New Street	97,120	97,120	-	97,120	0.0%	97,120	97,120	-	0.0%		Design started, early spring const.
33	WQ1203		WQI - Silver Lake	279,840	279,840	-	279,840	0.0%	279,840	279,840	-	0.0%		Design complete, November const.
34	WW1201	M/SL	Inflow/Infiltration Removal	1,000,000	1,000,000	-	1,000,000	0.0%	1,000,000	1,000,000	-	0.0%		Design started, early spring const.
35	WW1202	R	SCADA Equipment Replacement	172,800	84,900	-	84,900	0.0%	84,900	84,900	-	0.0%		Materials ordered, spring const.
36	WW1203	R	Misc. Sewer System Improve	205,000	37,000	-	37,000	0.0%	37,000	37,000	-	0.0%		Ongoing
37	WW1204	M	Wilmington College Pump Station	125,000	25,000	-	25,000	0.0%	25,000	25,000	-	0.0%		Design started - actually Baltray PS
38	WW1205	M	Dover Brook Gardens P/S Replace	65,000	15,000	-	15,000	0.0%	15,000	15,000	-	0.0%		Design started
39	WW1206	M	Brandywine Pump Station Replace	402,000	52,000	-	52,000	0.0%	52,000	52,000	-	0.0%		Design started
40	WW1207	M	McKee Rd Pump Station Communator Replacement	55,000	10,000	-	10,000	0.0%	10,000	10,000	-	0.0%		Design started
41				$ 2,803,200	$ 2,002,300	$ -	$ 2,002,300	0.0%	$ 2,002,300	$ 2,002,300	$ -	0.0%		
42														
43			**Grand Totals**	$ 14,943,540	$ 15,398,664	$ 4,859,079	$ 10,539,585	31.6%	$ 2,424,140	$ 7,512,032	$ 4,847	0.1%		

Legend
M = Multi-year project - a project with a specific schedule to occur over multiple years.
R = Recurring project - a project that begins and ends each fiscal year and is rebudgeted to start over each fiscal year.
SL = State Loan Project - construction phase is financed
I = Impact Fee (partially) financed project

City of Dover
Electric Improvement & Extension Fund - Major CIP Projects
July, 2011

				TOTAL PROJECT - PAST, CURRENT & FUTURE BUDGETS					CURRENT FISCAL YEAR					
	Project Code	Type	Description	Original Project Budget	Latest Project Budget	Project To Date Expenses	Project Budget Balance	% Budget Spent	Current Fiscal Yr. Budget	Revised Fiscal Yr. Budget	Fiscal YTD Expenses	% Budget Spent	Status	Comments
1			**FY2011**											
2	EG1102	M	Units 1 & 2 Cooling Tower	372,400	199,140	134,138	65,002	67.4%	25,410	25,410	-	0.0%		Work will be completed during the fall outage
3	EG1107	M	Units 1 & 2 Life Extension	802,000	409,000	212,669	196,331	52.0%	184,000	196,331	-	0.0%		work will be completed during the fall outage
4	EG1112	M	Unit 3 Heat Expansion Joint	-	135,000	67,293	67,707	49.8%	70,000	82,807	100	0.1%	Started	Will be competed by Feb. 2012
5	EG1113		Units 1 & 2 Control Modifications	-	150,000	124,300	25,700	82.9%	-	25,700	-	0.0%	Started	Work will be completed during the fall outage
6	EG1114		Unit 3 Gas Line Modification	-	60,000	23,794	36,207	39.7%	-	36,207	-	0.0%	Started	Work will be completed during the fall outage
7				$ 1,174,400	$ 953,140	$ 562,193	$ 390,947	59.0%	$ 279,410	$ 366,455	$ 100	0.0%		
8														
9			**FY2012**											
10	---		Vehicles & Equipment	$ 168,828	$ 168,828	$ -	$ 168,828	0.0%	$ 168,828	$ 168,828	$ -	0.0%		All vehicles on order from State Contract
11	EE1201		Substation PT & CT Replacement	267,715	267,715	-	267,715	0.0%	267,715	267,715	-	0.0%		Materials ordered
12	EE1202	R	Lighting Project & Rehabilitation	50,000	50,000	-	50,000	0.0%	50,000	50,000	-	0.0%		Materials ordered
13	EE1203	R	Equipment Replacement	40,000	40,000	-	40,000	0.0%	40,000	40,000	-	0.0%		Equipment ordered
14	EE1204		Generator Replacement	50,000	50,000	-	50,000	0.0%	50,000	50,000	-	0.0%		75% complete
15	EE1205	M	Frazier Substation Upgrade	765,247	155,000	-	155,000	0.0%	155,000	155,000	-	0.0%		Materials ordered
16	EE1206	R	Disb. Feeder Replacement	377,510	377,510	-	377,510	0.0%	377,510	377,510	-	0.0%		On-going
17	EE1207	R	Disb. Capacitors & Controls	100,000	100,000	-	100,000	0.0%	100,000	100,000	-	0.0%		Materials ordered
18	EE1208	R	Transmission Line Maintenance	75,000	75,000	-	75,000	0.0%	75,000	75,000	-	0.0%		Materials ordered
19	EE1209		Scada Master Hardware Replacement	75,000	75,000	-	75,000	0.0%	75,000	75,000	-	0.0%		Materials ordered
20	EE1212	R	UG Transformers	70,536	70,536	8,836	61,700	12.5%	70,536	70,536	8,836	12.5%		On-going
21	EE1212	R	UG Conductors	479,464	479,464	106,949	372,515	22.3%	479,464	479,464	106,949	22.3%		On-going
22	EE1212	R	Meters	50,000	50,000	5,460	44,540	10.9%	50,000	50,000	5,460	10.9%		On-going
23	EG1201		Unit 3 Boiler Air Heater	440,000	440,000	-	440,000	0.0%	440,000	440,000	-	0.0%		Developing contract documents
24	EG1202	M	Unit 3 Boiler Systems	390,000	130,000	-	130,000	0.0%	130,000	130,000	-	0.0%		Developing contract documents
25	EG1203		Unit 3 FD & ID Fan Control Damper Upgrade	92,000	92,000	-	92,000	0.0%	92,000	92,000	-	0.0%		Developing contract documents
26	EG1204		Unit 3 DCS Computers & Software Upgrades	85,000	85,000	-	85,000	0.0%	85,000	85,000	-	0.0%		Developing contract documents
27	EG1205	R	Misc. Equipment Replacement	70,000	70,000	-	70,000	0.0%	70,000	70,000	-	0.0%		On-going
28	EG1206		Demineralizer Control Replace @ McKee Run	65,000	65,000	-	65,000	0.0%	65,000	65,000	-	0.0%		Developing contract documents
29	EG1207	M	Unit 11 Component Replacement @ Van Sant	50,000	50,000	-	50,000	0.0%	50,000	50,000	-	0.0%		Developing contract documents
30	EG1208		Switchyard Blast Walls @ McKee Run	50,000	50,000	-	50,000	0.0%	50,000	50,000	-	0.0%		Developing contract documents
31	EG1209	M	Building Preservation @ McKee Run	38,000	38,000	-	38,000	0.0%	38,000	38,000	-	0.0%		Developing contract documents
32	EG1210	M	Unit 3 Cooling Water Line Life Extension	25,000	25,000	-	25,000	0.0%	25,000	25,000	-	0.0%		Developing contract documents
33	EG1211	M	Unit 3 Stack Repairs	25,000	25,000	-	25,000	0.0%	25,000	25,000	-	0.0%		Developing contract documents
34	EG1212	M	Unit 3 Turbine Inspection	1,021,000	348,000	-	348,000	0.0%	348,000	348,000	-	0.0%	Deferred	Construction in FY12.
35	EG1213	M	Unit 3 Aux System Components	542,000	113,000	-	113,000	0.0%	113,000	113,000	-	0.0%	Deferred	Deferred to FY12.
36	EU1201	R	Distribution Upgrades	500,000	500,000	24,271	475,729	4.9%	500,000	500,000	24,271	4.9%		On-going
37				$ 5,962,300	$ 3,990,053	$ 145,516	$ 3,844,537	0.0%	$ 3,990,053	$ 3,990,053	$ 145,516	3.6%		
38														
39			**Grand Totals**	$ 7,136,700	$ 4,943,193	$ 707,709	$ 4,235,484	79.4%	$ 4,269,463	$ 4,356,508	$ 145,616	3.3%		

Legend
M = Multi-year project - a project with a specific schedule to occur over multiple years.
R = Recurring project - a project that begins and ends each fiscal year and is rebudgeted to start over each fiscal year.
B = Bonded Project
S = State fully or partially reimbursed project

The Energy Authority, Inc.

Monthly Management Committee Update – July 2011

August 30, 2011

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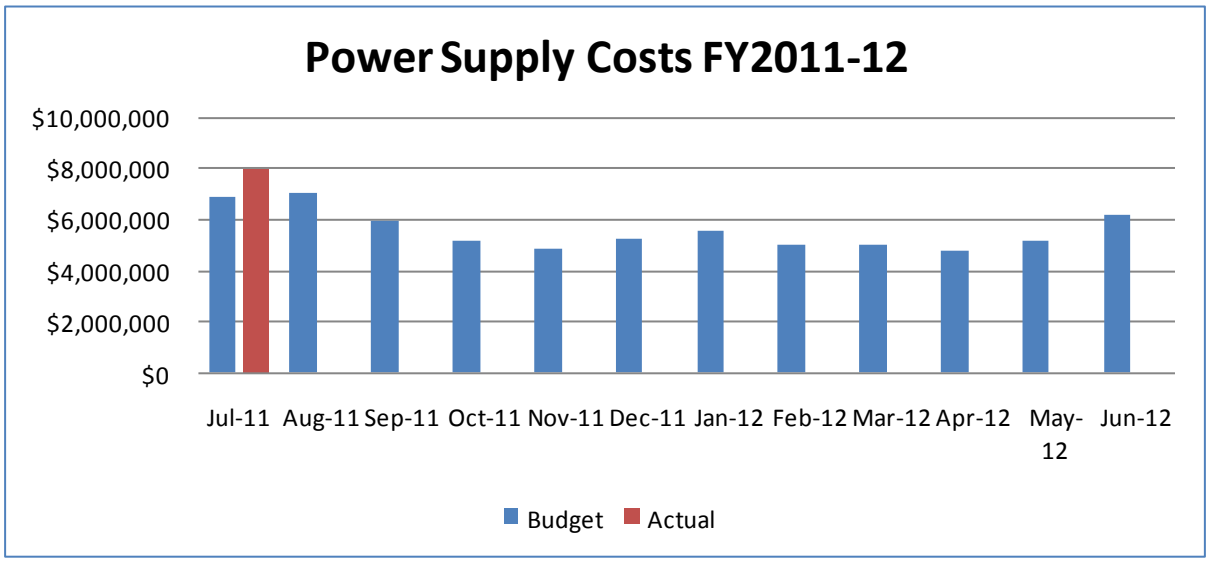
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I. Executive Summary

Power Supply:



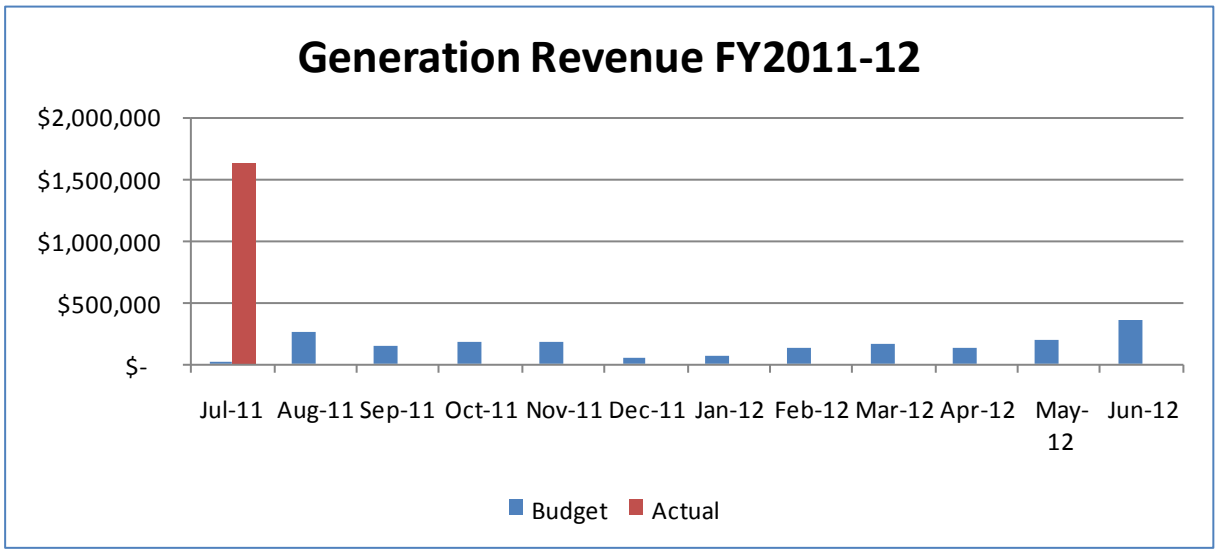
Powers Supply costs were $1,108,438 over budget due to increased PJM load of 3,573 MWh. This variance is inclusive of 1,540MWh of test power generated by the Dover Sun Park in July.

Average cost/MWh on the supply side was $97.47 compared to a budgeted cost of $87.51. High temperatures in PJM for the month of July resulted in high energy prices and increased load across the footprint.

Dover's hedge purchases for July 2011 totaled 64,360 MWh, which was 82% of the projected load. Versus actual load, this hedged percentage totaled only 78% of Dover's needs for July.

Dover's power purchases from hedge transactions totaled $4,459,861 in July. Purchases from PJM totaled $2,620,311 (all in), with DA Energy purchases totaling $1,098,169 and Balancing Spot Market Energy purchases totaling $130,966.

Generation Summary



Net generation for the month of July credited by PJM was 17,096MWh. The budget did not expect any generation. Net generation revenue totaled $1,597,829 vs. a budget of $15,741. Dover's units were dispatched for a total of 19 starts and ran for more than 336 hours in July. Unit 1 also completed PJM Capacity Testing in July.

Operations Management Summary

During the month of July, there were no restricted work days or lost time accidents. The facility has now gone 290 days without an OSHA recordable accident or a lost time reportable accident. The plant received no Notice of Violations (NOVs). There were three environmental deviations during the month. The first deviation occurred on July 22 when NOx emissions for the calendar day exceeded the Title V permit limit of 2.93 tons per day. The other deviations were due to high Total Dissolved Solids (TDS) at Outfalls 004 and 005 in excedance of the Delaware River Basin Committee (DRBC) limits. This is a new limit that plant staff is assessing how plant operating procedures and equipment will need to be modified to ensure future compliance.

The actual expenses for July are $602,915 against a budgeted amount of $716,935 for a favorable variance of $114,020 or ≈ 15.90%.

Risk Management Summary

PJM power prices remained strong through the month of July, against falling natural gas prices. Subsequently, the PJM heat rate is trading near its highs. Natural gas storage remains in the middle of the 5-year range.

TEA executed two scheduled hedge purchases in July. The current projected cost of service is below:

Power Year	Hedge Ratio	Blended Cost ($/MWh)
2011-12	83%	$68.81
2012-13	74%	$67.59
2013-14	46%	$60.59
2014-15	24%	$60.22
2015-16	3%	$64.76

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II. Budget Report

Variance Report:

	Budget Jul-11	Actual Jul-11	Variance
Load Forecast	**78,431**	**82,004**	**(3,573)**
Power Supply			
Power Supply (inc. Mgt Fees)	$6,167,515	$7,275,953	($1,108,438)
Capacity UCAP Obligated Purchased	$695,864	$716,605	($20,741)
Total - Power Supply	**$6,863,379**	**$7,992,558**	**($1,129,179)**
Power Generation O&M & Fixed Fuel			
Plant O&M	$711,094	$602,915	$108,179
Fixed Fuel and Transport Charges	$0	$0	$0
Subtotal Generation O&M & Fixed Fuel	**$711,094**	**$602,915**	**$108,179**
Power Generation Production Margin			
Economic and reliability dispatch	($118,922)	($1,597,829)	$1,478,907
Testing	$0	$0	$0
Subtotal Generation Production Margin	**($118,922)**	**($1,597,829)**	**$1,478,907**
Power Generation Non-Production Revenue			
Generation Capacity Credit	($573,981)	($592,550)	$18,569
Emissions Allowance Sales	$0	$0	$0
Black Start & Reactive Power Revenue	($33,933)	($74,849)	$40,917
Subtotal - Non-Production Revenue	**($607,913)**	**($667,399)**	**$59,486**
Total - Power Generation	**($15,741)**	**($1,662,313)**	**$1,646,572**
Total - Utilities Cost	**$6,847,638**	**$6,330,245**	**$517,393**
Unit Costs			
Total - Power Supply	$87.51	$97.47	($9.96)
Total - Power Generation	($0.20)	($20.27)	$20.07
Final Cost of Service to City of Dover Ratepayers	$87.31	$77.19	$10.11

Variance Analysis:

Power Supply

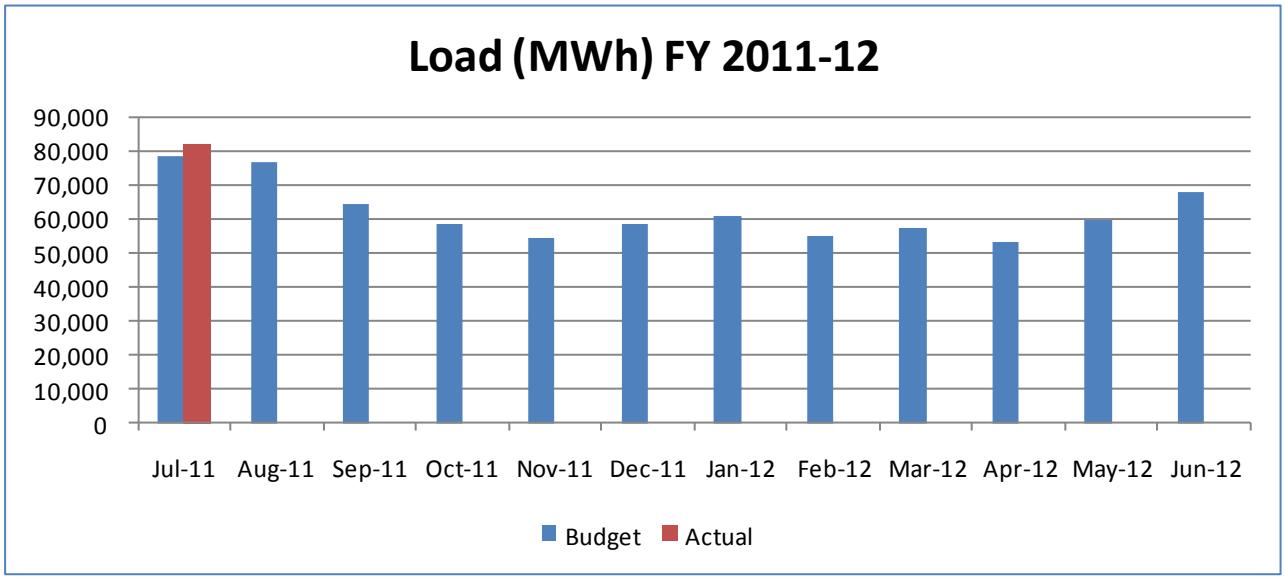
- Due to above normal temperatures in the mid-Atlantic for July, Dover consumed 3,573MWh above forecasted load.
- The increase in load along with strong prices in PJM resulted in a cost of $97.47/MWh for power supply, $9.96/MWh more than budget.
- For the month, the city realized an unfavorable variance of $1,129,179 for power supply vs. the monthly budget.
- $408,898 of this variance was due to increased volume purchased from PJM.
- $714,040 of the variance was due to above average prices in PJM (budgeted average of $114/MWh purchased from PJM/Sun Park vs. actual average of $155/MWh for PJM/Sun Park).

Generation

- As noted, power generation realized a favorable budget variance of $1,646,572.
- Plant O&M expenses realized a favorable budget variance of $108,179.
- Power Generation Production Margin realized a favorable budget variance of $1,478,907.
- Dover's Generation output in July was sold to PJM at an average of $161/MWh.

III. Energy Management

Power Supply



- Dover's total load in July was 82,004 MWh versus a forecasted load of 78,430MWh.
- Dover's planned hedged volume was 82% of forecast. The increase in load resulted in a realized hedged volume of 78% of actual load.
- Dover's planned energy cost/MWh of unhedged load was $114. The actual energy cost for unhedged load was $153/MWh.

The following is a summary of Dover's power purchases for the month of July:

City of Dover's Wholesale Load		
	Volume	$'s
Hedges	64,360	($4,459,861.20)
PJM Charges	82,004	($3,336,915.77)
TEA Fees	82,004	($83,000.00)
Dover Sun Park		($112,781.00)
Total		**($7,992,557.97)**
Cost to Serve	**$/Mwh**	**($97.47)**

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Purchased power variance report:

		Budget	Actual	Variance
Load (MWh)		78,431	82,004	-3,573
Hedged Volume (MWh)		64360	64360	0
Unhedged Volume (MWh)		14,071	17,644	-3,573
Unhedged Volume (%)		18%	22%	-4%
Unit Energy Costs ($/MWh)		**$78.64**	**$88.73**	**($10.09)**
All-in Unit Energy Costs ($/MWh)		**$87.51**	**$97.47**	**($9.96)**

Generation

Dover produced 17,096MWh of generation over 15 days in July. The total revenue from energy generation was $2,754,723. Dover's production margin equaled $1,597,829.

Dover sold generation into PJM at an average price of $161.13.

City of Dover's Wholesale Generation		
Net Generation Mwh		**17,096.43**
All In Generation Margin		
PJM Bill Energy	$	2,754,723.65
PJM Capacity	$	592,549.50
Black Start, Reactive Credit, DASR & EFORp	$	74,849.53
Gas Purchases	$	(1,027,117.31)
Oil Purchases	$	-
Transport / Cash Out	$	(129,776.70)
Gross Margin	**$**	**2,265,228.67**
Production Margin		
Generation Production Revenues (PJM)	$	2,754,723.65
Gas Purchases	$	(1,027,117.31)
Oil Purchases	$	-
Transport / Cash Out	$	(129,776.70)
Gross Production Margin	**$**	**1,597,829.64**
$/Mwh All In Generation Margin	**$**	**132.50**
$/Mwh Generation Production Margin	**$**	**93.46**

Fuel Purchases

Dover's generation was not dispatched on #2 Fuel Oil in July. Given the amount of run time, there were significant gas purchases for the units. These are listed below:

Natural Gas Purchases				
New Jersey Natural Gas	**Date**	**Volume**	**Price**	**Total**
	7/6/2011	2,000.	4.81	**$9,620.00**

_	7/6/2011	1,000.	4.65	**$4,650.00**
_	7/7/2011	4,000.	4.73	**$18,920.00**
_	7/7/2011	1,000.	4.65	**$4,650.00**
_	7/7/2011	6,000.	4.56	**$27,360.00**
_	7/11/2011	5,000.	4.77	**$23,850.00**
_	7/11/2011	3,000.	4.90	**$14,700.00**
_	7/12/2011	3,000.	4.80	**$14,400.00**
_	7/12/2011	5,000.	4.73	**$23,650.00**
_	7/11/2011	5,000.	4.89	**$24,450.00**
_	7/11/2011	4,500.	5.10	**$22,950.00**
_	7/12/2011	6,000.	4.96	**$29,760.00**
_	7/12/2011	1,500.	4.77	**$7,155.00**
_	7/18/2011	9,300.	5.175	**$48,127.50**
_	7/18/2011	4,000.	5.44	**$21,760.00**
_	7/19/2011	3,000.	5.30	**$15,900.00**
_	7/19/2011	6,000.	5.15	**$30,900.00**
_	7/20/2011	5,000.	5.40	**$27,000.00**
_	7/20/2011	3,000.	5.25	**$15,750.00**
_	7/20/2011	2,000.	5.13	**$10,260.00**
_	7/20/2011	3,500.	5.45	**$19,075.00**
_	7/21/2011	3,000.	5.60	**$16,800.00**
_	7/21/2011	10,000.	5.37	**$53,700.00**
_	7/22/2011	3,000.	5.40	**$16,200.00**
_	7/22/2011	5,000.	5.10	**$25,500.00**
_	7/21/2011	5,000.	5.10	**$25,500.00**
_	7/21/2011	5,000.	5.30	**$26,500.00**
_	7/22/2011	5,000.	5.10	**$25,500.00**
_	7/22/2011	7,500.	5.00	**$37,500.00**
_	7/22/2011	10,000.	5.40	**$54,000.00**
_	7/23/2011	20,000.	5.40	**$108,000.00**
_	7/26/2011	8,000.	4.85	**$38,800.00**
_	7/26/2011	2,000.	5.00	**$10,000.00**
_	7/28/2011	8,000.	4.83	**$38,640.00**
_	7/29/2011	9,000.	4.82	**$43,380.00**
_	7/28/2011	2,200.	4.95	**$10,890.00**
_	7/30/2011	4,700.	5.00	**$23,500.00**
_	7/30/2011	8,000.	4.90	**$39,200.00**
_	7/29/2011	2,500.	5.00	**$12,500.00**

_	7/12/2011	(2,500.)	4.60	**-$11,500.00**
_	7/18/2011	(615.)	4.81	**-$2,958.15**
_				
_				
Subtotal		197,585		$1,006,539.35
Hess Corporation	**Date**	**Volume**	**Price**	**Total**
_	7/6/2011	3,000.00	$4.680	$14,040.00
_				
_				
_				
Subtotal		3,000		$14,040.00
PESCO	**Date**	**Volume**	**Price**	**Total**
_	7/5/2011	1144	$5.72	$6,537.96
_				
_				
_				
Subtotal		1,144		$6,537.96
_				
Total		**201,729**	**($5.09)**	**($1,027,117.31)**

Transportation and Imbalance

Below is a table of the transportation and imbalance charges incurred in July:

ESNG was granted a motion to place suspended revised tariff sheets into effect on July 29, 2011 forward. The new IT rate will be $.0773/dth.

Eastern Shore Transport and Imbalance Charges			
Imbalance/dth	Imbalance/dth	Cost/dth	Total Cost
	1190	$4.88	$5,807.20
			$5,807.20
Transport	Volume/dth	$/dth	Total Cost
Firm/IT (Days 1-28)	176,513	$0.591700	$104,442.74
Firm/IT (Days 29-31)	25,261	$0.773000	$19,526.75
			$123,969.50
Net			**($129,776.70)**

Emissions

Emissions and Allowance Management

Dover has elected not to include revenues from emission allowance sales in its 2011-2012 fiscal year budget. Dover has more than sufficient allowances set aside for retirement (see Exhibit 1). Due to the expiration of EPA's Clean Air Interstate Rule (CAIR) at the end of CY2011, any unused or unsold CAIR allowances will expire without residual value.

Exhibit 1: Emissions Allowance Summary through July 31, 2011

2011-2012 EMISSIONS ALLOWANCE SUMMARY								
SO_2					NO_x			
Date	**Action**	**Allowance Allocation**	**Sale Price**	**Rev.**	**Allowance Allocation**		**Sale Price**	**Revenue**
					Seas.	**Ann.**		
N/A	2003-2006 Carryover	139			0	-		
1/1/08	2007 Carryover	549			0			
1/1/09	2008 Carryover	2,691				53		
1/1/09	2009 Allocation	2,723			50	80		
2/1/10	2010 Allocation	1,988			49	78		
1/1/11	2011 Allocation	1,988			2	76		
4/1/11	2011 Reallocation					5		
9/29/09	SO_2 Sales	(1,500)						
11/12/09	NO_x Ann. Sales					(45)		
11/19/09	SO_2 Sales	(1,410)						
11/20/09	NO_x Seas. Sales				(25)			
12/31/09	2009 Emissions	(1)			(6)	(13)		
12/31/10	2010 Emissions				(54)	(54)		
10/31/10	EPA Linearity Testing Req.				(68)	(68)		
2011	2010 Deficit NO_x Purchases				53	22		
7/31/11	2011 YTD	(2)			33	36		

Emissions							
TOTAL ALLOWANCES	**Pre-CAIR: 3,189 CAIR: 3,975**	**-**	**$0**	**45**	**71**	**-**	**$0**

TEA's estimate, given current dispatch expectations, for the market value of the remaining CAIR allowance inventory is approximately $11,346 as of August 23, 2011. This represents $4,783 for 3,189 pre-CAIR SO2 allowances trading at $1.50/ton, $3,180 for 3,975 CAIR SO2 allowances trading at $0.80/ton, $3,172 for 47 annual NOx allowances trading at $67.50/ton and $210 for 21 seasonal NOx allowances trading at $10.00/ton.

EMISSIONS & ALLOWANCE SUMMARY THROUGH JULY 31, 2011						
Allowance Vintage	**Allowance Allocation**	**Emissions for July 2011**	**Cumulative Annual Emissions**	**Allowances sold in July 2011**	**Cumulative Annual Allowances Sold**	**Allowance Balance**
SO_2: 2007-10	10,157	N/A	131	N/A	4,847	5,179
SO_2: 2011	1,988	0.1	0.7	0	0	1,985
NO_x: Ann. 2009	80	N/A	13	0	45	22
NO_x: Seas 2009	53	N/A	6	N/A	25	22
NO_x Ann. 2010	78	N/A	122	N/A	(22)	(22)
NO_x Seas 2010	50	N/A	122	N/A	(53)	(19)
NO_x Ann. 2011	80	25.5	35.8	0	0	47
NO_x Seas 2011	51	25.5	33.1	0	0	21

EPA Transport Rule (Now known as Cross-State Air Pollution Rule or CSAPR)

The final CSPAR was published in the August 8, 2011Federal Register (76 FR 48208), with an effective date of October 7, 2011. The first compliance period begins for annual SO2 and NOx allowances on January 1, 2012. As mentioned in last month's report, it does not include compliance requirements for generating units located in Delaware and Dover will not be required to submit emission allowances for annual SO2, annual NOx or Seasonal NOx for compliance years 2012 and beyond.

While there continues to be the possibility of legislative and legal challenges to this new rule, affected entities must assume it will become effective on the stated date and begin complying with the rule.

As stated on the EPA Website, "EPA will remove CAIR allowances of vintage years 2012 and greater from all AMS accounts on Friday, October 14, 2011. Within 2 or 3 days before this date, EPA will send an email to the designated representatives and authorized account representatives of accounts that include these CAIR allowances and remind these representatives of the scheduled removal of these CAIR allowances.

After removal of the vintage year 2012 and greater CAIR allowances, on **Monday, October 17, 2011**, EPA will begin recording vintage year **2012 TR** allowance allocations in compliance accounts of units as addressed in the notice of data availability (NODA) published in the Federal Register on July 18, 2011. You can view the unit-level TR allowance allocations, and the data upon which those allocations are based, at http://www.epa.gov/airtransport/techinfo.html.

The Clean Air Act Title IV provisions for SO2 will remain in effect and Dover, which does not have significant SO2 emissions, will need to continue compliance with this program.

SO_2 and NO_x

CAIR prices continue to be deflated because of over-supply, as shown on Figures 1 and 2. Markets are just beginning to form for CSAPR allowance prices and the magnitude of CSAPR prices are significantly higher than recent CAIR allowance prices.

Figure 1 – SO2 Allowance Prices



Figure 2 – Seasonal NOx Allowance Prices

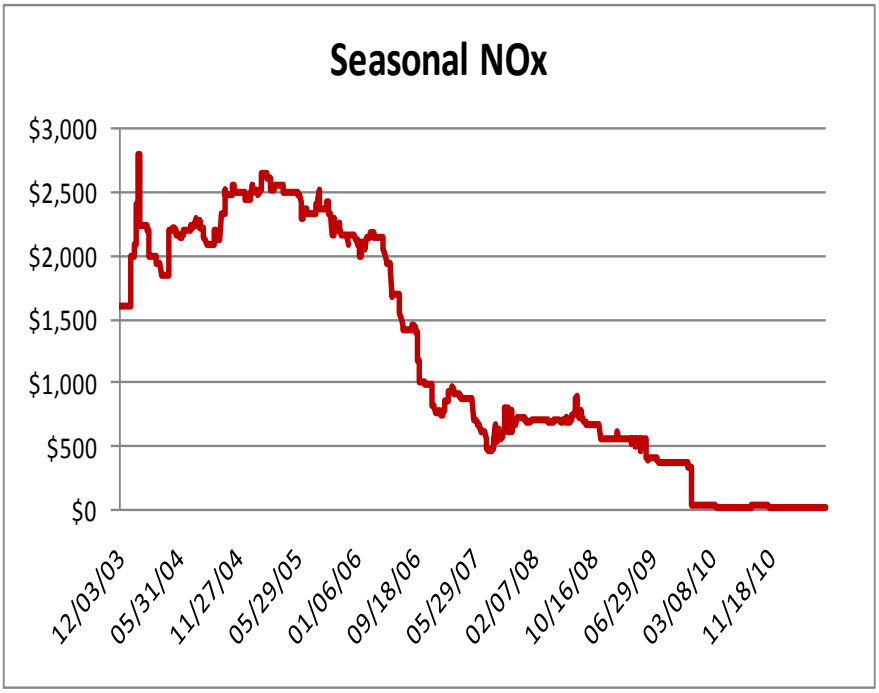
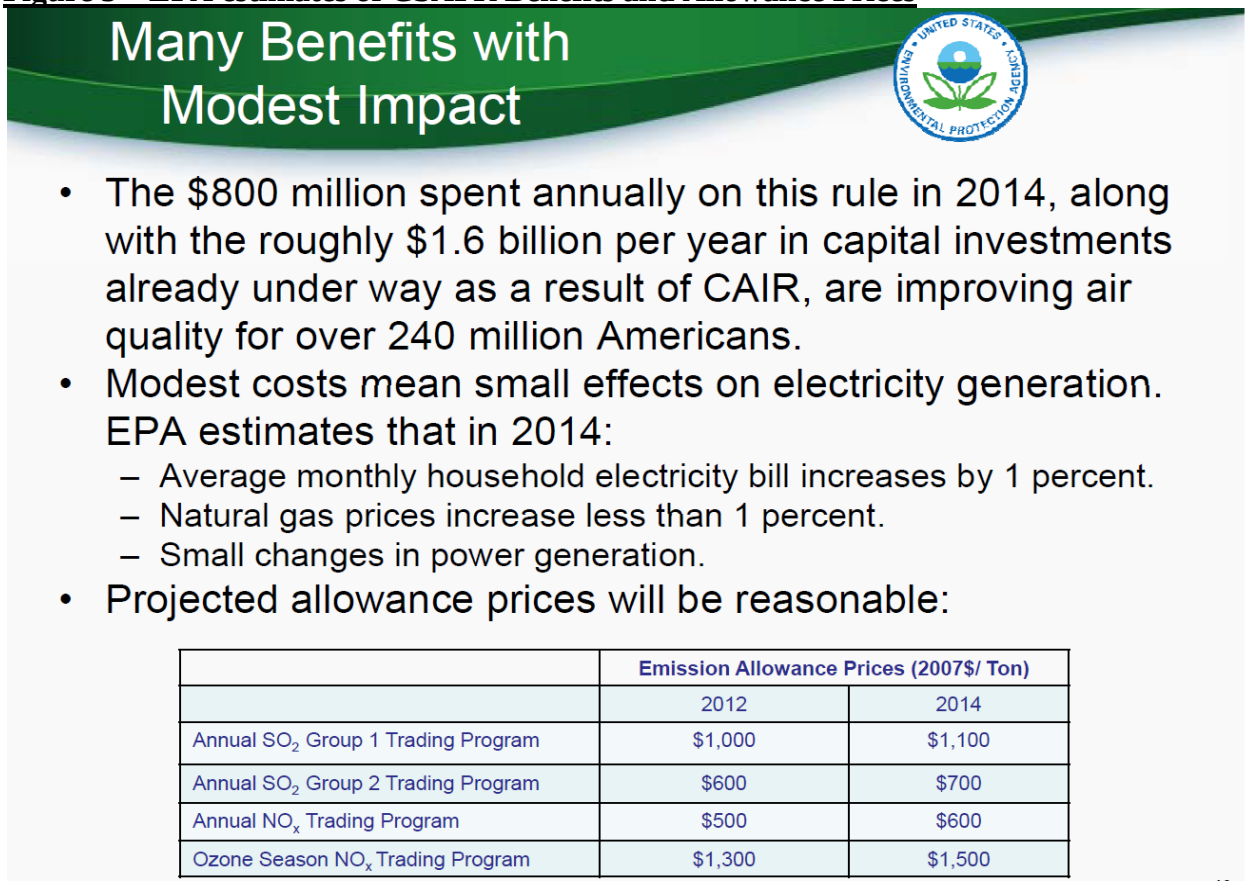


Figure 3 was extracted from an EPA presentation, showing its estimates of allowance prices. While these will not directly impact Dover, it will likely have impact on natural gas and power prices in the eastern interconnection, including markets surrounding Delaware.

Figure 3 – EPA estimates of CSAPR Benefits and Allowance Prices



	Emission Allowance Prices (2007$/ Ton)	
	2012	2014
Annual SO_2 Group 1 Trading Program	$1,000	$1,100
Annual SO_2 Group 2 Trading Program	$600	$700
Annual NO_x Trading Program	$500	$600
Ozone Season NO_x Trading Program	$1,300	$1,500

RGGI and Federal Carbon Outlook

RGGI allowance prices continue to price at very low levels due to over-supply, even dropping below the reserve price of $1.89/ton. TEA continues to monitor RGGI activities.

In Congress, there continues to be little movement on climate legislation. EPA continues to pursue the "Tailoring Rule" which will impact new sources and Clean Air Act Title V permitting existing source.

IV. Operations Management

NAES Corporation
Dover, Delaware

July 2011
Monthly Report



NAES Scholarship Award is presented to Kayla Carrow, daughter of Operator II Eric Carrow, by Plant Manager Vince Scire.

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7.0 Summary of NAES Performance

1.0 Environmental, Health and Safety:

During the month of July, there were no restricted work days or lost time accidents. The facility has now gone 290 days without an OSHA recordable accident or a lost time reportable accident. The plant received no Notice of Violations (NOVs). There were three environmental deviations during the month. The first deviation occurred on July 22 when NOx emissions for the calendar day exceeded the Title V permit limit of 2.93 tons per day. The other deviations were due to high Total Dissolved Solids (TDS) at Outfalls 004 and 005 in exceedance of the Delaware River Basin Committee (DRBC) limits. This is a new limit that plant staff is assessing how plant operating procedures and equipment will need to be modified to ensure future compliance.

RATA and linearity testing on Unit 3 was conducted as part of the new CEMS analyzers recertification. The tests were completed with passing results achieved on both tests. CEMS training on the QA/QC Manual for the ICE Technicians was conducted and many process improvements were identified that are now being incorporated into the CEMS program. The facility received feedback regarding the DNREC Annual Air Audit for both McKee Run and VanSant with no issues identified at either site. DNREC is considering the 2011 audit closed with no follow-up actions necessary.

Confirmation and approval from the EPA regarding the use of lower NOx emissions rates based on burning natural gas (versus #2 oil) for the Q3-Q4 2010 timeframe has been received. The facility is in the process of reviewing the revised data and submitting it into the EPA's ECMPS system. This will result in a reduction of NOx emissions allowances being required for CY 2010. Finalization of the amount of allowances needed and the reconciliation of the NOx Budget accounts by the EPA will occur in the August/September time frame. It is estimated that emissions tonnage will be decreased from 119 tons to 89 tons as a result of the revisions.

Environmental, Health and Safety Statistics		
	Month (July)	Fiscal Year to Date (7/1/11-6/30/12)
NOVs	0	0
Opacity Deviations	0	0
Environmental Deviations	3	3
OSHA Recordable	0	0
OSHA LTA's	0	0
First Aid cases	0	0
Restricted Workday Accident	0	0
Near Miss	1	1
Man Hours Worked	4,090.25	4,090.25
Date last OSHA Recordable		10/14/10
Date last Lost Time Accident		10/14/10
Days since last OSHA recordable		290
Days since last Lost Time Accident		290

Emissions (NOx & SO2) All data thru 7/31/11

NOx Summary - Year (May-Sept.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2009	0.9	0.7	4.2	0.6	6.4
2010	0.7	2.2	119.2	3.3	125.4
2011	1.8	1.5	28.6	1.2	33.10

NOx Summary - Year (Jan. – Dec.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2009	0.9	0.7	10.1	0.6	12.3
2010	0.7	2.2	119.2	3.3	125.4
2011	1.8	1.5	29.8	2.7	35.80

	CAIR NOx Allowances Summary*						
CAIR NOx Allowance Vintage	**CAIR NOx Allowances Sold YTD**	**NOx Allowances Available (Per Facility, Prior to Sale)**		**Total NOx Tons Emitted (Yr/ Season)**	**CAIR NOx Allowances Purchased YTD**	**NOx Allowance Balance**	
		McKee Run (Yr/Season)	***VanSant (Yr/Season)***	**McKee Run - VanSant**		***McKee Run (Yr/Season)***	***VanSant (Yr/Season)***
2009	45/25	75/50	5/3	12/5 - 1/1	0/0 – 0/0	18/0	4/2
2010	0	73/47*	5/3	119**/119** - 3/3	22##/53# – 0/0	-46/0	2/0
2011	0	75###/48###	5/3	30 /29– 3/1	0/0 - 0/0	45###/19###	2/2

Note ** - Higher NOx emissions are attributed to data substitution rules that use significantly higher emission rates than actually were emitted. The implementation of the data substitution rules were caused by performing a linearity test outside the grace period. NAES ESS was able to provide assistance in reducing the NOx emissions from 137 tons to 119 tons since the October report. A petition to the EPA was sent out in February that would result in a reduction in reported emissions. The EPA has given preliminary approval to the petition request although it is not official until the plant receives a signed EPA approval. Until the issue is resolved, the EPA has locked the annual account and no allowances will be deducted until that time.
Note# - 53 tons were purchased to help compensate for the shortage in seasonal NOx allowances.
Note## - 22 tons were purchased to help compensate for the shortage in annual NOx allowances.
Note###- 2 tons (Seasonal and 4 tons (Annual) were reallocated by the EPA to the McKee Run 2011 account.

SO_2 Summary - Year (Jan.-Dec.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2009	0.05	0.05	0.1	0.2	0.4
2010	0.0	0.0	0.3	0.0	0.3
2011	0.0	0.0	0.2	0.5	0.7

Note: Data is as of 7/31/2011

SO_2 Allowances Summary					
SO_2 Allowance Vintage	SO_2 Allowances Sold - YTD	SO_2 Allowances Available (Per Unit, Prior to Sale & Reconciliation)		Total SO_2 Tons Emitted – U3 and U11 YTD	SO_2 Allowances Balance
		Unit #3	*Unit #11*		
2003-2006	139	138	1	0	0
2007	2455	2585	138	98	170
2008	2392	2585	138	32	299
2009	0	2585	138	0	2723
2010	0	1850	138	0	1988
2011	0	1850	138	1	1987

Note: Data is as of 7/31/2011

CO2 Allowances Summary*					
CO2 Allowance Vintage	CO2 Allowances Sold YTD	CO2 Allowances Available (Per Facility, Prior to Sale)		Total CO2 Tons Emitted	CO2 Allowance Balance
		McKee Run	*VanSant*		
2009	0	59,805	1,699	5,796	55,708
2010	0	47,844	1,636	32,971	16,509
2011	0	35,883	1,227	16,222	20,888
2012	0	23,922	818	0	24,740
2013	0	11,961	409	0	12,370

Note: All CO2 allowance values are provided by the RGGI CO2 Allowance Tracking System

2.0 Financial

Financial – Current Month (Estimated)

Month –July 2011			
	Actual	Budget	Variance
Personnel	215,521	278,125	62,604
Materials & Supplies	939	17,232	16,293

Administrative Expenses	386,455	421,478	35,123
Total	**$602,915**	**$716,935**	**$114,020**

Financial – Fiscal Year to Date (Estimated)

Number of Months – 1			
	Actual	Budget	Variance
Personnel	215,521	278,125	62,604
Materials & Supplies	939	17,232	16,293
Administrative Expenses	386,455	421,478	35,123
Total	**$602,915**	**$716,935**	**$114,020**

2.1 Variance analysis:

The City of Dover Finance Department has closed the books for the month of July. The actual expenses for July are $602,915 against a budgeted amount of $716,935 for a favorable variance of $114,020 or ≈ 15.90%. The variance was due to the following:

PERSONNEL EXPENSES – Lower straight labor, overtime, and labor burdens due to several open staff position accounted for a favorable variance of $62,604. Note: Included in this variance is a positive variance of $31,912 for the Employee Incentive Accumulator and Employee Incentive Burden Accumulator that will occur every month. These expenses were broken down into every month over the entire year instead of having them budgeted for June of 2012 which is when they would actually be expensed.

MATERIALS AND SUPPLIES EXPENSES- Lower than budgeted expenses in Water/Sewer, Janitorial Services and Supplies, and City Building Maintenance contributed to realizing a favorable variance of $16,293.

ADMINISTRATIVE EXPENSES – Lower than budgeted expenses in the areas of Electric, Environmental Expenses, Home Office Labor, Other Equipment / Maintenance and Combustion Turbine Maintenance contributed to a favorable variance of $35,123.

The current budget forecast for the current fiscal year is $5,911,909 expensed versus an approved budget of $5,964,818 thereby realizing a 99.11%.expense rate.

3.0 Operations

Unit Operations / Outages / Trips

In the month of July, Units 1, 2, 3 and 11 were dispatched one, one, twelve and five times respectively by PJM. During the month, Unit 1 also successfully completed the PJM Capacity Test for the Summer Demonstration Period.

Month – July 2011							
		McKee Unit 1	McKee Unit 2	McKee Unit 3	MRS Facility	VanSant Unit 11	Total All Units
Capacity	MW	17	17	102	136	39	175
On Line Hours	Hrs	59.234	57.267	201.169	301.883	34.951	336.784
Starts	#	1	1	13	15	5	20
Gross Generation	MWh	561.129	564.344	16,075.871	17,201.344	1,134.612	18,335.956
Net Generation	MWh	532.006	521.173	14,899.560	15,952.739	1,133.848	17,086.587
Total Auxiliaries	MWh	65.841	79.889	1,509.480	1,655.210	2.120	1,657.330
Auxiliaries purchased	MWh	36.718	36.718	333.169	406.605	1.356	407.961
Fuel Gas Used	MMBTU	8,544.659	7,612.458	165,062.586	181,219.703	15,111.359	196,331.062
Fuel Oil Used	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Fuel Oil Used	Gallons	0.0	0.0	0.0	0.0	0.0	0.0
Total Fuel	MMBTU	8,544.659	7,612.458	165,062.586	181,219.703	15,111.359	196,331.062
Net Heat Rate	BTU/KWh	15,947	15,503	11,003	11,282	13,224	11,411
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	4.21	4.12	19.63	15.77	3.91	13.12
Availability Factor	%	100.00	100.00	100.00	100.00	100.00	100.00
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Forced Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Shutdown Hours	Hours	684.766	686.733	542.818	1,914.317	709.049	2,623.366
HW Boiler Gas Usage	MMBTU				0		0
Pilot Gas Usage	MMBTU	138,333	138,333		276,667		276,667

 # Note: Does not include HWB or Pilot Gas. Fuel usage numbers are taken from fuel flow instruments.

2011-2012 Fiscal Year-to-Date (1 Month)						
	McKee Unit 1	McKee Unit 2	McKee Unit 3	MRS Facility	VanSant Unit 11	Total All Units

Capacity	MW	17	17	102	136	39	175
On Line Hours	Hrs	59.234	57.267	201.169	301.883	34.951	336.784
Starts	#	1	1	13	15	5	20
Gross Generation	MWh	561.129	564.344	16,075.871	17,201.344	1,134.612	18,335.956
Net Generation	MWh	532.006	521.173	14,899.560	15,952.739	1,133.848	17,086.587
Total Auxiliaries	MWh	65.841	79.889	1,509.480	1,655.210	2.120	1,657.330
Auxiliaries purchased	MWh	36.718	36.718	333.169	406.605	1.356	407.961
Fuel Gas Used	MMBTU	8,544.659	7,612.458	165,062.586	181,219.703	15,111.359	196,331.062
Fuel Oil Used	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Fuel Oil Used	Gallons	0.0	0.0	0.0	0.0	0.0	0.0
Total Fuel	MMBTU	8,544.659	7,612.458	165,062.586	181,219.703	15,111.359	196,331.062
Net Heat Rate	BTU/KWh	15,947	15,503	11,003	11,282	13,224	11,411
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	4.21	4.12	19.63	15.77	3.91	13.12
Availability Factor	%	100.00	100.00	100.00	100.00	100.00	100.00
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Forced Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Shutdown Hours	Hours	684.766	686.733	542.818	1,914.317	709.049	2,623.366
HW Boiler Gas Usage	MMBTU				0		0
Pilot Gas Usage	MMBTU	138,333	138,333		276,667		276,667

Fuel Oil Inventory							
	Monthly Inventory (Start)	Monthly Inventory (End)	Fuel Purchases (Month)	Monthly Inventory (Change)	FY 10-11 Inventory (Start)	Fuel Purchases (YTD)	FY 10-11 Inventory (Change)
McKee Run (#2 Fuel Oil)	454,725	455,606	0	881	448,556	118,549	7,050
VanSant (#2 Fuel Oil)	153,212	153,549	0	337	143,099	38,079	10,450

Note: As measured by tank level instruments. Tank levels may change due to oil temperature.

VanSant Lifetime through 7/31/11			
	Actual Starts	Factored Starts	Fired Hours
VanSant	1268	2187.15	4164.66
Since HGP - Dec 2004	209	519.45	781.08

Team Report:

Operations personnel continue to support maintenance by working on Preventative Maintenance (PM) work orders and other work orders that they have the necessary skills to successfully complete the task. The Operations Department continues to utilize the Flex Team in both Operations and Maintenance areas to help in maintaining the plant.

During the month of July, Operations staff successfully completed the PJM Capacity Test on Unit 1 for the Summer Demonstration Period. Operations personnel also completed pre-work on and the painting of the diesel fuel tank for the plant's mobile equipment.

The teams continue to get Hands-On training on plant equipment that is part of their EDQP program. The program is used to train an employee for a desired sequential position and also as a review of programs that will reinforce their current knowledge. The General Physics courses and the PJM on line courses are used in the training program as well.

Capacity Testing – FY 2010-2011					
Summer 2011 (June 1- Aug 31)			**Winter 2011-2012 (Dec 1- Mar 1)**		
Unit	Rated Net Capability (MW)	Reported Net Capability (MW)	Unit	Rated Net Capability (MW)	Reported Net Capability (MW)
1	17	17.06	1	17	*
2	17	17.67	2	17	*
3	102	102.31	3	102	0.0
VanSant	39	0	11	39	0.0
Total	175	137.04	Total	175	0.0

4.0 Maintenance

During the month of July, plant maintenance staff continued addressing the backlog of work orders. There were sixty-two work orders issued with ninety-one work orders being completed during the month. The table below summarizes the monthly work order activities.

Work Order Report

July - 1

Priority #	Outstanding From Previous Month	Issued This Month	Completed This Month	Outstanding at the end of the month
1	21	9	18	12
2	37	20	29	28
3	38	9	18	29
4	34	0	2	32
5	2	3	1	4
SW1	0	0	0	0
SW2	0	0	0	0
SW3	0	0	0	0
SW4	0	0	0	0
SW5	0	0	0	0
PM	37	21	23	35
Totals	169	62	91	140

Note: PMs are included in the priority totals

Notable activities during the month include:

1) Maintenance completed cleaning of each eyewash station spray nozzles. During the Operations Staff inspection of the stations, it was found that several stations had irregular spray patterns. Each nozzle was removed, properly cleaned, field tested and then placed back into service.

2) Maintenance staff completed the emergency repairs to fire protection system. During weekly fire pump testing, the system piping failed on an inline tee and union. Asbestos abatement was necessary so that the repairs could be completed. Installation of new piping and fittings was then completed and the Fire Protection System was then placed back into service.

3) Maintenance staff completed the replacement of the Unit Two air heater auxiliary air drive motor. Staff purchased and installed a new OEM replacement air drive. Air drive unit is the primary back up for the air heater electric drive which had failed during our last operations event.

4) IC& E staff and Diamond Electric technicians completed a thermographic survey of Unit three 4160V/480V switch gear and equipment breakers. During the evaluation process, it was discovered four breakers were found to have hot spots requiring immediate attention. Each hot spot identified in the final report was addressed. Follow up testing will be completed at a later date when the unit operates again to verify the hot spot was remedied.

5) IC&E staff investigated problems with VanSant starting diesel. Turbine speed signals two and three were giving the control system inconsistent inputs causing the diesel to abort its ramp up causing the unit to shut down on startup. To resolve the problem the PLC program was modified to address the speed signal momentary spike. The unit was tested during the next unit start up and no further problems were experienced.

5.0 Capital Improvement Projects (CIP)

Project Number	Description	Update

EG1101	Unit 3 Cooling Tower Life Extension	Progress: ATS replaced outside panels on the tower during the month of June. No other work is planned for this project during the remainder of the fiscal year. Schedule: Work scope development for work to be completed in 2013 will commence in February 2012.
EG1102	Units 1 & 2 Cooling Tower Life Extension	Progress: The scope of work planned for 2011 was completed in June. Schedule: Work planned for this fiscal year is in development
EG1103	Unit 3 Turbine Inspection	Progress: Development of the work scope is in the process of commencing. NAES Turbine Services has been contacted to aid in this endeavor. Schedule: Planning for 2011-2012 fiscal year has started.
EG1104	Unit 3 Aux System Components	Progress: Development of the work scope is in the process of commencing. Schedule: Planning for 2011-2012 fiscal year has started.
EG1107	Units 1 & 2 Life Extension	Progress: This project is to assess and determine the actions necessary to prolong the life of Units 1 and 2. Repair costs based on turbine inspection results will have to be developed and supplied to the City of Dover in order to make a decision on how and when to proceed. The plant is still waiting on estimated costs from Siemens. Training of plant staff on the equipment during plant operations and when the units were not operating occurred during the month. Schedule: Planning for 2011-2012 fiscal year has started.
EG1112	Unit 3 Air Heater Expansion Joint	Progress: The 2011 work was completed on the expansion joint. Insulation and lagging reinstallation commenced in June 2011. Schedule: The 2012 scheduled work will be completed by the end of January 2012
EG1201	Unit #3 Boiler Air Heater	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1202	Unit #3 Boiler Systems	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1203	Unit 3 FD & ID Fan Damper Upgrade	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1204	Unit 3 DCS Computers & Software Upgrades	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1205	Miscellaneous Capital Equipment Replacements	Progress: This project is for the unexpected needs that may occur during a budget year that were unexpected due to equipment failure for example. Schedule: The funding is in place and there are no capital items identified at this time to go into this project fund.

EG1206	McKee Run DI Controls Replacement	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1207	VanSant Component Replacements	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1208	McKee Run Switchyard Blast Walls	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1209	McKee Run Structural Preservation	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1210	Unit #3 Cooling Tower Line Inspection	Progress: Started on the development of the project work scope documents. Schedule: Planning for 2011-2012 fiscal year has started.
EG1211	Unit 3 Stack Repairs	Progress: Development of the work scope is in the process of commencing. Schedule: Planning for 2011-2012 fiscal year has started.

5.1 CIP Budget

Project Number	Description	Approved Budget ($ X 1000)	Latest Estimate ($ X 1000)
EG1101	Unit 3 Cooling Tower Life Extension	0	0
EG1102	Units 1 & 2 Cooling Tower Life Extension	25	25
EG1103	Unit 3 Turbine Inspection	348	348
EG1104	Unit 3 Aux System Components	113	113
EG1107	Units 1 & 2 Life Extension	184	184
EG1112	Unit 3 Air Heater Expansion Joint	80	80
EG1201	Unit #3 Boiler Air Heater	440	440
EG1202	Unit #3 Boiler Systems	130	130

EG1203	Unit 3 FD & ID Fan Damper Upgrade	92	92
EG1204	Unit 3 DCS Computers & Software Upgrades	85	85
EG1205	Miscellaneous Capital Equipment Replacements	70	70
EG1206	McKee Run DI Controls Replacement	65	65
EG1207	VanSant Component Replacements	50	50
EG1208	McKee Run Switchyard Blast Walls	50	50
EG1209	McKee Run Structural Preservation	38	38
EG1210	Unit #3 Cooling Tower Line Inspection	25	25
EG1211	Unit 3 Stack Repairs	25	25

6.0 General Plant Information

Training:

CEMS training on the QA/QC Manual for the ICE Technicians was conducted and many process improvements were identified which are being incorporated into the CEMS program.

The final class was held for CPR and First Aid Training at the plant site and led by instructors from the Delaware Fire School. The class had to be rescheduled due to the dispatch of the generation units.

Plant employees continue General Physics safety training and environmental courses to enhance their overall knowledge of permit and safety requirements. As the GPI courses are being completed the employee reviews the standard operating procedure (SMP) for the same topic they are training on to review NAES policy as well.

Ray Lavender attended a three day seminar on Job Planning and Scheduling in Philadelphia.

Calendar of Events	Date
PJM Summer Capacity Test Period	June 1, 2011- August 31, 2011
Toxic Release Inventory (TRI) Annual Report	July 1, 2011
Unit 3 RATA Testing	July 12, 2011
McKee Run and VanSant Title V Semi-Annual Certification Due	August 1, 2011
NOx Ozone Season Ends	September 30, 2011
One Year Accident Free	October 14, 2011
Units 1, 2, 3 and 11 Fall Outage	October 3 to December 2, 2011
Winter Capacity Period	December 1, 2011 to February 28, 2012
McKee Run and VanSant Title V Annual Certification Due	February 1, 2012
NOx Emissions Reconciliation Due	March 1, 2012
SO2 Emissions Reconciliation Due	March 1, 2012
SARA III Report	March 1, 2012
Annual VanSant Black Start Test	March , 2012
Units 1, 2, 3 and 11 Spring Outage	TBD
Air Emission Inventory	April 1, 2012
McKee Run Title V Permit Renewal	April 20, 2012
EIA-860 Report	April 29, 2011
Units 1, 2, and 3 Spring Outage	TBD
NOx Ozone Season Starts	May 1, 2012
EIA-923 Report	May 6, 2012
Fiscal Year 2011-2012 Ends	June 30, 2012

7.0 Summary of NAES Performance to Date

Plant Performance FY 2011-2012				
Measure	Month	Year to Date	YTD Incentive	FY Maximum Incentive

Commercial Unavailability (CU)	0%		0		$91,198	$91,198
Safety	0		0		$17,099	$17,099
Environmental	0		0		$17,099	$17,099
Capacity Tests Completed	Summer	Winter	Summer	Winter		
Unit 1	Yes	No	Yes	No	$3,420	$3,420
Unit 2	No	No	Yes	No	$3,420	$3,420
Unit 3	No	No	Yes	No	$20,520	$20,520
Unit 11	No	No	No	No	$0	$6,840
Total YTD Incentive %	95.71%		***Total YTD Incentive***		$152,757	$159,597

Note: Units 1, 2 and 3 PJM Summer Capacity Tests have been successfully completed and would be entered into the PJM Winter Capacity Test Exemption Program. Once the Unit 11 PJM Summer Capacity Test is completed, it would also be entered into the PJM Winter Capacity Test Exemption Program. The YTD Incentive calculation reflects this information.

V. Appendix

PJM Invoice Breakdown

PJM Bill Summary July 2011			
	Gen	Load	Grand Total
Auction Revenue Rights		(68699.41)	(68699.41)
Balancing Operating Reserve	(317288.30)	50384.25	(266904.05)
Balancing Spot Market Energy	(301638.31)	21048.59	(280589.72)
Balancing Transmission Congestion	(36391.31)	262416.48	226025.17
Balancing Transmission Losses	(16069.10)	(3035.57)	(19104.67)
Black Start Service	(6111.93)	1657.10	(4454.83)
Day-ahead Operating Reserve	(10060.50)	4852.70	(5207.80)
Day-ahead Scheduling Reserve	(39270.02)	24592.95	(14677.07)
Day-ahead Spot Market Energy	(1603974.08)	1285257.06	(318717.02)
Day-ahead Transmission Congestion	(418030.91)	410064.92	(7965.99)
Day-ahead Transmission Losses	(51271.14)	284258.16	232987.02
Expansion Cost Recovery		408.58	408.58
FERC Annual Recovery		4736.93	4736.93
Generation Deactivation Refund		(741.04)	(741.04)
Inadvertent Interchange		7092.99	7092.99
Load Reconciliation for Balancing Operating Reserve		(2.39)	(2.39)
Load Reconciliation for FERC Annual Recovery		(1.24)	(1.24)
Load Reconciliation for Inadvertent Interchange		(3.83)	(3.83)
Load Reconciliation for Market Monitoring Unit (MMU) Funding		(0.12)	(0.12)
Load Reconciliation for North American Electric Reliability Corporation (NERC)		(0.19)	(0.19)
Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		(4.71)	(4.71)
Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		0.09	0.09
Load Reconciliation for Reactive Services		1.28	1.28
Load Reconciliation for Regulation and Frequency Response Service		(36.43)	(36.43)
Load Reconciliation for Reliability First Corporation (RFC)		(0.29)	(0.29)
Load Reconciliation for Schedule 9-6 - Advanced Second Control Center		(0.47)	(0.47)
Load Reconciliation for Spot Market Energy		(2864.92)	(2864.92)
Load Reconciliation for Synchronized Reserve		(0.11)	(0.11)
Load Reconciliation for Transmission Congestion		(129.62)	(129.62)
Load Reconciliation for Transmission Losses		(39.06)	(39.06)
Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		(1.64)	(1.64)
Locational Reliability		716604.55	716604.55

Market Monitoring Unit (MMU) Funding		509.68	509.68
Meter Error Correction		173.43	173.43
Network Integration Transmission Service		270969.76	270969.76
Non-Firm Point-to-Point Transmission Service		(862.30)	(862.30)
North American Electric Reliability Corporation (NERC)		731.98	731.98
Organization of PJM States, Inc. (OPSI) Funding		52.17	52.17
PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center		854.73	854.73
PJM Scheduling, System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.		1036.02	1036.02
PJM Scheduling, System Control and Dispatch Service - Control Area Administration		14723.95	14723.95
PJM Scheduling, System Control and Dispatch Service - Market Support		3965.43	3965.43
PJM Scheduling, System Control and Dispatch Service - Market Support Offset		(577.04)	(577.04)
PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration		201.75	201.75
PJM Scheduling, System Control and Dispatch Service Refund - Capacity Resource/Obligation Mgmt.		(76.57)	(76.57)
PJM Scheduling, System Control and Dispatch Service Refund - Control Area Administration		(1262.05)	(1262.05)
PJM Scheduling, System Control and Dispatch Service Refund - Market Support		(346.98)	(346.98)
PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration		(16.57)	(16.57)
PJM Settlement, Inc.		577.04	577.04
Reactive Services		38251.07	38251.07
Reactive Supply and Voltage Control from Generation and Other Sources Service	(29467.58)	31868.49	2400.91
Regulation and Frequency Response Service		39604.38	39604.38
Reliability First Corporation (RFC)		1110.61	1110.61
RPM Auction	(592549.50)		(592549.50)
Synchronized Reserve		15109.97	15109.97
Synchronous Condensing		254.33	254.33
Transmission Enhancement		14547.77	14547.77
Transmission Losses		(98550.84)	(98550.84)
Transmission Owner Scheduling, System Control and Dispatch Service		6251.38	6251.38
Day-ahead Operating Reserve for Load Response		0.74	0.74
Balancing Operating Reserve for Load Response		0.72	0.72
Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		(0.01)	(0.01)

Load Reconciliation for Day-ahead Scheduling Reserve		(2.49)	(2.49)
Load Reconciliation for Synchronous Condensing		(0.37)	(0.37)
Grand Total	**$(3,422,122.68)**	**$3,336,915.77**	**$(85,206.91)**