UTILITY COMMITTEE

The Utility Committee Meeting was held on July 11, 2011 at 5:00 p.m. with Chairman Bonar presiding. Members present were Mr. Lynn, Mrs. Williams, Mr. Blakeman, and Mr. Snaman. Council President Leary (departed at 5:28 p.m.) and Mayor Carey (departed at 5:38 p.m.) were also present.

AGENDA ADDITIONS/DELETIONS

Mr. Snaman moved for approval of the agenda, as presented, seconded by Mr. Blakeman and unanimously carried.

Presentation - Garrison Energy Center Project Ownership

Mr. Ron Lunt, Public Utilities Director, reminded members that the Garrison Energy Center Land Lease and the Dover Sun Park originated as a result of a Request for Proposals (RFP) that the City issued in order to pursue various options as the City moves forward with energy management. He stated that the Land Lease is for three (3) years with approximately 1½ years remaining.

Mr. Lunt introduced Mr. Champe Fisher, Director, Calpine Corporation, and Mr. Fisher introduced other representatives of Calpine who were present. Mr. Fisher advised members that Calpine purchased the rights to the Garrison Development Project from Macquarie Energy, LLC in late April 2011 and is committing the full resources of the Corporation to pursue the project. Packets providing detailed information regarding Calpine were distributed to members.

Mr. Fisher reviewed a Presentation - Garrison Energy Center Update. Referring to Page 6 of the presentation, he advised members that the meanings of the acronyms listed are as follows: SCR - Selective Catalytic Reduction, CO Catalyst - Carbon Monoxide Emissions, and NOx - Nitrous Oxide (Combustion System).

Responding to Mrs. Williams, Mr. Fisher stated that the current design for a 309 MW dual-fueled combined cycle facility is the result of a request, submitted by Macquarie Energy, LLC to the power grid operator in August 2010, to inject 309 MW into the grid. He stated that capacity is not expandable in the facility's current queue position; however, it would be expandable if a request for a study for an additional queue position with greater capacity was submitted to the grid. He estimated that the maximum capacity of this site could be doubled from its current level.

In response to Mr. Bonar, Mr. Fisher stated that 300-400 construction jobs would be created at the peak of the project. Following construction, with generation capacity at 309 MW, 10-15 full-time, wage earning positions are anticipated. He assured members that additional information regarding the facility's tax base would be obtained and provided.

Responding to Mr. Hare, Mr. Fisher stated that once the facility is completed, its "worth" will be included on Calpine's financial statements. Referring to Page 4 of the presentation, he noted that, according to the Department of Energy, a gas combined cycle facility can be built in 2015 for $1,100 per Kw ($1,100 x 309,000), which would equate to the cost of construction.

Although he supported the creation of jobs through this project, Mr. Lynn expressed concerns regarding the impact the project will have on the residents near the plant, specifically, the Wild Meadows Subdivision. He questioned if a representative of Calpine would meet with residents and the homeowners' association regarding some of these concerns. Concurring, Mr. Fisher welcomed the opportunity.

In response to Mrs. Williams, Mr. Fisher stated that he would obtain information regarding the amount of water that would be utilized on a daily basis by the facility and provide it to members. In addition, he agreed to obtain details regarding the need to expand the Kent County treatment facility for processing of the water after it leaves the plant. He explained that Calpine is in the process of reconfiguring the plant and that this information was previously determined based on Macquarie Energy's design. Once the reconfiguration is complete, a determination regarding the "water balance" will be accomplished. He stated that Calpine considered the water supply at this site, concurring that the critical components to run a power plant efficiently and effectively are in place.

Responding to Mr. Blakeman, Mr. Fisher noted that the gas pipeline is located in Cheswold (approximately 6 miles from site) and will be expanded to the site; however, he explained that the route for the installation has not yet been determined. Calpine is currently in the process of discussing this matter with Eastern Shore Natural Gas and reviewing various options, costs, and time frame.

In addition to the pipeline permit, Mr. Fisher advised members that several additional permits will be required prior to construction of this project. He noted that the commercial operation of the plant is scheduled to begin in June 2015.

At the request of Mr. Blakeman, Mr. Fisher stated that updates by Calpine can be provided to members as often as desired. He noted that Calpine was recently advised by PJM of a 60-day delay in one (1) of the required studies; therefore, additional details regarding the interconnection process will not be available until the end of September 2011.

In response to Mr. Hare, Mr. Fisher stated that the contract includes a provision that will allow the City to purchase power; however, there is no obligation in this respect.

Referring to Page 8 of the presentation, Mr. Fisher noted that the acronym, PLUS, refers to a Preliminary Land Use Survey.

Once the required infrastructure has been determined, Mr. Fisher assured members that these details and the results of the study will be presented to the City for consideration.

Mr. Bonar requested that Calpine keep the City updated on the project through written progress reports.

Responding to Mr. Blakeman, Mr. Fisher estimated that 2/3 of the power would be generated by the combustion turbine and 1/3 would be from the steam turbine.

Should Calpine decide to expand, Mr. Bonar requested that the City be provided details regarding any additional costs involving infrastructure, as well as the infrastructure needs for the project at its current size.

Mr. Lunt advised members that Calpine provides quarterly reports to the City and that he would be sure to forward them to members for their review.

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

Members were provided a Project Tracking Report, as of May 31, 2011, for the Utility (Electric and Water/Wastewater) Related Capital Investment Plan (CIP).

Responding to Mr. Bonar, Mr. Ron Lunt, Public Utilities Director, stated that the galvanized pipe located near the railroad is temporary sewer bypass piping being utilized while construction is performed in the area.

Referring to the infrastructure that has been replaced on Bayard Avenue, east of Park Drive, Mr. Bonar questioned when it is anticipated the area would be repaved. Responding, Mr. Lunt stated that once the old main is disconnected and the services have been connected, paving will begin, and should be completed by Fall 2011.

Mrs. Williams moved for adjournment, seconded by Mr. Blakeman and unanimously carried.

Meeting Adjourned at 5:42 P.M.

Respectfully submitted,

David L. Bonar
Chairman

DLB/DD/jg/js/ac
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