UTILITY COMMITTEE

A G E N D A

March 9, 2009 - 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 Tmcdowell@dover.de.us) should you wish to be recognized.

AGENDA ADDITIONS/DELETIONS

1. Federal Stimulus Program and Dover's Utilities and Energy Programs
   A. Water/Wastewater
   B. Energy Block Grant
   C. Renewable Energy

2. PACE/NAES Monthly Report *(January)*
   A. Status Report - Pollution Remediation Project

3. Adjournment by 5:55 P.M.

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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.

Memorandum

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To: **Utility Committee**

From: **Anthony J. DePrima, AICP, ICMA-CM**
City Manager

Date: **March 9, 2009**

Subject: **American Recovery and Reinvestment Act**

Please see the enclosed information we received from the United States Conference of Mayors which summarizes all aspects of the stimulus funding.

The United States Conference of Mayors

MAINSTREET ECONOMIC RECOVERY

usmayors.org/mainstreeteconomicrecovery

American Recovery and Reinvestment Act

Briefing Paper for February 20 White House Meeting

President Barack Obama
Vice President Joseph R. Biden, Jr.

Attorney General Eric Holder
Secretary of Education Arne Duncan
Secretary of Energy Steven Chu
Secretary of Housing and Urban Development Shaun Donovan
Secretary of Transportation Ray LaHood

February 19, 2009

THE UNITED STATES CONFERENCE OF MAYORS

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Mayor of Miami
President

Greg Nickels
Mayor of Seattle
Vice President

Elizabeth B. Kautz
Mayor of Burnsville
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IMPLEMENTATION OF KEY CITY PRIORITIES IN ARRA

I. ENERGY AND ENVIRONMENT

Energy Efficiency and Conservation Block Grant (EECBG) Program – Formula – $2.8 billion

1. EECBG is a new program established in the 2007 Energy Act (EISA) to support cities, counties, and states in curbing energy use and developing new renewable energy supplies as part of a broader commitment to curb greenhouse gas emissions. DOE has yet to issue program rules but is expected to do so shortly.
2. Funds will be allocated through a formula to eligible cities (all cities over 35,000 population and some others below this threshold), counties (all counties over 200,000 population and some others below this threshold), and all states which, in turn, will provide the funds to cities and counties that do not receive formula grants. Under current law (not ARRA), DOE must publish the formula and allocations to cities and counties within 90 days.
3. Like CDBG, the largest share of EECBG funds (68 percent) goes directly to formula-eligible cities and counties. They are to be used to fund eligible job-producing energy projects. Each recipient must prepare an energy efficiency and conservation strategy within 12 months of receipt of funds and submit it to DOE for approval in order to get second-year funding. There are no non-federal matching requirements. These funds must be expended by September 30, 2010.
4. In addition to establishing locally-developed benchmarks for measuring energy efficiency improvements, each formula recipient must report annually on its energy performance in utilizing block grant resources.
5. States must pass through at least 60 percent of their share of the funding (28 percent of the total) to non-formula cities and counties, and make their allocations within 180 days.
6. Eligible activities include costs for development of city or county energy efficiency/conservation strategies, residential/commercial building energy audits, financial incentive programs (rebates), energy efficiency retrofits, transportation energy programs, energy building code updates, methane capture/reduction technologies, installation of light emitting diodes (LEDs), and deployment of renewable energy sources.
7. **AT ISSUE: EECBG policy guidance is under development and has not yet been issued. In addition, DOE has not yet indicated what factors will be used to allocate formula funds among cities and counties which are direct recipients of formula grants, although population is likely to be the key factor. When will formula allocations be announced? Also, the interaction between the formula grant program and the competitive grant program has to be determined by DOE.**

8. **AT ISSUE: How can mayors, who were involved in the creation of EECBG, continue to assist DOE in the development of the guidance? The membership of the advisory board created by the authorizing legislation should include mayors.**

Energy Efficiency and Conservation Block Grant (EECBG) Program – Competitive – $400 million

1. ARRA also includes funding for a DOE-directed competitive grants program which will provide funding to cities and counties. Specific details on this initiative will not be available until DOE develops the program rules.
2. **AT ISSUE: We assume that all cities can apply for this program. EECBG program guidance has not yet been issued, and the interaction between the formula and competitive grant programs has not yet been determined by DOE.**

State Energy Program (SEP) – $3.1 billion

SEP provides grants to the states to design and carry out their own renewable energy and energy efficiency programs. Funding is provided to the states through both formula and competitive grants.

Home Weatherization – $5 billion

The Home Weatherization Program enables low-income families (those with an income of 150 percent of poverty or less) to permanently reduce their energy bills by making their homes more energy efficient. Funds are allocated to the states through a formula. States subcontract with local agencies (currently about 900 across the country) which provide weatherization services to eligible households.

II. INFRASTRUCTURE

Highway Infrastructure – $27.6 billion
(Includes Surface Transportation Program [STP] Local Area Funding – $8 billion)

1. ARRA funds will be distributed through formula directly to the states which, in turn, will sub-allocate 30 percent of the funding by population.
2. Of each state's apportionment, three percent must be set aside for transportation enhancements.
3. State apportionments must be made within 21 days of ARRA's enactment, and states have 120 days after apportionment to obligate the first 50 percent of their highway funds.
4. States will have until one year after apportionment to obligate the remainder of the funds.
5. Local areas have one year to obligate the funds.
6. There are no non-federal matching requirements.
7. Funds may be used for:
    a. Passenger and freight rail transportation;
    b. Port infrastructure projects;

c. Construction, reconstruction, rehabilitation, resurfacing, restoration, and operational improvements for highways (including Interstate highways) and bridges (including bridges on public roads of all functional classifications);
d. Transit projects including vehicles and facilities;
e. Carpool projects, fringe and corridor parking facilities and programs, bicycle transportation and pedestrian walkways;
f. Modification of public sidewalks to comply with the Americans with Disabilities Act of 1990;
g. Highway and transit safety infrastructure improvements and programs, hazard eliminations, projects to mitigate hazards caused by wildlife, and railway-highway grade crossings;
h. Highway and transit research and development and technology transfer programs;
i. Capital and operating costs for traffic monitoring, management, and control facilities and programs;
j. Surface transportation planning programs;
k. Infrastructure-based intelligent transportation systems capital improvements; and
l. Environmental restoration and pollution abatement projects to address water pollution or environmental degradation caused or contributed to by transportation facilities.

8. Funding may be used on Federal-Aid roads; 62.5 percent of the roads in urbanized areas on the Federal-Aid system are owned by cities or counties.
    a. The Federal-Aid Primary Highway System consists of a system of connected main highways selected by each state highway department subject to the approval of the Bureau of Public Roads. It encompasses routes of the Interstate System and other important routes serving essentially through traffic with their urban extensions, including important loops, belt highways, and spurs.
    b. The Federal-Aid Secondary Highway System is composed of the principal secondary and feeder routes including farm-to-market roads, rural mail and public school bus routes, local rural roads, county and township roads, roads of the county, road class, and their urban extensions. These roads are chosen by the state highway departments and appropriate local road officials cooperatively, subject to approval by the Bureau of Public Roads.
    c. The Interstate System consists of routes of the highest importance to the nation. It is limited to 41,000 miles of highways connecting the principal metropolitan areas, cities, and industrial centers. Included are routes into, through, and around urban areas. It is a part of the Federal-Aid Primary System and, like the other two systems, is selected by the state highway departments subject to Bureau approval.
9. In order for a surface transportation infrastructure project to advance for federal funding, it must be included in the relevant metropolitan Transportation Improvement Program (TIP) or Statewide Transportation Improvement Program (STIP).

10. Projects which are not in a TIP can be included through an amendment process. (ASAP, contact your metropolitan planning organization [MPO] representative for additional information on the amendment process.)
11. Projects in an approved TIP or STIP are not required to go through an amendment if the scheduled implementation of the project is changed within the four-year period of the TIP or STIP. An Administrative Modification is sufficient for changing the schedule of a project in the TIP or STIP within that four-year period.
12. **AT ISSUE: Seventy percent of the funding is provided to states with no spatial or place-based distribution requirements. It would be both appropriate and helpful to have Administration officials emphasize the broad flexibility of these funds to support a range of transportation solutions, and also emphasize the need for state transportation officials to ensure balanced transportation investment patterns within states. To support this, the Administration can ensure that the tracking of highway funds through Recovery.gov includes place-based features (i.e., amount of funds and number of projects delivered to specific local areas and regions) so that the public can fully understand the investments in their local areas, using population, number of unemployed persons, and/or other relevant economic indicators.**
13. **AT ISSUE: Mayors often don't have access to the state lists of "ready to go" projects prepared by state departments of transportation. What process can mayors use to get access to those lists and to add their projects to them?**
14. **AT ISSUE: If mayors are not able to access their state lists or resolve other problems, who on DOT's TIGER Team can they call for assistance?**

USDOT Competitive Grant for National Surface Transportation System – $1.5 billion

1. Discretionary grants will be awarded to state and local governments or transit agencies on a competitive basis.
2. Projects will have to have a significant impact on the nation, metropolitan area, or a region.
3. Eligible are:
    a. Road and bridge projects;
    b. Public transportation projects, including New Starts or Small Starts;
    c. Passenger and freight rail projects; and
    d. Port infrastructure investments, including projects that connect ports to other modes of transportation and improve the efficiency of freight movement.
4. Funding under this heading shall be not less than $20 million and not greater than $300 million.
5. Federal share is 100 percent.
6. DOT shall give priority to projects that require a contribution of federal funds in order to complete an overall financing package, and projects expected to be completed within three years of enactment.
7. DOT shall publish grant criteria not later than 90 days after enactment.
8. Applications for funding shall be submitted not later than 180 days after publication of grant criteria.

9. Selected projects will receive funding not later than one year after enactment.
10. **AT ISSUE: What are the metro, regional, or national criteria that projects must meet to be funded?**

Public Transportation – $8.4 billion

1. ARRA funds will be distributed through a formula directly to states and transit agencies.
2. The law provides 100 percent federal share, except for New Starts.
3. Funds must be apportioned not later than 21 days after enactment.
4. Projects must be approved in TIP/STIP.
5. Transit Formula Grants are funded at $6.9 billion:
    a. 180 days following apportionment, 50 percent of the funds apportioned will be withdrawn and redistributed to other urbanized areas or states that have not had funds withdrawn.
    b. One year following apportionment, any unobligated funds will be withdrawn from each urbanized area or state and redistributed to urbanized areas or states that have not had funds withdrawn.
6. The Fixed Guideway Modernization Formula is funded at $750 million:
    a. Funds must be apportioned not later than 21 days after enactment.
    b. 180 days following apportionment, 50 percent of the funds apportioned will be withdrawn and redistributed to other urbanized areas or states that have not had funds withdrawn.
    c. One year following apportionment, any unobligated funds will be withdrawn from each urbanized area or state and redistributed to urbanized areas or states that have not had funds withdrawn.
7. New Starts/Small Starts is funded at $750 million:
    a. Priority is given to projects that are currently in construction or are able to obligate funds within 150 days of enactment.
    b. Project funding is 80 percent federal/20 percent state and local.

High-Speed Rail/Intercity Passenger Rail – $8 billion

1. Within 60 days of enactment, DOT shall submit to the House and Senate Committees on Appropriations a strategic plan that describes how funding will be used to improve and deploy high-speed passenger rail systems.
2. Within 120 days of enactment, DOT shall issue interim guidance to applicants covering terms, conditions, and procedures until final regulations are issued.
3. The law provides 100 percent federal funding.

Amtrak – $850 million

1. ARRA distributes funds directly to Amtrak.
2. Priority shall be given to projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure, and for capital projects that expand passenger rail capacity including the rehabilitation of rolling stock.
3. Funds will be awarded not later than 30 days of enactment.

4. Projects funded shall be completed within two years of enactment.
5. Not more than 60 percent of the funds may be used for capital projects along the Northeast Corridor.

Airport Improvement Grants (AIP) – $1.1 billion

1. ARRA funds will be distributed by DOT as discretionary grants to airports, with priority given to those projects that demonstrate the ability to be completed within two years of enactment.
2. The law provides 100 percent federal funding.
3. Fifty percent of the funds will be made available within 120 days of enactment.
4. Remaining funds must be made available not later than one year after enactment.

Clean Water State Revolving Fund (SRF) – $4 billion
Safe Drinking Water Revolving Fund (SRF) – $2 billion

1. ARRA funds will be distributed through a formula directly to the states which will utilize the revolving loan funds. There are no non-federal matching requirements.
2. The bill requires that states use "not less than 50 percent" of the funds for principal forgiveness, negative interest loans, or grants. Under ARRA, states are directed to fund projects on state priority lists that can be started within 12 months of enactment. Where projects are not under contract or construction within 12 months of the date of enactment, the EPA Administrator shall reallocate the funds.
3. If there are sufficient eligible project applications, the states shall use not less than 20 percent of the funds for projects that "address green infrastructure, water, or energy efficiency improvements or other environmentally innovative activities."
4. **AT ISSUE: Because of state practices, affordability criteria, or other factors, many cities never receive SRF funding. Larger cities may not be allowed to apply for funding, or larger projects may not be funded or, in some cases, even placed on state priority lists, because they would consume all of a state's resources.**
5. **AT ISSUE: EPA should not allow states to establish rules which arbitrarily prevent any community from applying for SRF funding. If states cannot spend this money, the EPA Administrator should provide it directly to cities where it can be used for much-needed repair work.**

Brownfields – $100 million

1. EPA is currently in the middle of a Brownfields grant cycle for assessment and cleanup funds. (Applications were due in November.) EPA is planning to utilize the ARRA funds to fund additional qualified applicants who submitted requests in November. If EPA does not have enough quality applications in this current round, it will go back to past qualified applications that were not funded due to lack of funds.
2. EPA soon will be issuing requests for applications for Job Training Grants.

III. POVERTY, WORK, AND OPPORTUNITY

Community Development Block Grant (CDBG) – $1 billion

1. CDBG funds will be distributed through the FY2008 formula to 2008 grantees.
2. HUD will develop requirements to expedite the use of the funds. ARRA permits HUD to waive or specify alternative program requirements – so long as they are consistent with the overall purpose of the statute.
3. Jurisdictions must give priority to projects that can award contracts based on bids within 120 days of the date on which funds are made available to them.

Neighborhood Stabilization Program (NSP) – $2 billion

1. NSP funds will be allocated competitively. HUD can set a minimum grant size.
2. Eligible entities include states, units of local government and nonprofit entities or consortia of nonprofit entities; nonprofits may submit proposals in partnership with for-profit entities.
3. HUD must publish criteria for grant competition within 75 days of enactment, with applications due to HUD within 150 days of enactment. HUD must obligate all funds within one year of enactment.
4. Grantees must spend at least 50 percent of allocated funds within two years of date funds become available to them, and 100 percent within three years.
5. **AT ISSUE: How will nonprofit entities that receive funding be required to coordinate their activities with local governments?**

Public Housing Capital Fund – $4 billion

1. Of the total Fund, $3 billion will be distributed by formula, $1 billion will be awarded competitively. HUD can use up to 0.5 percent of the funds for departmental costs.
2. Competitive grants are to be used for "priority investments," including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments.
3. PHAs must give priority in the use of funds to the rehabilitation of vacant apartments, projects underway or in their five-year capital plan, and projects that can award contracts based on bids within 120 days of the date on which funds are made available to them.
4. HUD must obligate the formula funds within 30 days of enactment and must obligate competitive grants by September 30, 2009.

Homeless Prevention Fund – $1.5 billion

1. Funds will be distributed using the Emergency Shelter Grant (ESG) formula. HUD can use 0.5 percent of funds for departmental costs.
2. HUD is allowed to set a minimum grant size.
3. Funds may be used for short-or medium-term rental assistance; housing relocation and stabilization services, including housing search; mediation or outreach to property owners; credit repair; security or utility deposits; utility payments; rental assistance for a final month at a location and moving cost assistance; or other appropriate activities for homelessness prevention or rapid re-housing of persons who have become homeless.
4. Within 30 days of enactment, HUD must publish a notice to establish the requirements needed to carry out this program. The notice will take effect upon issuance.
5. Grantees must spend at least 60 percent of funds within two years of the date on which they become available, and 100 percent within three years.
6. HUD may waive statutory or regulation requirements as needed to facilitate timely expenditures.

Training and Employment Services – $3.95 billion

1. The primary WIA programs distribute funds through a formula to the states and, through them, to local Workforce Investment Boards. Funding provided through the ARRA for these programs includes:
    a. Adult employment and training activities – $500 million;
    b. Youth (age 16-24) activities, including summer youth employment – $1.2 billion;
    c. Dislocated worker employment and training activities – $1.25 billion.
2. ARRA also provides funding for two discretionary programs:
    a. YouthBuild – $50 million;
    b. High growth and emerging industry sector worker training and placement – $750 million.

Job Corps Facilities – $250 million

ARRA funds may be used for the construction, rehabilitation, and acquisition of Job Corps Centers. The Secretary of Labor may transfer up to 15 percent of these funds to meet the operational needs of Centers; this may include training for careers in the energy efficiency, renewable energy, and environmental protection industries.

State Fiscal Stabilization Fund (Education) – $53.6 billion

1. Through this Fund, ARRA provides $39.54 billion for general fiscal relief for public schools and public colleges. Funds are to be used by the states to maintain their funding levels for K-12 education. In addition, states may use some of their funds to "meet maintenance of effort requirements under the ESEA and IDEA," which provides additional flexibility.
2. Once LEAs receive their funds they can be used for any purpose authorized by ESEA, IDEA, the Adult and Family Literacy Act, or the Perkins Career and Technical Education Act, or for modernization, renovation, or repair of public school facilities.

3. The ARRA provides $8.8 billion in flexible funding to the governor for public safety and other government services. The law requires such funds to be used "...for public safety and other government services, which ***may*** include assistance for elementary and secondary education and public institutions of higher education and for modernization, renovation, or repair of public school facilities and institutions of higher education facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system."
4. **AT ISSUE: It appears that governors have no mandate to spend this funding on school modernization or repair and that such spending is entirely at their discretion. If this is the case, how can mayors and local areas access this funding through their governors to pay for badly needed school repairs and modernization?**

Pell Grants – $17.1 billion

These are need-based grants provided to low-income students using a standard formula established by Congress. Grants are awarded directly to students with financial need through participating institutions of higher education.

Child Care Development Block Grant – $2 billion

1. This state formula block grant program provides child care services for an additional 300,000 children in low-income families whose parents are working.
2. The Child Care Block Grant provides funding to states to subsidize child care for children in low-income families engaged in education or training.

Community Services Block Grant – $1 billion

1. This is a state formula grant program administered by the Administration for Children and Families, Community Services Division.
2. CSBG provides funds to states, territories, and federally- and state-recognized Indian tribes/tribal organizations for supportive services and activities to assist low-income individuals and families to become self-sufficient.
3. Sub-grants are awarded to locally-based Community Action Agencies and other eligible entities.

Head Start (including Early Head Start) – $2.1 billion

This competitive grant program funds local public and private non-profit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills they need to be successful in school.

Community Health Centers – $2 billion

1. Grants go to Federally Qualified Health Centers which are public and private non-profit health care organizations meeting certain criteria under the Medicare and Medicaid Programs (respectively, Sections 1861(aa)(4) and 1905(l)(2)(B) of the Social Security Act and receive funds under the Health Center Program (Section 330 of the Public Health Service Act).
2. **AT ISSUE: Will Federally Qualified Health Center look-alikes also be eligible for stimulus funding?**

Women, Infants and Children – $500 million

This grant program is administered by the Department of Agriculture; there are 90 WIC state agencies – 50 state health departments, 34 Indian tribal organizations, the District of Columbia, and five territories – and approximately 46,000 authorized retailers. WIC operates through 2,000 local agencies in 10,000 clinic sites.

Temporary Assistance for Needy Families (TANF) – $3 billion

TANF is a state block grant providing welfare assistance to eligible low-income families. ARRA provides additional resources to states which have more poor families needing basic assistance due to the recession, and which have responded by serving more families in their TANF programs.

Supplemental Nutrition Assistance Program (SNAP) – $20 billion

1. This program (formerly the Food Stamp program) is administered at the federal level by the Department of Agriculture's Food and Nutrition Service (FNS). State agencies administer the program at state and local levels; their responsibilities include determination of eligibility and allotments, and distribution of benefits.
2. Most of the ARRA funding (about $19 billion) will be used to increase maximum food stamp benefits by 13.6 percent; the increase goes into effect in April 2009. The new level will stay in place in subsequent years until the program's regular annual inflation adjustments overtake the benefit increase. All food stamp households – currently about 14 million, containing more than 31 million individuals – will benefit from the increase.

Afterschool Meals – $100 million

1. The Child and Adult Care Food Program (CACFP) is a direct local reimbursement program providing nutrition assistance for young children and adults receiving day care. The program provides cash payments and USDA commodities.
2. CACFP also provides suppers in afterschool care programs in Delaware, Illinois, Michigan, Missouri, New York, Oregon, Pennsylvania, and West Virginia.

Senior Nutrition Programs – $100 million

This is a direct state formula grant program that funds elderly nutrition programs such as Meals on Wheels.

Compassion Capital Fund – $50 million

1. This is a direct competitive grant program for faith-based initiatives administered by HHS's Administration for Children and Families, Community Services Division.
2. A new RFP for current funds will be released within weeks.
3. New ARRA funding mechanisms have not yet been determined.

IV. PUBLIC SAFETY

Community Oriented Policing Services (COPS) – $1 billion

1. Funds are distributed competitively.
2. ARRA waives both the $75,000-per-officer cap and the 25 percent match.
3. The bill provides for the hiring and rehiring of law enforcement officers.
4. **AT ISSUE: It is unclear how the COPS Office will administer these competitive grants, and how it will allow funding to be used to prevent layoffs.**

Byrne Justice Assistance Grants (JAG) – Formula – $2 billion

1. Forty percent of the total JAG allocation goes directly from the Justice Department's Bureau of Justice Assistance to local law enforcement agencies by formula based on the FBI's Uniform Crime Report.
2. Of the 60 percent that passes through the states, 62 percent goes directly to local law enforcement agencies.
3. Byrne JAG funds may be used for law enforcement programs; prosecution and court programs; prevention and education programs; corrections and community corrections programs; drug treatment and enforcement programs; planning, evaluation, and technology improvement programs; and crime victim and witness programs (other than compensation).
4. **AT ISSUE: How will the Byrne JAG and COPS anti-supplantation provisions be interpreted? The Byrne JAG funds will be used immediately to retain positions that otherwise would be eliminated. It is important that law enforcement agencies are able to retain those jobs without risk of violating the anti-supplantation rules.**

Byrne Justice Assistance Grants (JAG) – Competitive – $225 million

This funding will be awarded by the Department of Justice for "competitive, peer reviewed grants to units of state, local, and tribal government, and to national, regional, and local non-profit organizations to prevent crime, improve the administration of justice, provide services to victims of crime, support critical nurturing and mentoring of at-risk children and youth, and for other similar activities."

Southwest Border/High Intensity Drug Trafficking Areas – Competitive – $40 million

Funding will be provided for assistance and equipment to local law enforcement agencies along the Southwest border and in High Intensity Drug Trafficking Areas.

Firefighter Assistance Grants – $210 million

This funding will be awarded through competitive grants not to exceed $15 million to enable fire departments to modify, upgrade, or construct non-federal fire stations.

Violence Against Women – $225 million

Funding is provided through formula grants to the states for violence against women prevention and prosecution programs, with $50 million reserved for transitional housing assistance grants for victims of domestic violence, stalking, or sexual assault.

V. ARTS AND TOURISM

National Endowment for the Arts – $50 million

Forty percent ($20 million) will be distributed by formula to state arts agencies and regional arts organizations; 60 percent ($30 million) will be awarded competitively to governmental and nongovernmental arts agencies for arts projects and activities to retain jobs.

CITY OF DOVER PUBLIC UTILITIES DEPARTMENT

WATER / WASTEWATER INFRASTRUCTURE IMPROVEMENT PROJECTS

PROJECT	DESCRIPTION	FUNDING TO COMPLETE
1.0 MG Elevated Storage Tank	Proposed water storage tank to meet future demand and fire protection storage volume requirements.	**$3,284,230.00**
Piney Point Well	Proposed water production well to increase production capacity to meet future demand and fire protection requirements as well as improve system pressure and stabilize chlorine residuals.	**$453,800.00**
E. State Street Area Water Quality Improvements	Replace approximately 5,500 l.f. of old, undersized water main to alleviate brown water issues and structural concerns. (Includes N. Penn. Ave, Madison Rd., American Ave. Ext., Hazel Rd., Smith St. and Maryland Ave.)	**$846,897.50**
US Route 13 Water Quality Improvements	Replace approximately 5,000 l.f. of old, undersized water main to reduce brown water issues and structural concerns. (Includes area of US Route 13 between N. State St and Oak Lane.)	**$953,700.00**
Pear Street Water Quality Improvements	Replace approximately 4,700 l.f. of old, undersized water main to reduce brown water issues and structural concerns. (Includes Pear St., Mary St., and N. West St.)	**$722,357.00**
Bayard Avenue Water Quality Improvements	Replace approximately 3,400 l.f. of old, undersized water main to alleviate brown water issues and structural concerns. (Includes Bayard Ave., Bayard Ave. Alley and Greenhill Rd.)	**$533,510.00**
Inflow/Infiltration Removal	Reline approximately 7,500 l.f of sanitary sewer main and 640 v.f. of manholes which are deteriorating to address groundwater infiltration and structural concerns. (Includes mains from 12" to 36".)	**$3,600,000.00**
US Route 13 Sewer Interceptor	Construct approximately 5,700 l.f. of gravity sanitary sewer main to meet future demand requirements, to reroute flow to avoid backups on older lines and to abandon older force mains and a pump station.	**$3,058,306.81**
Fox Hall Retreat Force Main Rerouting	Construct approximately 1,600 l.f. of force main to direct flow from the Walker Road sewer basin which is nearing capacity to the McKee sewer basin which is underutilized.	**$123,661.00**
Acorn Lane Pump Station Replacement	Replace the aging pump station which is operating beyond the projected life cycle.	**$382,555.00**
DSU Pump Station Replacement	Replace the aging pump station which is operating beyond the projected life cycle.	**$383,190.00**
		$14,342,207.31

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City of Dover

January Monthly Report

Energy and Operations Management

February 19, 2009

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This Report does contain some forward-looking opinions. Certain unanticipated factors could cause actual results to differ from the opinions contained herein. Forward-looking opinions are based on historical and/or current information that relate to future operations, strategies, financial results or other developments. Some of the unanticipated factors, among others, that could cause the actual results to differ include regulatory developments, technological changes, competitive conditions, new products, general economic conditions, changes in tax laws, adequacy of reserves, credit and other risks associated with City of Dover and/or other third parties, significant changes in interest rates and fluctuations in foreign currency exchange rates.

Further, certain statements, findings and conclusions in this Report are based on Pace Global's interpretations of various contracts. Interpretations of these contracts by legal counsel or a jurisdictional body could differ.

PACE | Global Asset Management

TABLE OF CONTENTS

1.0 - Executive Summary.....2

2.0 - Budget Report.....6

2.1 – Variance Report.....6

2.2 – Variance Analysis.....8

3.0 – Energy Management.....9

3.1 - Purchased Power.....9

3.2 - Generation Management.....12

3.3 - Emissions and Allowance Management.....19

4.0 – Operations Management.....21

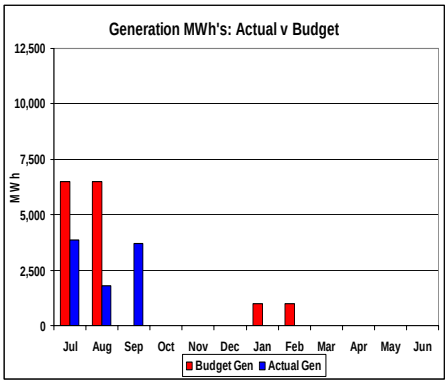
Appendices.....38

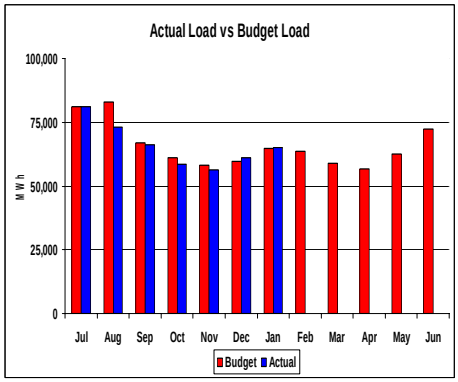
I. PJM Invoice Breakdown.....38

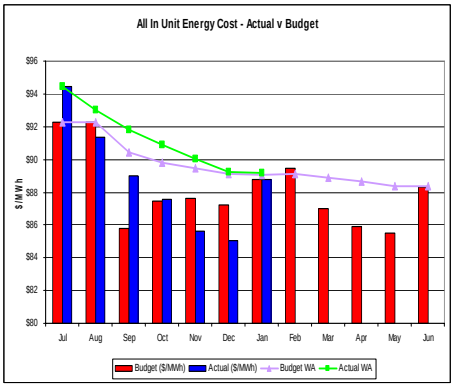
II. Load, All In Energy and all in cost of service table.....39

III. Glossary.....40

1.0 - EXECUTIVE SUMMARY







Purchased Power Management

Wholesale load for the month of January was 65,021 MWhs versus a three year historic weather normalized load of 64,805 MWhs. Hedged transactions accounted for 60,480 MWhs or 93% of this volume (93% of forecasted load) at a cost of $4.7 million. Spot Market purchases resulted in a PJM charge of $0.66 million ($0.58 million charge in the Day Ahead market and a $0.09 million charge in the real time market). Other PJM related charges accounted for an additional $1.05 million cost, inclusive of all load related fees. January All-In Energy Unit Cost, excluding capacity obligations and credits matched the January 2009 budget of $88.79/MWh. For the year, projected All-In Energy Unit Cost is $0.06/MWh above the budget; based on YTD actual results and budgeted values for subsequent months.

Generation and Asset Management

For the month of January McKee Run and Van Sant units did not dispatch into the PJM market. A relatively low average on-peak LMPs for the month demonstrated that the PJM system did not generally require support from the peaking units. The budget for the month expected approximately 1,000 MWh of generation.

For any revenues and costs associated with the Pollution Remediation CIP testing, it is appropriate to allocate these funds into the planned CIP budget. Therefore the negative Generation Production margin reported in December report was transferred from the electric revenue fund to the Dover's CIP fund.

Emissions and Allowance Management

Dover engaged in no allowance transactions during the month of January. McKee Run operated during December, but due to a delay in CEMS conversions for December, the adjustment to inventory values now has been accounted of for the current monthly report. Total net revenue through December 31st from allowance sales for the 2008-09 fiscal year is $165,470, accounting for Broker's fees.

Given current dispatch expectations, the market value of the Dover total allowance inventory is approximately $600 thousand at the time of this report. If sold, Dover would realize approximately $765 thousand in revenue for the year. This would result in a $677 thousand unfavorable variance.

In December the D.C. Circuit Court remanded the Clean Air Interstate Rule (CAIR) without vacature. However, the SO_2 allowance market has seen a marked decline. After initial positive reaction to the court ruling, continuing uncertainty regarding ultimate emissions limits and market structure has combined with the greater economic downturn to move allowance prices down to $100/ton. Additionally, generators have largely met compliance requirements for 2008, and with speculators currently avoiding the market, SO_2 allowance demand is low approaching the March true-up.

The uncertainty regarding allowance value was further heightened by the EPA announcement of its decision not to pursue the Clean Air Mercury Rule, which applied a cap-and-trade approach to mercury reduction. Instead, EPA will attempt a maximum achievable control technology (MACT) standard. The mercury reduction strategy likely to be employed through a MACT standard will be the use of scrubbers, which will also reduce SO_2 emissions. Therefore, even if there becomes some clarity with respect to the updated CAIR rules, decisions regarding the MACT standard will leave the SO_2 allowance market in uncertainty for at least the next year.

After the Court decision to remand CAIR, annual NO_x prices jumped sharply before settling to near $4000/ton. Over the past month, these prices have seen a steady decline to $3000/ton. Emissions controls appear to be working properly, and the poor economic forecasts have dampened allowance values.

The seasonal NO_x market had limited activity in January as the winter lull in trading continued. The limited trading did see the price drop from near $665/ton down to $600/ton, reflecting the downward pressure across the broader emissions markets. Similar to last month, however, market participants appear to be waiting for more regulatory certainty before the start of the ozone season. Pace is closely monitoring the NO_x markets and will provide Dover with assessments of allowance allocations, liquidity, and value as information becomes available.

The December RGGI quarterly auction cleared 31,505,898 allowances at $3.38/ton, and demand was reported to be 3.5 times greater than supply. Since the auction, the market has been very active with prices initially moving up over $4.00/ton, but since dropping to $3.50/ton. Based on projected generation and emissions Dover is projected to have an excess of 70,000 allowances through 2013 with a market value of nearly $245,000.

EMISSIONS & ALLOWANCE SUMMARY						
Allowance Vintage	Allowance Allocation	Emissions Month	Emissions YTD	Allowances Sold Month	Allowances Sold YTD	Allowance Balance
SO_2 – 2007	2723	0	98	0	2076	549[1]
SO_2 – 2008	2723	0	32	0	0	2,691
SO_2 – 2009	2723	0	0	0	0	2723
NO_x – 2007	198	0	32	0	166	0
NO_x – 2008	198	0	20	0	178	0
NO_x – 2009	198	0	0	0	0	198

Operations Management Summary

During the month of January we experienced one restricted work day accident.
There were no employee lost time accidents and no contractor related OSHA injuries, illnesses or lost time accidents. There were zero Environmental Notices of Violations issued during the month. All McKee Run Units and the VanSant unit were available to run during the month but were not dispatched by PJM.

Monthly Budget Variance - The actual expenses attributable to O&M of the two sites for the month of January were $597,750. The expenses were $158,712 under the approved budget of $756,462. The principal reason for the favorable variance is due operating permits costing less than anticipated and rescheduling of turbine maintenance until the spring Unit 3 outage.
These favorable variances were offset by an unfavorable variance for electrical usage during the Unit 3 testing.

[1] Corrected 2007 SO2 tons emitted to reflect actual emission for Units 3 & 11. December, 2007 report included emissions for all four units.

Risk Management Summary

Energy commodity prices fell further since the last reporting period, and have fallen almost continuously since June 2008. Bearish economic outlook kept oil prices below the $40/barrel mark, and natural gas prices, a prime driver of power prices relevant to the City, fell to their lowest levels in 6 years. In turn, PJM forward power prices decreased since the last reporting period by $5.19/MWh (8.4%) for Fiscal Year 2009-2010 and $3.39/MWh (3.7%) for Fiscal Year 2010-2011. Outer years observed comparable price declines as the entire forward curve drifted lower.

The City's projected wholesale Cost-of-Service for all forward power years is shown in the table below:[2]

Wholesale Cost-of-Service Summary (Projected

Date 02/17/2008	**Budget**	**February**				**January**	**December**
Power Year	Cost-of-Service Budget	Cost-of Service $/MWh	Hedge Ratio	Year-to Year Increase	Forecasted over 2008-09 Budget	Cost-of Service $/MWh	Cost-of Service $/MWh
2008-2009	$90.18	$90.55	92%	9.5%	0.41%	$90.43	$90.65
2009-2010	N/A	$93.66	87%	3.4%	3.86%	$93.01	$93.28
2010-2011	N/A	$87.84	73%	-6.2%	-2.60%	$87.35	$88.15
2011-2012	N/A	$83.51	62%	-4.9%	-7.40%	$83.47	$84.04
2012-2013	N/A	$82.68	38%	-1.0%	-8.32%	$83.18	$84.15
2013-2014	N/A	$79.15	0%	-4.3%	-12.24%	NA	NA

** Reflects balance of year hedge ratio for current Power Year*
*** FY 07/08 Cost-of-Service is $82.70/ MWh*

[2] Note that the PJM-W to DPL zone basis has been updated based on actual basis values observed in the past 2 years, consistent with the proposed 2009-10 budget. The higher basis values are reflected in the February Wholesale Cost-of-Service values shown above, but not in the January and December values (which are consistent with prior reports).

2.0 - BUDGET REPORT

2.1 – VARIANCE REPORT

	Budget Jan-09	Actual Jan-09	Variance Jan-09
Load Forecast	**64,805**	**65,021**	**(216)**
Power Supply			
Power Supply	$4,346,873	$4,694,135	($347,262)
Power Supply Management	$231,472	$250,516	($19,044)
Capacity Charges - Load	$885,313	$893,960	($8,647)
PJM Charges - Load	$1,175,441	$827,999	$347,442
Total - Power Supply	**$6,639,098**	**$6,666,609**	**($27,511)**
Generation			
Plant Operations	$717,731	$597,750	$119,981
Generation Fuel	$249,417	$8,221	$241,196
Capacity Credits	($765,406)	($765,406)	$0
PJM Credits	($236,901)	($5,729)	($231,173)
Total - Generation	**($35,160)**	**($165,164)**	**$130,004**
Emission Allowance Sales			
Total - Emission Allowance Sales	**$0**	**$0**	**$0**
Total Power Supply & Generation	**$6,603,939**	**$6,501,445**	**$102,493**
Total Power Supply, Generation & Emission Sales	**$6,603,939**	**$6,501,445**	**$102,493**
Unit Costs			
Total – Power Supply	$102.45	$102.53	($0.08)
Total - Generation + Emission Sales	($0.54)	($2.54)	$2.00
Final Cost of Service to City of Dover Ratepayers	**$101.90**	**$99.99**	**$1.91**

	Budget YTD	Actual YTD	Variance YTD
Load Forecast	**474,533**	**461,164**	**13,369**
Power Supply			
Power Supply	$32,346,502	$34,534,927	($2,188,425)
Power Supply Management	$1,641,200	$1,759,441	($118,242)
Capacity Charges - Load	$6,140,075	$6,200,726	($60,651)
PJM Charges - Load	$8,280,765	$4,835,979	$3,444,785
Total - Power Supply	**$48,408,541**	**$47,331,074**	**$1,077,467**
Generation			
Plant Operations	$3,559,088	$3,034,270	$524,818
Generation Fuel	$2,031,219	$1,410,419[3]	$620,800
Capacity Credits	($5,359,912)	($5,341,541)	($18,371)
PJM Credits	($2,242,787)	($1,500,514)[4]	($742,274)
Total - Generation	**($2,012,393)**	**($2,397,365)**	**$384,972**
Emission Allowance Sales			
Total - Emission Allowance Sales	**($144,500)**	**($165,470)**	**$20,970**
Total Power Supply & Generation	**$46,396,148**	**$44,933,709**	**$1,462,440**
Total Power Supply, Generation & Emission Sales	**$46,251,648**	**$44,768,239**	**$1,483,410**
Unit Costs			
Total – Power Supply	$102.01	$102.63	($0.62)
Total - Generation + Emission Sales	($4.55)	($5.56)	$1.01
Final Cost of Service to City of Dover Ratepayers	**$97.47**	**$97.08**	**$0.39**

[3] The values are corrected to reflect updates to the total amounts reported from December, 2008 testing fuel and generation values associated with Pollution Remediation Project CIP. Generation Fuel was lowered by $521,797.

[4] The values are corrected to reflect updates to the total amounts reported from December, 2008 testing fuel and generation values associated with Pollution Remediation Project CIP. PJM Credits was lowered by $265,616 in the real-time energy and credit of Balancing Operation Reserves Charges of $7,772.85.

2.2 – VARIANCE ANALYSIS

Power Supply

- Power Supply realized an unfavorable $347 thousand variance compared to the budget due to the purchase of additional 6.5% hedge forward positions totaling 3,720 MWh in January. This purchase was transacted after the FY 2008 budget was submitted to Dover.

- The Power Supply Management variance is merely an estimate at this point.

- As discussed during the July, 2008 Management Committee the PJM Base Residual Auction on April 3, 2008 resulted in a new $ per MW.day UCAP charge. This charge results in unfavorable variances each month.

- The PJM Charges for Load experienced a positive $347 thousand variance due to the placement of additional hedge position of 3,720MWh; thereby displacing the open position by the same amount, and $162 thousand favorable load following variances for the month. Furthermore there were $26 thousand increase in transmission rights credits and $43 thousand favorable PJM ancillary charges for the month. Offsetting these favorable variances were $45 thousand increase in transmission costs and $152 thousand unfavorable basis variance.

Generations

- Plant O&M resulted in a favorable variance of $120 thousand compared to the approved budget of $717 thousand due to operating permits costing less than anticipated and rescheduling of turbine maintenance until the spring Unit 3 outage. These favorable variances were offset by an unfavorable variance for electrical usage during the Unit 3 testing for the month.

- Generation Fuel realized a favorable variance of $241 thousand for the month due to no dispatch for the month. The budget expected nearly 94 thousand gallons of fuel oil no.2 consumed for the month.

- PJM Credits resulted in $231 thousand unfavorable variance for the month. The budget expected 1,000MWh of generation for the month. Neither McKee Run nor Van Sant units dispatched into the PJM market. For the month of January McKee Run Unit 3 was placed under maintenance outage with PJM until the completion of pollution remediation project.

- Variable costs and credits for testing post conversion from #6 residual oil to the much cleaner low sulfur #2 oil will be applied to the CIP for Pollution Remediation project. The variable production margin positive or negative will be applied to the CIP project and will not be reflected in the monthly operations report.

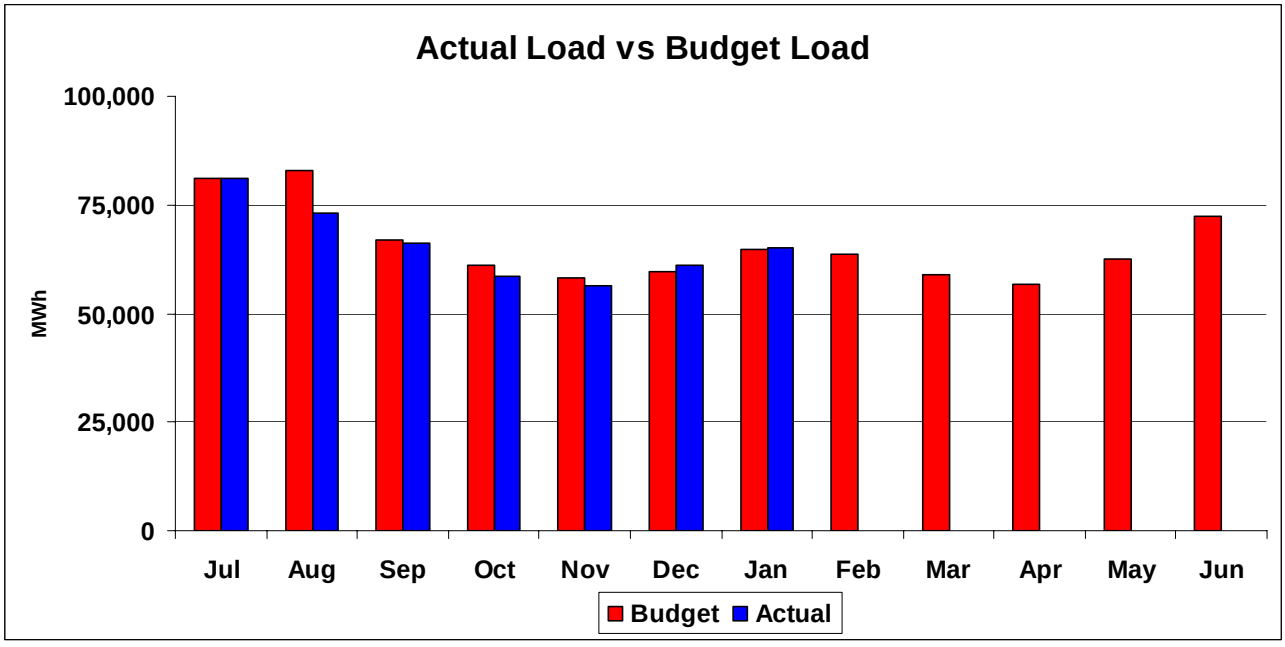
3.0 – ENERGY MANAGEMENT

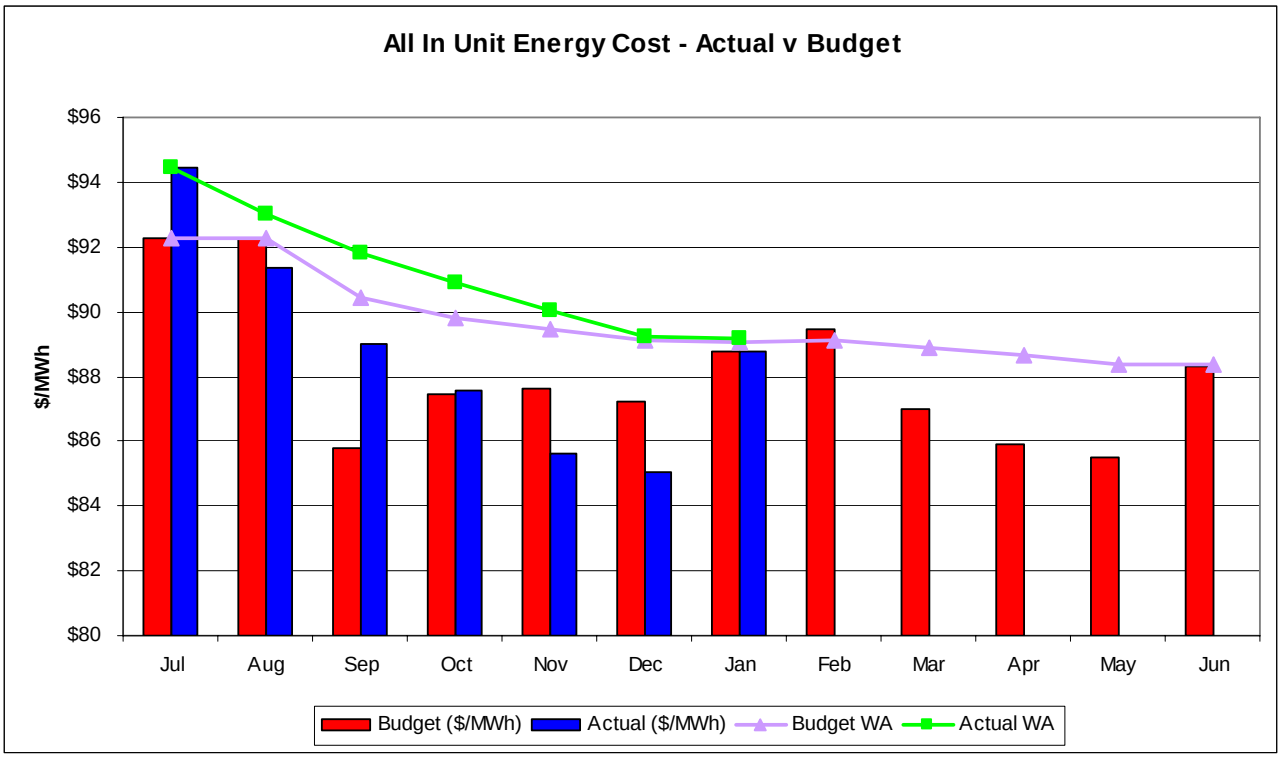
3.1 - PURCHASED POWER

Management Highlights

- Dover's January load was 65,021 MWh which was slightly above the historic weather normalized load of 64,805 MWh. Hedge volumes accounted for 93% of actual load for the month.

- January All In Unit Energy cost excluding capacity of $88.78 is $0.01 per MWh below budget for the month.




All In Unit Energy Cost - Actual v Budget
$/MWh
$96
$94
$92
$90
$88
$86
$84
$82
$80
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Budget ($/MWh)
Actual ($/MWh)
Budget WA
Actual WA

Purchased Power Variance Report

	Budget Jan-09	Actual Jan-09	Variance Jan-09
City of Dover Load			
Load Obligation (MWh)	64,805	65,021	(216)
Unit Energy Costs ($ per MWh)			
Energy Cost (inc. Load Following & Pace Fees)	$83.34	$83.42	($0.09)
Pass Through	$4.45	$4.07	$0.38
Incentive Fees	$1.00	$1.29	($0.29)
Total - All In Unit Energy Cost	**$88.79**	**$88.78**	**$0.01**

Purchased Power Variance Analysis

- Actual Dover load of 65,021 MWh was 0.3% above the projected January load of 64,805 MWh.

- The All In Unit Energy Cost resulted in a favorable $0.01 per MWh variance due to positive $162 thousand load following variances, lower than anticipated open position energy costs, transmission rights credits, and PJM ancillary charges contributed to favorable variance for the month. The favorable variances were offset by an additional 6.5% of forward contracts placed after the Dover budget was submitted, $152 thousand unfavorable basis variance and the increased FERC approved DP&L transmission rates.

- The Management Incentive fee variance on a $/MWh basis is merely an estimate at this point.

PJM Power Balancing and Load Related Fees

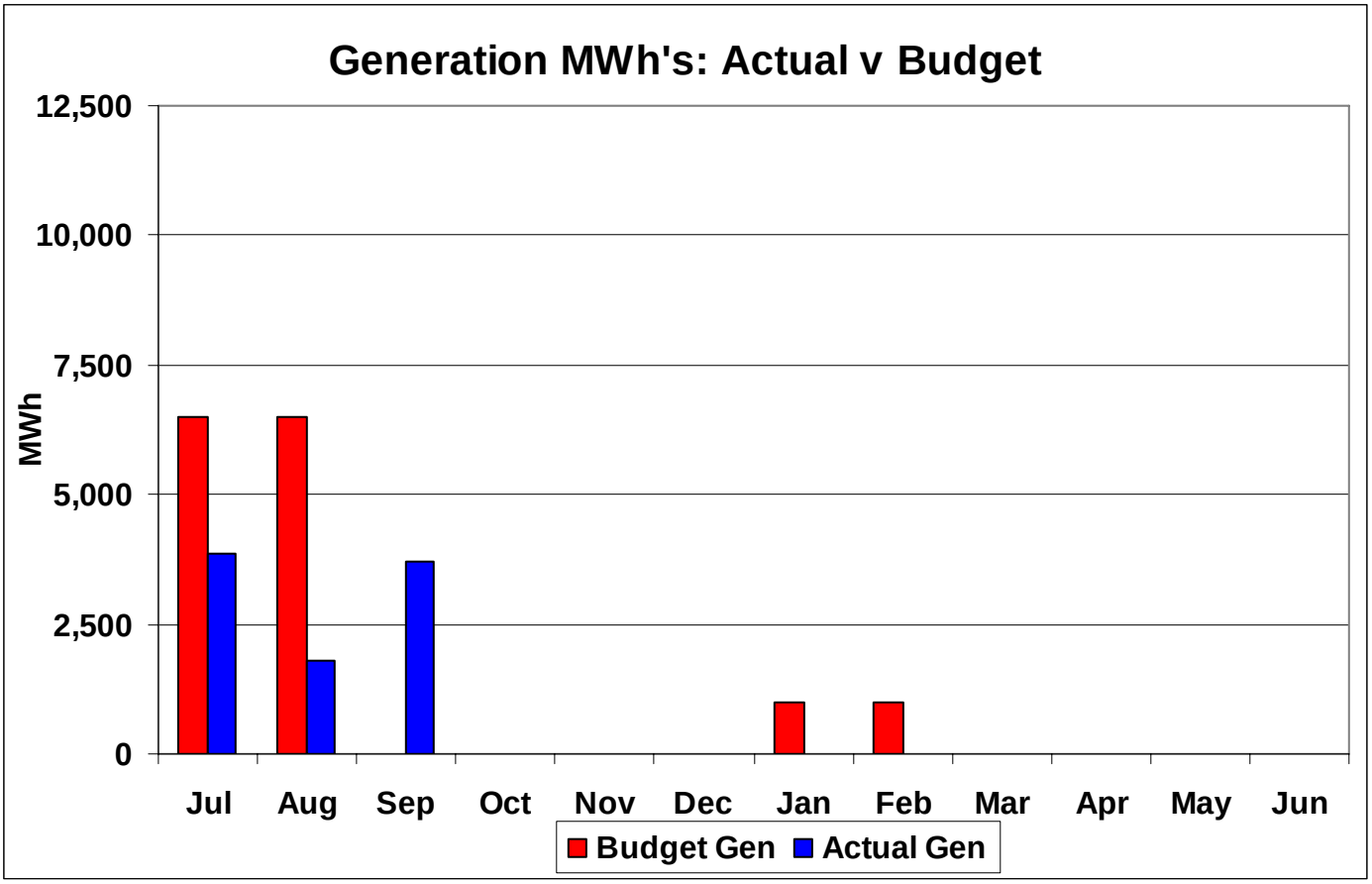
Purchased Power (Hedges): 60,480 MWh's @ $77.61/MWh:	$4,694,135
Power Balancing and Additional PJM and Energy Manager Fee[5]:	$1,972,474
Total Cost to Serve Load (65,021 MWh's)	$6,666,609

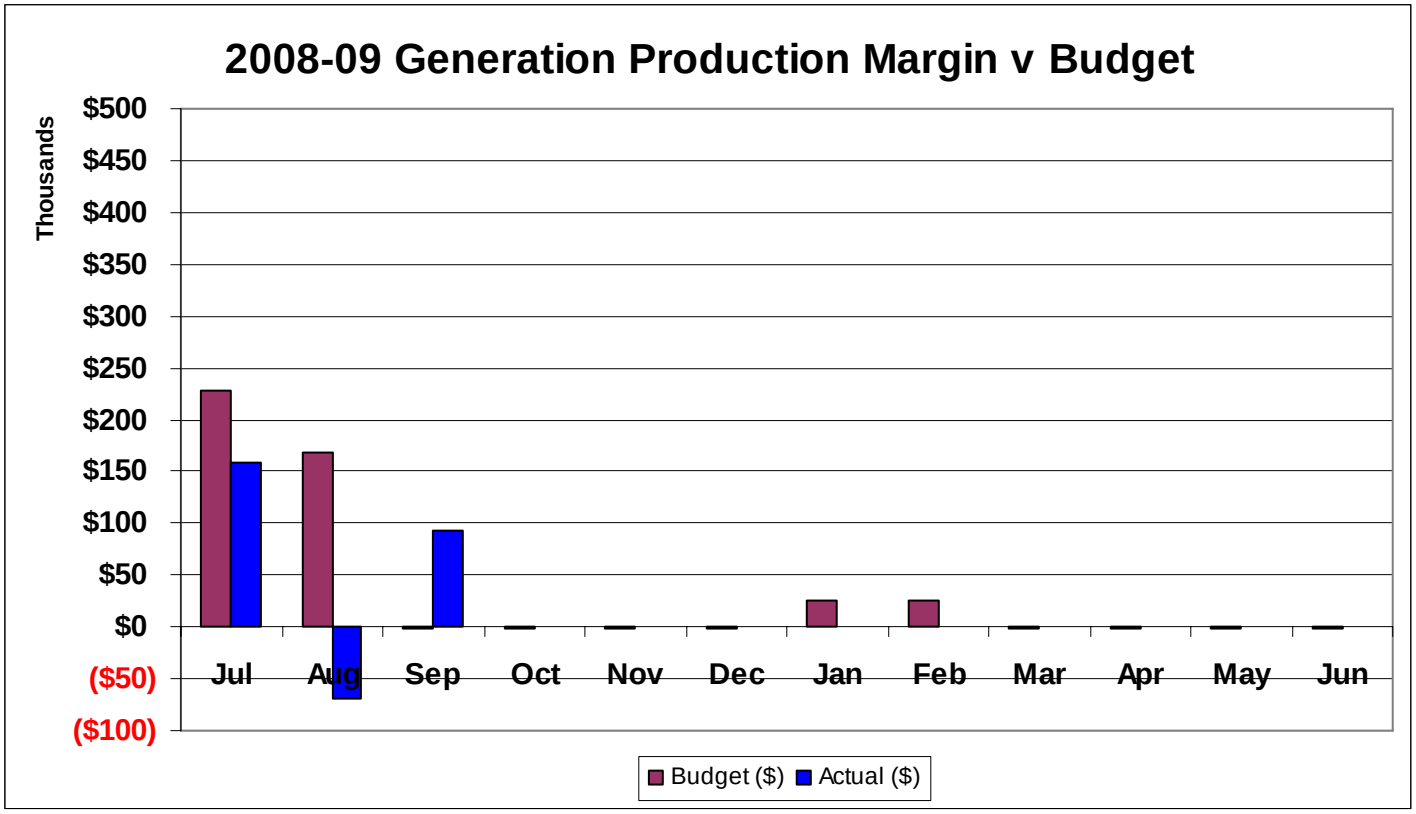
ALL in $/MWh load cost inclusive of Energy Manager Fees: $102.53/MWh

[5] Includes estimated Incentive Fees.

3.2 - GENERATION MANAGEMENT

- PJM did not dispatch Dover units into the market.





**Notes: July 2008 Report's 2008-09 Generation Production Margin v Budget graph displayed incorrect actual amount. The graph shown above has been corrected to reflect the actual value.*

Generation Management Variance Report

	Budget Jan-09	Actual Jan-09	Variance Jan-09
Self-Supplied Capacity from Gen (MW)			
McKee Run 1	13.2	13.2	0
McKee Run 2	16.7	16.7	0
McKee Run 3	97.4	97.4	0
Van Sant	38.1	38.1	0
Self Supplied Capacity from Gen (MW)	**165.4**	**165.4**	**0**
Additional Capacity from PJM Incremental Auction	**7.9**	**7.9**	**0**
Total Capacity from Gen (MW)	**173.3**	**173.3**	**0**
Gen Capacity Sales to PJM ($/MW.d)	$148.80	$148.80	0
Incremental Auction Sales to PJM ($/MW.d)	$10.00	$10.00	0
Power Sales			
Power Sales (MWh)	1,000	0	1,000
Sales Revenue ($ per MWh)	($231.50)	$0.00	($231.50)
Power Sales Revenue ($)	**($231,498)**	**$0.00**	**($231,498)**
Variable Fuel & Transport			
Fuel Oil No.2 Volume (gal)	93,863	0	93,863
Fuel Oil No.2 ($/gal)	$2.20	$0.00	$2.20
Fuel Oil No.2 Cost of Goods Sold ($)	$206,498	$0.00	$206,498
Fuel Oil No.6 Volume (gal)	0	0	0
Fuel Oil No.6 ($/gal)	$0.00	0.00	$0.00
Fuel Oil No.6 Cost of Goods Sold ($)	$0.00	0.00	$0.00
Gas Volume (Dth)	0	0	0
Unit Gas Price ($/Dth)	$0.00	0	$0.00
Variable Gas Cost ($)	$0.00	0	$0.00
Transport ($)	$0.00	0	$0.00
Variable Gas and Transport Costs ($)	$0.00	$0.00	$0.00
Variable Fuel & Transport Costs ($)	**$206,498**	**$0.00**	**$206,498**
Testing	$0.00	$0.00	$0.00
Generation Production Margin	**($25,000.00)**	**$0.00**	**($25,000.00)**
Generation Capacity Payment			
Total - Generation Capacity Payment	**($765,406)**	**($765,406)**	**$0.00**

Generation Management Variance Analysis

Fuel Expense

- PJM did not dispatch Dover units into the market and it did not consume any fuel oil nor spot natural gas purchase for the month.

Generation Production Margin		
Transaction	Volumes	Revenue/(Cost)
PJM Invoice for Power Sold	0 MWh's	$0
Fuel and Transport	0 dth gas/0 gal #6 oil 0 gal #2 oil	$0
Generation Production Margin	0 MWh's	$0

The following non-production energy revenues and costs are generally fixed and not directly related to generation dispatch and power production.

PJM Invoice (Black Start)	$5,729
Fuel Oil Tank Heating & Black Start Gas Supply	$0
Eastern Shore Demand Charge	($4,490)
Eastern Shore Transport and Imbalance Charge	$0
Transco Demand Charge	($3,732)
Non-Production Energy Revenue/Costs	($2,493)

Fuel and Transportation

Date	Volume (Dth)	Price ($/Dth)	Total Commodity Cost ($)
Hess Corp			
Sub-Total	0		$0
PESCO			
Sub-Total	0		$0
NJNG			
Sub-Total	0		$0
Total	**0**		**$0**

Do to the conversion from #6 residual oil to Low sulfur #2 oil the need for a constant supply of natural gas to heat the #6 fuel is no longer required. Some gas will still be required for winter heating of the building(s). Pace will still coordinate with NAES on the procurement of supply. However, this expense will now fall under the plant utility costs and be paid and budgeted for by the station.

Gas Transportation Purchased

Eastern Shore Natural Gas Pipeline and TransCo agreements provide for deliveries to the McKee Run and VanSant stations. These charges include a firm demand charge and adjustments as follows:

ESNG FT Demand Charge	$4,490
TransCo FT Demand Charge	$3,732
Total Purchases	$8,222

Other Gas Purchases

Commodity and transportation imbalances on Eastern Shore Pipeline for the month resulted in no cost and it is summarized as follows.

Eastern Shore Transport and Imbalance Charges			
Imbalance/dth	Estimated Cost/dth	Estimated Total Cost	
0		$0	
		$0	
Transport	Volume/dth	$/dth	Total Cost
Firm/IT		$0	$0
Net	$0		

Purchased Commodity Fuel Oil Summary

Neither McKee Run units nor Van Sant were dispatched into PJM and no fuel oil #2 was consumed for the month.

McKee Run tank will maintain 3 days of load equivalent dispatches for McKee Run Units. At current fuel market prices, Pace and NAES are considering purchasing ultra low #2 fuel oil inventory when McKee Run tank testing are complete.

Tank Inventory Estimates as of January 31			
Tank	Tank Capacity (gallon)	Inventory In (gallon)	Days of Burn (Typical Dispatch[6])
McKee Run[7] (#6 Fuel Oil to #2 Fuel Oil)	2,554,105	416,831	N/A
VanSant (#2 Fuel Oil)	258,000	110,948	3

[6] As measured by tank level instruments. Tank levels may change due to oil temperature.

[7] #6 Fuel Oil was sold (approx. 122, 000 gallons) and #2 Fuel Oil was purchased in October and December.

3.3 - EMISSIONS AND ALLOWANCE MANAGEMENT

As shown in Exhibit 1, total net revenue from allowance sales for the 2008-09 fiscal year is $165,470, accounting for Broker's fees. City of Dover holds 2,693 tons of vintage 2008 SO_2 allowances and no tons of vintage 2008 NO_x allowances. Additionally, the City has a balance of 549 tons of vintage 2007 SO_2 allowances. At the August 21, 2008 Management Committee meeting the Committee set a trigger price for the SO2 allowances of $260/ton whereby if the City could achieve this price it would sell half of its SO_2 allowances.

Exhibit 1: Emissions and Allowance Summary through January 31, 2008

2008-2009 EMISSIONS & ALLOWANCE SUMMARY								
		SO_2			NO_x			
Date	Action	Allowance Allocation	Sale Price	Revenue[1]	Allowance Allocation[2]		Sale Price	Revenue[1]
					Seas.	Ann.		
1/1/08	Initial 2008 Allocation	2,723	--	--	198	--	--	--
1/1/08	2007 Carryover	549	--	--	0	--	--	--
7/21/08	Sold 150 tons NO_x	--	--	--	-150	--	$975	$144,750
10/14/08	Sold 28 tons NO_x	--	--	--	-28	--	$750	$20,720
12/31/08	2008 YTD Emissions[3]	-32	--	--	-20[2]	--	--	--
1/1/09	Initial 2009 Allocation[4]	2,723	--	--	49	76	--	--
Totals								
- 2007 Vintage Allowances		**549**	**--**	**--**	**0**	**--**	**--**	**--**
- 2008 Vintage Allowances		**2,691**	**--**	**--**	**0**	**--**	**--**	**--**
- 2009 Vintage Allowances		**2,723**	**--**	**--**	**49**	**76**	**--**	**$165,470**

$165,470
$0
Total Revenue **$165,470**

Notes:
(1) Revenue calculations account for a $1/ton broker fee for SO_2 and a $10/ton broker fee for NO_x.
(2) Per the Clean Air Interstate Rule, in 2009, NOx emissions will be governed by a seasonal and annual program. The NO_x seasonal emissions pertain only to emissions (May 1 – Sep 30), similar to the previous trading regimen. Annual emissions cover the entire year.
(3) The 2009 initial allowance allocation accounts for the reinstatement of CAIR while new SO_2 and NO_x emissions rules are completed. These allocations may changes as the rulemaking process continues.

Dover engaged in no allowance transactions during the month of January. McKee Run operated during December, but due to a delay in CEMS conversions for December, the adjustment to inventory values now has been accounted of for the current monthly report. Total net revenue

through December 31st from allowance sales for the 2008-09 fiscal year is $165,470, accounting for Broker's fees.

Given current dispatch expectations, the market value of the Dover total allowance inventory is approximately $600 thousand at the time of this report. If sold, Dover would realize approximately $765 thousand in revenue for the year. This would result in a $677 thousand unfavorable variance.

During December the D.C. Circuit Court remanded the Clean Air Interstate Rule (CAIR) without vacature. However, allowance values have dropped sharply across all emissions trading markets. The SO_2 allowance market has seen a marked decline. After initial positive reaction to the court ruling, continuing uncertainty regarding ultimate emissions limits and market structure has combined with the greater economic downturn to move allowance prices down to $100/ton. Additionally, generators have largely met compliance requirements for 2008, and with speculators currently avoiding the market, SO_2 allowance demand is low approaching the March true-up.

The uncertainty regarding allowance value was further heightened by the EPA announcement of its decision not to pursue the Clean Air Mercury Rule, which applied a cap-and-trade approach to mercury reduction. Instead, EPA will attempt a maximum achievable control technology (MACT) standard. The mercury reduction strategy likely to be employed through a MACT standard will be the use of scrubbers, which will also reduce SO_2 emissions. Therefore, even if there becomes some clarity with respect to the updated CAIR rules, decisions regarding the MACT standard will leave the SO_2 allowance market in uncertainty for at least the next year.

After the Court decision to remand CAIR, annual NO_x prices jumped sharply before settling to near $4000/ton. Over the past month, these prices have seen a steady decline to $3000/ton. Emissions controls appear to be working properly, and the poor economic forecasts have dampened allowance values.

The seasonal NO_x market had limited activity in January as the winter lull in trading continued. The limited trading did see the price drop from near $665/ton down to $600/ton, reflecting the downward pressure across the broader emissions markets. Similar to last month, however, market participants appear to be waiting for more regulatory certainty before the start of the ozone season. Pace is closely monitoring the NO_x markets and will provide Dover with assessments of allowance allocations, liquidity, and value as information becomes available.

The December RGGI quarterly auction cleared 31,505,898 allowances at $3.38/ton, and demand was reported to be 3.5 times greater than supply. Since the auction, the market has been very active with prices initially moving up over $4.00/ton, but since dropping to $3.50/ton. Based on projected generation and emissions Dover is projected to have an excess of 70,000 allowances through 2013 with a market value of nearly $245,000. Pace will continue to monitor the RGGI market and will advise Dover regarding allowance sales if the market alters.

4.0 – OPERATIONS MANAGEMENT

Management Highlights

- During the month of January, the plant experienced a recordable accident when an operator sprained his ankle when he slipped and fell while making rounds. There was no lost work time pertaining to the incident as the employee was assigned other duties still within his existing work description. Until the time of the accident, the plant had completed 1,392 days without a recordable accident.

- During the month, there were no unit dispatches of any of the McKee Run units or Unit #11 at VanSant. All units were available for the month of January.

- A representative of DNREC's Tank Management Branch visited the site December 31, 2008 for the purpose of inspecting the fuel oil storage tank dike repairs required as the result of a fuel oil spill event. DNREC was satisfied with the completed remediation and repair work.

- NAES completed several work orders that were initiated from the Areva Vibration Inspection report indicating possible mechanical problems. Also NAES completed work orders from recent Storm Technologies Inspection report indentifying minor repairs or adjustments to equipment clearances.

- The plant received confirmation from the DNREC that there was no additional work or documentation needed from the remediation work of the oil leak in and around the #1 Tank berm.

- The position of I,C/E Technician Applicant screening and the conducting preliminary interviews for the position of I,C/E Technician was completed and an employment offer has been given and accepted by Robert Gallucio.

- The station continues to work on compliance with NERC and RFC standards for Generator Operator (GOP).

- Preliminary discussions continue with Pace Global and Applied Power Projects on the addition of a HRSG at VanSant which could supply additional power output on the unit.

- Aaron Jester passed the PJM certification exam on January 16th. He is our first operator to pass the exam other than management. Other operators are scheduled to take the exam in the coming weeks.

- The station continues to work on compliance with NERC and RFC standards for Generator Operator (GOP).

- The following is the NAES Monthly Report as submitted to PGAM

PACE | Global Asset Management

North American Energy Services
Dover, DE

January 2009

Monthly Report



New #2 Fuel Oil Transfer and Unloading Pumps

Table of Contents

1.0 Environmental, Health and Safety

2.0 Financial

3.0 Operations

4.0 Maintenance

5.0 CIP

6.0 General Plant Information

7.0 Summary of NAES Performance

1.0 Environmental, Health and Safety:

During the month of January, we experienced one restricted work day accident. The incident occurred when one of our employees slipped and fell on a patch of ice that was undetectable due to snowfall that same morning. The employee sprained his ankle during the fall. Even though the facility was able to assign the employee some of his normal work duties, the physician who examined the employee recommended some work restrictions resulting in this incident being categorized as a restricted work day accident. The employee was on restricted work for seven days when he returned to the physician and was released to full duty. It is our interpretation that this incident is considered an OSHA restricted work day accident. The employee did report to work every day so this was not considered a lost work day incident. The facility has now gone four days without an OSHA recordable accident and 1,397 consecutive days without a lost time reportable incident.

A near miss occurred at the facility when two employees were transferring water treatment chemicals from drums to a bulk storage tank. The employees failed to read the labels on the drums assuming they were the same product. As a result, two different products were added to the same bulk storage tank. Fortunately, there was no chemical reaction when the two products were mixed together.

A representative of DNREC's Tank Management Branch visited the site December 31, 2008 for the purpose of inspecting the fuel oil storage tank dike repairs required as the result of a fuel oil spill event. DNREC was satisfied with the completed remediation and repair work. As a result of this inspection, DNREC issued the facility a letter indicating that this incident was officially closed out and no further action was required by the facility.

Environmental, Health and Safety Statistics		
	Month (January 2009)	Fiscal Year to Date (7/1/08-6/30/09)
NOVs	0	0
Opacity Deviations	0	8
Environmental Deviations	0	1
OSHA Recordable	1	1
OSHA LTA's	0	0
First Aid cases	0	0
Restricted Workday Accident	1	1
Near Miss	1	3
Man Hours Worked	4,836.5	34,992.25
Date last OSHA Recordable		1/27/09
Date last Lost Time Accident		4/05/05
Days since last OSHA recordable		4
Days since last Lost Time Accident		1,397

Emissions (NOx & SO2) All data thru 1/31/09

NOx Summary - Year (May-Sept.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2005	20.16	20.64	103.3	2.19	146.29
2006	1.82	1.78	19.25	1.72	24.57
2007	3.3	2.7	25.9	0.7	32.6
2008	1.01	0.96	17.0	1.28	20.25
2009	0.0	0.0	0.0	0.0	0.0

NOx Allowances Summary					
NOx Allowance Vintage	**NOx Allowances Sold YTD**	**NOx Allowances Available (Per Facility, Prior to Sale)**		**Total NOx Tons Emitted (NOx Season)**	**NOx Allowance Balance**
		McKee Run	***VanSant***		
2007	165	191	7	33	0
2008	178	191	7	20	0
2009	0	191	7	0	198

Note: NOx Season is May 1 to September 30.

SO_2 Summary - Year (Jan.-Dec.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2005	49.91	52.08	530.24	2.30	634.69
2006	3.69	1.51	50.7	0.40	56.30
2007	6.28	5.31	97.69	0.28	109.56
2008	0.011	0.009	31.0	0.6	31.6
2009	0.0	0.0	0.0	0.0	0.0

Note: *Denoted data is as of 12/31/2008

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***		
2006	2725	2586	139	51	0
2007	2076	2585	138	98	549
2008	0	2585	138	32	2691
2009	0	2585	138	0	2723

Note: Denoted data is as of 1/31/2009

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	2,045	0	61,850
2010	0	47,844	1,636	0	49,480
2011	0	35,883	1,227	0	37,110
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

Month – January 2009			
	Actual	Budget	Variance
Personnel	365,139	366,760	1,621
Administrative	80,606	204,552	123,946
EH & S	1,352	8,000	6,648
Maintenance Expense	17,147	75,350	58,203
Operations Expense	133,506	101,800	(31,706)
Total	**$597,750**	**$756,462**	**$158,712**

Financial – Fiscal Year to Date

Number of Months – 7			
	Actual	Budget	Variance
Personnel	1,754,272	1,907,084	152,812
Administrative	548,491	709,664	161,173
EH & S	20,117	22,500	2,383
Maintenance Expense	199,773	290,950	91,177
Operations Expense	486,576	600,000	113,424
Total	**$3,009,229**	**$3,530,198**	**$520,969**

2.1 Variance analysis:

The original budget for January was $756,462. The actual expenses for January are $597,750 for a positive variance of $158,712 or 2.68%. The variance was due to the following:

PERSONNEL EXPENSES - Lower labor, overtime, and burden expenses accounted for a favorable variance of $1,621.
ADMINISTRATIVE EXPENSES - A favorable variance of $123,946 was mainly due to the operating permits costing less than anticipated.
ENVIRONMENTAL, HEALTH, AND SAFETY EXPENSES – A favorable variance of $6,648 was due to not needing to dispose of hazardous and non-hazardous waste as anticipated.
MAINTENANCE EXPENSES- A favorable variance of $58,203 was due to the repairs to Unit #3 turning gear being moved out to April due to the later delivery of parts to complete the repairs. There was also an inventory reconciliation for items that were previously charged to our O&M budget.
OPERATING EXPENSES – An unfavorable **v**ariance of $31,706 was due to higher electric usage than anticipated to support Unit #3 testing and for the replenishing of bulk chemicals. Sulfuric acid costs have increased significantly since the annual budget was submitted and approved.

The current total for Project EG0804 expensed to date is $1,366,511. The expenses for the month of January were $195,690.

3.0 Operations

Unit Operations / Outages / Trips

- During the month, there were no unit dispatches of any of the McKee Run units or Unit #11 at VanSant. All units were available for the month of January.

Month – January 2009							
		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	0	0	0	0	0	0
Starts	#	0	0	0	0	0	0
Gross Generation	MWh	0	0	0	0	0	0
Net Generation	MWh	0	0	0	0	0	0
Total Auxiliaries	MWh	40.013	40.013	178.858	258.884	8.891	267.775
Auxiliaries purchased	MWh	40.013	40.013	178.858	258.884	8.891	267.775
Fuel Gas Used	MMBTU	0	0	0	0	0	0
Fuel Oil Used	MMBTU	0	0	0	0	0	0
Fuel Oil Used	Gallons	0	0	0	0	0	0
Total Fuel	MMBTU	0	0	0	0	0	0
Net Heat Rate	BTU/KWh	0	0	0	0	0	0
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	0.00	0.00	0.00	0.00	0.00	0.00
Availability Factor	%	100	100	100	100	100	100
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	0	0	0	0	0	0
Maintenance Outage Hours	Hours	0	0	0	0	0	0
Forced Outage Hours	Hours	0	0	0	0	0	0
Reserve Shutdown Hours	Hours	744.000	744.000	744.000	2,232.000	744.000	2,976.000
HW Boiler Gas Usage	MMBTU				1,116		1,116
Pilot Gas Usage	MMBTU	0	0		0		0

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

2008-2009 Fiscal Year-to-Date (7 Months)							
		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	11.066	11.667	214.566	237.299	36.084	273.383
Starts	#	1	1	18	20	6	26
Gross Generation	MWh	123.315	132.412	12,203	12,458	1,240	13,699
Net Generation	MWh	118.511	126.506	11,141	11,386	1,240	12,626
Total Auxiliaries	MWh	203.253	204.356	2,303	2,711	27.264	2,738
Auxiliaries purchased	MWh	198.449	198.450	1,241.157	1,638.054	26.456	1,665
Fuel Gas Used	MMBTU	756	972	72,884	74,613	9,754	84,367
Fuel Oil Used	MMBTU	776	616	61,409	62,801	6,273	69,074
Fuel Oil Used	Gallons	0/5,568	0/4,418	0/116,114	297,805 /126,100	45,328	469,233
Total Fuel	MMBTU	1,533	1,588	134,293	137,414	16,028	153,441
Net Heat Rate	BTU/KWh	12,939	12,560	12,754	12,068	12,931	12,153
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	0.14	0.14	2.12	1.90	0.62	1.40
Availability Factor	%	60.05	60.05	58.01	63.37	98.91	72.26
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	1,752	1,752	2,166	5,670	0.0	5,670
Maintenance Outage Hours	Hours	0	0	0	0	56	56
Forced Outage Hours	Hours	0	0	0	0	0	0
Reserve Shutdown Hours	Hours	3396.934	3,396.333	2,778.972	9,572.239	5,068	14,640.239
HW Boiler Gas Usage	MMBTU				7,432		7,432
Pilot Gas Usage	MMBTU	0	0		0		0

VanSant Lifetime through 1/31/09			
	Actual Starts	Factored Starts	Fired Hours
VanSant	1189	2000.15	3,912.2
Since HGP - Dec 2004	140	332.45	528.578

Fuel Oil Inventory							
	Monthly Inventory (Start)	Monthly Inventory (End)	Fuel Purchases (Month)	Monthly Inventory (Change)	FY 08-09 Inventory (Start)	Fuel Purchases (YTD)	FY 08-09 Inventory (Change)
McKee Run (#6 Fuel Oil to #2 Fuel Oil)	364,838	416,831	53,210	51,993	426,048	536,660	(9,217)
VanSant (#2 Fuel Oil)	111,496	110,948	0	452	99,950	56,801	10,998

Note: As measured by tank level instruments. Tank levels may change due to oil temperature.
Note: * - #6 Fuel Oil was sold (approx. 122, 000 gallons) and #2 Fuel Oil was purchased in October and December.

Capacity Testing – FY 2008-2009					
Summer 2008 (June 1- Aug 31)			**Winter 2008-2009 (Dec 1- Mar 1)**		
Unit	Rated Net Capability (MW)	Reported Net Capability (MW)	Unit	Rated Net Capability (MW)	Reported Net Capability (MW)
1	17	17.09	1	17	17.3
2	17	17.55	2	17	17.9
3	102	102.72	3	102	Scheduled for 2/09
VanSant	39	40.09	11	40	40*
Total	175	177.45	Total	176	74

Note: * depicts a unit that has not completed capacity test for the PJM Demonstration Period in FY 2008-2009 but has been accepted into the PJM Winter Capacity Test Exemption Program.

Team Report:

The operations teams continue to support maintenance. The teams have been involved in the construction of two new offices that used to be an old break room which is no longer being used. These two offices will help support the development of our management team in working together in the future.

Teams continued training within the Plant Readiness Program (PRP) to keep their skills and knowledge of the plant up to date particularly when the generating units are off line or when they are not supporting maintenance activities. The GPI online training which supports our safety and environmental training are being used by the teams to complete their training as they begin the training cycle for the year 2009. GPI also has a number of courses that are used to support operator advancement and refresher training.

Confined space program was updated and reviewed over this month resulting in indentifying more confined space areas. These areas were marked by signs or stickers by the operators.

All the Senior Operators are preparing to take the PJM Systems Operator exam in February. There are several already scheduled for the exam and we anticipate all Senior Operators will all test in February.

Operations staff updated waste profiles and satellite station signage to reflect the oil conversion from #6 fuel oil to #2 fuel oil.

4.0 Maintenance

During the month of January, plant maintenance staff continued addressing the backlog of work orders. Sixty-two work orders were issued during the month, with eighty-five work orders being completed during the month.

The table below summarizes the monthly work order activities.

Work Order Report

January - 09

Priority #	Outstanding From Previous Months	Issued This Month	Completed This Month	Outstanding at the end of the month
P1	0	0	0	0
P2	5	10	10	5
P3	16	4	16	4
P4	41	29	27	43
P5	8	0	5	3
P6	0	0	0	0
P7	12	1	4	9
P8	0	0	0	0
P9	8	1	2	7
P6 - 1	0	0	0	0
P6 - 2	0	0	0	0
P6 - 3	0	0	0	0
P6 – 4	1	1	0	2
P6 – 5	0	0	0	0
P6 – 6	0	0	0	0
P6 – 7	0	0	0	0
P6 - 8	0	0	0	0
PM	33	16	21	28
Totals	124	62	85	101

Note: PM's are included in the priority totals

Notable activities during the month include:

1). Installed new heat tracing for Unit Three down comer line to sample panel.

2). Completed several work orders that were initiated from the Areva Vibration Inspection report indicating possible mechanical problems. Some of the pieces of equipment that were identified in the report which needed further inspection or repairs were the Lube Oil Exhauster, 3B EHC Pump, Gland Steam Seal Exhauster and the Over Fire Air Motor. Follow up testing will be conducted in order to ensure the repairs corrected the problems.

3). Completed work orders from recent Storm Technologies Inspection report indentifying minor repairs or adjustments to equipment clearances.

4). The Plant Air System had been recently found to have water in the piping which caused critical equipment, such as FD Fan dampers, CEMS equipment, Ash system actuators and ash reinjection gate, not to operate properly due to moisture in the lines. After investigating the problem, it was found that the air dryer desiccant service life had expired requiring a change of the material. The desiccant was replaced and plant staff has continued to blow down the air lines in order to remove the remaining moisture in the lines. Presently, the plant air system is dry and plant equipment is now working properly.

5). Construction was started on remodeling the break room on the ground floor into two offices that will be used by the maintenance planner and maintenance supervisor in an effort to increase communication and worker productivity.

6). Slots were cut in the air register shrouds on each burner. After the slots were cut, the Beck drives were recalibrated for a stroke of 0 to 13.5 inches. This will help lower wind box pressure and aid in controlling combustion in the boiler.

5.0 Capital Improvement Projects (CIP)

Project Number	Description	Update
EG0801	**MR Fire Protection System Upgrades**	**Progress: Project deferred to 2009 to investigate an alternative technical approach.** **Schedule: Installation now projected to be June 2009**
EG0804	**MR Pollution Remediation Equipment**	**Progress: Change out of fuel oil equipment has been completed. Plant in final stages of testing and tuning Unit 3. Units 1 and 2 have successfully made the conversion and successfully completed a Winter Period Capacity Test. Schedule: Additional testing scheduled for February and June 2009.**
EG0901	**MR Unit 3 Continuous Emissions Monitor (CEM)**	**Progress: Complete** **Replacement was completed in October 2008.**
EG0902	**VS Unit 11 Continuous Emissions Monitor (CEM)**	**Progress: Complete** **Replacement was completed in October 2008.**
EG0903	**MR Unit 3 Continuous Opacity Monitor (COM)**	**Progress: Complete** **Replacement was completed in November 2008.**
EG0904	**MR & VS Arc Flash Analysis**	**Progress: Phase one will determine scope and costs to implement which will provide input to cost benefit analysis/ justification to proceed with the second phase. Task statement defining the scope of work currently being developed** **Schedule: The initial phase of the project to be completed no later than June of 2009 and the second phase to complete in May 2010.**

5.1 CIP Budget

Project Number	Description	Original Budget ($ X 1000)	Latest Estimate ($ X 1000)
EG0801	MR Fire Protection System Upgrades	50	50
EG0804	MR Pollution Remediation Equipment	3800	2800
EG0901	MR Unit 3 Continuous Emissions Monitor (CEM)	30	50
EG0902	VS Unit 11 Continuous Emissions Monitor (CEM)	30	50
EG0903	MR Unit 3 Continuous Opacity Monitor (COM)	30	30
EG0904	MR & VS Arc Flash Analysis	125	75*

* $50k removed and put into O&M budget

The current total for Project EG0804 expensed to date is $1,366,511. The expenses for the month of January were $195,690.

6.0 General Plant Information

Training

The teams have been using our Plant Readiness Program (PRP) for training. The program is to keep our operations staff training level current at all times. Each day and night shift reviews different procedures for equipment operation, unit operation, and valving procedures. Included in the program are also different emergency scenarios that are simulated to ensure personnel are properly prepared to react should those situations actually occur.

Plant staff has started the GPI training for safety and OSHA for the new year. These courses have to be completed by the end of the year and have to be repeated on an annual basis. Plant staff have also started an annual review of the Plant SMPs (Safety Manual Procedures) for 2009 and have to be completed by the end of the year.

PJM Instructors were on site the week of January 5th for training on the PJM Manuals and to aid in preparing plant staff to complete the Generation Systems Operator certification test. There approximately fourteen employees in the class, three of which are already certified. In attendance were Senior Operators, Auxiliary Operators, Operations Supervisors and one City of Dover Electric Department employee. This training also builds credits towards keeping your certification. This class gave current certified operators thirty-two hours worth of credits towards a required two hundred in five years to maintain their certification status.

Aaron Jester passed the PJM certification exam on January 16th. He is our first operator to pass the exam other than management. Other operators are scheduled to take the exam in the coming weeks.

Personnel

The position of I,C/E Technician Applicant screening and the conducting preliminary interviews for the position of I,C/E Technician was completed and an employment offer has been given and accepted by Robert Gallucio. Dependent on medical screening, Mr. Gallucio is scheduled to start work on February 9, 2009.

We like to congratulate Aaron Jester in being promoted to Senior Operator I Step I after many months of training and hard work. Aaron is now on “A” team due to only having one Senior Operator shift which allows for more flexibility and less overtime.

Other Events

The plant received confirmation from the DNREC that there was no additional work or documentation needed from the remediation work of the oil leak in and around the #1 Tank berm. A

condition required by DNREC in the case closure notice was that they (DNREC-AST Branch) are to be notified if any digging is to occur in or around the tank or tank berm area.

During the month of January, the plant experienced a recordable accident when an operator sprained his ankle when he slipped and fell while making rounds. The accident occurred when the employee was walking on an ice patch that was covered by a layer of snow. There was no lost work time pertaining to the incident as the employee was assigned other duties still within his existing work description. Until the time of the accident, the plant had completed 1,392 days without a recordable accident.

The station continues to work on compliance with NERC and RFC standards for Generator Operator (GOP). In January, Ken Beard and Dean Blaha (NAES) met with Jeremy Johnson and Steve Enss, City of Dover employees, to ensure both entities remain in NERC compliance and to share notes on file maintenance and data.

Preliminary discussions continue with Pace Global and Applied Power Projects on the addition of a HRSG at VanSant which could supply additional power output on the unit. Next on the agenda is to have a discussion with a Chevron site, which had incorporated the same Chang Cycle technology several years ago to learn more about the pros and cons of such a project. The conference call is scheduled for early February 2009.

Calendar of Events	***Date***
McKee Run Units 1, 2 and 3 Outage – Oil Conversion Project	October 1, 2008 – December 31, 2008
McKee Run Unit 3 Maintenance Outage for air flow and controls tests	January 26-February 2, 2009
McKee run Unit 3 Net Capability test	February 20, 2009 (tentative)
PJM Winter Capacity Demonstration Period	December 1, 2008 – February 28, 2009
EIA Reporting Requirements	February 1, 2009
Title V Annual Certifications Due	February 1, 2009
Sara III/Tier II Reporting Due	March 1, 2009
Annual SO2 Certification Due	March 1, 2009
Unit 3 Annual Outage	March 9 -23, 2009
Annual Emission Statement Due	April 1, 2009
Appendix E Testing for Units 1 and 2	June, 2009
Unit 3 RATA Testing and Particulate Testing	June, 2009
Unit 11 Appendix E Testing	June, 2009
Fiscal Year Ends	June 30, 2009

7.0 Summary of NAES Performance to Date

Plant Performance FY 2008-2009						
Measure	**Month**		**Year to Date**		**YTD Incentive**	**FY Maximum Incentive**
Commercial Unavailability (CU)	0%		0%		$85,863	$85,863
Safety	1		1		$8,050	$16,099
Environmental	0		0		$16,099	$16,099
Capacity Tests Completed	Summer	Winter	Summer	Winter		
Unit 1	No	Yes	Yes	Yes	$3,220	$3,220
Unit 2	No	Yes	Yes	Yes	$3,220	$3,220
Unit 3	No	No	Yes	No	$9,660	$19,319
Unit 11	No	Yes*	Yes	Yes*	$6,440	$6,440
Total YTD Incentive %	88.21%		***Total YTD Incentive***		$132,551	$150,261

Note: * depicts a unit that has not completed capacity test for the PJM Demonstration Period in FY 2008-2009 but has been accepted into the PJM Winter Capacity Test Exemption Program signifying completion of test.

APPENDICES

I. PJM INVOICE BREAKDOWN

The PJM bill is a record of all Electricity Transactions, Transmission Services, Ancillary Services and Miscellaneous fees that allow the PJM to operate. Below is a list of the line items on the PJM bill including all generator activity.

PJM Bill Line Items	Gen	Load	Net
Day Ahead Energy	$0.00	($575,405.12)	($575,405.12)
Realtime Energy	$0.00	($92,386.60)	($92,386.60)
Transmission Losses Credits	$0.00	$104,223.17	$104,223.17
Network Integration Transmission Service Charges	$0.00	($248,958.52)	($248,958.52)
Inadvertent Interchange Charges	$0.00	($70.83)	($70.83)
Regulation Charges	$0.00	($26,357.47)	($26,357.47)
Synchronized Reserve Charges	$0.00	($3,639.66)	($3,639.66)
Balancing Operating Reserves Charges	$0.00	($5,475.02)	($5,475.02)
Day Ahead Operating Reserves Charges	$0.00	($7,711.31)	($7,711.31)
Day-ahead Scheduling Reserve	$0.00	($376.57)	($376.57)
Synchronous Condensing Charges	$0.00	($1,259.34)	($1,259.34)
Reactive Services Charges	$0.00	($5.12)	($5.12)
Meter Correction Charges	$0.00	($12.00)	($12.00)
Day-ahead Economic Load Response Program Charges	$0.00	$0.00	$0.00
Real-time Economic Load Response Program Charges	$0.00	$0.00	$0.00
Balancing Operating Reserves Credits	$0.00	$0.00	$0.00
Day Ahead Operating Reserves Credits	$0.00	$0.00	$0.00
Locational Reliability Charges	$0.00	($928,450.00)	($928,450.00)
Capacity Transfer Rights Credits	$0.00	$32,628.12	$32,628.12
Capacity Resource Deficiency Credits	$0.00	$1,862.17	$1,862.17
Demand Response and ILR Compliance Penalty Credits	$0.00	$0.00	$0.00
RPM Auction Credits	$765,406.12	$0.00	$765,406.12
Auction Revenue Rights Credits	$0.00	$75,373.09	$75,373.09
Synchronized Reserve Credits	$0.00	$0.00	$0.00
PJM Scheduling System Control and Dispatch Service Charges	$0.00	($13,845.30)	($13,845.30)
Transmission Owner Scheduling System Control and Dispatch Service Charges	$0.00	($4,942.06)	($4,942.06)
Reactive Supply and Voltage Control from Generation Sources Service Charges	$0.00	($23,161.47)	($23,161.47)
Black Start Service Charges	$0.00	($1,205.39)	($1,205.39)
North American Electric Reliability Corporation (NERC) Charge	$0.00	($452.30)	($452.30)
Reliability First Corporation (RFC) Charges	$0.00	($578.68)	($578.68)
Expansion Cost Recovery Charges	$0.00	($431.52)	($431.52)
Transmission Enhancement Charges - 2008	$0.00	($8,105.60)	($8,105.60)
Black Start Service Credits	$5,728.89	$0.00	$5,728.89
Non-Firm Point-to-Point Transmission Service Credits	$0.00	$3,529.74	$3,529.74
Generation Deactivation	$0.00	$0.00	$0.00
Market Monitoring Unit (MMU) Funding	$0.00	($357.79)	($357.79)
Organization of PJM States, Inc. (OPSI) Funding	$0.00	($41.91)	($41.91)
FERC Annual Recovery	$0.00	($3,711.53)	($3,711.53)
Amount Due for Interest on Past Due Charges	$0.00	($62.30)	($62.30)
PPA	$0.00	$7,428.69	$7,428.69
	$771,135.01	**($1,721,958.43)**	**($950,823.42)**

II. LOAD, ALL IN ENERGY AND ALL IN COST OF SERVICE TABLE

	Budget Load (MWh)	Actual Load (MWh)	Budget AIE ($/MWh)	Actual AIE ($/MWh)	Actual YTD AIE ($/MWh)	Budget AICS ($/MWh)	Actual AICS ($/MWh)	Actual YTD AICS ($/MWh)
Jul	**81,189**	**81,060**	**$92.30**	**$94.46**	**$94.46**	**$94.85**	**$97.04**	**$97.04**
Aug	**82,798**	**73,039**	**$92.29**	**$91.36**	**$92.99**	**$101.51**	**$101.39**	**$99.10**
Sep	**67,000**	**66,214**	**$85.81**	**$89.01**	**$91.80**	**$93.47**	**$95.27**	**$97.89**
Oct	**61,170**	**58,391**	**$87.47**	**$87.60**	**$90.92**	**$96.39**	**$97.90**	**$97.82**
Nov	**58,037**	**56,361**	**$87.62**	**$85.62**	**$90.02**	**$96.60**	**$93.43**	**$97.08**
Dec	**59,534**	**61,078**	**$87.25**	**$85.03**	**$89.25**	**$97.05**	**$98.21**	**$97.26**
Jan	**64,805**	**65,021**	**$88.79**	**$88.78**	**$89.19**	**$101.90**	**$99.99**	**$97.65**
Feb	63,547		$89.48			$77.20		
Mar	58,753		$86.98			$95.92		
Apr	56,824		$85.94			$96.34		
May	62,655		$85.52			$93.92		
Jun	72,496		$88.32			$100.05		

III. GLOSSARY

All In Unit Energy Cost ("AIE") accounts for the wholesale energy costs **excluding** capacity obligations, capacity credits for Dover-owned generation, generation revenues, generating plant costs, the black start ancillary services credit for the Van Sant plant, and revenues associated with the sale of emission allowances. The AIE includes the costs from settling the hedged or forward transactions; the energy bought on the ISO (Independent System Operator or PJM) day-ahead to cover the open position (un-hedged); load following costs associated with balancing the actual load in the ISO real-time market; energy management service related fees; the ISO transmission charges and credits to load serving entities; the ISO ancillary services charges such as generation regulation, spinning reserve, and reactive power; and the ISO administrative charges and cost of service recovery fees.

All In Cost of Service ("AICS") accounts for the net cost of wholesale power to the City of Dover Electric Utility. The AICS starts with the AIE and adds the costs or credits from capacity obligations, capacity credits for Dover-owned generation, generation revenues, generating plant costs, the black start ancillary services credit for the Van Sant plant, and revenues associated with the sale of emission allowances.

Black Start is a generating ancillary service that is the process of restoring a generating plant to service without the support of an external power supply to power auxiliary equipment needed for start up operations.

Capacity UCAP Obligated Purchased is the obligation and payment by all load serving entities in PJM including Dover for the Unforced Capacity (UCAP) requirement from PJM that satisfies the PJM reserve requirements.

Generation Capacity Credit: is the credit provided to generators for supply capcity to the system. The price is determined by the PJM Reliability Pricing Market auction process that includes three auctions for each capacity year.

Generation Production Margin accounts for the variable margin excluding variable O&M and emissions. The Generation Production Margin is calculated by taking the PJM revenues credited to the plant including any balancing charges or credits less the fuel costs. Generation Production Margin includes both “Economic and reliability dispatch” and “Testing.” Economic and reliability dispatch equals the margin achieved when Dover’s generating plants are dispatched by PJM for either economic dispatch (the system energy price is greater than the Dover bid price) or reliability dispatch whereby PJM pays the generating cost of the plants for the hours the plant is run to support the system. Generation Testing equals the Generation Production Margin associated with testing. This is usually expected to be a negative margin because the plant is potentially being dispatched / run when energy prices do not cover its costs.

Non-Production Revenue equals the credits from PJM to Dover for Generation Capacity Credit, the Black Start Revenue and the sales by Dover of Emission Allowances.

McKee Run Station
Pollution Remediation Project

Purpose:
This project consists of activities which will reduce emissions of NOx and SOx at the McKee Run Generating Station in supporting the goals of the Delaware Regulation 1146.

Project Scope	Expected Benefit
1. Stop the burning of residual fuel oil and convert the plant to burning low sulfur distillate oil along with natural gas.	Reduce SOx and NOx emissions as a result of lower content of fuel bound sulfur and nitrogen. Reduce particulate emissions due to the lower particulate content in the distillate fuel oil
2. Replace necessary fuel oil system equipment and perform modifications needed to burn the low sulfur distillate oil.	Required to store, transport and burn the low sulfur distillate fuel oil.
3. Modify boiler controls on Unit 3 to improve the combustion process	Provides flexibility to "tune" the combustion process in order to minimize the thermal production of NOx

Progress to date:
- Residual oil removed from the storage tank and replaced with distillate oil
- All fuel oil system modifications and equipment replacements completed
- Planned boiler control modifications on Unit 3 completed
- All Units successfully test operated burning the low sulfur distillate oil.

Conditions found/ problems encountered:
- Condition of the fuel oil unloading piping to the oil tank required a section of piping to be replaced which was not anticipated. No other issues were found or encountered during the fuel oil system modifications and equipment replacement activities.
- Repairs to the flue gas system of Unit 3 not anticipated were completed.

Activities remaining:
- Boiler control tuning for optimizing of the combustion process
- Boiler performance testing to determine emission limits
- Flue gas system improvements for combustion will be completed during an upcoming planned maintenance outage scheduled for March.

Budget Status :
- The approved budget for this project is $3.2 Million.
- Current estimate at completion is $3.1 Million