UTILITY COMMITTEE

A G E N D A

February 25, 2008 - 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. Annual Engineering Consultant's Report on the Operation and Maintenance of the Electric System - Fiscal Year 2007 ***(Deferred During Committee Meeting of February 11, 2008)***

2. PACE/NAES Monthly Report *(December)* ***(Deferred During Committee Meeting of February 11, 2008)***

3. Maple Glen Development Concerns - Status Report

4. Annexation Request - 1889 Kenton Road, Containing $.50^{+/-}$ Acres, Owned by Brian L. and William A. Bright

5. Adjournment by 5:55 P.M.

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

CITY OF DOVER
UTILITY COMMITTEE
February 11, 2008 – Agenda Item # 5
ENGINEER'S ANNUAL REPORT - ELECTRIC SYSTEM

INTRODUCTION

The City of Dover Electric Bond Resolution requires that the City retain an independent engineering consultant to inspect the City's electric system and to review the electric budgets and insurance program. The City contracted with Burns & McDonnell to perform this year's analysis. The report provides the information related to their annual review for the Fiscal Year ended June 30, 2007. This report is posted on the city's website (www.cityofdover.com/department/finance/documents).

THE REPORT

Some of the highlights of the report are as follows, comparing FY 2005, FY2006, and FY 2007:

- kWh sales had average annual increases of .11%
- Revenues from sales increased at an average annual rate of 11.4% over FY05 ($60.1 million) compared to FY07 ($83.1 million)
- FY07 average price per kWh for residential customers was 12.40 cents, and system-wide 11.32 cents
- FY07 National average rates were 10.53 cents residential and system-wide 9.05 cents
- FY07 Delaware average rates were 12.84 cents and 11.08 cents per kWh respectively
- Purchased power cost increased at an average annual rate of 21.3%, from $39.6 million to $70.7 million
- kWh's purchased increased from 768.6 million kWh's to 788.8 million kWh's.
- Energy losses were 4.8%, 5.7% and 6.9% for 2005, 2006 and 2007, respectively
- The revenue and expense budgets for the above mentioned years provide for the operation and maintenance of the electric system according to sound utility practices
- The transfers, beginning balance, and interest earnings in the Improvement and Extension Fund are adequate to cover the capital expenditures in fiscal year 2008
- Net income increased from $2.4 million in FY05 to $4.7 million in FY06; net income decreased from FY06 to FY07 to a $3.8 million loss in FY07 primarily due to the increased cost of purchased power
- Debt service coverage ratios for FY05, FY06, and FY07 of 4.51, 5.50, and 1.74 respectively were over the 1.25 requirement.
- The system has been maintained consistent with accepted electric utility practices in the United States

The consultant's conclusions and recommendations are outlined at the end of each section of the report.

REQUESTED ACTION

The Utility Committee to accept the Engineer's Annual Report on the Operation and Maintenance of the Electric System for Fiscal Year 2007.

Annual Engineering Consultant's Report

on the

Operation and Maintenance of the Electric System Fiscal Year 2007

Prepared for the

Electric Division
City of Dover, Delaware

Project Number 47534
2007

Burns & McDonnell
SINCE 1898

December 21, 2007

Mr. Anthony J. DePrima
City Manager
City of Dover
15 E. Loockerman St.
Dover, Delaware 19903

City of Dover
Annual Engineering Consultant's Report
Project Number 47534

Dear Mr. DePrima:

In compliance with the requirements of Section 705 and Section 504 of the City of Dover, Delaware Resolution Authorizing and Securing Electric Revenue Bonds, adopted December 23, 1985 (Resolution), Burns & McDonnell submits this Annual Engineering Consultant's Report for the fiscal year ended June 30, 2007. This report summarizes our review and assessment of the City of Dover's (City) Electric System, its existing retail electric rates, its insurance coverage in effect, and its reserve funds. Financial, statistical, and operating data used in preparing the report were taken from the City's annual financial statements and accounting records, as well as additional information furnished by City and Electric Division staff.

In the preparation of this Engineering Consultant's Report, Burns & McDonnell completed assessments of the electric generating stations and the transmission and distribution system of the City's Electric Division. Assessments involved interviews, observations, and review of fiscal year 2007 expenditures and fiscal year 2008 budgets. In addition, an analysis of the balances of the Improvement and Extension Fund, as well as other funds benefiting the Electric Division was performed. Burns & McDonnell also reviewed the adequacy of the revenues provided by the current retail rates in relation to the requirements of the Resolution. Finally, a high-level assessment of the City's insurance coverage related to the Electric Division was completed.

Based on these reviews and assessments, it is the opinion of Burns & McDonnell that the Electric System is being operated and maintained, including replacements and upgrades, as appropriate, in a manner that is consistent with current electric utility practices. In addition, the current retail rates have provided sufficient revenues to satisfy the debt service coverage requirement in the Resolution.

Further, it is the opinion of Burns & McDonnell that the balances in the various reserve funds maintained by the City for the Electric Division are sufficient for their intended purposes.

9400 Ward Parkway
Kansas City, Missouri 64114-3319
Tel: 816 333-9400
Fax: 816 333-3690
www.burnsmcd.com

We appreciate the cooperation and assistance provided by the City and the Electric Division staff in the preparation of this report. We will be happy to discuss the report with you at your convenience.

Sincerely,
BURNS & McDONNELL



Ted J. Kelly
Project Manager
Business & Technology Services



Adam Young
Project Engineer
Business & Technology Services

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

INTRODUCTION

This Engineering Consultant's Report has been prepared in compliance with the requirements of the City of Dover, Delaware Resolution Authorizing and Securing Electric Revenue Bonds, adopted December 23, 1985 (Resolution). Burns & McDonnell has been retained as Engineering Consultant by the City of Dover, Delaware (City) for this purpose.

The Resolution requires that the Engineering Consultant complete the following:

> *"The City covenants that it will cause the Engineering Consultants employed under the provisions of Section 705 of this Resolution . . . to make an inspection of the Electric System at least once each fiscal year and . . . to submit to the City Manager a report setting forth (a) their findings whether the properties of the Electric System have been maintained in good repair, working order and condition and whether they have been operated efficiently and economically and (b) their recommendation as to*
>
> *(i) the proper maintenance, repair and condition of the Electric System during the ensuing fiscal year and a estimate of the appropriations which should be made for such purposes,*
> *(ii) the insurance to be carried under the provisions of Article VII of this Resolution,*
> *(iii) the amount that should be deposited during the ensuing fiscal year to the credit of the Improvement and Extension Fund for the purposes set forth in Section 510 of this Article,*
> *(iv) the extensions, improvements, renewals and replacements which should be made during the ensuing fiscal year, and*
> (v) *any necessary or advisable revisions of the electric rates."*

This is the sixth annual Engineering Consultant's Report prepared for the City by Burns & McDonnell.

ELECTRIC SYSTEM OVERVIEW AND ASSESSMENT

The Electric System owned by the City primarily consists of production plant, transmission plant, distribution plant, and general plant facilities.

The City owns two power plants, the McKee Run Generating Station (McKee Run) and the VanSant Generating Station (VanSant). McKee Run consists of three steam turbine generating units with total combined capacity of 136 megawatts (MW). VanSant is a 39 MW simple-cycle combustion turbine unit.

The Electric Division purchased its power requirements under an all-requirements power and energy supply contract with Duke Energy Trading & Marketing (Duke) in FY 2006. The contract was executed on March 11, 1996 and expired on June 30, 2006. Effective May 4, 2006 the City entered into a five year Energy Management Agreement with PACE Global Asset Management (Pace), LLC of Fairfax, Virginia to assist the City with its energy procurement, energy sale, purchase of fuels, establishment and management of risk policies, to develop and manage hedging protocols and related energy procurement challenges.

Duke/Fluor Daniel (D/FD) assumed responsibility for operating and maintaining the City's two power plants under a separate agreement also dated March 11, 1996. These agreements provided for the City to retain complete ownership of the two generating stations. The partnership between D/FD was dissolved as of September 13, 2004. The two power plants were operated by DE Operating Services, LLC (DEOS) in FY 2006. As of July 1, 2006, North American Energy Services (NAES) began operating the plants.

The Electric Division served approximately 22,400 customers, approximately 18,800 of which were residential customers, as of the end of FY 2007. The distribution facilities include 221.11 miles of overhead lines and 230.35 miles of underground lines connected through fifteen different substations. The Engineering Consultant's observations regarding the transmission and distribution systems are described in the Electric System Overview and Assessment section of this report.

Four of the Electric Division customers take service off of the 69 kV transmission system. These customers include the Dover Air Force Base, Kraft, Proctor & Gamble, and NRG Energy Center (NRG). NRG is an exempt wholesale generator that sells power that must be transmitted through the City's transmission system to third party purchasers. When the NRG plant is not operational, the Electric Division provides power for the plant site.

The Electric Division has one contract for providing transmission service through the Electric System. As mentioned above, the Electric Division provides transmission service to NRG for the output of its 16 MW electric generator.

General plant facilities consist primarily of Electric Division administrative and operations facilities and pollution control related equipment on McKee Run and VanSant. Other types of general plant include office furniture and equipment, transportation and power-operated equipment, and communication equipment.

The various systems and components of the generating stations reviewed by the Engineering Consultant are listed below:

Management and Organization

- Safety
- Training

Major Equipment Condition and Improvements

- Steam turbines/generators
- Boilers and auxiliaries
- Station cooling water systems
- Fuel handling systems
- Water treatment systems
- Station electrical systems
- Station control systems
- General facilities

Based on statements and information provided, as well as the observations and reviews performed, it is the Engineering Consultant's opinion that the City's power generation facilities are being operated and maintained consistent with accepted electric utility practice in the United States. In general, the performance, operation, maintenance, staff, planning, and training aspects for the McKee Run and VanSant were found to be above average. Specifically, the generation facilities have demonstrated a high level of availability despite the dispatching of the units primarily for peak demand.

The Engineering Consultant's observations regarding the generating stations and units are described in the Electric System Overview and Assessment section of this report. The following list includes areas of the transmission and distribution system that were considered and reviewed.

- System reliability
- Power quality

- Operations and maintenance
- Design standards and specifications
- Transmission and distribution improvements

It is the Engineering Consultant's opinion that the design, construction, operation, and maintenance of the City's electric transmission and distribution system and the associated facilities are consistent with current generally accepted electric utility standards.

The Engineering Consultant's observations regarding the transmission and distribution systems are described in the Electric System Overview and Assessment section of this report.

FINANCIAL ASSESSMENT

The level of revenues required from the retail electric rates for the Electric Division were determined through the analysis of the financial results and net income or net margins for FY 2007. The Resolution requires that the Electric Division maintain a debt service coverage ratio of 1.25. Following is an excerpt from Section 502(c) of the Resolution.

> *"(c) The total amount of the Revenues of the Electric System during the preceding fiscal year shall have been not less than the total of the following:*
> *(1) The Current Expenses of the Electric System during the current fiscal years shown by the Annual Budget . . . for such fiscal year, and*
> *(2) One hundred twenty-five percent (125%) of the maximum amount of the Principal and Interest Requirements for any fiscal year thereafter on account of all bonds then Outstanding under the provisions of this Resolution."*

Customers of the Electric Division of the City were charged for the electric service they received based on the City's rate schedules and contracts that were in place in FY 2007. A rate study was completed during the last portion of FY 2006. This study was necessary to address increased costs associated with the new power supply contract that became effective July 1, 2006. The rate study recommended combining a number of rate classes and increasing rates to provide for the necessary increase in revenues to meet increased costs. A second rate increase was recommended for January 1, 2007 in order to cover increased costs associated with operating the generating station.

Total energy sales increased from approximately 731.6 million kilowatt-hours (kWh) in FY 2005 to approximately 734.1 million kWh in FY 2007, or average annual increases of 0.11 percent. Total revenues from sales to electric customers in FY 2007 were approximately $83.1 million, representing an average annual increase of 11.37 percent from the FY 2005 rate revenue of approximately $60.1 million. In FY 2007, the average price per kWh for residential customers was 12.40 cents and the system-wide average price was 11.32 cents per kWh.

The Electric Division's largest cost providing electric service to its customers is the wholesale cost of power, purchased from the Pennsylvania New Jersey Maryland Interconnection **(**PJM) marketplace by its Energy Manager, Pace. From FY 2005 to FY 2007, the cost of power increased at an average annual rate of approximately 21.3 percent from approximately $39.6 million to approximately $70.7 million. This reflects PJM wholesale power prices as compared to the long-term fixed power price that Dover had in place for ten years under the previous Duke contract, which expired at the end of FY 2006. The recent reset of wholesale power prices reflects long-term market price increases. Over the same period the volume of energy purchased increased from approximately 768.6 million kWh to approximately 788.8 million kWh.

Net income increased from approximately $2.4 million in FY 2005 to approximately $4.7 million in FY 2006. Net income decreased from FY 2006 to FY 2007 to a $3.8 million loss in FY 2007. This loss was primarily due to the increased cost of purchased power.

The Resolution requires that annual revenues of the Electric Division be no less than the total current expenses plus 125 percent of the greatest remaining annual debt service. The Electric Division achieved debt service coverage ratios for FY 2005, FY 2006 and FY 2007 of 4.51, 5.50, and 1.74, respectively; all of which were over the required 125 percent. Therefore, the revenues generated by the current electric rates have been sufficient to meet the applicable covenant of the Resolution.

The City maintains a comprehensive insurance program to insure against varying types of liabilities, as well as significant losses related to various Electric Division properties. It is the opinion of Burns & McDonnell as Engineering Consultant, and not as insurance counselor, the insurance in full force and affect appears to satisfy the requirements of Section 706 of the Resolution.

The City has established several funds and reserves to ensure that moneys are available for specific purposes when they are needed. Following is a list of these funds:

- Electric Revenue Fund
- Electric Improvement and Extension Fund
- Interest and Sinking Fund (Reserve Account)
- Depreciation Reserve Fund
- Future Capacity Fund
- Insurance Stabilization Fund
- Contingency Reserve Fund
- Electric Rate Revenue Fund

The Engineering Consultant reviewed the last five funds listed above and found that the balances in those funds as of June 30, 2007 were consistent with the required or target balances.

CONCLUSIONS

Based on the reviews and assessments completed, it is the opinion of Burns & McDonnell that:

1. The City's power generation facilities are being operated and maintained consistent with accepted electric utility practice in the United States.

2. The design, construction, operation, and maintenance of the City's electric transmission and distribution system and the associated facilities are consistent with current generally accepted electric utility standards.

3. The Electric Division capital projects included in the City's Capital Investment Plan and the FY 2008 Operating Budget are necessary and should provide improved reliability and power quality for the Electric System.

4. The balances as of June 30, 2007 for the various reserve funds maintained by the City for the Electric Division appear to be sufficient for their defined purposes.

5. The insurance coverage in full force and effect as maintained by the City related to the various assets of the Electric Division appears to satisfy the requirements of Section 706 of the Resolution.

6. The electric revenues generated by the City's current retail rates are more than sufficient to fulfill the debt service coverage requirement (125 percent) defined in Section 502(c) of the Resolution.

PART I - INTRODUCTION

PART I
INTRODUCTION

The City of Dover, Delaware (City) operates a municipally-owned electric utility system that serves approximately 22,400 customers within the City and the surrounding areas. The service area of the electric utility is located in the middle portion of the state of Delaware, with the City itself located approximately 70 miles south of Philadelphia, Pennsylvania.

PURPOSE OF REPORT

This report has been prepared in compliance with the requirements of the Resolution adopted December 23, 2005. Burns & McDonnell has been retained as Engineering Consultant by the City as defined in Section 705 of the Resolution, as follows.

> *"The City covenants that it will, for the purpose of performing and carrying out the duties imposed on the Engineering Consultants under the provisions of this Resolution, employ an independent engineer or engineering firm or corporation having a nationwide and favorable repute for skill and experience in such work."*

The required scope of this report is described in Section 504 of the Resolution, as follows.

> *"The City covenants that it will cause the Engineering Consultants employed under the provisions of Section 705 of this Resolution . . . to make an inspection of the Electric System at least once each fiscal year and . . . to submit to the City Manager a report setting forth (a) their findings whether the properties of the Electric System have been maintained in good repair, working order and condition and whether they have been operated efficiently and economically and (b) their recommendation as to*
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> *(i) the proper maintenance, repair and condition of the Electric System during the ensuing fiscal year and a estimate of the appropriations which should be made for such purposes,*
> *(ii) the insurance to be carried under the provisions of Article VII of this Resolution,*
> *(iii) the amount that should be deposited during the ensuing fiscal year to the credit of the Improvement and Extension Fund for the purposes set forth in Section 510 of this Article,*
> *(iv) the extensions, improvements, renewals and replacements which should be made during the ensuing fiscal year, and*

(v) *any necessary or advisable revisions of the electric rates."*

ORGANIZATION

The Public Utilities Director is responsible for the overall management of the Public Utilities Department. The Public Utilities Director oversees the day-to-day operations of the Electric, Water, and Wastewater Divisions and manages the Division's staff. The Director also provides oversight of the Power Plant budget and monitors the contracts with PACE Global Asset Management (Pace), the energy coordinator, and North American Energy Services (NAES), the power generation operator/manager. The Electric Division is organized into three separate operating sections. Descriptions of the current Electric Division sections are provided below.

Administration Section – The Administration Section provides the overall administration of the Electric Division's Engineering and Transmission & Distribution Sections. This section performs all planning and budgeting, monitors all construction projects, administers all power supply and generating station operations agreements, and coordinates with customer service and public relations for the Electric Division.

Electric Engineering Section - This Section provides design, specifications, construction management, and project inspection for all capital investment projects of the Electric Division. This section also develops and maintains maps, plans, and specifications, as well as engineering standards for construction and maintenance of the Electric System. Lastly, it is responsible for the operation of a 24x7 system operations control center which is referred to as System Operations.

Transmission & Distribution Section – The Transmission & Distribution Section constructs, operates, and maintains the overhead and underground Electric Systems and fiber optic communication facilities. This section installs and maintains all electric metering, as well as street and security lighting. This section also investigates and resolves customers' power problems and oversees the work of tree trimming contractors.

Figures I-1 through I-4 present an organization charts showing the staffing of the various sections in the Electric Division, with the number of individuals in each position indicated. Total staffing at the time the FY 2008 budget was issued was 51.

The remaining sections of this report provide the information required pursuant to Section 504 of the Resolution. Part II describes the assessment of the Electric System and its condition. Part III presents the

financial results for the Electric Division, including an analysis of the adequacy of revenues provided by the electric rates.

In the preparation of this report, Burns & McDonnell used the City's audited financial statements and other data and information provided by the City. Burns & McDonnell has relied on the information provided without independent verification and cannot guarantee its accuracy or completeness. In addition, Burns & McDonnell has used the information provided to make certain assumptions with respect to conditions that may exist in the future. While Burns & McDonnell believes the assumptions made are reasonable for the purposes of this report, it makes no representation that the conditions assumed will occur.

* * * * *

Figure I-1

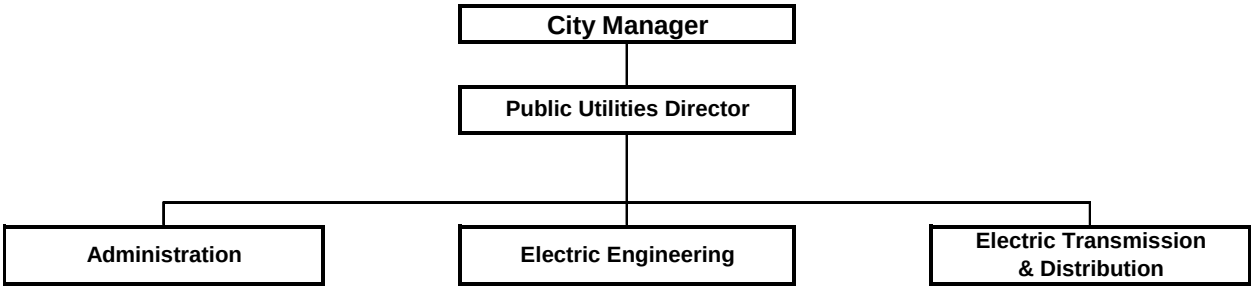

City Manager
Public Utilities Director
Administration
Electric Engineering
Electric Transmission & Distribution

Figure I-2

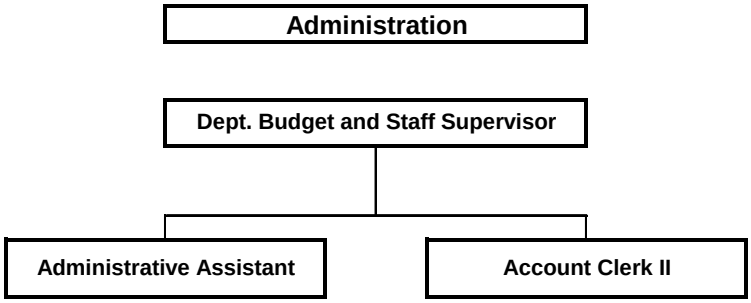

Administration
Dept. Budget and Staff Supervisor
Administrative Assistant
Account Clerk II

Figure I-3

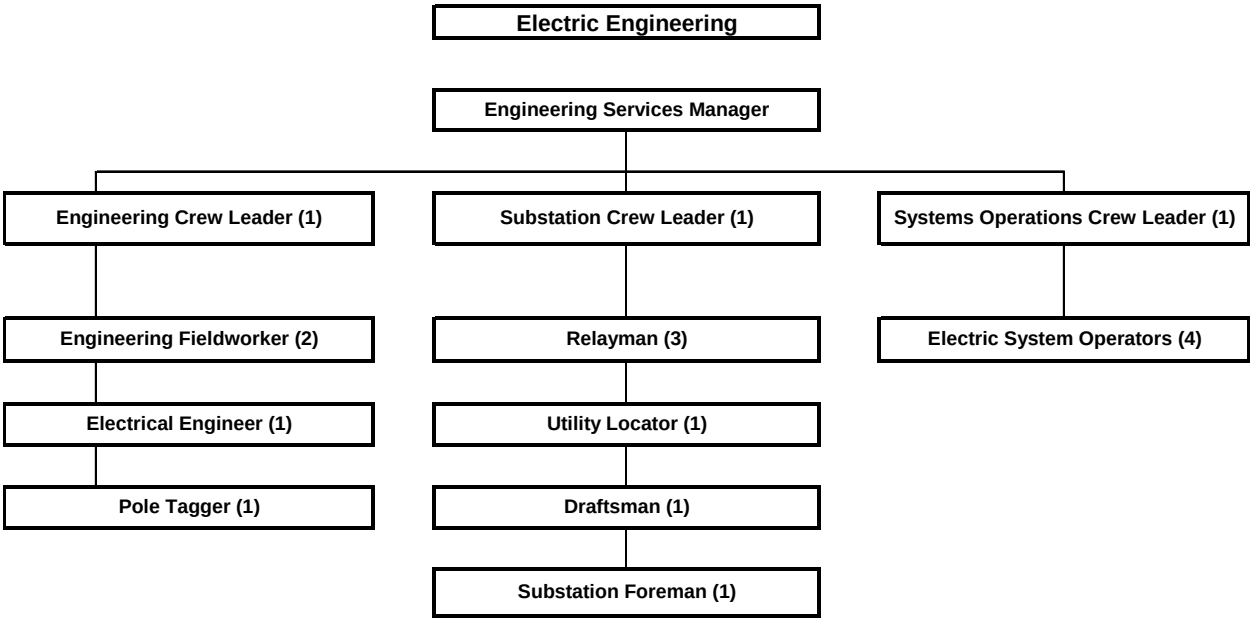
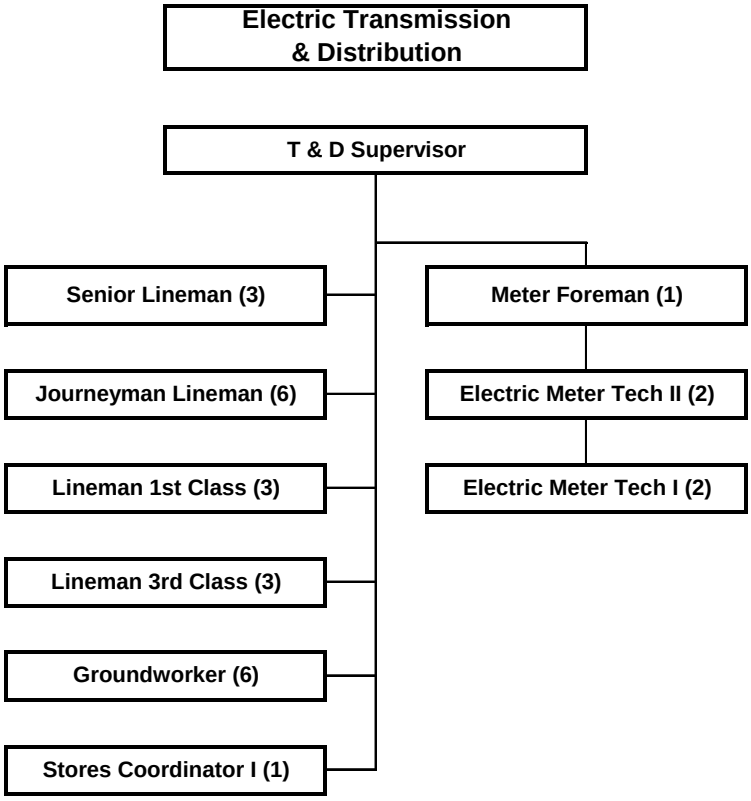

Electric Engineering
Engineering Services Manager
Engineering Crew Leader (1)
Substation Crew Leader (1)
Systems Operations Crew Leader (1)
Engineering Fieldworker (2)
Relayman (3)
Electric System Operators (4)
Electrical Engineer (1)
Utility Locator (1)
Pole Tagger (1)
Draftsman (1)
Substation Foreman (1)

Figure I-4


Electric Transmission & Distribution
T & D Supervisor
Senior Lineman (3)
Journeyman Lineman (6)
Lineman 1st Class (3)
Lineman 3rd Class (3)
Groundworker (6)
Stores Coordinator I (1)
Meter Foreman (1)
Electric Meter Tech II (2)
Electric Meter Tech I (2)

PART II – ELECTRIC SYSTEM OVERVIEW AND ASSESSMENT

PART II
ELECTRIC SYSTEM OVERVIEW AND ASSESSMENT

ELECTRIC SYSTEM OVERVIEW

The Electric System owned by the City of Dover, Delaware (City), primarily consists of production plant, transmission plant, distribution plant, and general plant facilities. Table II-1 shows the year-end balances of the various plant components within the above categories for FY 2005 through FY 2007. Table II-2 itemizes the specific capital investment plan projects and anticipated expenditures for FY 2008, as well as projections for other components included in the FY 2008 budget.

Production Plant

The City owns two power stations, the McKee Run Generating Station (McKee Run) and the VanSant Generating Station (VanSant). McKee Run consists of three steam turbine generating units with total combined capacity of 136 megawatts (MW). VanSant is a 39-MW simple-cycle combustion turbine unit.

The Electric Division purchased its power requirements under an all-requirements power and energy supply contract with Duke Energy Trading & Marketing (Duke) in FY 2006. The contract was executed on March 11, 1996 and expired on June 30, 2006. Effective May 4, 2006 the City entered into a five year Energy Management Agreement with PACE Global Asset Management (Pace), LLC of Fairfax, Virginia to assist the City with its energy procurement, energy sale, purchase of fuels, establishment and management of risk policies, to develop and manage hedging protocols and related energy procurement challenges.

Duke/Fluor Daniel (D/FD) assumed responsibility for operating and maintaining the City's two power plants under a separate agreement also dated March 11, 1996. These agreements provided for the City to retain complete ownership of the two generating stations. The partnership between D/FD was dissolved as of September 13, 2004. The two power plants were operated by DE Operating Services, LLC (DEOS) in FY 2006. As of July 1, 2006, North American Energy Services (NAES) began operating the plants. The Engineering Consultant's observations regarding the generating stations and units are described in the Electric System Assessment section below.

Table II-1

YEAR-END PLANT IN SERVICE
FISCAL YEARS 2005 - 2007
City of Dover Electric Division

	Plant in Service Year-End Balance		
	FY 2005	FY 2006	FY 2007
Production			
Land and land rights	$1,488,382	$1,488,382	$1,488,382
Boiler plant equipment	15,259,321	15,259,321	15,259,321
Turbogenerator units	20,398,643	20,398,643	20,398,643
Accessory electric equipment	4,491,314	4,491,314	4,491,314
Miscellaneous steam plant equipment	17,985,283	17,985,283	17,985,283
Miscellaneous other plant equipment	791,284	791,284	791,284
Total Production	$60,414,227	$60,414,227	$60,414,227
Transmission			
Station equipment	$17,581,238	$17,589,997	$12,252,863
Overhead conductors and devices	6,057,818	6,213,279	7,011,175
Underground conductors and devices	2,731,251	2,731,251	2,731,250
Total Transmission	$26,370,307	$26,534,527	$21,995,288
Distribution			
Station equipment	$7,163,415	$7,172,174	$12,169,662
Overhead conductors and devices	4,995,894	4,995,894	4,979,196
Underground conductors and devices	9,487,621	10,822,210	11,587,196
Line transformers	8,043,108	8,237,677	9,037,744
Meters	2,954,619	3,497,876	3,546,546
Street lighting and signal systems	1,391,523	1,480,678	1,490,507
Total Distribution	$34,036,180	$36,206,509	$42,810,852
General Plant			
Structures and improvements	$14,464,266	$14,435,009	$14,530,780
Office furniture and equipment	497,870	497,870	483,750
Transportation equipment	494,384	480,795	695,348
Power operated equipment	20,000	20,000	20,000
Communication equipment	1,083,691	1,083,691	1,088,079
Miscellaneous equipment	4,447,176	4,933,079	4,585,942
Total General Plant	$21,007,387	$21,450,444	$21,403,899
Total Plant in Service	$141,828,102	$144,605,709	$146,624,266
Construction Work in Progress	$819,813	$762,121	$1,331,652
Total Plant	$142,647,916	$145,367,832	$147,955,920

Table II-2

PLANNED CAPITAL EXPENDITURES - FISCAL YEAR 2008
City of Dover Electric Division

Capital Investment Plan Projects	Plant in Service Year-End Balance	
Engineering		
Lebanon Transformer	$637,950	
Mayfair Substation - 69kV/12kV	$65,000	
69 KV Feeders 3 and 4	9,457,788	
Distribution Capacitors	225,000	
Transmission Relaying, Replacement and Calibrations	520,000	
College Road Distribution Substation	2,435,000	
Distribution Upgrades	300,000	
Replacement of 69 kV Breakers	183,000	
Horsepond 600 Transformer	325,000	
Lighting Project and Rehab	100,000	
Governors Avenue Rebuild	2,068,260	
St. Jones Substation	2,166,039	$18,483,037
Transmission and Distribution		
New Developments	$1,015,000	
Radio Read Meters Change Out	545,000	$1,560,000
Vehicles		
Electric Engineering	$23,000	
Electric Transmission & Distribution	40,000	$63,000
Power Plant		
McKee Run Fuel Oil Tank	$300,000	
McKee Run Fire Protection System Upgrades	50,000	
VanSant COMS Replacement	27,000	
McKee Run Unit 3, Selective Non-Catalytic Reduction System	400,000	$777,000
Total Capital Investment Plan Projects		$20,883,037

The highest system peak demand experienced on the Electric System occurred on August 3rd 2006 when the total load reached 177.54 MW. For FY 2007, the Electric Division had total energy sales of approximately 734.1 gigawatt-hours (GWh). Annual energy sales are projected by the Electric Division to grow from FY 2008 through FY 2012 at a compound annual rate of approximately 1.0 percent.

Transmission and Distribution Plant

The service area includes 221.11 miles of overhead lines and 230.35 miles of underground lines. The Engineering Consultant's observations regarding the transmission and distribution system are described in the Electric System Assessment section below.

Four Electric Division customers take service off of the 69-kV transmission system. These customers include the Dover Air Force Base, Kraft, Proctor & Gamble, and NRG Energy Center (NRG). NRG is an exempt wholesale generator that sells power that must be transmitted through the City's transmission system to third party purchasers. When the NRG plant is not operating the Electric Division provides power for the plant site.

The Electric Division has two contracts for providing transmission service through the Electric System. As mentioned above, the Electric Division provides transmission service to NRG for the output of its 16-MW electric generator and it has a point to point contract for the output of an NRG Combustion Turbine which ties directly to the Kent Substation and is not part of the Dover Transmission system.

General Plant

The general plant category consists primarily of Electric Division administrative and operations facilities and pollution control related equipment on McKee Run and VanSant. The City's agreement with DEOS was that DEOS assumed responsibility for the costs of all replacements and upgrades required to maintain the capability of the two stations, except that the City was responsible for the costs of compliance with new regulations promulgated after the start of the operations and maintenance contract. The agreement with NAES is that they will manage the operation and maintenance of the facilities and the City will be responsible for the costs of all replacements and upgrades required to maintain the capability of the two stations. The City will also continue to be responsible for the costs of compliance with new regulations promulgated after the start of operations and maintenance contract. Other types of items included in general plant include office furniture and equipment, computer-related equipment, transportation and power-operated equipment, and communication equipment. Burns & McDonnell did not specifically assess the items in the general plant category.

ELECTRIC SYSTEM ASSESSMENT

Burns & McDonnell, Engineering Consultant to the City, performed observations and assessments of the Electric System assets in support of the development of this annual Engineering Consultant's Report. The findings from the review of the City's Electric System are documented in this section of the report.

Electric Generating Stations

On December 3, 2007, Mr. Ted Kelly and Mr. Adam Young of Burns & McDonnell met with representatives of NAES to discuss the condition of McKee Run and VanSant, both of which are owned by the City. Mr. Phil Kosek, Acting Plant Manager, coordinated the visit and arranged for the following additional NAES personnel to be available for the meeting.

- Mr. Kenneth Beard, O&M Manager
- Mr. Paul Greenage, Maintenance Supervisor
- Mr. Dewey Ray Lavender, Operating Supervisor

Description of Generating Stations: McKee Run consists of three units. Unit 1 and Unit 2 were originally coal-fired units, which commenced operation in 1961 and 1962, respectively. In 1972, these units were converted to burn No. 6 fuel oil. These units are rated at 17 MW each. Unit 3 commenced operation in 1975 and was designed to fire No. 6 fuel oil and natural gas. Unit 3 is rated at 102 MW. Currently, each of the units has dual fuel usage capability, No. 6 fuel oil and/or natural gas. VanSant consists of a simple cycle combustion turbine rated at 39 MW in the summer and 40 MW in the winter. This unit commenced operation in 1991. VanSant is normally unmanned, except when it is dispatched into service. Personnel from McKee Run are sent to VanSant to startup and operate the unit.

Prior to 1996, these generation facilities were operated and maintained by the Electric Division. In 1996, the City contracted with Duke/Louis Dreyfus (D/LD) to operate and maintain the facilities. In turn, D/LD signed an agreement with D/FD to operate and maintain the Stations. The partnership between Duke and Fluor Daniels was dissolved in September 2004. The two Stations were then operated by DEOS. As of July 1, 2006 the two Stations have been operated by NAES with the same personnel previously working for DEOS. It should be noted that three positions were eliminated from the organization chart during the transition to NAES.

Management and Organization: Station management appeared very well organized and knowledgeable, and presented a logical approach to operation and maintenance of the generation facilities. Mr. Phil Kosek serves as the Acting Plant Manager while fulfilling his duties as the Administrative & Employee Health and Safety (EHS) Manager. The management/leadership team consists of Mr. Kosek and eight other personnel. Reporting to Mr. Kosek are the positions of Administrative Assistant, Material Coordinator, and O&M Manager. The O&M Manager oversees a Maintenance Supervisor, and four Operations teams. Each operations team consists of the supervisor and four operators working 12-hour rotating shifts. The maintenance team consists of a supervisor and six employees working 10-hour shifts. The operations and maintenance personnel are all union employees and the relationship between the union and management continues to be reported as excellent. McKee Run is currently at a staff level of 28 employees. There are currently two open positions for an operator, one open position for an I,C/E Technician, and one open position for Plant Manager.

Safety: Safety is of paramount importance to the entire Station staff. In FY 2007 there were no reportable injuries. "Safety First" is an overall theme and attitude. Near-miss incidents are documented, reviewed, and corrective follow-up actions taken as required. An employee-run safety committee is actively in place. This committee conducts monthly safety meetings, completes safety equipment inspections, and defines and implements tasks to improve safety in all areas. Safety is the first topic discussed at all meetings. Employees participated in creating an indoctrination video emphasizing safety that is shown to all visitors when entering the Station.

Training: The required annual OSHA compliance training is completed and documented for each employee. A formal two-day employee orientation program is required for all new employees. This orientation covers a multitude of subjects from employee benefits to a review of the various Station operating manuals. For operator training, the Employee Development and Qualification Program (EDQP) has been established. EDQP is a formal program for training operators to progressively advance to positions having additional responsibilities. In addition to the above programs, cross training of various disciplines also occurs. An example is electricians cross training with instrumentation and control (I&C) craft and vice versa.

Major Equipment Condition and Improvements: In general, the generation facilities are properly maintained and operated and in very good condition as evidenced by the high availability of the units. The generation facilities are dispatched sparingly and operate primarily as peaking units. As such, the individual units incur a relatively large number of starts per year. Table II-3 summarizes the major FY 2007 Operating Results:

Table II-3

Fiscal Year 2007 Operating Results

Unit Number	Rated MW Capacity	Operating Hours	Net MWh Production	Number of Starts	Net Capacity Factor [1]	Service Factor [2]
McKee Run						
1	17	184.1	1,407	6	0.94%	2.10%
2	17	190.0	1,482	5	1.00%	2.17%
3	102	526.4	24,171	32	2.71%	6.01%
VanSant [3]	39	124.0	3,870	38	1.13%	1.42%
Total	175	1024.5	30,930	81	2.02%	2.92%

[1] Net Capacity Factor = [Net MWh Production / (Total Available Hours * Rated MW Capacity)] * 100
[2] Service Factor = (Operating Hours / Total Available Hours) * 100
Total Available Hours = 365 days, 24 hours/day
[3] VanSant is rated at 40 MW in the winter and 39 MW in the summer

The large amount of time that units are not operating allows for maintenance and repair of the units. As a result, the overall equivalent availability factor for the generation facilities was well above 90 percent. It should be noted that the low net capacity factors are partially off set by the Pennsylvania New Jersey Maryland Interconnection (PJM) capacity credits. The capacity credits covered a portion of the fixed operating and maintenance costs in FY 2007 and will provide approximately $5 million in net revenue in FY 2008.

Maintenance activities are organized, planned, and managed using a computer based system, Maximo. Using this system, all three major categories of maintenance activities (corrective, preventative, and predictive) are managed.

For corrective maintenance activities, any Station operator or mechanic can enter a work order into the system at any terminal on the Station local area network (LAN). A supervisor reviews the request, turns it into a work order, and assigns a priority according to a predetermined categorization. The work order is then assigned to an operator or maintenance technician for completion.

This system is also used to manage and track preventative maintenance activities that follow a schedule. Changing filters, turning on and off heat tracing are examples. Predictive maintenance activities practiced include oil analyses, vibration testing, and infrared surveys. Recently, portable vibration testing equipment was purchased. This equipment will improve the frequency of and capabilities to trouble-shoot rotating equipment to identify problems and take corrective actions before equipment failure occurs.

The following is a summary of the condition assessment of McKee Run major equipment and VanSant as presented by the NAES staff. Burns & McDonnell made no internal assessments of equipment during the facility tour.

Steam Turbines/Generators: The steam turbines and generators for Units 1, 2, and 3 were reported to be in satisfactory condition with no major problems**.** No major repairs or replacements are expected or required for the turbine/generators in the next fiscal year.

Boilers and Auxiliaries: Boiler inspections are conducted every year on each of the boilers. Each fiscal year, the inspections on each boiler typically include the inspection and cleaning of the major boiler components, including the mud and steam drums, the forced draft and induced draft fans, the windbox, condenser water box, condenser tubes, hotwell, air preheater components, and safety valves. Minor routine maintenance repairs and replacements were completed during the annual planned outages in FY 2007. No major capital projects were completed.

Unit 3 had two outage events in FY 2007. The first outage which occurred on June 15th was due to the unit tripping on an oil / steam differential pressure on A burner deck. This took out all three burner decks and the low oil header pressure. The plant staff corrected the problem expediently and brought the unit online within 45 minutes. The second outage which occurred on June 27th was due to a faulty servo valve on the main steam stop valve. The faulty valve was replaced and the scheduled startup was completed the next morning as planned.

In order to comply with Delaware Regulation 1146, the City must install an Selective Non-Catalytic Reduction System on Unit 3. This system is used to remove NO_X from the flue gas prior to leaving the stack. The costs are divided into two years with engineering and design costs in FY 2008 and construction and design in FY 2009. Failure to comply with Regulation 1146 could result in monetary fines from DNREC.

Station Cooling Water Systems: The Station has split cooling water systems with one system serving Unit 1 and Unit 2 and a separate system serving Unit 3. The cooling water systems are reported to be sufficiently sized and in satisfactory condition, with no major issues reported at the time of this report.

Fuel Handling Systems: Natural gas comes into the station in a 4-inch diameter pipeline for Unit 1 and Unit 2 and in a 10-inch diameter pipeline for Unit 3. Fuel oil is delivered to the station and unloaded into tanks. Two natural gas-fired boilers heat the oil lines and storage tanks. Forwarding pumps deliver the oil to each of the units. These systems are reported to be in satisfactory condition, with no major problems reported. Gas meters were installed on the hot water boiler gas supply lines to monitor the amount of gas going to each boiler.

The Plant will be cleaning and inspecting the 2.5 million gallon fuel oil tank at McKee Run in FY 2008. The above ground storage tank regulations require periodic out-of-service (empty) inspection by June 30, 2007. The Plant has applied for and received an extension of one year. The cleaning and inspection of the 2.5 million gallon fuel oil tank was completed in November 2007, ahead of schedule.

Water Treatment/Steam Purity: Quality control parameters for boiler feed-water, internal boiler water, cooling tower water, and steam purity are checked at a minimum of twice per day when systems are operating. Results are recorded and graphically compared to control limits. Adjustments are then made as required. Boiler feed water is treated city water (well water from City) using a regenerative ion resin demineralizer system, along with deaeration for oxygen control. Boilers 1 and 2 use a coordinated phosphate control for boiler internal purity control and Boiler 3 uses a balanced trisodium phosphate and disodium phosphate within a narrow pH range. A deep-bored water well was installed to provide water in addition to the city supplied water. City water has a high chlorine level which may exceed the Station permitted limits. By combining city water with the well water, the chlorine levels can be maintained at the permitted limits. Water for cooling tower makeup is also obtained from City water. The primary control parameter is silica concentration. Blow down is adjusted as required to maintain control. No major issues were reported at the time of this report.

Steam purity is not continuously monitored. Samples are taken twice daily and tested for pH, conductivity, and silica. There have not been any problems with steam purity. Annual inspections of the boiler drums and separation internals have verified that these systems are intact and operating properly. The station has not experienced any internal corrosion related failures, steam path deposits, or excessive condenser fouling. NALCO provides water treatment consulting services and chemicals. A representative visits the station once per week to review test data and check chemical usage rates. No major issues were reported at the time of this report.

Station Electrical Systems: Station electrical systems and transformers are considered to be in satisfactory condition. No major repairs or replacements are expected or required for the station electrical systems in the next fiscal year. A condition assessment of the generation facilities' transformers was conducted in FY 2007 and oil inspections and analyses were made. No major issues were reported.

Station Control Systems: Unit 1 and Unit 2 controls are electro-pneumatic and Unit 3 controls are a distributed control system (DCS). In general the station control systems are considered to be in satisfactory condition. The Unit 1 and Unit 2 control systems are outdated but perform satisfactorily. Any long-term operation plans for these two units should include consideration of an upgrade of the control systems. All relays were inspected at both McKee Run and VanSant for NERC, PJM and MAAC compliance. No major issues were reported.

General Facilities: No major projects or improvements were completed to the General Facilities in FY 2007 other than routine maintenance and repairs. In general, the station facilities appeared clean and well maintained during the site visit.

Both VanSant and McKee Run will be conducting an Arc Flash Analysis in FY 2009. It is currently only an OSHA recommendation that facilities perform an Arc Flash Analysis on their equipment. The engineering analysis identifies the risk of personal injury as the result of an arc flash event, provides information to employees about arc flash and identifies personal protective equipment necessary to minimize injuries.

The Plant will also be installing fire protection system upgrades for McKee Run Unit 3 per the City's insurance company's recommendations. The insurance company toured the plant and identified/recommended a need to install a manually operated foam deluge system to protect Unit 3 bearings in the event of a fire.

It is necessary to install a new computer and CEMS software for the continued operation of McKee Run Unit 3. The recommendation is to replace the existing computer and software before October 1, 2008 to ensure that the entire last quarter of the reporting period is using the new system thus minimizing the potential for reporting errors. The replacement of the CEMS equipment for McKee run is the direct result of a new EPA regulation. Compliance with the new regulation is required by January 1, 2009.

VanSant Generating Station: In general, the unit is operated infrequently, but is well maintained. Although the station is only manned when operating, an operator performs a twice daily walk through with a checklist of items to review and the results/findings are logged. In April 2007 the station underwent its annual outage. During the outage, a number of work orders were addressed including inspections, equipment calibrations, preventative maintenance, and TILS. A borescope inspection was also performed on the compressor and turbine sections.

The station will be replacing the Continuous Opacity Monitoring System (COMS) on VanSant. The current COMS is 13 years old and needs replacing. Parts for existing system are unavailable and the system is no longer supported by the OEM. This project was completed during November 2007.

It is necessary to install a new computer and CEMS software for the continued operation of the VanSant combustion turbine. The recommendation is to replace the existing computer and software before October 1, 2008 to ensure that the entire last quarter of the reporting period is using the new system thus minimizing the potential for reporting errors. The replacement of the CEMS equipment for VanSant is the direct result of a new EPA regulation. Compliance with the new regulation is required by January 1, 2009.

Transmission and Distribution Systems

On December 3rd and 4th, 2007, Mr. Ted Kelly and Mr. Adam Young, visited the City to collect information and to observe the City transmission and distribution system, as operated and maintained by the Electric Division. Mr. Ron Lunt, Public Utilities Director, provided information related to the transmission and distribution system. Mr. Lunt also led a tour of the electric transmission and distribution system.

The Electric Division distributes power to its customers by a network of transmission lines, distribution substations, and distribution lines. The transmission lines are rated at 22 kV or 69 kV and are connected to 15 distribution substations located throughout the service area. The distribution substations reduce the

power from transmission voltages to the primary distribution voltages of 4 kV or 12 kV to facilitate distribution of electric power to customers. The 22 kV and 4 kV lines are being converted to 69 kV and 12 kV to make the system uniform. Duke completed the last load flow study of the Electric System in 2001. A short circuit duty study was completed to study the effects of the new 230 kV Conectiv Inc. (Conectiv) tie station.

System Reliability: The Electric Division provides for reliability of its distribution system by configuring a majority of its distribution circuits in primary closed loop arrangements, improving existing circuits, and installing adequate substation transformer capacity. Normal transformer and line loading are limited to provide sufficient margin to convey firm power requirements during an emergency or a switching operation, or for maintenance.

Power Quality: The Electric Division does not have any significant power quality problems. The overall power factor for the Electric System has decreased from 97.4 percent in FY 2006 to approximately 97.2 percent in FY 2007. Power transformers equipped with load tap changers regulate bus voltages at the distribution substations. Distribution transformers are equipped with no-load taps to make voltage adjustments. There are capacitors and voltage regulators on the Electric System that control voltage and vars on the portion of the system furthest away from the current source and generation. The system operators monitor the power factor closely and turn on capacitors or adjust the generation to compensate for low power factors.

Operations and Maintenance: The Electric Division has a SCADA system that is monitored continuously for any problems that may arise in the Electric System. The main control room has two system operator desks and a large screen where system operating information is displayed. System operators can monitor the Electric System operation, such as voltage levels, current flows, etc. and make necessary adjustments as problems arise. The systems operators have received some PJM training and are not required to be certified as Delmarva is the controlling agency.

Loading on substation transformers used for an emergency, a switching operation, or maintenance is limited to 120 percent of the rated capacity, followed by a 12-hour cool-down period. The mobile substation is energized at least once a year to prevent moisture build-up in the transformer oil and to ensure the substation works properly.

The Electric Division has nine line crews to work on the system. Four crews are responsible for overhead lines, four crews are responsible for underground lines, and one crew is responsible for maintenance. The primary responsibilities of the eight line crews are installation of new service connections and construction of new lines. The Trouble crew maintains the street lights, repairs underground services and is the first responder to outages. Tree trimming is now contracted out and is no longer performed by the Electrical Division; however, their performance is monitored by the Line Crew Superintendent.

The Substation/Relay Maintenance Division is responsible for operation and maintenance of the substations and associated equipment. They perform visual inspections of substations, associated equipment, trip counter checks, battery systems checks, and annual transformer oil tests.

The City contracts with an outside firm to inspect and chemically treat each wood pole in the Electric System every ten years. This is accomplished by awarding a five year contract to spread out the expenses. The City also has a contract with an environmental consultant to check each substation for oil leaks and to provide instruction on cleaning up in the event of an oil spill.

Design Standards and Specifications: The Electric Division designs the transmission and distribution circuits and some substation upgrades in conformance with national safety standards. Other substation and transmission design is contracted out to The Shaw Group, Black & Veatch, and Wilson and Wilson Consultants.

The underground distribution design utilizes road or alley front access construction. This design means the electrical equipment, such as transformers and underground cable, are installed beside the road instead of behind houses or buildings. The advantage of front access construction is the accessibility for maintenance and repairs to cable and electric equipment. The underground cables are installed in PVC pipe for added protection and for easy cable replacement. The Electric Division installs jacketed, concentric cable that is rated at 15 kV, with 133 percent Ethylene Propylene Rubber (EPR) insulation. The standard overhead distribution design utilizes a flat construction using a single cross-arm and insulators on 45 foot class 2 poles. Typically all electrical equipment locations have ground rods installed with measured readings of 25 ohms or less.

The substation design is generally a low-profile rigid bus design. The circuit breakers are SF6 gas-filled and the relays are microprocessor based with SCADA control and monitoring.

Transmission and Distribution Improvements: The following describes completed, on-going, and planned improvements to the City's Electric System:

Completed:

- Kesselring Feeder
- Meter Testing Bench
- Dover Downs 69kV Relocation
- Denny's Road Upgrade
- Blue Light Security

On-Going:

- Lebanon Transformer
- Mayfair Substation – 69kV/12kV
- 69 kV Feeders 3 and 4
- Distribution Capacitors
- Transmission Relaying, Replacement & Calibrations
- College Road Distribution Substation
- Distribution Upgrades
- Replacement of 69 kV Breakers
- Lighting Project and Rehab
- New Development & Upgrades
- Radio Read Meters Change Out
- Fiber Optic Replacement/Installation

Planned:

- Horse Pond 600 Transformer
- Governor's Avenue Rebuild
- St. Jones Substation
- Danner Farm Transformer
- Mid City Substation
- General Scott Substation

System Tour: The tour of the Electric System included drive-by observations of a sample of the transmission circuits, distribution circuits, and substations.

The Electric System was in good condition and appeared to be well maintained. The Cartanza Substation is a 230/69 kV substation, which serves as an intertie with Delmarva. Delmarva maintains the 230 kV side of the station, while the City of Dover maintains the 69 kV side. Cartanza currently has two 69 kV lines leaving the station. There are plans for a total of four 69 kV lines at Cartanza. The two lines leave the station on one structure and remain a double circuit until the circuits split down the line.

Most of the fifteen substations were observed during the tour. St. Jones substation is the last 22/4 kV substation on the system. This station is old and will be updated when the 22 kV and 4 kV line conversions are complete. North Street and VanSant substation were observed and appeared to be in good condition. Overall, the substations appeared to be well maintained. Some older structures have corrosion on the steel, but much of this steel will be replaced by planned or ongoing projects and upgrades. There was no vegetation visible and the yards appeared to be well maintained.
During the tour the 69 kV and 12 kV lines were observed and all appeared to be in good condition. None of the poles appeared to be leaning.

Conclusions

Based on statements and information provided, as well as the observations and reviews performed, it is the opinion of Burns & McDonnell that the City's power generation facilities are being operated and maintained consistent with accepted electric utility practice in the United States. In general, the performance, operation, maintenance, staff, planning, and training aspects for the McKee Run and VanSant stations were found to be above average. Specifically, the generation facilities have demonstrated a high level of availability despite the dispatching of the units primarily for peak demand. In addition, it is the opinion of Burns & McDonnell' that the design, construction, operation and maintenance of the City's electric transmission and distribution system and the associated facilities are consistent with current generally accepted electric utility standards. The City and the Electric Division are proactive in preventative maintenance and expansion of the Electric System before problems arise.

* * * * *

PART III – FINANCIAL ASSESSMENT

PART III
FINANCIAL ASSESSMENT

The financial results of the City of Dover, Delaware (City) Electric System for the fiscal year (FY) ended June 30, 2007 were generated through the management and operation of the Electric System by the Electric Division. The financial results are reviewed below.

FINANCIAL RESULTS

The revenues of the Electric Division during FY 2007 included charges for electric service, as well as miscellaneous revenues from items such as rents, pole connections, reconnect fees and emission credits. On the Comparative Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings, revenues were compared to the Electric Division's costs of providing services to its customers to determine whether the financial requirements of the Electric Division were met.

Required Revenue Level

The level of revenues required from the retail electric rates for the Electric Division were determined through the analysis of the financial results and net income or net margins for the most recent fiscal year. The City of Dover, Delaware Resolution Authorizing and Securing Electric Revenue Bonds, adopted December 23, 1985 requires that the Electric Division maintain a debt service coverage ratio of 1.25. The following is an excerpt from Section 502(c) of the Resolution.

> *"(c) The total amount of the Revenues of the Electric System during the preceding fiscal year shall have been not less than the total of the following:*
> *(1) The Current Expenses of the Electric System during the current fiscal years shown by the Annual Budget . . . for such fiscal year, and*
> *(2) One hundred twenty-five percent (125%) of the maximum amount of the Principal and Interest Requirements for any fiscal year thereafter on account of all bonds then Outstanding under the provisions of this Resolution.*
>
> *The City further covenants that, from time to time and as often as it shall appear necessary, it will adjust the electric rates as may be necessary or proper so that the revenues of the Electric System in each fiscal year will not be less than the total of the amounts set forth in subdivision (c) of this section."*

Electric Rates

Customers of the Electric Division of the City are charged for the electric service they receive based on rate schedules, tariffs, or contracts that reflect the costs to the Electric Division of providing that service. For purposes of setting electric rates, customers with similar load and service characteristics should be placed in the same rate classification. A rate study was completed during the last portion of FY 2006. This study was necessary to address increased costs associated with the new power supply arrangements that became effective July 1, 2006. The rate study recommended combining a number of rate classes and increasing rates to provide for the necessary increase in revenues to meet increased costs. A second rate increase was recommended for January 1, 2007 in order to cover increased costs associated with operating the power plant. The various current rate classifications for the City are listed below.

- Residential
- Small Commercial (1 Phase, 3 Phase, & 1 Phase Heating)
- Medium Commercial (1 Phase & 3 Phase)
- Large Commercial (3 Phase with Reactive Metering)
- Primary
- Transmission
- Outdoor Development Lighting
- Private Outdoor Lighting
- Water Pump
- Water Pump 2
- Supplemental for NRG

Operating Results

The Electric Division provided service to its customers under the rate schedules listed previously. Table III-1 presents summaries of the energy sales, the number of customers, and the average kilowatt-hour (kWh) per customer of the Electric Division for FY 2005 through FY 2007 by the City's revenue classifications and in total. Total energy sales increased from approximately 731.6 million kWh in FY 2005 to approximately 734.1 million kWh in FY 2007, or an average annual increase of about 0.11 percent.

Table III-1

ANNUAL SALES AND CUSTOMERS
FISCAL YEARS 2005 - 2007
City of Dover Electric Division [1]

	2005	2006	2007
Energy Sales (kWh)			
Residential	186,240,829	191,517,807	190,756,284
Commercial	231,085,393	239,762,026	253,281,301
Primary	164,293,100	160,146,270	159,025,303
Transmission	142,606,622	142,877,369	131,009,119
Municipal [2]	7,409,075	2,506,760	0
Total Energy Sales	731,635,019	736,810,231	734,072,007
Average Number of Customers (bills)			
Residential	17,943	18,224	18,578
Commercial	2,963	3,166	3,421
Primary	33	33	36
Transmission	4	4	4
Municipal	1	1	1
Total Customers	20,944	21,428	22,040
Energy Per Customer			
Residential	10,379	10,509	10,268
Commercial	78,001	75,722	74,037
Primary	4,978,579	4,852,917	4,427,619
Transmission	35,651,656	35,719,342	32,752,280
Municipal	7,409,075	2,506,760	-
Average Energy Per Customer	34,933	34,385	33,306

[1] From monthly electric billing summaries by revenue class.
[2] Municipal energy sales were reduced in FY2007 due to remaining Municipal customers moving into the Commercial customer class

Table III-2 shows the revenues resulting from those sales with ratios for revenue per kWh and average revenue per customer for each revenue classification and in total. Total revenues from sales to electric customers in FY 2007 were approximately $83.1 million, representing average annual increases of 11.37 percent over the FY 2005 rate revenue of approximately $60.1 million. This increase reflects the recommended rate increases that were implemented in FY 2007.

In FY 2007, the average price per kWh for residential customers was 12.40 cents and the system-wide average price was 11.32 cents per kWh. These average prices compare to the corresponding 2007 national average rates of 10.53 and 9.05 cents per kWh, respectively. For a regional comparison, the averages within Delaware were 12.84 cents per kWh for residential customers and 11.08 cents per kWh system-wide.

The Electric Division's largest cost providing electric service to its customers is the wholesale cost of power, purchased from the Pennsylvania New Jersey Maryland Interconnection (PJM) marketplace by its Energy Manager, PACE Global Energy Services (Pace). From FY 2005 to FY 2007, the cost of power increased at an average annual rate of approximately 21.3 percent from approximately $39.6 million to approximately $70.7 million. This reflects PJM wholesale power prices as compared to the long-term fixed power price that Dover had in place for ten years under the previous Duke contract, which expired at the end of FY 2006. The recent reset of wholesale power prices reflects long-term market price increases. Over the same period the volume of energy purchased increased from approximately 768.6 million kWh to approximately 788.8 million kWh.

The significance of this data to the Electric Division is illustrated in Table III-3. The top portion of the table shows net operating revenue as the difference between total revenues generated by the rates and the cost of power. The ratios of purchased power expense to sales revenues are calculated for FY 2005 through FY 2007. As indicated, the Electric Division's cost of power supply as a percentage of rate revenue has jumped from approximately 66 percent in 2006 to 85 percent in 2007.

Table III-2

ANNUAL REVENUES AND SALES RATIOS
FISCAL YEARS 2005 - 2007
City of Dover Electric Division

	2005	2006	2007
Revenue			
Residential	$18,722,220	$20,135,081	23,659,349
Commercial	20,612,790	22,615,074	30,259,773
Primary	11,040,130	11,324,243	16,915,686
Transmission	8,566,630	8,992,335	11,907,244
Municipal [1]	1,228,655	777,620	367,761
Total Revenue	$60,170,424	$63,844,353	$83,109,813
Revenue/kWh			
Residential	$0.1005	$0.1051	$0.1240
Commercial	0.0892	0.0943	0.1195
Primary	0.0672	0.0707	0.1064
Transmission	0.0601	0.0629	0.0909
Municipal	0.1658	0.1793	0.0000
Total Revenue/kWh	$0.0822	$0.0866	$0.1132
Revenue Per Customer			
Residential	$1,043	$1,105	$1,273
Commercial	6,958	7,142	8,845
Primary	334,549	343,159	470,970
Transmission	2,141,657	2,248,084	2,976,811
Municipal	1,228,655	777,620	401,194
Average Revenue Per Customer	$2,873	$2,979	$3,771

[1] Municipal revenues were reduced in FY2007 due to moving the remaining Municipal customers class into the commercial customer class.

Table III-3

NET REVENUE MARGINS AND UNACCOUNTED FOR ENERGY
FISCAL YEARS 2005 - 2007
City of Dover Electric Division

	2005	2006	2007
Net Revenue Margins ($)			
Sales Revenues	$60,170,424	$63,844,353	$83,109,813
Purchased Power Expense	39,631,302	42,293,895	70,725,844
Net Revenue Margin	$20,539,122	$21,550,458	$12,383,969
Net Revenue Ratio	65.9%	66.2%	85.1%
Unaccounted for Energy (kWh)			
Purchased Power	768,653,000	781,466,220	788,824,000
Energy Sales	731,635,019	736,810,231	734,072,007
Unaccounted for Energy (Losses)	37,017,981	44,655,989	54,751,993
Percentage	4.8%	5.7%	6.9%

Another comparison that can be made from the previous data is the relationship of the amount of energy purchased and delivered to the electric system to the energy sales. This relationship identifies the level of unaccounted for energy in the Electric System. This unaccounted for energy may include energy that was un-metered, metered inaccurately, stolen, lost, etc. The bottom portion of Table III-3 presents these comparisons for the Electric Division for FY 2005 through FY 2007. As shown, the percentage ratio of the unaccounted for energy to the total energy purchased for FY 2007 is 6.9 percent. This increase in unaccounted for energy is a result of the City now metering its purchased energy requirements from the PJM Eastern Hub as opposed to Cartanza Substation as it had under the previous arrangement with Duke.

Table III-4 presents a re-creation of the City's Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings for the Electric Revenue Fund for FY 2005 through FY 2007. Net income increased from approximately $2.4 million in FY 2005 to approximately $4.7 million in FY 2006. Net income decreased from FY 2006 to FY 2007 to a $3.8 million loss in FY 2007. This loss was primarily due to the increased cost of purchased power. It should be noted that retail electric rate revenues were increased to cover the increased purchased power costs. The negative change in net assets of $3.8 million is due to the following changes.

The City had a long-term power supply/asset management agreement with Duke Energy which expired on June 30, 2006. The Duke Energy agreement was a ten year fixed price contract. The fixed price covered all cost of supply and plant operations as a bundled rate to the City. The Duke agreement provided for a price escalator each year which we passed through to our customers as a power cost adjustment when necessary. The agreement also had a revenue sharing arrangement which the City would be rebated for a portion of positive net results. All market and liability risks were borne by Duke. As fuel prices have increased over the past few years the City has been able to enjoy the benefits of the contract rates that were agreed to in 1996.

Effective May 4, 2006 the City entered into a five year Energy Management Agreement with Pace of Fairfax, Virginia to assist the City with its energy procurement, energy sale, purchase of fuels, establishment and management of risk policies, to develop and manage hedging protocols and related energy procurement challenges. Also, effective May 4, 2006 the City entered into an agreement with North American Energy Services Company of Issaquah Washington for generation asset management. The City bears all market risks, credit risks, and liability under the new contracts which is different from the previous agreement.

Table III-4

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN UNRESERVED RETAINED EARNINGS
FISCAL YEARS 2005 - 2007
City of Dover Electric Division

	Actual		
	FY 2005	FY 2006	FY 2007
Operating Revenues:			
Charges for Electric Service	$ 60,170,424	$ 63,844,353	$ 83,109,811
Miscellaneous Services/Incomes	3,132,608	4,160,979	3,904,260
Total Operating Revenues	$ 63,303,032	$ 68,005,332	$ 87,014,071
Operating Expenses:			
General Administration	$ 4,500,056	$ 4,751,390	$ 4,370,066
Purchased Power	39,631,302	42,293,895	70,800,844
Transmission/Distribution	2,817,700	3,029,993	3,666,515
Engineering	2,828,499	1,906,273	1,927,648
Metering	270,187	303,029	281,728
Tree Trimming	-	-	-
Utility Tax	1,032,656	1,092,711	1,461,435
Depreciation	3,680,282	3,766,861	3,843,097
Environmental	-	-	-
Allowance for Bad Debts	-	-	-
Right of Way Fees	-	-	-
Retiree Health Care	424,900	462,655	498,269
Self Insurance-health	-	-	-
Workman's Compensation	-	-	-
Total Operating Expenses	$ 55,185,582	$ 57,606,807	$ 86,849,602
Net Operating Income	$ 8,117,450	$ 10,398,525	$ 164,469
Non-operating Revenues (Expenses)			
Interest Earned			
Operating Fund	$ 164,482	$ 372,560	$ 592,787
Reserved Funds	881,860	881,657	1,370,291
Net Increase in Fair Value of Investments	154,607	(55,058)	294,734
Interest and Fiscal Charges	(1,101,249)	(913,615)	(859,730)
Bond Discount Amortized	(97,965)	(99,775)	(104,310)
Gain/(Loss) on Sale of Assets	(12,839)	(127,477)	(484,345)
Total Non-operating Revenues(Expenses)	$ (11,104)	$ 58,292	$ 809,427
Net Income Before Operating Transfers	$ 8,106,346	$ 10,456,817	$ 973,896
Operating Transfers - In	-	64,000	-
Operating Transfers - Out	(5,663,008)	(5,816,956)	(4,800,000)
Total Net Operating Transfers	$ (5,663,008)	$ (5,752,956)	$ (4,800,000)
Net Income	$ 2,443,338	$ 4,703,861	$ (3,826,104)

A significant change in both revenues and expenses in the current fiscal year were attributed to the expiration of our power supply/asset management contract with Duke Energy. The cost per kilowatt for power supply and generation increased from $0.054 to $0.089. The City implemented an overall rate increase of approximately 31% (additional revenue of $19.3 million) to help offset the $28.4 million increase in the cost of power supply and generation. In addition to the rate increase the City reduced the transfer to the General Fund by $1.0 million and used $5.0 million of its rate stabilization reserve in order to phase in the needed rate increase over two years. The utility also experienced increases in non-service revenues of $1.3 million attributed to the sale of emission credits. Operating expenses also increased $0.7 million due to personnel, professional fees, material and supply cost increases. Non-Operating revenues and expenses experienced a net increase as a result of greater investment earnings of $0.7 million.

Adequacy of Electric Rates

The City's Bond Resolution requires that annual revenues of the Electric Division be no less than the total current expenses plus 125 percent of the greatest remaining annual debt service. Current expenses is a term defined in the Resolution to include all expenses necessary to maintain and repair the Electric System, all administrative expenses, and engineering, legal or other consultant fees. Transfers to reserve accounts and special purpose funds, and allowances for depreciation are specifically excluded from "current expenses."

In order to determine if the City and the Electric Division have met this requirement, the net income shown in Table III-4 must be adjusted to add back the interest on bonds, depreciation expense, and other non-cash income and expenses. Table III-5 presents the adjustments to net income and the determination of the revenues available for debt service for FY 2005 though FY 2007.

Section 502 of the Resolution requires that the annual debt service used in evaluating the revenues is to be the maximum amount for any fiscal year thereafter. Table III-6 presents the annual totals of principal and interest amounts due on bonds currently outstanding. The calculation of the debt service coverage ratio on Table III-5 is based on the total maximum debt service payment in any fiscal year. For FY 2007 the calculation is based on the annual debt service payment of $2,644,620 in FY 2012.

Table III-5

DEBT SERVICE COVERAGE CALCULATION
PER SECTION 502 OF RESOLUTION
FISCAL YEARS 2005 - 2007
City of Dover Electric Division

	FY 2005	FY 2006	FY 2007
Net Income	$ 2,443,338	$ 4,703,861	$ (3,826,104)
Plus Excluded Expenses:			
Operating Transfers - In	$ -	$ (64,000)	$ -
Operating Transfers - Out	5,663,008	5,816,956	4,800,000
Depreciation	3,680,282	3,766,861	3,843,097
Interest and Fiscal Charges	1,101,249	913,615	859,730
Bond Discount Amortized	97,965	99,775	104,310
Gain/(Loss) on Sale of Assets	12,839	127,477	484,345
Less Excluded Income:			
Net Increase in Fair Value of Investments	(154,607)	55,058	(294,734)
Interest Earned - Reserve Funds	(881,860)	(881,657)	(1,370,291)
Revenues Available for Debt Service	$ 11,962,214	$ 14,537,946	$ 4,600,353
Maximum Principal and Interest in Any Year	$ 2,652,213	$ 2,644,620	$ 2,644,620
Debt Service Coverage	4.51	5.50	1.74
Minimum Required Debt Service Ratio	1.25	1.25	1.25

Table III-6

AMORITIZATION SCHEDULE OF ELECTRIC REVENUE BONDS OUTSTANDING
2004 ELECTRIC REVENUE BONDS (TAXABLE ISSUE)
City of Dover Electric Division

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
1/1/2007			429,524	429,524	
7/1/2007	1,780,000	3.480%	429,524	2,209,524	2,639,048
1/1/2008			398,552	398,552	
7/1/2008	1,840,000	3.840%	398,552	2,238,552	2,637,104
1/1/2009			363,224	363,224	
7/1/2009	1,905,000	4.140%	363,224	2,268,224	2,631,448
1/1/2010			323,791	323,791	
7/1/2010	1,995,000	4.375%	323,791	2,318,791	2,642,581
1/1/2011			280,150	280,150	
7/1/2011	2,080,000	4.600%	280,150	2,360,150	2,640,300
1/1/2012			232,310	232,310	
7/1/2012	2,180,000	4.750%	232,310	2,412,310	2,644,620
1/1/2013			180,535	180,535	
7/1/2013	2,270,000	4.950%	180,535	2,450,535	2,631,070
1/1/2014			124,353	124,353	
7/1/2014	2,390,000	5.050%	124,353	2,514,353	2,638,705
1/1/2015			64,005	64,005	
7/1/2015	2,510,000	5.100%	64,005	2,574,005	2,638,010
Total	$22,535,000		$6,500,357	$29,035,357	$29,035,357

As Table III-5 indicates, the City and the Electric Division maintained a debt service coverage ratio each year that was over the required 125 percent. Therefore, the revenues generated by the current electric rates have been sufficient to meet the applicable covenants of the Resolution.

STATUS OF REVENUE BONDS

The City has one series of electric revenue bonds currently outstanding that was issued pursuant to the Resolution. The 2004 Electric Revenue Bonds were issued in 2004, in the amount of $22,535,000. These bonds were issued to refund the 1990 and 1993 bonds.

Table III-6 sets forth the debt service schedule for the 2004 bonds. The amounts of principal and interest and the total due each year are shown for the bond issue. As of the creation of this report, the current total principal outstanding for the 2004 bonds, adjusted for the FY 2007 payments that have already been made, is $17,170,000.

INSURANCE

The City maintains a comprehensive insurance program to insure against varying types of liabilities, as well as significant losses related to various Electric Division properties. Section 706 of the Resolution, reads as follows.

> *"The City covenants that it will maintain a practical insurance program, with reasonable terms, conditions, provisions and costs, which the City Manager determines, with the approval of the Engineering Consultants, will afford adequate protection against loss, including loss of Revenues, caused by damage to or destruction of the Electric System or any part thereof and also comprehensive public liability insurance on the Electric System for bodily injury and property damage in such amounts as may be approved by the Engineering Consultants."*

Table III-7 lists the insurance coverage procured by the City for the period July 1, 2006 through June 30, 2007. Burns & McDonnell has reviewed this list of insurance, and in Burns & McDonnell's opinion, as Engineering Consultant and not as insurance counselor, the insurance in full force and affect appears to satisfy the requirements of Section 706 of the Resolution.

Table III-7

SCHEDULE OF INSURANCE COVERAGE IN EFFECT
City of Dover Electric Division

	July 1, 2007 - June 30, 2008		July 1, 2006 - June 30, 2007	
	Coverage	Deductible	Coverage	Deductible
Commercial Package Policy				
Property				
Building & Contents	$86,443,349	$10,000	$51,904,419	$5,000
Inland Marine				
Computer Equipment	500,000	1,000	530,000	1,000
Contractors Equipment				
Scheulded Equipment - Total Value	16,000	1,000	14,000	1,000
Unscheduled Equipment	100,000	1,000	100,000	1,000
Max Any One unscheduled Item	5,000		5,000	
Employee Tools Limit	62,500	250		
Maximum any one item	1,000			
Catastrophic Limit	178,500		114,000	
Steel Towers & Antennas			18,700	1,000
General Liability				
General Total Limit	3,000,000		3,000,000	
Products and Completed Work Total	3,000,000			
Personal Injury	1,000,000		1,000,000	
Advertising Injury	1,000,000		1,000,000	
Per Occurrence	1,000,000		1,000,000	
Automobile				
Liability			1,000,000	
Personal Injury	1,000,000		300,000	
Uninsured Motorist	1,000,000		1,000,000	
Underinsured Motorist	1,000,000			
Comprehensive		500		500
Collision		1,000		1,000
Non-Owned Liability			1,000,000	
Hired Auto Liability			1,000,000	
Employee Benefit Plans Administration Liability				
Total Limit	3,000,000		3,000,000	
Each Wrongful Act	1,000,000	1,000	1,000,000	1,000
Law Enforcement Liability				
Total Limit	3,000,000		3,000,000	
Each Wrongful Act	1,000,000	5,000	1,000,000	5,000
Public Entity Management Liability				
Total Limit	3,000,000		3,000,000	
Each Wrongful Act	1,000,000	25,000	1,000,000	25,000
Employment Practices Liability				
Total Limit	3,000,000		3,000,000	
Each Wrongful Offense	1,000,000	25,000	1,000,000	25,000
Errors & Omissions Liability				
Public Entity Management Liability	1,000,000			
Employee Benefit Liability	1,000,000			
Crime				
Employee Theft	1,000,000	500	100,000	500
Inside Theft of Money & Securities	25,000	500	10,000	500
Robbery or Burglary			10,000	500
Outside Theft of Money & Securities.	25,000	500	10,000	500
Forgery or Alteration	100,000	1,000		
Computer Fraud	100,000	1,000		
Money Order & Counterfeit Paper Currency	100,000	1,000		

Commercial Package Policy (continued)				sheet 2 of 2
Boiler & Machinery				
Property Limit				$5,000
Epediating Expenses			$250,000	
Pollution Cleanup & Removal			250,000	
Spoilage			250,000	
Umbrellas				
General Total Limit	2,000,000		2,000,000	
Products & Work Limit	2,000,000		2,000,000	
Personal Injury	2,000,000		2,000,000	
Advertising Injury	2,000,000		2,000,000	
Law Enforcement Liability	2,000,000		2,000,000	
Each Event Limit	2,000,000		2,000,000	
Deductible Per Event		10,000		10,000
Pollution Liability Policy				
Each Claim Limit			1,000,000	5,000
Aggregate Limit			1,000,000	
Excess Worker's Comp				
Employer's Liability Limit			1,000,000	500,000
Specific Limit			Statutory	500,000
Aggregate Limit			1,000,000	
Worker's Comp - TPA Services				
Travel Accident Policy				
Principal Sum			100,000	
Bond - Self-Insured Worker's Comp - State of DE				
Limit			750,000	
Bond - Janice Green - Public Official Bond				
Limit			100,000	
Bond - Donna S. Mitchell - Public Official Bond				
Limit			100,000	
Bond - Traci McDowell - Public Official Bond				
Limit			100,000	
XL Insurance America, Inc.				
McKee Run and Van Sant Generating Stations				
Limit	252,100,000		50,000,000	
Starr Technical Risks Agency, Inc.				
McKee Run and Van Sant Generating Stations				
Limit			50,000,000	

OPERATING AND RESERVE FUNDS

The City has established several funds and reserves to ensure that moneys are available for specific purposes when they are needed. The following are descriptions of each fund and their purpose.

- Electric Revenue Fund – The Electric Revenue Fund was established in Section 503 of the Resolution. All revenues are to be deposited into the Electric Revenue Fund when received. Current expenses are to be paid and other funds are to be maintained from the Electric Revenue Fund. Moneys are transferred from the Electric Revenue Fund to the Interest and Sinking Fund, Improvement and Extension Fund, the Depreciation Reserve Fund, Future Capacity Fund, and Electric Rate Stabilization Fund.

- Electric Improvement and Extension Fund – The Improvement and Extension Fund was established in Section 507 of the Resolution. Funds are added to the Improvement and Extension Fund from the Electric Revenue Fund to the extent that the amount of funds available from the Electric Revenue Fund exceeds the total of the amounts required to be added to the Interest and Sinking Fund. The Improvement and Extension Fund also receives additional funding from the Depreciation Fund, the Future Capacity Fund, the Insurance Stabilization Fund, and from the State of Delaware. Section 510 of the Resolution indicates that, except for certain situations, moneys held in the Improvement and Extension Fund are to be used only for payment of costs of unusual maintenance or repairs, renewals or replacements, obtaining or replacing equipment, constructing extensions, additions, or improvements, and engineering expenses related to the foregoing activities.

- Interest and Sinking Fund – The Interest and Sinking Fund was established in Section 507 of the Resolution. This fund consists of two restricted accounts: the Bond Service account and the Reserve Account. The Bond Service Account is funded with equal monthly transfers from the Electric Revenue Fund such that the balance, as of each payment date for interest or for principal and interest, will be equal to the amount of the payment due. The payments of principal and interest due on bonds are made from the Bond Service Account. The Reserve Account is funded by transfers from the Electric Revenue Fund, as necessary, to maintain a balance equal to the maximum combined principal and interest for any future fiscal year through the life of all bonds then outstanding. Moneys in the Reserve Account are used for paying interest on and principal of bonds when the balance in the Bond Service Account is insufficient for making those payments. Excess moneys in the Reserve Account are also used towards paying current interest payments. The total amount in the Restricted Accounts for the 2004 bonds as of June 30, 2006 was $5,409,790. Principal and interest payments due on July

1, 2007 make up $2,209,524 of the combined total of these restricted accounts. The remaining $3,200,206 exceeds the maximum combined debt service for any future fiscal year, which is the $2,644,620 in FY 2012.

- Depreciation Reserve Fund – The Depreciation Reserve Fund represents moneys that have been set aside for the sole purpose of funding renewals and replacements of the Electric System as components or equipment wear out, deteriorate, or otherwise become unsuitable for the intended purpose. Transfers from the Electric Revenue Fund and investment earnings are the only sources of additional moneys for the Depreciation Reserve Fund. Transfers to the Improvement and Extension Fund are made as necessary to fund capital projects. The target appropriation for the Depreciation Reserve Fund each year is the excess of depreciation expense for the year over the amount of principal included in debt service payments made during the year. The reserve balance at the end of FY 2007 was $13,535,183.

- Future Capacity Fund – The Future Capacity Fund was established to set aside and accumulate funds from the Electric Revenue Fund for use in evaluating and pursuing activities related to the Electric Division's alternatives for power supply resources for future demand for electricity. The original target balance for this reserve was $5,000,000. The reserve balance as of June 30, 2007 was $8,958,793.

- Insurance Stabilization Fund – The Insurance Stabilization Fund was established by the City to provide for the funding of insurance deductibles in the event of loss(es) covered by the City's insurance policies then in effect. The target balance in the Insurance Stabilization Reserve is $250,000. The reserve balance as of June 30, 2007 was $351,255.

- Contingency Reserve Fund – The Contingency Reserve Fund was established by the City to provide for unplanned expenditures that may not be avoidable. The City's Financial Policies require that a minimum balance be maintained in the Contingency Reserve Fund equal to one percent of the current year revenues for the Electric Revenue Fund. This fund was initiated in FY 2003 and at June 30, 2007 had a balance of $847,032.

- Electric Rate Stabilization Fund – The Electric Rate Stabilization Fund was established in FY 2005 to offset the costs of the power cost adjustment to the customers of Dover. The fund's target balance is

$5,000,000. Any excess of this amount will be refunded to customers by reducing the rate of the power cost adjustment. The fund's balance as of June 30, 2007 was $379,784. This decrease from the previous year end balance of $5,003,510 was due to a transfer to operations of nearly $5 million. This transfer to operations was utilized to reduce the required rate increase due to increased purchased power costs.

The Interest and Sinking Fund, the Insurance Stabilization Fund, the Contingency Reserve Fund, and the Electric Rate Stabilization Fund are within the Electric Revenue Fund. The Depreciation Fund and the Future Capacity Fund are within the Improvement and Extension Fund. Table III-8 presents the activity in the funds listed above, except the Electric Revenue Fund and the Improvement and Extension Fund.

* * * * *

Table III-8

RESERVE FUND ACTIVITY AND BALANCES
FISCAL YEARS 2005 - 2007
City of Dover, Delaware

	Bond Reserve Account	Depreciation Reserve Fund	Future Capacity Fund	Insurance Stabilization Fund	Contingency Reserve Fund	Electric Rate Stabilization Fund
Year Ended June 30, 2005						
Balance in Account on July 1	$380,022	$14,995,831	$8,181,750	$720,069	$598,356	$493,178
Receipts						
Interest Earned	286,845	323,489	204,631	4,386	19,354	43,156
Appropriations	-	-	-	-	505,937	2,079,312
Total Funds Available	$666,867	$15,319,320	$8,386,381	$724,455	$1,123,647	$2,615,646
Disbursements						
Transfer to Operations	-	-	-	505,937	-	-
Balance in Account on June 30	$666,867	$15,319,320	$8,386,381	$218,518	$1,123,647	$2,615,646
Year Ended June 30, 2006						
Balance in Account on July 1	$666,867	$15,319,320	$8,386,381	$218,518	$1,123,647	$2,615,646
Receipts						
Interest Earned	260,316	333,479	182,690	5,622	26,476	73,074
Appropriations	-	-	-	-	-	2,314,790
Total Funds Available	$927,183	$15,652,798	$8,569,071	$224,140	$1,150,123	$5,003,510
Disbursements						
Transfer to Operations	-	-	-	-	-	-
Balance in Account on June 30	$927,183	$15,652,798	$8,569,071	$224,140	$1,150,123	$5,003,510
Year Ended June 30, 2007						
Balance in Account on July 1	$927,183	$15,652,798	$8,569,071	$224,140	$1,150,123	$5,003,510
Receipts						
Interest Earned	292,150	604,483	389,722	10,755	37,380	35,802
Appropriations	-	-	-	116,360	-	-
Total Funds Available	$1,219,333	$16,257,281	$8,958,793	$351,255	$1,187,503	$5,039,313
Disbursements						
Transfer to Other Reserve Funds					(340,471)	340,471
Transfer to Operations	-	(2,722,098)	-	-	-	(5,000,000)
Balance in Account on June 30	$1,219,333	$13,535,183	$8,958,793	$351,255	$847,032	$379,784

PART IV – CONCLUSIONS

PART IV
CONCLUSIONS

In the preparation of this Engineering Consultant's Report, Burns & McDonnell completed assessments of the electric generating stations and the transmission and distribution system of the City Electric Division, including interviews, observations, and reviews of FY 2007 expenditures and FY 2008 budgets. In addition, an analysis of the balances of the Improvement and Extension Fund and other funds benefiting the Electric Division was performed. Burns & McDonnell also reviewed the adequacy of the revenues provided by the current retail rates in relation to the requirements of the City of Dover, Delaware Resolution Authorizing and Securing Electric Revenue Bonds, adopted December 23, 1985. A high level assessment of the City's insurance coverage related to the Electric Division was also completed.

Based on these reviews and assessments, it is Burns & McDonnell's opinion that:

1. The City's power generation facilities are being operated and maintained consistent with accepted electric utility practice in the United States.
2. The design, construction, operation, and maintenance of the City's electric transmission and distribution system and the associated facilities are consistent with current generally accepted electric utility standards.
3. The Electric Division capital projects included in the City's Capital Investment Plan and the FY 2008 Operating Budget are necessary and should provide improved reliability and power quality for the Electric System.
4. The balances as of June 30, 2007 for the various reserve funds maintained by the City for the Electric Division appear to be sufficient for their defined purposes.
5. The insurance coverage in full force and affect as maintained by the City related to the various assets of the Electric Division appears to satisfy the requirements of Section 706 of the Resolution.
6. The electric revenues generated by the City's current retail rates are more than sufficient to fulfill the debt service coverage requirement (125 percent) defined in Section 502(c) of the Resolution.

* * * * *

PACE | Global Asset Management

4401 Fair Lakes Court
Fairfax, Virginia 22033-3848 USA
Phone: 703-818-9100
Fax: 703-818-9108

City of Dover

December Monthly Report

Energy and Operations Management

January 17, 2008

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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.

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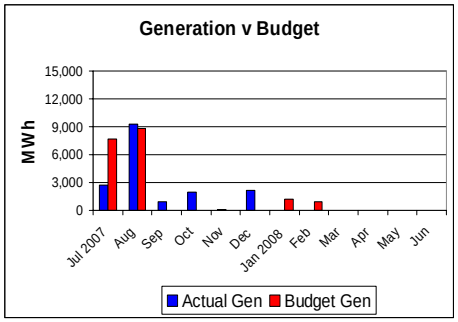
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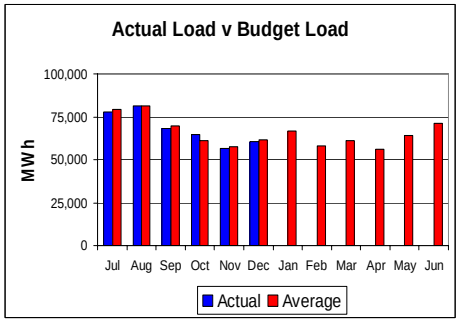
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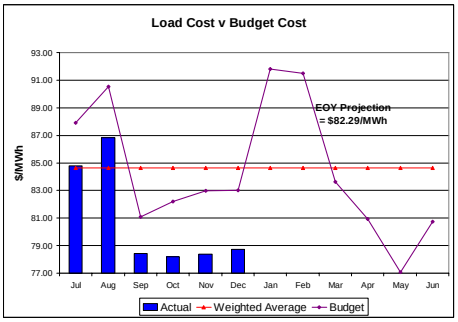
Appendices

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1.0 - EXECUTIVE SUMMARY







Purchased Power Management

Wholesale load for the month of December was 60,700 MWhs versus a three year historic load of 61,467 MWhs. Hedged transaction accounted for 52,640 MWhs or 86.7% of this volume at a cost of $3.85 million. Spot Market purchases and sales as well as other PJM related charges accounted for an additional cost of $1.74 million, inclusive of all load related fees. December all-in Energy Cost of Service net of all capacity obligations is $4.30/MWh below the December 2007 budget of $83.03/MWh. For the year, expected Load Cost of Service is currently $2.33/MWh below budget and is projected at $82.29/MWh.

Generation and Asset Management

Net generation for the month of December credited by PJM was 2,125 MWhs compared to zero MWh budgeted. PJM dispatched the VanSant facilities in the real time market for reliability for approximately 11.7 hours, producing 499 MWhs on December 5th and 7th. The VanSant reliability dispatch generated positive production margins of $90,734 or $181.88/MWh. In addition to the VanSant reliability dispatch, NAES conducted RATA and capacity tests at McKee Run Unit 3 on December 11th, running the plant for 21 consecutive hours and generating 1,626 MWhs. These tests created negative production margins of $137,934 or negative $84.80/MWh. Therefore, the positive margin from the reliability dispatch combined with the negative margin from the tests resulted in an aggregate negative production margin of $47,201.

Emissions and Allowance Management

Total net revenue from allowance sales for this fiscal year is $1,068,190, exceeding the Dover 2007-08 power year budget projection of $1,030,000. Currently the Emissions Allowance Balance for 2007 has 538 tons of 2007 SO_2 allowances and no 2007 NO_x allowances remaining.

Additional revenue can be accrued through the sale of the remaining 538 tons of 2007 vintage SO_2 allowances. At the January 13 asking price of $522 per ton, this revenue would be approximately $280,000. Timing for sale of these allowances was discussed with the City in November. Dover determined after this meeting that it would sell the remaining SO_2 allowances if prices increased to $750/ton. These trigger points will be reviewed with the City periodically.

EMISSIONS & ALLOWANCE SUMMARY						
Allowance Vintage	Allowance Allocation	Emissions Month	Emissions YTD	Allowances Sold Month	Allowances Sold YTD	Allowance Balance
SO_2 – 2006	2725	n/a	52	0	2673	0
SO_2 – 2007	2723	0	109	0	2076	538[1]
NO_x – 2007	198	1	32	166	166	0

Operations Management Summary

During the month of December, North American Energy Services reported no OSHA recordable accidents or lost time injuries. Additionally, there was no environmental Notice of Violations. There were no operating permit excursions for opacity reported to DNREC during the month. Generation for the month was limited to Unit 3 operating for RATA testing and capacity testing and Unit 11 operating on dispatch during which capacity testing was also completed. The calendar year 2007 was completed accident free and as of January 1, 2008 we have completed 1000 days accident free. The new Plant Manager, Vince Scire reported for duty December 18.

Budget Variance – The actual expenses attributable to O&M of the two sites for the month of October were $261,005. The expenses were $142,388 below the approved budget of $403,393. The principal reasons for the favorable variance are due to having four less employees than budgeted, and less operating time resulting in lower maintenance expenses. In addition, the water and electric bills were not booked this month.

[1] Dover may be charged with an additional ton of SO_2 emissions based on the rounding method employed by the EDR software.

Risk Management Summary

The City's existing hedge positions continue to mitigate market volatility, enabling Dover's expected wholesale Cost-of-Service for the current (2007-08) and next several power years to remain in a relatively narrow bandwidth, as shown in the table below.

Cost-of-Service Summary (Projected)
$/MWh[1]

	January			December	November	October
Power Year	Cost-of Service $/MWh	Hedge Ratio	Year-to Year Increase	Cost-of Service $/MWh	Cost-of Service $/MWh	Cost-of Service $/MWh
2006-2007*	$82.66			$82.66	$82.66	$82.66
2007-2008	$82.29	82%	-0.45%	$82.41	$82.93	$82.79
2008-2009	$87.39	56%	6.20%	$86.81	$87.85	$86.34
2009-2010	$87.57	23%	0.21%	$87.91	$88.10	$85.70
2010-2011	$89.05	0%	1.69%	$89.10	$88.65	$84.01

**2006-2007 Power Year closed as of June, 2007*

[1] Includes Energy, Load Following, PJM Fees, and PGAM Base Fees and estimated Incentive. The values in the table reflect the terms of the First Amendment to the Energy Management Agreement.

2.0 - BUDGET REPORT

2.1 – VARIANCE REPORT

	Budget Dec-07	Actual Dec-07	Variance Dec-07
Power Supply			
Power Supply (incl. LFC & Mgt Fees)	$5,103,360	$4,779,000	$324,360
Capacity UCAP Obligated Purchased	$958,759	$1,043,152	($84,393)
Total - Power Supply	**$6,062,119**	**$5,822,152**	**$239,966**
Power Generation			
Plant O&M	$403,393	$261,005	$142,388
Plant Capital Projects	$0	$0	$0
Fixed Fuel and Transport Charges	$33,887	$24,843	$9,044
Subtotal O&M	**$437,280**	**$285,848**	**$151,433**
Generation Production Margin			
Power Revenue from PJM	$0	($238,081)	$238,081
Fuel & Transport (Variable)	$0	$285,282	($285,282)
Total - Generation Production Margin	**$0**	**$47,201**	**($47,201)**
Non-Production Revenue			
Generation Capacity Payment	($928,709)	($1,013,533)	$84,824
Emissions Allowance Sales	$0	$0	$0
Black Start Revenue	($5,000)	(5,283)	$283
Subtotal - Non-Production Revenue	**($933,709)**	**($1,018,816)**	**$85,107**
Subtotal - Power Generation	$437,280	$333,048	$104,232
Subtotal - Non-Production Revenue	($933,709)	($1,018,816)	$85,107
Total – Power Generation	**($496,429)**	**($685,768)**	**$189,339**
Total - Utilities Cost	**$5,565,690**	**$5,136,384**	**$429,305**
Unit Costs			
Total - Power Supply	$98.62	$95.92	$2.70
Total - Power Generation	($8.07)	($11.30)	$3.23
Final Unit Cost of Service	**$90.55**	**$84.62**	**$5.93**

July – December 2007	Budget YTD	Actual YTD	Variance YTD
Power Supply			
Power Supply (incl. LFC & Mgt Fees)	$34,876,118	$33,250,955	$1,625,163
Capacity UCAP Obligated Purchased	$6,399,633	$6,192,278	$207,355
Total - Power Supply	**$41,275,751**	**$39,443,233**	**$1,832,518**
Power Generation			
Plant O&M	$2,981,679	$2,255,337	$726,342
Plant Capital Projects	$77,000	$322,317	($245,317)
Fixed Fuel and Transport Charges	$144,513	$119,614	$24,899
Subtotal O&M	**$3,203,192**	**$2,697,268**	**$505,923**
Generation Production Margin			
Power Revenue from PJM (exc. Black Start)	($3,312,077)	($2,408,620)	($903,457)
Fuel & Transport (Variable)	$2,267,748	$1,908,188	$359,560
Total - Generation Production Margin	**($1,044,329)**	**($500,432)**	**($543,897)**
Non-Production Revenue			
Generation Capacity Payment	($6,199,057)	($6,015,810)	($183,247)
Emissions Allowance Sales	($170,000)	($1,069,190)	$899,190
Black Start Revenue	($30,000)	($31,697)	$1,697
Subtotal - Non-Production Revenue	**($6,399,057)**	**($7,116,697)**	**$717,640**
Subtotal - Power Generation	$2,158,862	$2,196,836	($37,974)
Subtotal - Non-Production Revenue	($6,399,057)	($7,116,697)	$717,640
Total – Power Generation	**($4,240,195)**	**($4,919,861)**	**$679,666**
Total - Utilities Cost	**$37,035,557**	**$34,523,372**	**$2,512,185**
Unit Costs ($/MWh)			
Total - Power Supply	$100.60	$96.46	$4.14
Total - Power Generation	($10.33)	($12.03)	$1.70
Final Unit Cost of Service ($/MWh)	**$90.27**	**$84.43**	**$5.84**

2.2 – VARIANCE ANALYSIS

Power Supply

- Power Supply costs excluding capacity obligations resulted in a favorable variance of $324,360 due to a blend of hedged and open positions.

- PJM's UCAP Obligated Purchased payment had an unfavorable variance of $84,393 based on the difference between the budget that uses Forecasted Load versus PJM's Fixed Daily Capacity Charges time the days in the month.

Power Generation Charges

- Plant O&M had a favorable variance of $142,388 against the budget resulting from a combination of factors including lower operating and maintenance costs driven by limited run time and lower labor costs. In addition, electric and water utility bills were not booked for this month.

- Fixed Fuel and Transport Charges realized a favorable variance of $9,044 primarily due to lower than expected base gas and demand charges.

Generation Production Margin

- Natural Gas was consumed to support reliability dispatch on December 5th and 7th. The fuel cost associated with this generation was $57,391.

- McKee Run Unit 3 consumed approximately 114,000 of No. 6 fuel oil for the RATA and capacity tests conducted December 11th. The associated fuel costs was $204,090.

- VanSant consumed approximately 4,240 gallons of No. 2 fuel oil for reliability dispatch when natural gas was unavailable resulting in a $8,438 fuel cost for No. 2 fuel.

- The RATA and capacity tests resulted in a negative production margin that when combined with the positive margin from the VanSant reliability dispatch generated an aggregated negative unfavorable variance of $47,201.

Non-Production Revenue

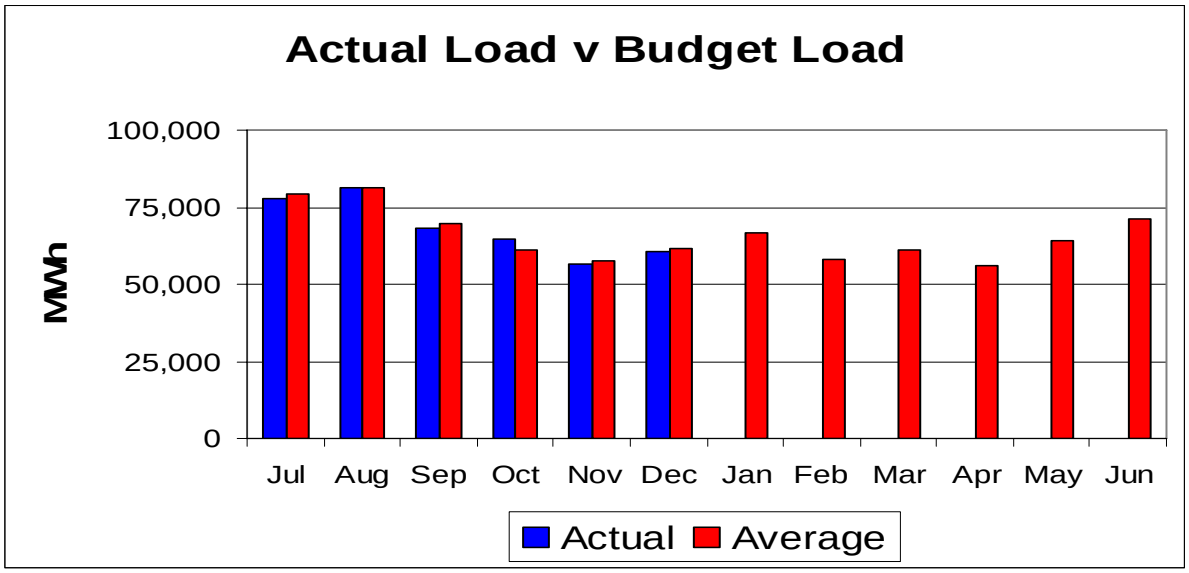
- Total Non-Production Revenue realized a favorable variance of $85,107 primarily due to PJM's Generation Capacity payment. Note that the budget for this payment is based on the volume of anticipated load forecast for the month and PJM accounts for Generation Capacity Payment based upon number of days for each month. PGAM expects the annual Capacity Payment to be consistent with the annual budget at the end of the year.

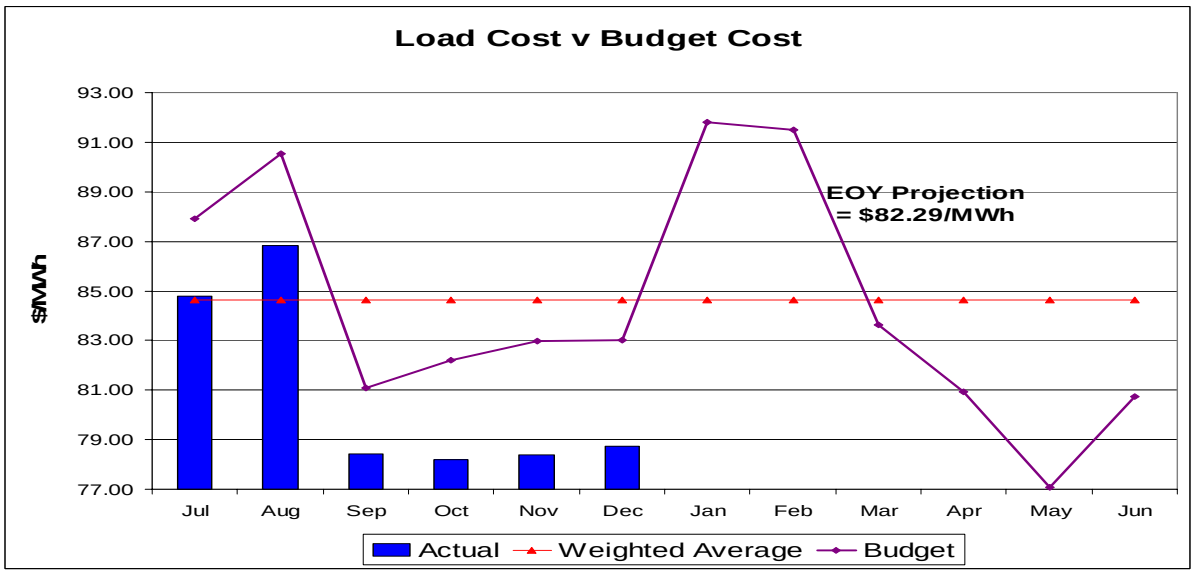
3.0 – ENERGY MANAGEMENT

3.1 - PURCHASED POWER

Management Highlights

- Dover's December load was 60,700 MWh which was 98.8% of the historic load of 61,467 MWh. Hedge volumes equaled 86.7% of actual load for the month.
- December All In Unit Energy Cost of $78.73 is $4.30 per MWh below budget.
- The YTD All In Unit Energy Cost of $81.30 is $3.32 below the annual fiscal year 2007-2008 budget target of $84.62 per MWh. Currently, the unit Energy Cost is projected to be $82.29 per MWh.





Purchased Power Variance Report

	Budget Dec-07	Actual Dec-07	Variance Dec-07
City of Dover Load			
Load Forecast (MWh)	61,467	60,700	767
UCAP Obligation – Total Capacity Requirement (MW)	190.2	190.2	0.0
Self-Supplied Capacity from Gen (MW)			
McKee Run 1	13.2	13.2	0.0
McKee Run 2	16.7	16.7	0.0
McKee Run 3	97.4	97.4	0.0
Van Sant	38.1	38.1	0.0
Total - Self-Supplied Capacity from Gen (MW)	**165.4**	**165.4**	**0.0**
Capacity Transfer Rights Credit ($/MW.d)	$20.16	$20.16	$0.00
PJM Purchased Capacity ($/MW.d)	$177.00	$177.00	$0.00
Gen Capacity Sales to PJM ($/MW.d)	$197.16	$197.16	$0.00
Energy Costs			
Unit Energy Costs ($ per MWh)			
Energy Cost (including Load Following & Pace Fees)	$78.38	$74.35	$4.03
Pass-Through Items	$3.41	$3.39	$0.02
Incentive Fees	$1.24	$1.00	$0.24
Unit Energy Costs ($/MWh)	**$83.03**	**$78.73**	**$4.30**
Unit Capacity Cost ($/MWh)	**$15.60**	**$17.19**	**($1.59)**
Total - All In Energy Cost	**$98.62**	**$95.92**	**$2.71**

Purchased Power Variance Analysis

- Actual Dover load of 60,700 MWh was on target with the historic load of 61,467 MWh.
- The Unit Energy Cost continues to achieve a favorable variance of $4.30 per MWh, primarily due to a favorable blend of hedged and open position pricing variance.
- Unit Capacity Costs resulted in an unfavorable variance of $1.59 per MWh due to the difference in how the budgeted capacity cost was allocated on a monthly basis and how PJM calculates this cost. PGAM expects these monthly differences to net out to a negligible variance at year end.

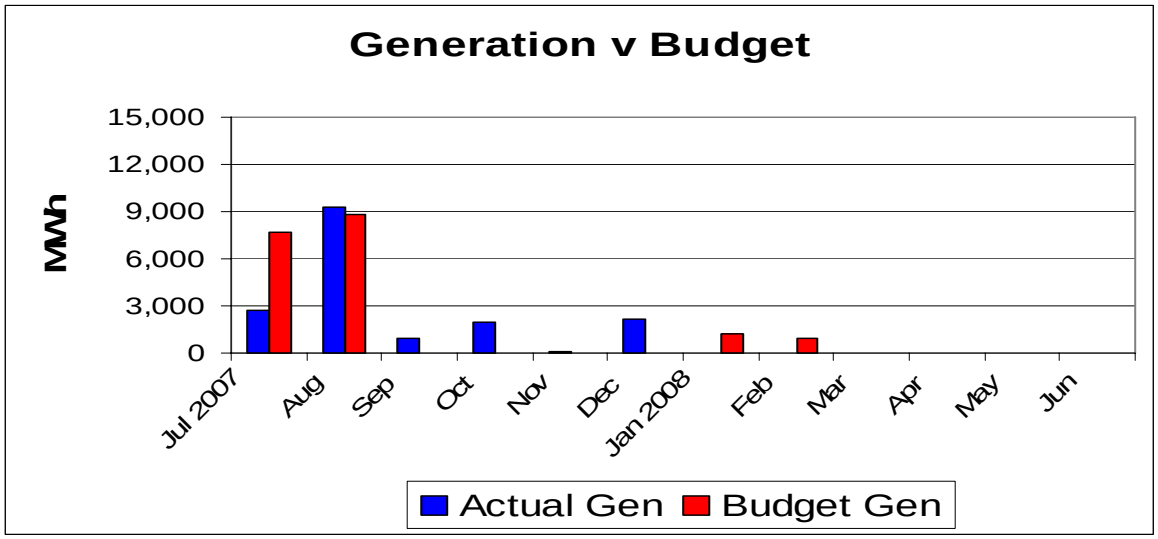
PJM Power Balancing and Load Related Fees

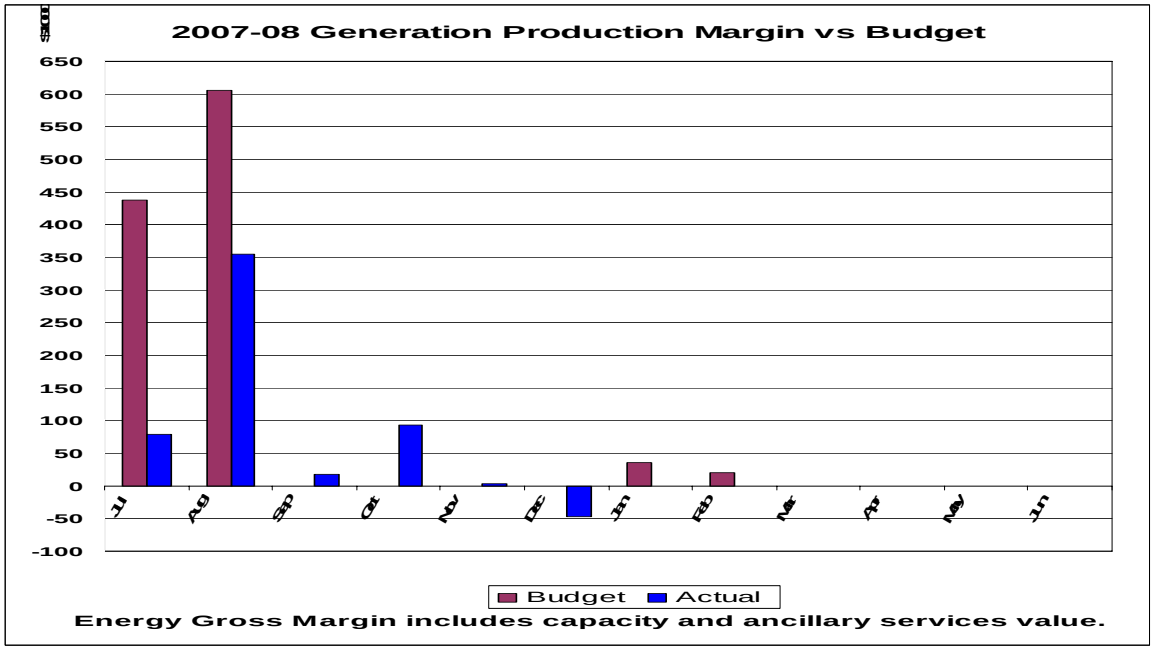
Purchased Power (Hedges): 52,640 MWh's @ $73.14/MWh:	$3,850,010
Power Balancing and Additional PJM and Energy Manager Fee[1]:	$1,972,142
Total Cost to Serve Load (60,700 MWh's)	$5,822,152
All in $/MWh load cost inclusive of Energy Manager Fees:	$95.92/MWh

[1] Includes estimated Incentive Fees.

3.2 - GENERATION MANAGEMENT

- Net generation for the month of December credited by PJM was 2,125 MWh compared to zero MWh budgeted. PJM dispatched the VanSant facilities in the real time market for reliability for approximately 11 hours on December 5th and 7th. The VanSant reliability dispatch generated positive production margins of $90,734 or $181.88/MWh. In addition to the VanSant reliability dispatch, NAES conducted RATA and capacity tests at McKee Run Unit 3 on December 11th. These tests created negative production margins of $137,934 or negative $84.80/MWh. Combining the positive margin from the reliability dispatch with the negative margin from the tests results in a negative production margin of $47,201 or $22.21/MWh.





***Note**: Results from December, 2007 Generation Production Margin were unfavorable at $47,200. This is due to RATA and capacity tests at McKee Run Unit 3 on December 11th, running the plant for 21 consecutive hours and creating negative production margins of $137,934.*

Generation Management Variance Report

	Budget Dec-07	Actual Dec-07	Variance Dec-07
Generation Production Margin			
Power Sales			
Power Sales (MWh)	0	2,125	(2,125)
Sales Revenue ($ per MWh)	$0.00	($112)	$112
Power Sales Revenue	**$0**	**($238,081)**	**$238,081**
Fuel Expense			
Variable Gas Expense			
Spot Gas Purchases (Dth)	0	4,055	(4,055)
Gas Price ($ per Dth)	$0.00	$9.48	($9.48)
Total - Spot Gas Purchases	**$0**	**$57,391**	**($57,391)**
Variable Gas Transport Expense ($)	$0	$15,362	($15,362)
Total - Variable Gas Expense	**$0**	**$72,753**	**($72,753)**
Fuel Oil Consumption			
#2 Fuel Oil Consumed (Gallons)	0	4,240	(4,240)
#6 Fuel Oil Consumed (Gallons)	0	114,017	(114,017)
#2 Fuel Oil Price ($ per Gallon)	$0.00	$1.99	($1.99)
#6 Fuel Oil Price ($ per Gallon)	$0.00	$1.79	($1.79)
#2 Fuel Oil Purchases ($)	$0.00	$8,438	($8,438)
#6 Fuel Oil Purchases ($)	$0	$204,090	($204,090)
Total - Fuel Oil Purchases	**$0**	**$212,528**	**($212,528)**
Total - Generation Production Margin	**$0**	**$47,201**	**($47,201)**
Generation Capacity Payment			
Total - Generation Capacity Payment	**($928,709)**	**($1,013,533)**	**$84,824**

Generation Management Variance Analysis

Fuel Expense

- VanSant consumed $72,753 in natural gas and variable transport to support the reliability dispatches.

- McKee Run Unit 3 consumed approximately 114,000 gallons of Fuel Oil No.6 for the RATA and Capacity Tests on December 11 resulting in a $204,090 fuel cost.

- VanSant consumed $8,438 of no. 2 Fuel Oil on December 7th for approximately 1 hour while the gas supply was unavailable to support a reliability dispatch.

Generation Production Margin		
Transaction	Volumes	Revenue/(Cost)
PJM Invoice for Power Sold	2,125 MWh's	$238,081
Fuel and Transport	6,055 dth gas/4,240 gal #2 oil 114,017 gal #6 oil	($285,282)
Generation Production Margin	2,125 MWh's	($47,201)

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)	$5,283
Fuel Oil Tank Heating & Black Start Gas Supply	($15,999)
Eastern Shore Demand Charge	($4,489)
Transco Demand Charge	($4,354)
Non-Production Energy Revenue/Costs	($19,560)

Fuel and Transportation

Natural gas commodity purchase was necessary to operate Van Sant Unit 11 during the 11.7 hours of PJM reliability dispatch in the Real Time market. Average incurred gas price for 6,055 Dth was $9.48 per Dth.

Date	*Volume (Dth)*	*Price ($/Dth)*	*Total Commodity Cost ($)*
New Jersey NG			
05-Dec	1,000	$11.05	$11,050.00
07-Dec	1,000	$10.75	$10,750.00
07-Dec	55	$10.75	$591.25
Sub-Total	2,055	$10.90	$22,391.25
Hess			
07-Dec	1,000	$9.00	$9,000.00
07-Dec	1,000	$9.00	$9,000.00
10-Dec	2,000	$8.50	$17,000.00
Sub-Total	4,000	$8.75	$35,000.00
Total	**6,055**	**$9.48**	**$57,391.25**

Gas was also separately purchased on a firm basis to maintain the No.6 fuel oil inventories at McKee Run at approximately 160 degrees. This firm delivery base load gas supply has been purchased from Sempra Energy. The Details of this deal are as follows:

Firm Gas Supply	Price Per dth	Total Cost
70 dth/day	$7.373	$15,999.41

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 prior period adjustments as follows:

ESNG FT Demand Charge	$4,489
TransCo FT Demand Charge	$4,354
Total Purchases	$8,843

Other Gas Purchases

Commodity and transportation imbalances on Eastern Shore Pipeline for the month resulted in a charge of $15,362 to the City, and are summarized as follows.

Imbalance (dth)	Estimated $/dth	Estimated Total Cost
1,065	$10.764	$11,463.66

Transport	Volume (dth)	Estimated $/dth	Estimated Total Cost
Firm & IT Capacity Release	9,197	$0.42	$3,898.57

Purchased Commodity Fuel Oil Summary

Approximately 4,240 gallons of No.2 fuel oil was consumed during December to partially support reliable dispatch activity on December 7 at Van Sant. No actual No. 2 fuel oil was purchased for the month of December.

At current fuel market prices, Pace and NAES are considering gas as the primary fuel source. Oil remains necessary as a backup fuel when natural gas is unavailable. Inventories of No.2 at VanSant are low and PGAM has been authorized to replenish storage of up to 10 days supply, within prudency. However, the current market price of $2.65 per gallon is viewed as too high to merit purchases at this time and the market continues to be monitored.

RATA and capacity testing on McKee Unit 3 consumed approximately 114,000 gallons of No.6 fuel oil on December 11. The table below shows detailed oil inventory level as of December 31, 2007.

Tank Inventory Estimates as of December 31

Tank	Tank Capacity (gallon)	Inventory In (gallon)	Days of Burn (Typical Dispatch[1])
#6 Oil	2,554,105	361,824	3
#2 Oil	258,000	106,524	4

December 2007 Fuel Oil Consumption

Date	#6 Oil Burns / gal	Inventory Price ($/gal)	Market Price ($/gal)	Inventory Cost	Market Cost
Dec-11	114,017	1.79	NA	($204,090)	NA
Date	#2 Oil Burns / gal	Inventory Price ($/gal)	Market Price ($/gal)	Inventory Cost	Market Cost
Dec-07	4,240	1.99	NA	($8,438)	NA

[1] Under typical dispatch McKee Run Unit 3 consumes approximately 49,000 gallons over an eight run. VanSant consumes 3,000 gallons per hour and under typical dispatch would be dispatched up to six hours.

3.3 - EMISSIONS AND ALLOWANCE MANAGEMENT

- Total net revenue from allowance sales for this fiscal year is $1,068,190, exceeding the Dover 2007-08 power year budget projection of $1,030,000.

- Additional revenue can be accrued through the sale of the remaining 538 tons of 2007 vintage SO_2 allowances.

Generation Management Variance Report

	Budget Dec-07	Actual Dec-07	Variance Dec-07
SO2 Allowance Inventory	2,299	547	1,752
SO2 Annual Allowance	0	0	0
SOx - Emitted through Generation (tons)	0	9	(9)
SOx - Allowances Available to be Sold	2,299	538	1,761
SOx - Sold (tons)	0	0	0
SOx – Price	$0	$0	$0
SOx – Revenue	**$0**	**$0**	**$0**
NOx Allowance Inventory (BOY)	0	0	0
NOx Annual Allowance	0	0	0
NOx - Emitted through Generation (tons)	0	0	0
NOx - Allowances Available to be Sold	0	0	0
Nox - Sold (tons)	0	0	0
NOx – Price	$0	$0	$0
NOx – Revenue	**$0**	**$0**	**$0**
Total - Allowance Sales Revenue	**$0**	**$0**	**$0**

Emissions and Allowance Management

As shown in Exhibit 1, total net revenue from allowance sales for this fiscal year is $1,068,190, exceeding the Dover 2007-08 power year budget projection of $1,030,000.

Exhibit 1: Emissions and Allowance Summary

2007 EMISSIONS & ALLOWANCE SUMMARY							
		SO_2			NO_x		
Date	**Action**	**Allowance Allocation**	**Sale Price**	**Revenue[2]**	**Allowance Allocation**	**Sale Price**	**Revenue[2]**
1/1/07	Initial 2007 Allocation	2,723	--	--	198	--	--
4/2/07	Sold 327 tons SO_2	-327	--[1]	--[1]	--	--	--
9/27/07	Sold 1,750 tons SO_2	-1,750	$556.00	$971,250	--	--	--
9/27/07	Sold 166 tons NO_x	--	--	--	-166	$600.00	$97,940
12/31/07	YTD Emissions[3]	-109	--	--	-33	--	--
11/1/07	Purchased 1 ton NO_x[4]	--	--	--	1	$1,000.00	($1,000)
1/1/08	Initial 2008 Allocation	2,723	--	--	198	--	--
Totals							
- 2007 Vintage Allowances		**538[5]**	**--**	**$971,250**	**0**	**--**	**$96,940**
- 2008 Vintage Allowances		**2,723**	**--**	**--**	**198**	**--**	**--**

$96,940
$971,250
Total Revenue $1,068,190

Notes:

(1) Sale Price and Revenue are not considered for the April 2 SO_2 sale because this revenue accrued in the prior fiscal year.

(2) Revenue calculations account for a $1/ton broker fee for SO_2 and a $10/ton broker fee for NO_x.

(3) NOx emissions pertain only to seasonal emissions (May 1 – Sep 30).

(4) The broker fee was waived for the 11/1/07 NO_x purchase.

(5) Dover may be charged with an additional ton of SO_2 emissions based on the rounding method employed by the EDR software.

Additional revenue can be accrued through the sale of the remaining 538 tons of 2007 vintage SO_2 allowances. At the January 13 asking price of $522 per ton, this revenue would be approximately $280,000. Timing for sale of these allowances was discussed with the City in November. Dover determined after this meeting that it would sell the remaining SO_2 allowances if prices increased to $750/ton. Pace will notify Dover if prices reach $700/ton. These trigger points will be reviewed with the City periodically. Sale of 2008 vintage allowances will be discussed with the City.

4.0 – OPERATIONS MANAGEMENT

Management Highlights

- During the month of November, there were no employee or contractor related OSHA injuries or illnesses. There were four opacity excursions on Unit 3 during the month of December. There were no Notices of Violations issued during the month.

- As of December 31, 2007, plant personnel achieved a safety milestone of completing 1000 consecutive days without a recordable or lost time accident.

- As of December 18, 2007, Vincent Scire assumed the duties of Plant Manager for the City of Dover generating facilities.

- Unit 3 ran to conduct RATA testing, accounting for a total run time of approximately 21.0 hours during which it also successfully completed the PJM Winter Capacity Test. Unit 11 VanSant was dispatched by PJM accounting for a total run time of approximately 11.684 hours. Unit 11 VanSant did have one trip event due to a failed computer communication link glitch, but was promptly put back on line averting an outage.

- RATA tests for Unit 3 were completed on December 11, 2007 with a representative from DNREC present during the testing process. We successfully completed the annual RATA testing on McKee Run Unit 3.

- During the RATA testing, we also completed taking vibration data on plant equipment related to unit three and are waiting for the final analysis report.

- We continue looking for vendors to provide detailed work scopes of repairs for the exhaust stack at VanSant and to also replace the stack expansion joint. We currently have four vendors that have expressed interest, but are still awaiting more detailed information from them.

- We currently have two vacant Operator positions. Plant management has evaluated the need to fill the positions, gained approval from the City of Dover to fill one position and has begun the process of filling the position(s).

- The station continues to work on compliance with NERC and RFC standards for generator operator (GOP) as they come due. We are also providing assistance to the City of Dover to meet NERC and RFC compliance standards for generator owner (GO), distribution provider (DP) and load serving entity (LSE).

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

PACE | Global Asset Management

North American Energy Services
Dover, DE

December 2007

Monthly Report



Holiday Lights
(McKee Run Generating Station)

Table of Contents

1.0 Environmental, Health and Safety

2.0 Financial

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5.0 General Plant Information

6.0 Summary of NAES Performance

1.0 Environmental, Health and Safety

During the month of December, there were no employee or contractor related OSHA injuries or illnesses. There were four opacity excursions on Unit 3 during the month of December. There were no Notices of Violations issued during the month.

RATA tests for Unit 3 were completed on December 11, 2007 with a representative from DNREC present during the testing process. We successfully completed the annual RATA testing on McKee Run Unit Three. The relative accuracy of the NOx analyzer was 0.99% and the CO_2% was 4.11%, which keeps us in the annual testing cycle.

Environmental, Health and Safety Statistics		
	Month (December 2007)	Fiscal Year to Date (7/1/07-6/30/08)
NOVs	0	0
Opacity Deviations	4	35
Environmental Deviations	0	0
OSHA Recordable	0	0
OSHA LTA's	0	0
First Aid cases	0	0
Restricted Workday Accident	0	0
Near Miss	0	0
Man Hours Worked	4,415.25	28,401.6
Date last OSHA Recordable		4/05/05
Date last Lost Time Accident		4/05/05
Days since last OSHA recordable		1,000
Days since last Lost Time Accident		1,000

Emissions (NOx & SO2) All data thru 9/30/07

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

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	0	191	7	0	198
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

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	109	538
2008	0	2585	138	0	2723
2009	0	2585	138	0	2723

1.1 Training

Members of the plant continue to use the General Physics training tools to enhance their overall knowledge of power plant equipment. The topics discussed during the monthly safety meeting were reviewed by the entire staff.

2.0 Financial

Financial – Current Month

	Month – December 2007		
	Actual	Budget	Variance
Personnel	212,165	245,531	33,366
Administrative	37,133	39,002	1,869
EH & S	2,096	9,000	6,904
Maintenance Expense	5,025	41,850	38,825
Operations Expense	4,586	68,010	63,424
Total	**$261,005**	**$403,393**	**$142,388**

Financial – Fiscal Year to Date

	Number of Months - 6		
	Actual	Budget	Variance
Personnel	1,284,910	1,584,064	299,154
Administrative	454,169	542,612	88,443
EH & S	11,367	25,000	13,633
Maintenance Expense	88,668	227,600	138,932
Operations Expense	416,224	602,403	186,179
Total	**$2,255,338**	**$2,981,679**	**$726,341**

2.1 Variance analysis

For the month of December, a favorable variance of $142,388 was achieved due to the following:

PERSONNEL EXPENSES - Labor, overtime, and burdens accounted for a favorable variance of $33,366. Most of this due to the lower burden rate than we had anticipated and we still have three unfilled positions. Straight time labor and labor burdens account for almost the entire variance for the month and for the year-to-date.

ADMINISTRATIVE EXPENSES - Favorable variance of $1,869. Home office labor for project management costs associated with the Title V Permit Renewal and the Accidental Release Prevention Program were higher than originally budgeted. The remainder of the accounts had lower expenses to more than compensate for the overage. The year-to-date variance is $88,443 which has been achieved due to lower than expected insurance costs, telephone costs, contact services environmental and training fees.

ENVIRONMENTAL, HEALTH, AND SAFETY EXPENSES – Favorable variance of $6,903. The majority of this variance was because we had budgeted for spill cleanup but it was not used. Also, the costs for Safety Supplies and Water Testing were a bit lower than expected. The year to date variance is $13,633 was due to lower than expected expenses in spill cleanup and non-hazardous waste disposal costs.

MAINTENANCE EXPENSES- Favorable variance of $38,824.61. The majority of this was due to lower spending in the following accounts: Buildings and Grounds, Compressed Air Systems, Feed Water System, Continuous Emission Monitors, DCS Control System, Power Distribution System, Fuel Oil System, Combustion Turbine Maintenance, Turbine Generator Systems, Service Water Systems, and Maintenance Consumables. The year-to-date variance is $138,932 achieved through lower operating hours and the lower expenses in the above named accounts.

OPERATING EXPENSES – Favorable variance of $63,424 due to the water and electric bills were not booked in this month. The invoices have been received and processed for payment. The year-to-date variance has been achieved through lower than expected electric usage and water usage.

3.0 Operations

Month – December 2007							
		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	21.00	21.00	11.684	32.684
Starts	#	0	0	1	1	3	4
Gross Generation	MWh	0	0	1,751,045	1,751,045	499,219	2,250,264
Net Generation	MWh	0	0	1,629,295	1,629,295	498,872	2,128,167
Total Auxiliaries	MWh	34.620	34.620	321,631	390,870	5,963	396,833
Auxiliaries purchased	MWh	34.620	34.620	199,881	269,120	5,616	274,736
Fuel Gas Used	MMBTU	0	0	671.540	671,540	5,638.680	6,310.220
Fuel Oil Used	MMBTU	0	0	16,486.255	16,486.255	600.916	17,087.171
Fuel Oil Used	Gallons	0	0	109,716	109,716	4,424	114,140
Total Fuel	MMBTU	0	0	17,157.795	17,157.795	6,239.596	23,397.392
Net Heat Rate	BTU/KWh	NA	NA	10,531	10,531	12,507	10,994
Unit Trips	#	0	0	0	0	1	1
Capacity Factor	%	0	0	2.15	2.15	1.68	1.63
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	744.0	744.0	723.0	2,211.0	732.316	2,943.316
HW Boiler Gas Usage	MMBTU				2,248		2,248
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**

VanSant Lifetime through 12/31/07			
	Actual Starts	Factored Starts	Fired Hours
VanSant	1174	1957.35	3850.8
Since HGP - Dec 2004	125	289.65	467.215

Fuel Oil Inventory							
	Monthly Inventory (Start)	Monthly Inventory (End)	Fuel Purchases (Month)	Monthly Inventory (Change)	FY 07-08 Inventory (Start)	Fuel Purchases (YTD)	FY 07-08 Inventory (Change)
McKee Run (#6 Fuel Oil)	458,729	361,824	18,968	(96,905)	921,770	404,966	(559,946)
VanSant (#2 Fuel Oil)	111,074	106,524	0	(4,424)	117,816	0	6,735

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

2007-2008 Fiscal Year-to-Date (6 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	163.851	152.301	259.619	575.771	90.591	666.362
Starts	#	3	4	21	28	19	47
Gross Generation	MWh	1,180.747	1,072.111	13,348.899	15,601.757	2,980.599	18,582.356
Net Generation	MWh	1,102.130	976.691	12,145.734	14,224.555	2,972.313	17,196.868
Total Auxiliaries	MWh	229.365	246.169	2,477.288	2,952.822	42.748	2,995.570
Auxiliaries purchased	MWh	150.749	150.749	1,274.123	1,575.621	34.462	1,610.083
Fuel Gas Used	MMBTU	3,287	3,435	26,972	33,694	39,225	72,919
Fuel Oil Used	MMBTU	14,758	10,851	116,741	142,351	1,313	143,663
Fuel Oil Used	Gallons	98,525	72,420	778,722	949,667	9,632	959,299
Total Fuel	MMBTU	18,046	14,287	143,713	176,045	40,538	216,584
Net Heat Rate	BTU/KWh	16,374	14,628	11,832	12,376	13,638	12,594
Unit Trips	#	0	0	0	0	1	1
Capacity Factor	%	1.47	1.30	2.70	2.37	1.73	2.23
Availability Factor	%	98.27	98.23	100	98.83	99.29	98.95
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	76.5	78.0	0	154.5	31.150	185.65
Maintenance Outage Hours	Hours	0	0	0	0	0	0
Forced Outage Hours	Hours	0	0	0	0	0	0
Reserve Shutdown Hours	Hours	4,175.649	4,185.699	4,156.381	12,517.729	4,294.259	16,811.988
HW Boiler Gas Usage	MMBTU				8,649		8,649
Pilot Gas Usage	MMBTU	632.25	632.25		1,264		1,264

Capacity Testing					
Summer 2007-2008 (June 1- Aug 31)			**Winter 2007-2008 (Dec 1- Mar 1)**		
Unit	Rated Net Capability (MW)	Reported Net Capability (MW)	Unit	Rated Net Capability (MW)	Reported Net Capability (MW)
1	17	17.23	1	17	*
2	17	17.0	2	17	*
3	102	103.44	3	102	103.32
VanSant	39	39.20	11	40	46.02
Total	175	176.87	Total	176	176

Note : * depicts that the unit has been accepted into the PJM Winter Capacity Test Exemption Program for the Winter Period 2007-2008.

3.1 Training

Plant employees continue working on their General Physics topics during the month of December. The inclusion of these courses will provide increased knowledge of plant operations and build a solid foundation for cross training employees at the City of Dover project. The qualification programs prepare operators for advancement within the line of progression jobs. During the December testing of Unit Three, Operations held hands-on training sessions with Aaron Jester and Ron McNair starting the unit from a cold boiler to placing it on line for dispatch. The following night, shut down training was conducted with both employees on taking the unit off line.

3.2 Personnel

We currently have two vacant Operator positions. Plant management has evaluated the need to fill the positions, gained approval from the City of Dover to fill one position and has begun the process of filling the position(s).

4.0 Maintenance

During the month of December, plant maintenance staff continued addressing our backlog of work orders and focused on keeping all units available to our client and PJM. Sixty-three work orders were issued during the month and forty-seven work orders were completed during the month.

The table below summarizes the monthly work order activities.

Work Order Report

December - 07

Priority #	Outstanding From Previous Months	Issued This Month	Completed This Month	Outstanding at the end of the month
P1	0	1	1	0
P2	0	3	3	0
P3	0	14	9	5
P4	10	38	30	18
P5	1	0	0	1
P6	0	0	0	0
P7	6	1	1	6
P8	7	4	0	11
P9	8	1	1	8
P6 - 1	0	0	0	0
P6 - 2	0	1	1	0
P6 - 3	0	0	0	0
P6 – 4	1	0	1	0
P6 – 5	0	0	0	0
P6 – 6	2	0	0	2
P6 – 7	0	0	0	0
P6 - 8	1	0	0	1
PM	7	25	17	15
Totals	36	63	47	52

Note: PM's are included in the priority totals

Notable activities during the month include:

1) We continue looking for vendors to provide detailed work scopes of repairs for the exhaust stack at VanSant and to also replace the stack expansion joint. We currently have four vendors that have expressed interest, but are still awaiting more detailed information from them.

2) We completed one of the recommendations from the XL Insurance report, which was the relocation of the CO2 bottles from the hydrogen house to the hot water boiler room. This will ensure the CO2 purge system can be used, in case of a fire in the hydrogen house.

3) During the month, we started contacting and meeting with vendors to see what would be the cost and all that would be involved with installing a NFPA certified fire protection system on

the turbine and generator bearings on unit three. We currently have met with two vendors and are awaiting their quotes.

4) During the RATA testing, we also completed taking vibration data on plant equipment related to unit three and are waiting for the final analysis report.

5) Yearly performance reviews were completed and given to the maintenance team staff.

4.1 Training

1) Aaron Jester and Eric Carrow continue to work with the maintenance department when they are not needed for operations support.

2) Franklin Hurley, Robert Morris and Paul Greenage attended on site training for the Accidental Release Prevention Program, which was given by Mr. Phil Samulewicz, of Ambient Air Quality Services, Inc. The remaining members of the maintenance team will receive the training in the near future.

3) Phil Marvel received in house training from the I&C technicians, Rich Newman and Dave Pletsch on all that is involved in completing a RATA on unit three and generating the required reports.

4.2 Personnel

There continues to be a vacant electrician position in the maintenance department. After a thorough evaluation of the situation, we determined that it would be best for the facility to fill the vacant electrician position with a newly created Instrumentation, Controls and Electrician (I,C&E) position. Filling the vacancy with an I,C&E Technician will provide us with the opportunity to hire a candidate with a broader range of skills and position the facility to meet future needs of the department by cross training employees to perform the duties of both an electrician and an instrument & controls technician. We have developed a position guide for the new position and have met with the IBEW union to discuss future plans. The Union supports the Company's decision to create the new position. The City of Dover has given approval to fill the position and we have begun the process of filling the position.

5.0 General Plant Information

Unit Trips/Outages/Operations

During the month, Unit 3 ran to conduct RATA testing, accounting for a total run time of approximately 21.0 hours during which it also successfully completed the PJM Winter Capacity Test. Unit 11 VanSant was dispatched by PJM accounting for a total run time of approximately 11.684 hours. Unit 11 VanSant did have one trip event due to a failed computer communication link glitch, but was promptly put back on line averting an outage.

Other Events

In June, DNREC accepted our compliance plan to comply with Delaware Regulation 1146. This plan calls for the conversion of fuel to a 0.5% sulfur fuel vs. the current 1.0% sulfur fuel and the addition of an SNCR system. Plant staff continues to gather information as we continue to actively solicit vendors that could provide SNCR system technology as well as vendors that could provide burner modification support. A final work specification is in the process of being completed for communication to interested bidders. We expect a quick turnaround time on the quotes in order to meet the windows of opportunity for equipment ordering and locking in manpower for the installation phase of the project.

As of December 31, 2007, plant personnel achieved a safety milestone of completing 1000 consecutive days without a recordable or lost time accident.

As of December 18, 2007, Vincent Scire assumed the duties of Plant Manager for the City of Dover generating facilities. We welcome his arrival and based on his experiences, we are confident that he will provide value to the project.

The station continues to work on compliance with NERC and RFC standards for generator operator (GOP) as they come due. We are also providing assistance to the City of Dover to meet NERC and RFC compliance standards for generator owner (GO), distribution provider (DP) and load serving entity (LSE).

Calendar of Events	*Date*
PJM Winter Capacity Demonstration Period	December 1, 2007 – February 29, 2008
Unit 3 RATA Test	December 11, 2007
2008-2009 Budget Due	February 1, 2008
Unit 3 Annual Outage (Tentative)	March 17 – April 13, 2008
Three Year Accident Free Target	April 5, 2008
Unit 11 Annual Outage (Tentative)	April 28 – May 4, 2008
McKee Run Fuel Oil Tank #1 Out-of-Service Inspection Due Date	June 1, 2008
PJM Summer Capacity Demonstration Period	June 1, 2008 – August 31, 2008
VanSant Black Start Test	March 1-31, 2007

6.0 Summary of NAES Performance to Date

Measure	*Month*		*Year to Date*		*YTD Incentive*
Commercial Unavailability (CU)	0%		0%		$83,120
Budget (Actual vs. Budget)	64.70%		89.44%		$20,780
Safety	0		0		$15,585
Environmental	0		0		$15,585
Capacity Tests Completed	Summer	Winter	Summer	Winter	
Unit 1	No	No	Yes	Yes*	$1,039*
Unit 2	No	No	Yes	Yes*	$1,039*
Unit 3	No	Yes	Yes	Yes	$6,234
Unit 11	No	Yes	Yes	Yes	$2,078
			Total YTD Incentive		$145,460

Note: * - depicts unit has been accepted into the PJM Winter Capacity Test Exemption Program

APPENDIX 1

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	Load	Gen	Net
Day Ahead Energy	$0.00	($524,980.21)	($524,980.21)
Realtime Energy	$228,537.99	($12,013.69)	$216,524.30
Transmission Losses Credits	$0.00	$89,767.04	$89,767.04
Network Integration Transmission Service Charges	$0.00	($200,013.86)	($200,013.86)
Inadvertent Interchange Charges	$0.00	$1,477.37	$1,477.37
Regulation Charges	$0.00	($36,741.02)	($36,741.02)
Synchronized Reserve Charges	$0.00	($4,350.93)	($4,350.93)
Balancing Operating Reserves Charges	($4,377.52)	($5,723.67)	($10,101.19)
Day Ahead Operating Reserves Charges	$0.00	($3,533.50)	($3,533.50)
Synchronous Condensing Charges	$0.00	($672.04)	($672.04)
Reactive Services Charges	$0.00	$0.00	$0.00
Meter Correction Charges	$0.00	($153.03)	($153.03)
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	$13,920.36	$0.00	$13,920.36
Day Ahead Operating Reserves Credits	$0.00	$0.00	$0.00
Locational Reliability Charges	$0.00	($1,162,223.79)	($1,162,223.79)
Capacity Transfer Rights Credits	$0.00	$118,847.80	$118,847.80
Capacity Resource Deficiency Credits	$0.00	$223.51	$223.51
Demand Response and ILR Compliance Penalty Credits	$0.00	$0.00	$0.00
RPM Auction Credits	$1,013,533.22	$0.00	$1,013,533.22
Auction Revenue Rights Credits	$0.00	$45,454.37	$45,454.37
Synchronized Reserve Credits	$0.00	$0.00	$0.00
PJM Scheduling System Control and Dispatch Service Charges	$0.00	($17,621.94)	($17,621.94)
Transmission Owner Scheduling System Control and Dispatch Service Charges	$0.00	($4,609.12)	($4,609.12)
Reactive Supply and Voltage Control from Generation Sources Service Charges	$0.00	($22,442.68)	($22,442.68)
Black Start Service Charges	$0.00	($1,087.59)	($1,087.59)
North American Electric Reliability Corporation (NERC) Charge	$0.00	($359.80)	($359.80)
Reliability First Corporation (RFC) Charges	$0.00	($471.46)	($471.46)
Expansion Cost Recovery Charges	$0.00	($415.29)	($415.29)
Transmission Enhancement Charges - Dec 2007	$0.00	($658.41)	($658.41)
Black Start Service Credits	$5,282.79	$0.00	$5,282.79
Non-Firm Point-to-Point Transmission Service Credits	$0.00	$2,099.16	$2,099.16
Adjustment for PJM Customer Payment Default (EXEL) 4.5MM	$0.00	($3,177.49)	($3,177.49)
PPA	$0.00	($1,395.30)	($1,395.30)
Total	**$1,256,896.84**	**($1,744,775.57)**	**($487,878.73)**

City of Dover

July 23 2007

Mr. Henry Mast
Bay Developers, Inc.
680 Forest Street
Dover, DE 19904

RE: MAPLE GLEN SUBDIVISION – Final Punch List Refer to ending paragrap

Dear Mr. Mast:

City staff has performed a final inspection of the above referenced subdivision and has identified the following punch list items which must be addressed prior to dedication of the streets and utilities within the public right-of-way:

1. Lot #1 – Locate the curb stop and sanitary sewer cleanout this lot and adjust to final grade.

2. Locate buried Manhole #13 which shown on the plan set at the end of the right-of-way of Northgate Drive and adjust the frame and cover to final grade.

3. Locate the buried end of the 8" water main constructed on Northgate Drive and install 2" blow-off assembly as shown on the approved plans.

4. Locate and/or install 2" blow-off at the end of the 8" water main on Covington Drive as shown on the approved plans.

✓5. Remove all silt fencing from the project area. This includes the perimeter of the subdivision as well as the pond area.

6. Adjust utility valve on the edge of the right-of-way of Maple Glen Drive adjacent to Lot #45.

7. Adjust gas pipe to grade at 101 Maple Glen Drive.

8. Remove concrete spoil and clean the interiors of all catch basins in the subdivision.

✓9. The sidewalk and drainage ditch slopes at the end of Covington Drive must be stabilized using additional concrete and topsoil or some other improvement acceptable to the City. The developer must present a plan prior to undertaking field work.

10. Backfill with topsoil and seed area immediately behind the sidewalk in the private open space (parcel #3) area next pocket park. The drop off at the rear of the sidewalk has created an unsafe condition for pedestrians.

11. As-built drawings stamped and signed by the engineer of record for the water, sanitary sewer and storm drainage must be submitted to our office for review. These drawings must include rim and invert elevations of the storm and sanitary sewer structures. In addition, we will require the GPS coordinates of all inlets, manhole and valve boxes on the utility systems.

✓12. All permanent monuments must be installed by the surveyor and confirmed on the as-built drawings.

13. Regrade, topsoil and seed the park area leading from the asphalt paved path to the access point of the playground equipment area to ensure a smooth, level transition. In addition, re-seed the park area where necessary to ensure a stand of grass is visible.

✓14. Two berm areas (2 to 3 ft. elevation change) do not appear to have been constructed.. The areas are located adjacent to Lot 33 and Lots 25 and Lot 26. These berms are shown on page 16 of the plan set.

15. Replace all of the dead trees located in the open space areas as required by the plan. This includes approximately three (3) evergreen trees and other deciduous and ornamental trees that did not survive.

✓16. The condition of the asphalt walking path is poor in several areas due to the base conditions, the surface condition and poor drainage. Replace as necessary.

17. A release of liabilities must be completed and forwarded to my office. The proper forms are enclosed. The release must include the following streets: Maple Glen Drive – Station 0+00 to Station 26+72, Covington Drive – Station 0+00 to 2+00 and Northgate Drive – Station 0+00 to 1+70.

18. A One-Year Maintenance Agreement and Guarantee must be submitted to my office in the form of a letter of credit equal to the value of 10% of the public improvements associated with the development. The amount of the letter of credit must be reviewed by my staff prior to the preparation of the letter of credit. Please submit your estimate for this value as soon as possible.

19. The Name and addresses of all homeowner's association officers must be submitted to the City. In addition, we must have official verification that the organization understands their maintenance burden for the private open space and other common property.

20. Remove two (2) large dead trees adjacent to 140 Maple Glen Drive and 158 Maple Glen Drive.

Once each of these items have been addressed to the satisfaction of the City of Dover, staff will recommend dedication to the City Council. If you have any questions regarding this correspondence, please contact me at your earliest convenience.

Sincerely,

Scott D. Koenig, P.E.
Public Services Manager
skoenig@dover.de.us

(302) 736-7026

Enclosures
cc: Ken Hogan, 1st District Councilman
George Gaudioso, 167 Maple Glen Drive
Anthony J. DePrima, City Manager
Ann Marie Townshend, City Planner
Dick Hudson, Public Utilities
Paul Thompson, Public Works Inspector

SDK/cto

F:\PS Archive\2007\3rd quarter\Maple Glen.punch list July 07.doc

Staff recommends the adoption of the following Resolution setting the date of the Annexation Referendum to be held on **APRIL 17, 2008**, for property located at **1889 KENTON ROAD**.

A RESOLUTION PROPOSING THE INCLUSION OF AN AREA WITHIN THE LIMITS OF THE CITY OF DOVER AND CALLING FOR A SPECIAL ELECTION TO BE HELD IN THE SAID AREA.

WHEREAS, the Charter of the City of Dover authorizes Council to extend the boundaries of the said City after a special election of the qualified voters and real estate owners of the territory proposed to be annexed, and

WHEREAS, the Mayor and Council of the City of Dover deem it in the best interest of the City of Dover to include an area located at **1889 Kenton Road**, which is contiguous to the present City limits, into the limits of the City of Dover and within a zoning classification as recommended by the City of Dover Planning Commission.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

1. That a special election be held for an area located at **1889 Kenton Road** situated in East Dover Hundred, Kent County, State of Delaware.

2. That the election be held on the **17th** day of **April, 2008** commencing at the hours of 11:00 a.m. in the City Hall Annex, 15 E. Loockerman Street, Dover, Delaware, for the purpose of submitting the question of annexation of the above area to those persons entitled to vote thereon.

3. That the election be held and conducted pursuant to the provisions of the Charter of the City of Dover as amended.

4. That this resolution be published in accordance with the City of Dover Charter.

ADOPTED: *

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PETITION TO ANNEX AND ZONE PROPERTY
Before The City Council Utility Committee
February 25, 2008

Applicant/Owner:	Brian L. Bright 1616 Lords Cor. Road Felton, DE 19943
Location:	1889 Kenton Road
Size:	+/-0.5 acres
Tax Parcel #:	ED-00-066.00-02-26.00-000
Application Date:	December 13, 2007
County Zoning:	BG (General Business)
Proposed Zoning:	R-10 (One Family Residence Zone)
Present Use:	Vacant
Proposed Use:	Residential
Comprehensive Plan Designation:	Category 2 – Lands Desirable for Annexation; Designated as Residential.
Utility Availability:	Water and sewer services are already available. In July of 2005, Mr. Bright paid his share of the proportionate costs and the City installed a low pressure sanitary sewer force main across Kenton Road to service his property. Additionally, the City of Dover has installed a 1" water service to the property line. Electric service is not available from the City of Dover. The property is within the Delaware Electric Cooperative's district.
Cost-Rev Analysis:	The Cost-Revenue analysis showed a positive cash flow to the City of approximately $18,868 over ten years.
File Number:	AX-08-01

Synopsis of Cost/Revenue Analysis Model for Annexation AX-08-01: Lands of Bright located at 1889 Kenton Road (0.5 acre)

The following are notes regarding Cost/Revenue Analysis Model and the data inputs for the calculations.

Model Calculations

- The model was run using the 2008 budget. The applicants provided the development numbers.

Residential Costs

- Police operation costs are suspected to be high. The problem arises because the calculation of cost is based on the index of taxes and not the proportion of crimes that occur related to this type of residential property.
- The General Administrative costs are suspected to be too high. The problem arises because the calculated cost is based on the index of taxes.

Residential Revenue

- The revenue does not include the recently adopted water impact fee.

Non-Residential Costs

- None

Non-Residential Revenue

- None

Proposed

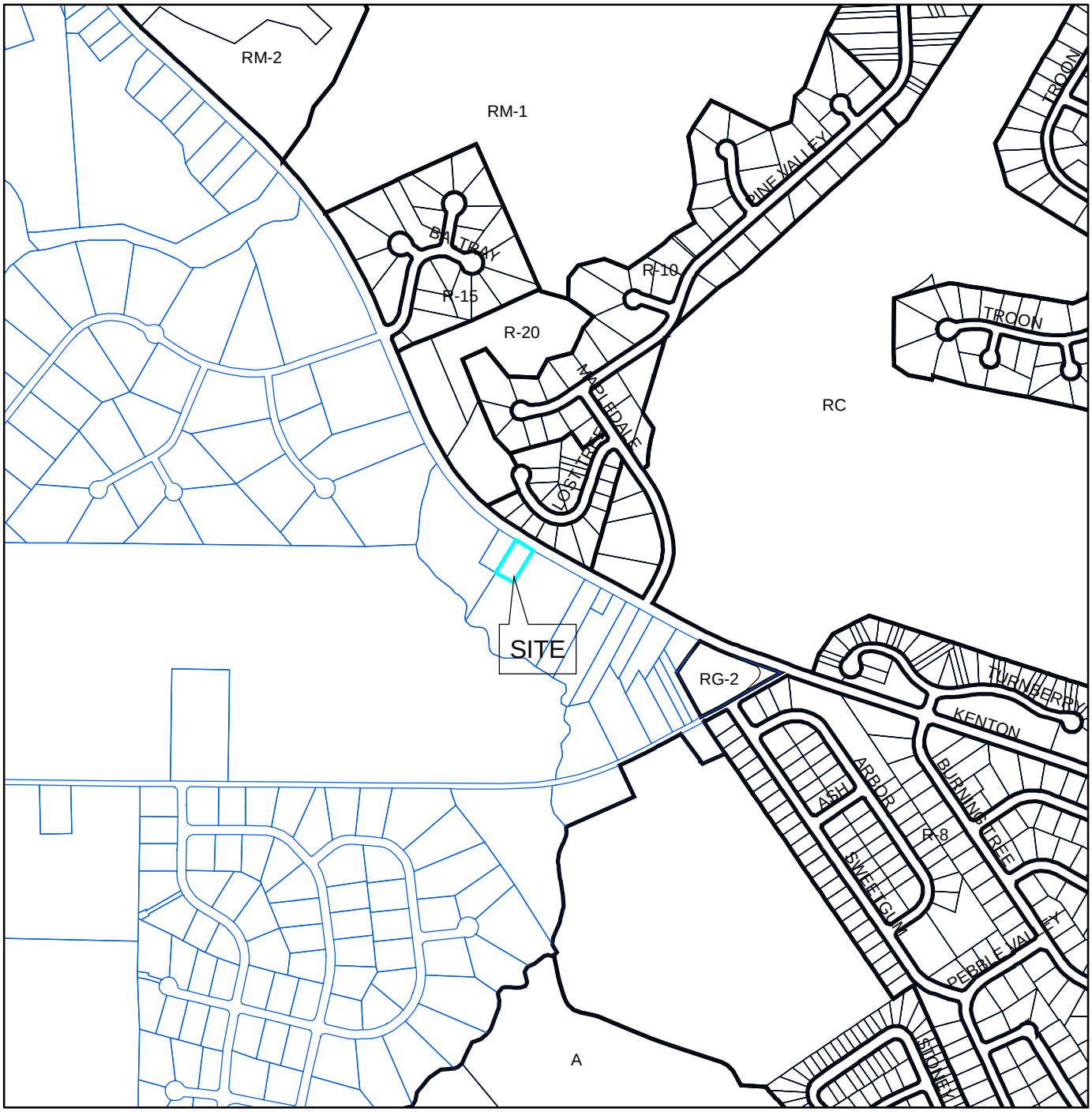
- Single Family Residence

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	**Model Development Plan**												
2	**City of Dover Cost/Revenue Analysis**					**Module**	**0**	**Budget Year**	**2008**	2008			
3						**Location:**	**1889 Kenton Rd.**						
4	**RESIDENTIAL COSTS**												
5			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
6	Service	Type	Development Y	Post Developn	Post Developn	Post Developn	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Formula
7													
8	Sewer & Water	Capital											
9		Operating	$365	$365	$365	$365	$365	$365	$365	$365	$365	$365	
10	Sanitation	Capital											
11		Operating	$22	$178	$178	$178	$178	$178	$178	$178	$178	$178	
12	Police	Capital											
13		Operating	$23	$504	$504	$504	$504	$504	$504	$504	$504	$504	
14	Fire	Capital											
15		Operating											
16	Planning & Inspections	Capital											
17		Operating	$10	$39	$39	$39	$39	$39	$39	$39	$39	$39	
18	Streets	Capital											
19		Operating	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
20	Library	Capital											
21		Operating	$8	$66	$66	$66	$66	$66	$66	$66	$66	$66	
22	Parks & Recreation	Capital											
23		Operating	$7	$53	$53	$53	$53	$53	$53	$53	$53	$53	
24	Electric	Capital											
25		Operating	$270	$2,163	$2,163	$2,163	$2,163	$2,163	$2,163	$2,163	$2,163	$2,163	
26	General Administrative	Capital											
27		Operating	$30	$240	$240	$240	$240	$240	$240	$240	$240	$240	
28	**TOTAL COSTS**		$736	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	
29													
30	**RESIDENTIAL REVENUE**												
31			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
32	Revenue Source		Development Y	Development Y	Development Y	Development Y	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Formula
33													
34	Property Tax		$134	$1,073	$1,073	$1,073	$1,073	$1,073	$1,073	$1,073	$1,073	$1,073	
35	Transfer Tax		$9,750	$244	$244	$244	$244	$244	$244	$244	$244	$244	
36	Municipal Street Aid Fund		$7	$52	$52	$52	$52	$52	$52	$52	$52	$52	
37	Electric		$293	$2,346	$2,346	$2,346	$2,346	$2,346	$2,346	$2,346	$2,346	$2,346	
38	Sewer/Water		$45	$357	$357	$357	$357	$357	$357	$357	$357	$357	
39	Sanitation		$9	$70	$70	$70	$70	$70	$70	$70	$70	$70	
40	Permits & Licenses		$1,500	$45	$45	$45	$45	$45	$45	$45	$45	$45	
41	Wastewater Impact Fee		$1,900	$0	$0	$0	$0	$0	$0	$0	$0	$0	
42	Comcast Franchise		$4	$34	$34	$34	$34	$34	$34	$34	$34	$34	
43	Library		$0	$3	$3	$3	$3	$3	$3	$3	$3	$3	
44	Miscellaneous		$6	$47	$47	$47	$47	$47	$47	$47	$47	$47	
45	**TOTAL REVENUE**		$13,648	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	
46													
47	**TOTAL RESIDENTIAL IMPACT**												
48			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
49			Development Y	Development Y	Development Y	Development Y	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	Post Dev. Yea	TOTAL
50													
51	Total Costs		$736	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$3,608	$33,208
52	Total Revenue		$13,648	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$4,270	$52,077
53	Net Cost/Revenue Impact		$12,912	$662	$662	$662	$662	$662	$662	$662	$662	$662	$18,868

City of Dover

Department of Planning & Inspections

Application No.: AX-08-01



Plan Title: Lands of Brian Bright
Plan Type: Annexation
Tax Parcel: ED-00-066.00-02-26.00-000
County Zoning: AR
Proposed Zoning: R-10
Size: 0.51 Acres
Date: 1-4-07

Legend

- Dover Parcels
- Kent County Parcels

0 245 490 980 Feet