ATTACHMENT #1
Utility minutes of 10-23-2006

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.

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 on the **south side of Route 8, between Artis Drive and Dover;** and an area located **on the south side of Route 8 between Mifflin Road and Artis Drive;** and an area located **on the south east side of Route 8;** and an area located **at 1550 and 1538 Forrest Avenue** 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 on the **south side of Route 8 between Artis Drive and Dover;** and an area located **on the south side of Route 8 between Mifflin Road and Artis Drive;** and an area located **on the south east side of Route 8;** and an area located **at 1550 and 1538 Forrest Avenue** situated in East Dover Hundred, Kent County, State of Delaware.

2. That the election be held on the **14th** day of **DECEMBER, 2006** 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 areas 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: November 13, 2006

ATTACHMENT #2
Utility minutes of 10-23-2006

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 **1166 South Bay 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 **1166 South Bay Road** situated in East Dover Hundred, Kent County, State of Delaware.

2. That the election be held on the **14th** day of **December, 2006** 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: November 13, 2006

PACE | Global Asset Management

Washington New York Houston Columbia San Diego London Moscow Mexico City

Asset, Energy and Risk Management
First Quarter Update

City of Dover Utilities Subcommittee

October 23, 2006

Agenda

- Asset Operations Update
- Energy Management and Power Purchases
- Risk Management and Market Monitoring
- Strategic Review of Generation Assets

Proprietary & Confidential

Asset Operations Update

Completed personnel transition to North American Energy Services

- Plans & Benefits transitioned
- Staff reduced 10%
- Transition costs under budget
- Union negotiations underway

Operations (very mild summer)

- July. Operated all 4 units 13 days
- August. Operated all 4 units only 4 days (very rare)
- September. No operations (extremely rare)
- Transformer outage, however all PJM testing was successfully completed
- Currently under budget

Proprietary & Confidential

Asset Operations Update

Maintenance

- Completed annual outages on units 1 and 2 ahead of schedule and accident free
- Fuel oil tank inspection scheduled for Spring

Environmental and Safety

- No environmental Notice of Violations, All quarterly reports filed on time
- No accidents, 1 ½ years without a lost time accident
- Monitoring/active in Delaware multi-pollutant legislation

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Energy Management and Power Purchases

- Procured 95% of Dover's on-peak needs and 99% of its off-peak needs for the 2006-2007 power year (July 2006 through June 2007)
- Purchases are with four investment grade counterparties
- Power is delivered to Dover/Delmarva aggregate bus eliminating congestion risk
- Wholesale price to Dover is currently expected to be at or below target of $84/MWh inclusive of Energy Manager and PJM fees
- Daily coordination with station management to bid or self schedule Dover generation into the PJM wholesale markets

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Risk Management and Market Monitoring

- Risk management monitors current and future power markets and recommends volume, timing and pricing to manage Dover's future price exposure
- Market volatility presents opportunities to meet or beat current market pricing
- Monitor counterparty credit to ensure any collateral requirements are met
- On-line, web based systems are available to City professionals to monitor current and future pricing movements in the PJM market and their relative impact on purchases made

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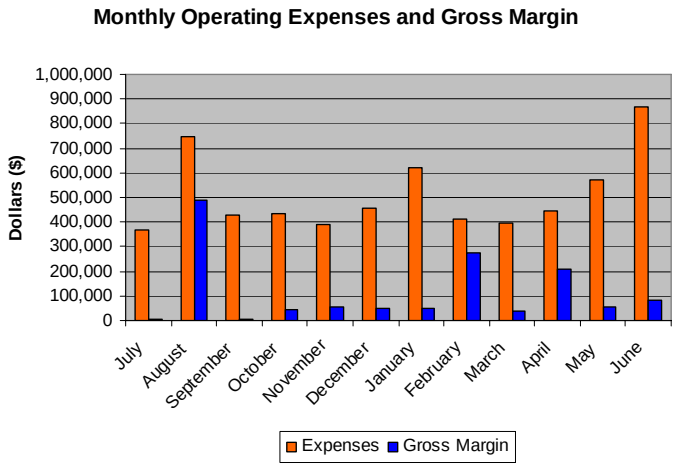
Strategic Review of Generation Assets

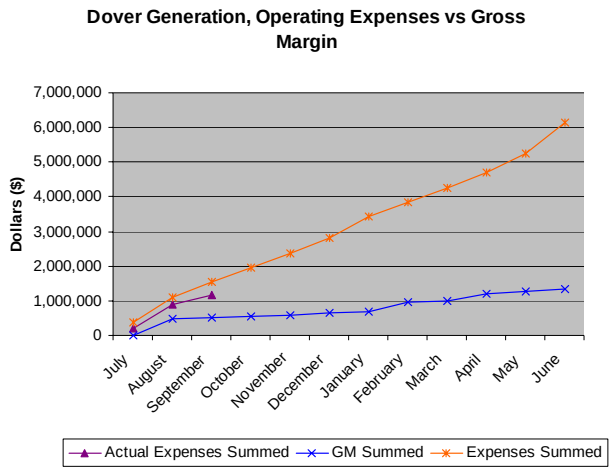
- Currently preparing a market based valuation of McKee Run and Van Sant Stations
- PACE will evaluate fixed and variable costs and compare such costs to projected future revenues from energy, capacity and ancillary services (black start, etc.)
- PACE will develop valuations of the stations based on net cash flows from the stations as well as from recent sales of assets in PJM as well as other financial metrics (i.e.. earnings multipliers, etc.)
- Currently working with North American Energy Services on remainder or power year cost projections based on current market conditions

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Generation Station Economics

- Gross margin includes energy, capacity and black-start revenues
- Additional revenues from sales of excess emissions allowances ($1 million to $1.5 million) will offset expenses
- Projected operating costs will continue to decline if projected dispatch is realized
- On-going cost evaluations will continue as future dispatch scenarios are examined





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Burns & McDonnell
SINCE 1898

Updated Electric Rate Analysis and Adjustments

Presented to the

City of Dover, Delaware

October 23, 2006

Agenda

- Need for Adjustments
- Key Changes Since June
- Net Margins / Cash Flow
- Rate Adjustments
- Discussion

Need for Rate Adjustments

- Current Rates Implemented July 1, 2006
- Expected Additional Changes
- Updated Financial Forecast
- Purchased Power Contract Updated
- Power Plant Costs Evaluated

Previous Increase Explanation

June 2006 Rate Study	Revenue without July 1 Increase $1,000	Revenue with July 1 Increase $1,000	Percent Increase
Rate Revenue	$ 57,485	$ 79,320	**38.00%**
Power Cost Adjustment	$ 7,323		
Total	$ 64,808	$ 79,320	**22.50%**

Key Changes Since June

	Amount $1,000
Excess Capacity Charge	63
Elimination of Duke Revenues	964
PACE Incentive Fee	973
Elimination of Bond Reserve Utilization	440
Changes to Forecast Affecting Margins	743
	3,183

Other Adjustments

- Rate Stabilization Fund Monies Not Available for Coverage - $5 Million
- Power Plant Not Breaking Even - $4.5 Million Next Year
- Adjustments for Street Lighting - Revenues and kWh's

Updated Financial Forecast

- Adjusted Revenue Forecast
  - Growth Reduced to 1 Percent
  - Kraft and P&G No Growth
- Expenditure Forecast
  - Included Additional Charges for:
    - Excess Capacity Charge
    - PACE Incentive Fee
    - Adjustment to Loss Factor
    - Transfer to General Fund from Fixed Amount to Percent of Revenue

Debt Service Coverage Comparison

	FY2007	
	June 2006 Study - Final	Oct 2006 Study - Final
Operating Revenue - Retail Rate Revenue	57,484,530	55,711,900
Operating Revenue - Retail Rate Adjust. July 1, 2006	**21,844,121**	**22,894,000**
Operating Revenue - Retail Rate Adjust. Jan 1, 2007	-	**3,144,200**
Operating Revenue - Other	2,492,060	2,328,400
Operating Revenue - Utility Tax	1,777,668	1,440,700
Total Revenue	83,598,379	85,519,200
Purchased Power Expense	(66,957,951)	(60,775,216)
Operating Expenses	(13,102,579)	(18,636,190)
Total Operating Expenses	(80,060,529)	(79,411,406)
Operating Margin	3,537,849	6,107,794
Non-Oper. Rev. - Interest on Operating Funds	384,086	634,000
Operating Transfers from Reserves	**5,440,000**	
Operating Transfers - Out	(5,700,000)	(5,700,000)
Margins Available For Debt Service	3,661,935	1,041,794
Interest for Long-Term Debt	(884,652)	(859,048)
Cash From Operations	2,777,283	182,746
Other Non Cash Revenues and Expenses	(4,505,455)	(4,274,140)
Net Margins	(1,728,173)	(4,091,394)
Debt Service Coverage		
Margins Avail. for Debt Service	3,661,935	1,041,794
Total Debt Service	2,614,652	2,589,048
Debt Service Coverage Ratio	**1.40**	**0.40**

Updated Financial Forecast

- Reviewed Results
- Determined Level of Additional Revenue Adjustment
- Working on Adjusted Rates

Net Margins - Power Plant Breakeven

	2007	2008	2009	2010	2011
Net Margins					
Operating Revenue - Retail Rates [1]	78,605,900	85,692,100	93,418,200	94,296,700	95,184,500
Retail Rates Increase Percentage	8.00%	8.00%			
Operating Revenue - Retail Rates Adjustment [2]	3,144,200	6,855,400	-	-	-
Operating Revenue - Other and Utility Tax	3,769,100	3,369,400	3,384,700	3,400,200	3,415,800
Total Revenue	85,519,200	95,916,900	96,802,900	97,696,900	98,600,300
Purchased Power Expense	(60,775,216)	(61,166,200)	(61,555,800)	(61,943,700)	(62,329,800)
Operating Expenses	(18,636,190)	(19,447,900)	(21,529,800)	(22,274,100)	(23,046,100)
Total Operating Expenses	(79,411,406)	(80,614,100)	(83,085,600)	(84,217,800)	(85,375,900)
Operating Margin	6,107,794	15,302,800	13,717,300	13,479,100	13,224,400
Non-Oper. Rev. - Interest on Operating Funds	634,000	634,000	634,000	634,000	634,000
Operating Transfers - Out	(5,700,000)	(6,234,600)	(6,292,200)	(6,350,300)	(6,409,000)
Margins Available For Debt Service	1,041,794	9,702,200	8,059,100	7,762,800	7,449,400
Interest for Long-Term Debt	(859,048)	(1,599,500)	(1,726,400)	(1,617,400)	(1,498,300)
Cash From Operations	182,746	8,102,700	6,332,700	6,145,400	5,951,100
Non Cash Income/Loss	(4,274,140)	(4,581,700)	(4,981,600)	(5,146,500)	(5,153,900)
Net Margins ($)	(4,091,394)	3,521,000	1,351,100	998,900	797,200
Debt Service Coverage					
Margins Avail. for Debt Service	1,041,794	9,702,200	8,059,100	7,762,800	7,449,400
Total Debt Service	2,589,048	3,379,500	4,171,300	4,157,500	4,160,100
Debt Service Coverage Ratio	0.40	2.87	1.93	1.87	1.79

[1] Retail Rates in FY2007 includes additional Rate Revenue from July 1, 2006 increase.
[2] Retail Rates Adjustment Revenue shown in FY2007 is for the January 1, 2007 increase.

Power Plant Costs

FY2008	January 1, 2007		July 1, 2007		Total	
Annual Power Plant Income (Loss)	Increase Required	Additional Increase	Increase Required	Additional Increase	Increase Required	Additional Increase
$ -	8.000%	0.000%	8.000%	0.000%	16.640%	0.000%
$ (4,500,000)	8.000%	0.000%	14.000%	6.000%	23.120%	6.480%

Net Margins - Power Plant Loss

	2007	2008	2009	2010	2011
Net Margins					
Operating Revenue - Retail Rates [1]	78,605,900	85,692,100	98,608,100	99,535,500	100,472,500
Retail Rates Increase Percentage	8.00%	14.00%			
Operating Revenue - Retail Rates Adjustment [2]	3,144,200	11,996,900	-	-	-
Operating Revenue - Other and Utility Tax	3,769,100	3,460,000	3,476,200	3,492,500	3,509,000
Total Revenue	85,519,200	101,149,000	102,084,300	103,028,000	103,981,500
Purchased Power Expense	(60,775,216)	(65,666,200)	(66,055,800)	(66,443,700)	(66,829,800)
Operating Expenses	(18,636,190)	(19,538,500)	(21,631,600)	(22,376,900)	(23,149,900)
Total Operating Expenses	(79,411,406)	(85,204,700)	(87,687,400)	(88,820,600)	(89,979,700)
Operating Margin	6,107,794	15,944,300	14,396,900	14,207,400	14,001,800
Non-Oper. Rev. - Interest on Operating Funds	634,000	634,000	634,000	634,000	634,000
Operating Transfers - Out	(5,700,000)	(6,574,700)	(6,635,500)	(6,696,800)	(6,758,800)
Margins Available For Debt Service	1,041,794	10,003,600	8,395,400	8,144,600	7,877,000
Interest for Long-Term Debt	(859,048)	(1,599,500)	(1,726,400)	(1,617,400)	(1,498,300)
Cash From Operations	182,746	8,404,100	6,669,000	6,527,200	6,378,700
Non Cash Income/Loss	(4,274,140)	(4,581,700)	(4,981,600)	(5,146,500)	(5,153,900)
Net Margins ($)	(4,091,394)	3,822,400	1,687,400	1,380,700	1,224,800
Debt Service Coverage					
Margins Avail. for Debt Service	1,041,794	10,003,600	8,395,400	8,144,600	7,877,000
Total Debt Service	2,589,048	3,379,500	4,171,300	4,157,500	4,160,100
Debt Service Coverage Ratio	0.40	2.96	2.01	1.96	1.89

[1] Retail Rates in FY2007 includes additional Rate Revenue from July 1, 2006 increase.
[2] Retail Rates Adjustment Revenue shown in FY2007 is for the January 1, 2007 increase.

Rate Design Analysis

- Rates to be Developed to:
  - Generate Adequate Revenues
  - Reflect Costs of Providing Service
  - Meet City's Policies and Objectives
  - Incorporate Direction Provided
  - Reestablish Debt Service Coverage

Rate Design Analysis

- Need to Address Revenue Shortfalls
- Rate Implementation Strategy
  - Adjust Rates 8 Percent January 1, 2007
  - Additional Adjustment July 1, 2007
    - Approximately 14 Percent (Includes the 8 Percent for July 1, 2007)
    - Will Cover Power Plant Shortfall
    - Continue to Monitor Power Supply Costs
      - Plant Operating Costs
      - Power Markets

Updated Electric Rate Analysis and Adjustments

Discussion and Questions