UTILITY COMMITTEE

A G E N D A

April 23, 2007 - 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. Annexation Requests
   A. 1086 South State Street, Owned by Investments Together, LLC
   B. South Side of Forrest Avenue, West of Mifflin Road, Owned by Edwin B. Baker, III, Donald Carey, and Ruth Carey

2. Update - Franchise Agreement Comprehensive Strategy - Video Services - Parameters for the Negotiations with Verizon for the Franchise Agreement

3. PACE/NAES Monthly Report *(March)*

4. Adjournment by 6:00 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.

PETITION TO ANNEX AND ZONE PROPERTY
Before The City Council Utility Committee
April 23, 2007

Applicant/Owner:	Investments Together, LLC 1052 East Lebanon Road Dover, DE 19901
Location:	1086 South State Street
Size:	+/-0.25 acres
Tax Parcel #:	ED-00-086.05-01-45.00-000
Application Date:	March 28, 2007
County Zoning:	BG (General Business)
Proposed Zoning:	C-2A (Limited Central Commercial)
Present Use:	Vacant
Proposed Use:	Unknown
Comprehensive Plan Designation:	Category 1 – Lands Identified for Annexation
Utility Availability:	There is a sewer manhole at the edge of the CN-MRI property to the west; however the Public Utilities Department does not believe that the depth is sufficient to extend gravity sewer to the site. The property could be serviced with a grinder pump; however, an easement would have to be obtained from the adjacent property between the subject parcel and the manhole to dump into the manhole. Water is available on State Street. The property is located within the City's electric service territory.
Cost-Rev Analysis:	The Cost-Revenue analysis showed a positive cash flow to the City of approximately $4,870 over ten years.
File Number:	AX-07-03

	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:**		**2006**			
3						**Location:**	**1086 S. State Street**						
4	**NON-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 Year 1	Development Year 2	Post Dev. Year 1	Post Dev. Year 2	Post Dev. Year 3	Post Dev. Year4	Post Dev. Year5	Post Dev. Year 6	Post Dev. Year 7	Post Dev. Year 8	Formula
7													
8	Sewer & Water	Capital											
9		Operating	$478	$478	$478	$478	$478	$478	$478	$478	$478	$478	
10	Sanitation	Capital											
11		Operating	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
12	Police	Capital											
13		Operating	$402	$399	$399	$399	$399	$399	$399	$399	$399	$399	
14	Fire	Capital											
15		Operating											
16	Planning & Inspections	Capital											
17		Operating	$40	$40	$40	$40	$40	$40	$40	$40	$40	$40	
18	Streets	Capital											
19		Operating	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
20	Library	Capital											
21		Operating											
22	Parks & Recreation	Capital											
23		Operating											
24	Electric	Capital	$1,800										
25		Operating	$2,648	$2,648	$2,648	$2,648	$2,648	$2,648	$2,648	$2,648	$2,648	$2,648	
26	General Administrative	Capital											
27		Operating	$235	$235	$235	$235	$235	$235	$235	$235	$235	$235	
28	**TOTAL COSTS**		$5,603	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	
29													
30	**NON-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 Year 1	Post Dev. Year 1	Post Dev. Year 2	Post Dev. Year 3	Post Dev. Year4	Post Dev. Year5	Post Dev. Year 6	Post Dev. Year 7	Post Dev. Year 8	Post Dev. Year 9	Formula
33													
34	Property Tax		$594	$594	$594	$594	$594	$594	$594	$594	$594	$594	
35	Transfer Tax		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
36	Municipal Street Aid Fund		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
37	Electric		$2,669	$2,669	$2,669	$2,669	$2,669	$2,669	$2,669	$2,669	$2,669	$2,669	
38	Sewer/Water		$628	$628	$628	$628	$628	$628	$628	$628	$628	$628	
39	Sanitation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
40	Permits & Licenses		$0	$182	$182	$182	$182	$182	$182	$182	$182	$182	
41	Wastewater Impact Fee		$1,912	$1,912	$0	$0	$0	$0	$0	$0	$0	$0	
42	Comcast Franchise												
43	Library												
44	Miscellaneous		$19	$27	$31	$31	$31	$31	$31	$31	$31	$31	
45	**TOTAL REVENUE**		$5,823	$6,012	$4,104	$4,104	$4,104	$4,104	$4,104	$4,104	$4,104	$4,104	
46													
47	**TOTAL NON-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 Year 1	Development Year 2	Post Dev. Year 1	Post Dev. Year 2	Post Dev. Year 3	Post Dev. Year4	Post Dev. Year5	Post Dev. Year 6	Post Dev. Year 7	Post Dev. Year 8	TOTAL
50													
51	Total Costs		$5,603	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$3,800	$39,800
52	Total Revenue		$5,823	$6,012	$4,104	$4,104	$4,104	$4,104	$4,104	$4,104	$4,104	$4,104	$44,670

	A	B	C	D	E	F	G	H	I	J	K	L	M
53	Net Cost/Revenue Impact		$220	$2,213	$305	$305	$305	$305	$305	$305	$305	$305	$4,870

Synopsis of Cost/Revenue Analysis Model for Annexation AX-07-03: Lands of Investments together: 1086 S. State Street (0.25 acres)

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

Residential Costs

- None

Residential Revenue

- None.

Non-Residential Costs

- The General Administrative costs are suspected to be too high. The problem arises because the calculated cost is based on the index of taxes.

- The model was based on information gathered from staff. No information was provided by the applicant regarding proposed time lines or building size.

- Proposed Costs for Electric and the cost for circuit extension were included because the property does not have City of Dover Electric Service.

Non-Residential Revenue

- The General Administrative revenue are suspected to be too high. The problem arises because the calculated cost is based on the index of taxes.

- The model was based on information gathered from staff. No information was provided by the applicant regarding proposed time lines or building size.

- Proposed Costs for Electric and the revenue for circuit extension were included because the property does not have City of Dover Electric Service.

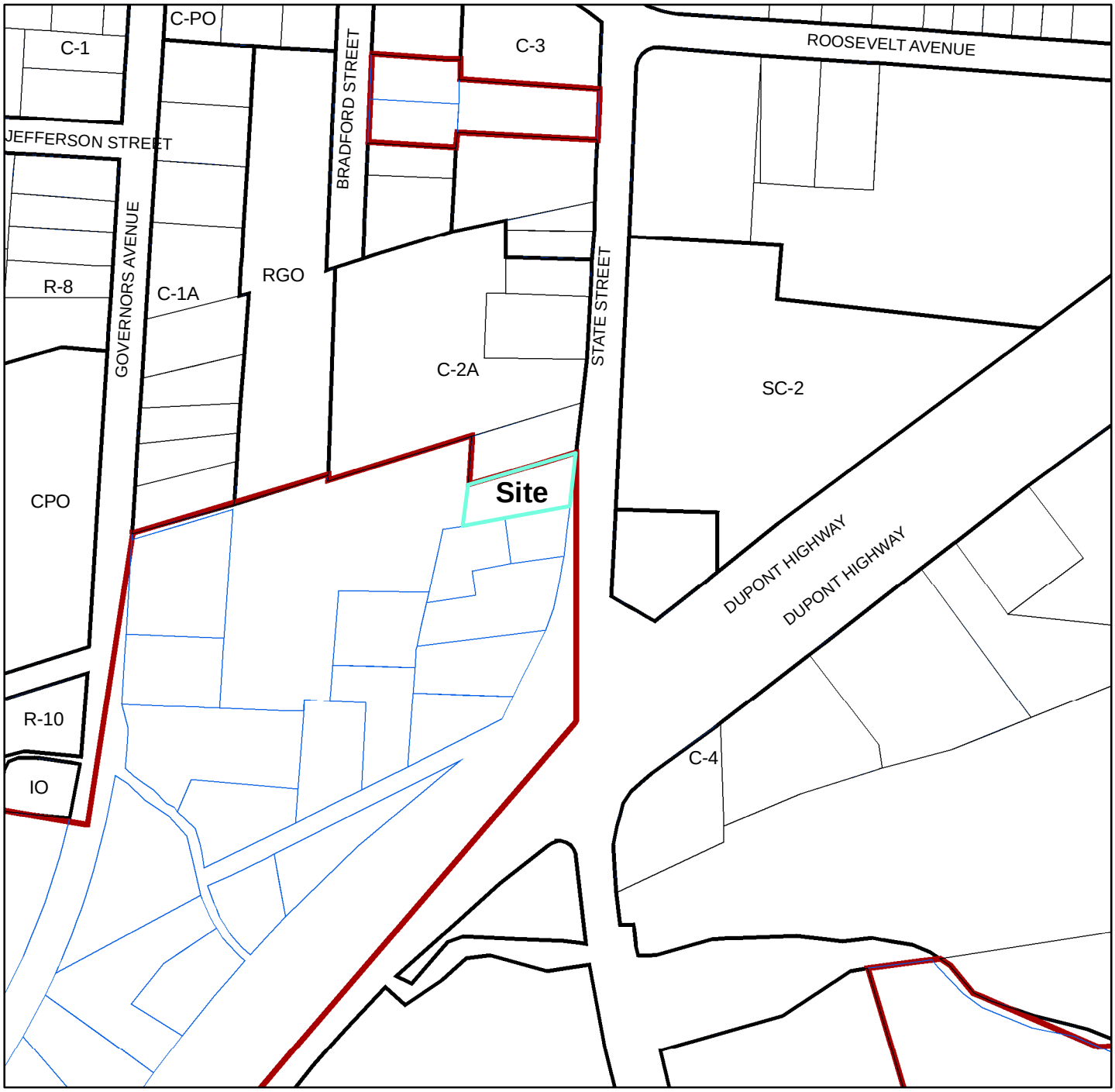
Proposed

- No Non-Residential development proposed.
- No Residential Development proposed.

City of Dover

Department of Planning & Inspections

Application No.: AX-07-03



Plan Title: AX-07-03 Lands of Investments Together
Plan Type: Annexation
Tax Parcel: ED-00-086.05-01-45.00-000
Site Area: 0.25 ac
Owner: Investments Together, LLC
County Zoning: BG (General Business)
Proposed Zoning: C-2A (Limited Central Commercial)
Date: 4-12-07

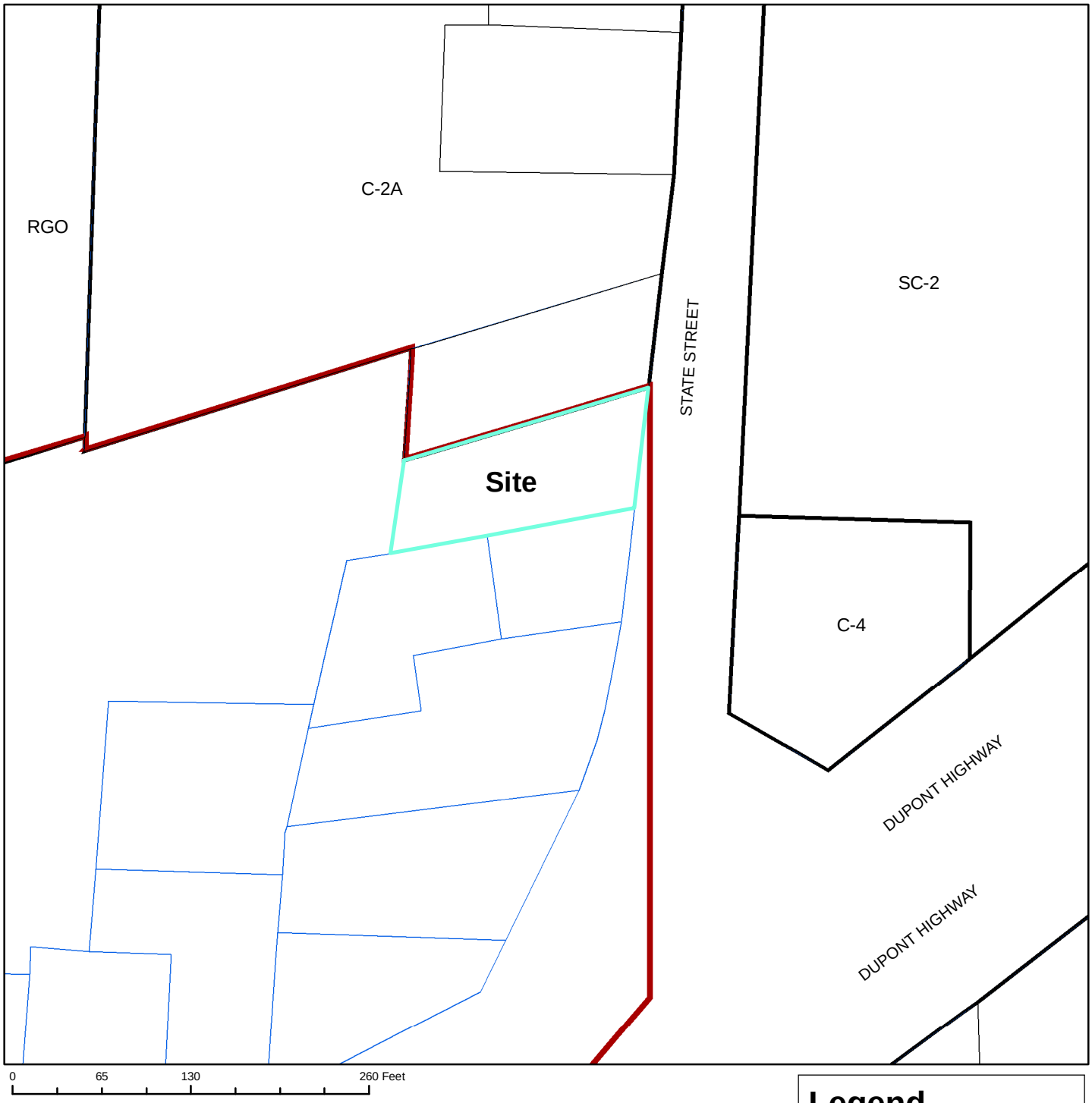
Legend

- Dover Parcels
- Dover Boundary
- Zoning

City of Dover

Department of Planning & Inspections

Application No.: AX-07-03



Legend

- Dover Parcels
- Dover Boundary
- Zoning

Plan Title: AX-07-03 Lands of Investments Together
Plan Type: Annexation
Tax Parcel: ED-00-086.05-01-45.00-000
Site Area: 0.25 ac
Owner: Investments Together, LLC
County Zoning: BG (General Business)
Proposed Zoning: C-2A (Limited Central Commercial)
Date: 4-12-07

«

Staff recommends the adoption of the following Resolution setting the date of the annexation Referendum to be held on **JUNE 14, 2007**, for property located at **1086 SOUTH STATE STREET.**

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 1086 South State Street, 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 1086 South State Street situated in East Dover Hundred, Kent County, State of Delaware.

2. That the election be held on the 14th day of June, 2007 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: *

S:\ClerksOffice\Annexations\Annex-2007\1086 S State Street\CAF - Referendum Resolution 04-23-2007-1A.wpd

PETITION TO ANNEX AND ZONE PROPERTY

Before The City Council Utility Committee
April 23, 2007

Applicant:	Edwin B Baker, III 1526 Forrest Avenue Dover, DE 19904	Donald Carey 826 East Loockerman Street Dover, DE 19901
Owner:	Same	
Location:	South side of Forrest Avenue, west of Mifflin Road	
Size:	+/- 5 acres	
Tax Parcel #:	ED-00-076.00-01-08.10-000	
Application Date:	March 30, 2007	
County Zoning:	RS-1 (Single Family Residential)	
Proposed Zoning:	R-10 (One Family Residence)	
Present Use:	Residential	
Proposed Use:	Institutional/School	
Comprehensive Plan Designation:	Category 2 – Lands Desirable for Annexation	
Utility Availability:	All utilities are available to the referenced properties. The owner/developer is responsible for all costs and impact fees associated with connecting and extending sanitary sewer and water service to serve the properties. The City of Dover Public Utilities Department also reserves the right, at the time the properties are redeveloped, to require payment for or for improvements to be performed by the owner/developer of the property for any downstream capacity upgrades deemed necessary by the Department.	
Cost-Rev Analysis:	The Cost-Revenue analysis showed a positive cash flow to the City of	

approximately $29,550 over ten years. However, it should be noted that the analysis was performed based on the residential zoning of the subject property. The parcel, as well as the remainder of the Carey farm (annexed in July 2006) is now planned to be used as a public school site.

File Number: AX-07-04

	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:**		**2006**			
3						**Location**	**S Side of Forrest Ave**						
4	**COST IMPACT BY FUND**												
5			**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	
6	Fund		Development Year 1	Post Dev. Year 1	Post Dev. Year 2	Post Dev. Year 3	Post Dev. Year4	Post Dev. Year5	Post Dev. Year 6	Post Dev. Year 7	Post Dev. Year 8	Post Dev. Year 9	
7													
8	General		$848	$735	$735	$735	$735	$735	$735	$735	$735	$735	
9													
10	Water/Wastewater		$249	$0	$0	$0	$0	$0	$0	$0	$0	$0	
11													
12	Electric		$700	$700	$700	$700	$700	$700	$700	$700	$700	$700	
13													
14	TOTAL COST		$1,798	$1,435	$1,435	$1,435	$1,435	$1,435	$1,435	$1,435	$1,435	$1,435	
15													
16	**REVENUE IMPACT BY FUND**												
17			**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	
18	Fund		Development Year 1	Post Dev. Year 1	Post Dev. Year 2	Post Dev. Year 3	Post Dev. Year4	Post Dev. Year5	Post Dev. Year 6	Post Dev. Year 7	Post Dev. Year 8	Post Dev. Year 9	
19													
20	General		$7,809	$7,762	$7,762	$7,809	$309	$309	$309	$309	$309	$309	
21													
22	Water/Wastewater		$357	$357	$357	$357	$357	$357	$357	$357	$357	$357	
23													
24	Electric		$769	$769	$769	$769	$769	$769	$769	$769	$769	$769	
25													
26	TOTAL REVENUE		$8,936	$8,889	$8,889	$8,936	$1,436	$1,436	$1,436	$1,436	$1,436	$1,436	
27													
28	**NET IMPACT BY FUND**												
29			**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	
30			Development Year 1	Post Dev. Year 1	Post Dev. Year 2	Post Dev. Year 3	Post Dev. Year4	Post Dev. Year5	Post Dev. Year 6	Post Dev. Year 7	Post Dev. Year 8	Post Dev. Year 9	TOTAL
31													
32	General		$6,961	$7,028	$7,028	$7,074	-$426	-$426	-$426	-$426	-$426	-$426	
33	Water/Wastewater		$108	$357	$357	$357	$357	$357	$357	$357	$357	$357	
34	Electric		$69	$69	$69	$69	$69	$69	$69	$69	$69	$69	
35	Net Cost/Revenue Impact		$7,138	$7,454	$7,454	$7,501	$1	$1	$1	$1	$1	$1	$29,550

Synopsis of Cost/Revenue Analysis Model for Annexation AX-07-04: Lands of Edwin Baker: 0 Forrest Ave (5 acres)

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

Model Calculations

- The existing unit value was taken from the Kent County PRIDE system. The applicant did not provide a more recent number.

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 Electric cost and revenue were revised to reflect the percent usage by residential customers and not the percentage of population.

Non-Residential Costs

- None

Non-Residential Revenue

- None

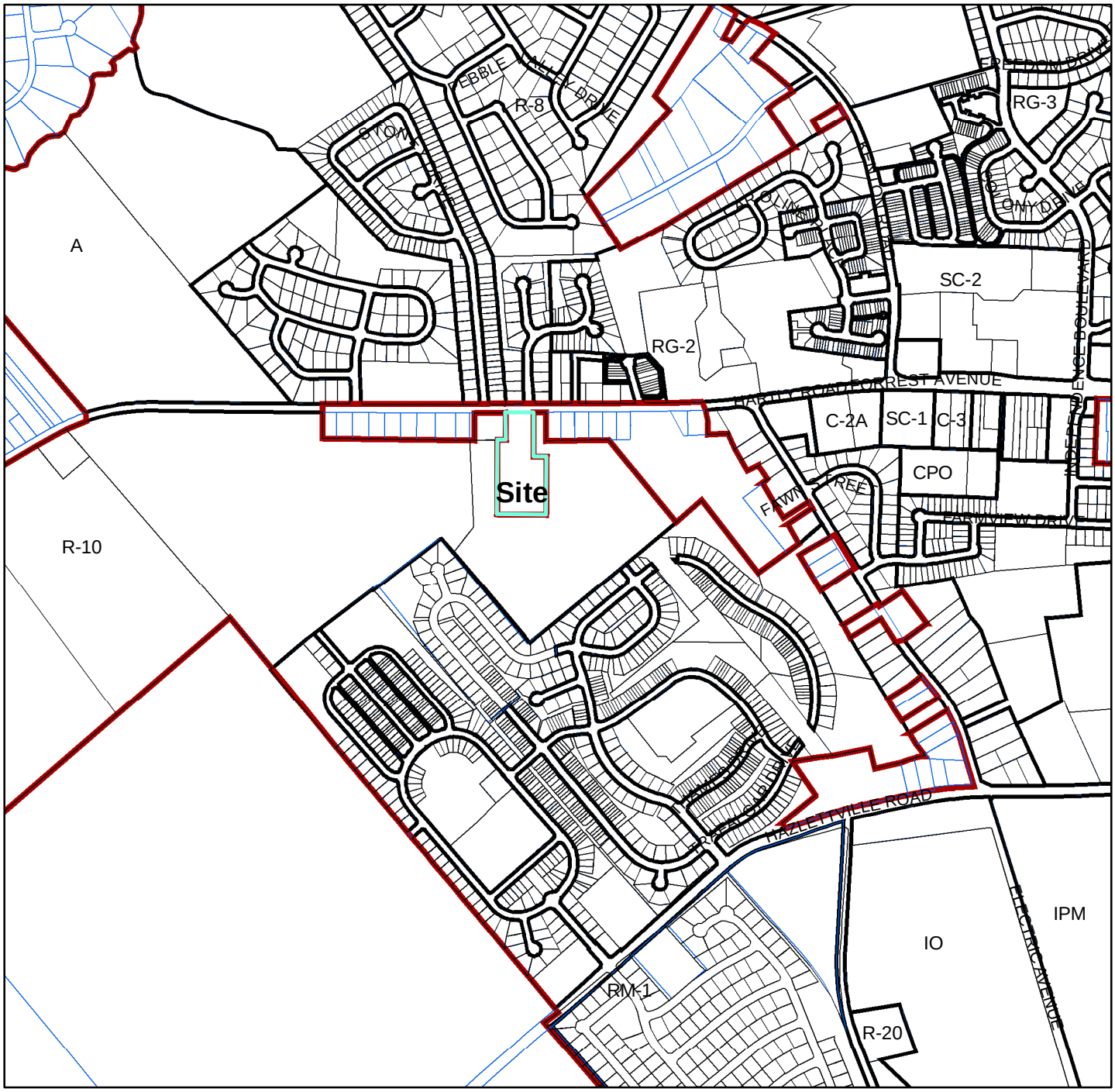
Proposed

- Existing residential use

City of Dover

Department of Planning & Inspections

Application No.: AX-07-04



Legend

- Dover Parcels
- Dover Boundary
- Zoning

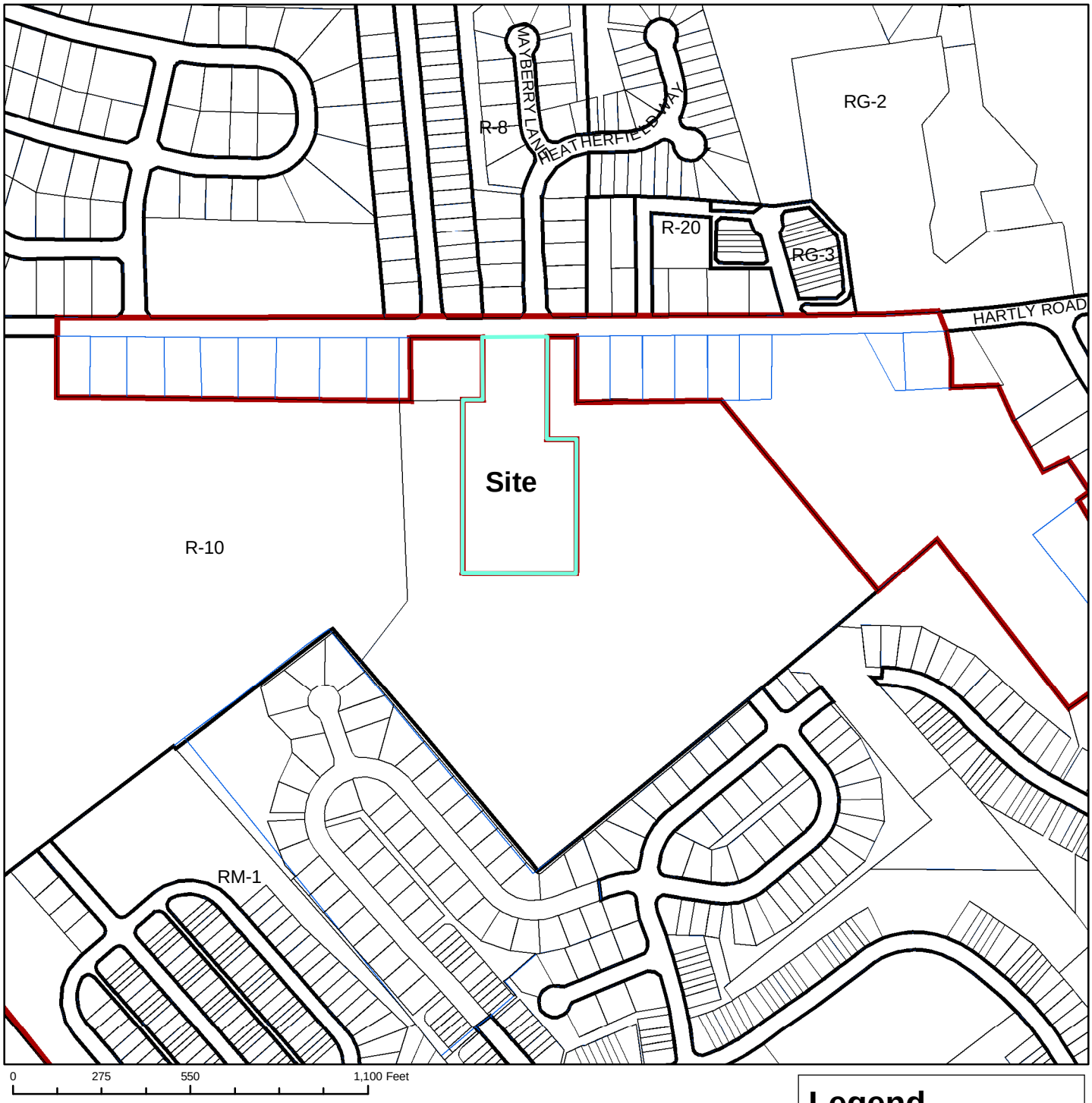
Plan Title: AX-07-04 Lands of Carey
Plan Type: Annexation
Tax Parcels: ED-00-076.00-01-08.10-000
Site Area: 4.98 ac
Owner: Donald Carey, Edwin B. Baker III
County Zoning: RS-1 (Single Family Residence)
Proposed Zoning: R-10 (One Family Residence)
Date: 4-04-07

«

City of Dover

Department of Planning & Inspections

Application No.: AX-07-04



Legend

- Dover Parcels
- Dover Boundary
- Zoning

Plan Title: AX-07-04 Lands of Carey
Plan Type: Annexation
Tax Parcels: ED-00-076.00-01-08.10-000
Site Area: 4.98 ac
Owner: Donald Carey, Edwin B. Baker III
County Zoning: RS-1 (Single Family Residence)
Proposed Zoning: R-10 (One Family Residence)
Date: 4-04-07

«

Staff recommends the adoption of the following Resolution setting the date of the annexation Referendum to be held on **JUNE 14, 2007**, for property located on the **SOUTH SIDE OF FORREST AVENUE, APPROXIMATELY 1,495.5+/- FEET WEST OF MIFFLIN 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 on the south side of Forrest Avenue, approximately 1,495.5 +/- feet west of Mifflin 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 on the south side of Forrest Avenue, approximately 1,495.5 +/- feet west of Mifflin Road, situated in East Dover Hundred, Kent County, State of Delaware.

2. That the election be held on the 14th day of June, 2007 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: *

Utility Committee Mtg 4/23/07
Agenda Item 2

Cohen Law Group

RECEIVED
APR - 5 2007
BY FINANCE DEPT.

April 3, 2007

Donna Mitchell
Treasurer/Finance Director
City of Dover
P.O. Box 475
Dover, DE 19903

RE: Proposal to Perform Cable Franchise Services

Dear Donna:

I enjoyed talking with you recently regarding upcoming cable franchise negotiations with Verizon of Delaware, Inc. ("Verizon"). As you requested, enclosed please find a proposal to assist the City of Dover this effort. The proposal contains an introduction, potential franchise benefits, scope of services, experience and a complete cost of services on a flat fee basis.

As discussed in the proposal, our law firm specializes exclusively in representing municipalities in cable franchise matters. We also have extensive experience negotiating with Verizon. Specifically, we have negotiated franchise agreements with Verizon on behalf of over 75 municipalities. We have the experience and ability to prepare Dover for the future in this fast-moving and technical field.

Please note that I have limited the proposal to the preparation, negotiation and conclusion of a cable franchise agreement with Verizon. If requested, I would be happy to provide a separate proposal for the other projects we discussed, including a pole attachment agreement and a possible renewal of the City's franchise agreement with Comcast. Finally, I would appreciate the opportunity to meet with you and any other appropriate City officials to discuss this proposal. I fly to the Philadelphia area often and could easily travel to Dover on my next trip. Thank you again for the opportunity to present this proposal. Please feel free to contact me directly if you need any further information.

Sincerely yours,

Daniel S. Cohen

DSC/clb
Enclosure

1000 Gamma Drive ▪ Suite 305 ▪ Pittsburgh PA 15238
T: 412.447.0130 ▪ F: 412.447.0129 ▪ www.cohenlawgroup.org

PROPOSAL TO PERFORM

CABLE FRANCHISE SERVICES

submitted to

THE CITY OF DOVER

by

COHEN LAW GROUP

1000 RIDC Park Plaza
1000 Gamma Drive, Suite 305
Pittsburgh, PA 15238

www.cohenlawgroup.org

(412) 447-0130

April 2, 2007

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III. SCOPE OF SERVICES 8

IV. EXPERIENCE 10

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I. INTRODUCTION

The Cohen Law Group ("CLG") welcomes this opportunity to submit a proposal for legal services to assist the City of Dover ("City") in establishing a cable franchise with Verizon Delaware, Inc. ("Verizon"). Recently, Verizon announced the construction of a video hub office in central Delaware, which is the first step toward providing cable television service. This service will bring wired cable competition to much of the central portion of Delaware.

Verizon may not provide video service to the residents of Dover without first obtaining a franchise agreement from the City. Negotiating a cable franchise agreement provides the City with an opportunity to obtain significant benefits and to assert its legal rights with Verizon. These rights and benefits, however, must be asserted in conformity with current laws and regulations. For example, the Federal Communications Commission ("FCC") issued a Report and an Order regarding video franchising of telephone companies on March 5, 2007. This Order will directly affect the City's negotiations with Verizon. Among other requirements, it prescribes a 90-day time frame to complete cable franchise negotiations.

Municipal officials have three critical roles when it comes to establishing a cable franchise. First, municipal officials are effectively the landlords of their cable company. The cable company utilizes the municipality's public rights-of-way to operate its cable system. Municipal officials manage those rights-of-way as a public trust and are entitled to a fair return for the cable company's use of those public properties.

Second, municipal officials have an obligation to protect and advance the interests of their residents. This means protecting the City's legal rights and obtaining the greatest possible benefits for the City. It also means doing everything possible to prepare for the future. The field of telecommunications is changing so rapidly that it is difficult to predict with certainty the technologies that will be offered several years from now. A cable franchise agreement must provide for the benefits available from existing technologies as well as those that may become available from future technologies.

Third and finally, municipal officials are consumers of telecommunications services in all three forms -- voice, video and data. From telephone use at City Hall to internet service at schools and libraries, municipalities use a wide range of telecommunications services. They are entitled, therefore, to the most efficient, state-of-the-art services at the best possible prices.

The Cohen Law Group is uniquely qualified to represent the City of Dover in negotiating a cable franchise agreement with Verizon. Our attorneys specialize in cable franchise matters on behalf of municipalities. Collectively, we have worked on cable franchise matters for over thirty (30) years and have represented over two hundred (200) municipalities, both large and small, in negotiations with their cable companies.

Our firm has extensive experience negotiating with Verizon. We know the company's negotiators, its corporate policies and its negotiating tactics. We have negotiated franchise agreements with Verizon on behalf of over seventy-five (75) municipalities. We have also

negotiated agreements with the individual Verizon attorney who has been assigned to the City of Dover.

The principal of the Cohen Law Group is Dan Cohen. Aside from his credentials as a telecommunications attorney, Mr. Cohen is especially qualified to represent municipalities because he was a municipal official himself. As a member of the Pittsburgh City Council from 1990 to 2002, Mr. Cohen has first hand knowledge of the challenges and opportunities confronting municipal governments. With twelve years experience in municipal government, he understands the practical needs and the financial constraints facing municipal officials. In addition, the Cohen Law Group includes attorney Phil Fraga, attorney Stacy Browdie, and paralegal Cathy Beranty.

CLG has developed a three-step approach to cable franchise projects. The first step is the identification of the clients' specific needs. Since clients' needs often become better defined as the negotiation progresses, our attorneys maintain flexibility throughout the process to achieve a cable franchise agreement that accomplishes the clients' specific goals. Second, our attorneys negotiate firmly and deliberately with the cable operator in order to reach agreement in a timely fashion. Our cable franchise agreements achieve maximum benefits for our clients. Finally, our attorneys work efficiently to achieve a cable franchise agreement that is cost effective for the client. We are keenly aware of the fiscal constraints facing municipalities, and focus, therefore, on keeping attorneys' fees and costs as low as possible.

II. POTENTIAL CABLE FRANCHISE BENEFITS

There are significant benefits available to municipalities in establishing a cable franchise agreement with a cable operator. The key to receiving these benefits is to know the law and regulations relating to each benefit and to negotiate firmly to obtain them from the cable operator. The following is a list of nine (9) of the more important potential benefits:

1. **Franchise Fee Revenue.** Under federal law, municipalities may assess a franchise fee of up to five percent (5%) of the cable company's "gross revenues" for cable services derived from the municipality. The central subject of negotiation with the cable operator is the specific revenue sources to be included in the definition of "gross revenues". Verizon's proposed agreement contains a limited definition of "gross revenues." CLG has developed a comprehensive list of cable operator revenue sources to which municipalities may apply the franchise fee. This negotiation typically results in obtaining the highest amount of franchise fee revenue to the municipality. Please note that all franchise fees are passed through to cable customers as a separate line item on their bills.

2. **Build-Out Requirement.** When Verizon begins to provide service in a new municipality, it often builds-out its cable system in stages. Consequently, Verizon may not be able to provide cable

service to all areas within the City at the beginning of the cable franchise term. Depending on the build-out plan proposed by Verizon, the City may wish to negotiate a commitment to build-out the entire City and a time frame for expediting the build-out to insure that more City residents receive Verizon cable service in a timely fashion. In addition to the build-out area and schedule, it is our understanding that the City wishes to address the issues of right-of-way construction standards and the burial of Verizon's telephone lines in certain geographical areas.

3. **Customer Service Standards.** Next to cable rates, the most important issue for cable customers may be customer service. In a franchise agreement, municipalities may impose customer service standards on the cable company to which the company must adhere. It is important to include comprehensive and enforceable standards. Such customer service standards cover everything from the requirement for a local customer office to telephone answering time limits for company telephone operators to refunds for service interruptions. CLG has prepared a comprehensive set of customer service standards to present to Verizon.

4. **Free Services.** It is common in a franchise agreement for cable companies to agree to provide complimentary installation and

service to community facilities. The major subjects of negotiation are the type of services (video and/or internet) and the number of community facilities (including municipally owned and operated buildings, public and private schools, and public libraries) that obtain these services.

5. **Public, Educational and Governmental (PEG) Channels.** Municipalities have a legal right under federal law to obtain dedicated channel space for public, educational and governmental ("PEG") programming. The PEG channels may be used to inform citizens by maintaining an electronic bulletin board, broadcasting announcements regarding local government activities, televising public meetings and/or airing community, educational and athletic programs. In negotiations with Verizon, it is critical that the City assert its legal rights with respect to PEG channels. These include obtaining complete control over the channels and ensuring that the Verizon cable system is "interconnected" to the cable system of the incumbent cable operator for purposes of distributing the PEG signal. Our understanding is that the City is interested in broadcasting and webcasting its City Council meetings. In addition, the City would like to discuss with Verizon its participation in the Emergency Alert System ("EAS").

6. **Accountability.** It can be helpful to a municipality to obtain periodic information from the cable operator related to financial and customer service issues. A franchise agreement may require the cable operator to provide reports to the municipality on such matters as franchise fee verification, customer complaints, and status of construction activity in the public rights-of-way.

7. **Legal Protections of the Rights-of-Way.** Because cable companies place wires and equipment in the municipality's public rights-of-way, it is critical that a cable franchise agreement include legal protections for any damage or injury that may occur. These protections include safety standards for construction and installation, requirements for repair and restoration of property damage, emergency removal of equipment, indemnification of the municipality and full insurance coverage.

8. **Enforcement.** Once the cable operator agrees in a franchise agreement to provide certain benefits to the municipality, the municipality must be able to enforce these obligations. It is important to include strict and practical tools to ensure the company's faithful performance of its obligations under the agreement. These tools should include, but are not limited to,

liquidated damages, a substantial performance bond and, for extreme violations, revocation of the franchise.

9. **Length of Term.** Because telecommunications technology changes so rapidly, municipalities typically seek a shorter length of term in the franchise renewal agreement. Cable companies, including Verizon, will seek longer terms to protect their capital investment in the cable system. The difference is resolved through negotiation.

III. SCOPE OF SERVICES

The following is the scope of services that the Cohen Law Group will perform if hired to assist the City of Dover in cable franchise negotiations with Verizon.

A. Preliminary Setting of Priorities

The first steps in the franchise process are for CLG to perform the following: 1) prepare a written legal assessment of the City's current franchise agreement with Comcast for comparison purposes with the Verizon proposed agreement; and 2) prepare an application form for the City to send to Verizon. The submission of the completed application will trigger the 90-day time period for negotiations prescribed by the FCC. After these documents are prepared, we recommend an initial client meeting at City Hall with appropriate City officials to discuss the franchise process and potential benefits, and

set priorities for negotiations with Verizon. It is critical for the City to set priorities prior to the commencement of negotiations with Verizon.

B. Negotiation with Verizon

The most important stage in the franchise renewal process is negotiating a franchise agreement with representatives of Verizon. CLG has extensive experience negotiating franchise agreements with Verizon on behalf of municipalities of comparable size. We know Verizon's negotiators assigned to the City, we know their negotiating tactics and we know their franchise policies.

The first step is to revise the franchise agreement proposed by Verizon. Verizon insists on using its template agreement as the starting point. Once CLG receives the proposed draft from Verizon, we will revise it based on the priorities identified in our initial client meeting, as well as incorporate all the benefits and legal protections to which the City is entitled. We will then submit the revised agreement to the client for informal review and comment. Any suggested changes by the City will be incorporated into the agreement and then the revised proposed agreement will be presented to representatives of Verizon for negotiation.

The next step is the negotiation with representatives of Verizon. The negotiation typically consists of one face-to-face meeting with representatives of the cable company, phone negotiations, status conferences with the client, redrafting specific franchise agreement provisions, and editing the final draft of the franchise agreement.

C. Draft Executive Summary and Approval Resolution

After a tentative agreement with Verizon has been reached, CLG will report to the client on the substantive provisions of the deal. Specifically, we will draft an executive summary of the major provisions of the final agreement. We will also draft a recommended resolution/ordinance authorizing approval of the agreement for consideration by City Council.

IV. EXPERIENCE

The Cohen Law Group specializes in representing municipalities in cable and telecommunications matters. Collectively, our attorneys have worked on cable and telecommunications issues on behalf of municipalities for over thirty (30) years. CLG has represented over two hundred (200) municipal clients, both large and small, in negotiations with cable companies and telecommunications providers. Our firm has negotiated with major national companies as well as smaller regional companies to obtain benefits for his clients. We have also assisted municipalities in planning for and adopting ordinances and regulations with respect to telecommunications providers.

CLG's legal services to municipal clients include the following:

- Drafting cable franchise agreements
- Review of current and proposed franchise agreements/ordinances
- Cable franchise renewal negotiations with cable companies
- Transfer or sale of franchise ownership or control
- Cable compliance reviews
- Drafting of rights-of-way ordinances
- Rights-of-way management planning and enforcement
- Franchise fee reviews

- Evaluation of and negotiation for public, education and governmental ("PEG") channels
- Cable rate regulation
- Cable-related litigation
- Development of cellular tower ordinances
- Negotiation with cellular tower and antenna companies
- Cellular tower litigation

As an active member of the National Association of Telecommunications Officers and Advisors (NATOA) and other professional organizations, CLG stays current with frequent changes in cable and telecommunications law. Dan Cohen has written articles on cable franchising and telecommunication matters which have been published in such periodicals as *Public Management Magazine* and *Government Procurement Magazine*.

In addition to providing professional counsel to municipalities on cable and telecommunications matters, Mr. Cohen served as an elected municipal official for twelve (12) years. He served on the Pittsburgh City Council from 1990 to 2002. As a result, he has first hand knowledge of the challenges and opportunities confronting municipal governments. During his tenure on City Council, he worked on municipal budgets, public rights-of-way matters and other public issues from a municipal perspective. He is keenly aware of the practical needs and financial constraints facing municipalities.

Mr. Cohen served as Chair of City Council's Cable Television Committee for ten years. In 1999, he was a principal negotiator of cable franchise renewal with AT&T Broadband for the City of Pittsburgh. He also served on the Mayor's Telecommunications Committee. Mr. Cohen led Pittsburgh's efforts to regulate cable rates in the early 1990's.

Those efforts resulted in City Council's rejection of two Basic Tier rate increases by TCI of Pennsylvania and a refund ordered by the Federal Communications Commission for all City of Pittsburgh cable customers.

Mr. Cohen is assisted in his practice by attorneys Phil Fraga and Stacy Browdie, and paralegal Cathy Beranty. Prior to joining CLG, Mr. Fraga served as general counsel and a member of the senior management teams of two telecommunications companies. His knowledge of corporate policies and practices has provided a special benefit for our clients. Ms. Browdie has significant experience in cable and telecommunications law. She concentrates on cable franchise renewals, cable compliance reviews, and franchise fee reviews. Paralegal Cathy Beranty serves a critical support function in the firm on legal and administrative matters.

References will be furnished upon request.

V. COMPLETE COST OF SERVICES

The following represents the anticipated level of compensation that the Cohen Law Group would require if engaged by the City of Dover to perform cable franchise services. We propose to perform the services outlined above on a flat fee basis. We are able to offer our services on this basis, because our significant experience in negotiating cable franchise agreements with Verizon lends predictability to this effort on behalf of the City of Dover. In addition, a flat fee provides "price certainty" to the City. The proposed fee, including its component parts as described in Section III entitled "Scope of Services", are outlined below.

A.	Preliminary Setting of Priorities	$3,200
B.	Negotiations with Verizon	$8,000
C.	Draft Executive Summary and Approval Resolution	$2,000
Total Flat Fee Proposal		$12,480

The flat fee above does not include any extraordinary services requested by the client outside the scope of services contained in this proposal or any unforeseeable developments. In the event of such extraordinary or unforeseeable developments, CLG will contact the City to discuss such developments prior to rendering services related to such developments. The flat fee proposal above also does not include expenses, such as travel, postage and copying expenses, which are kept to a minimum. We do not charge for mileage.

Utility Committee Mtg 4/23/07
Agenda Item 2

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April 11, 2007

Donna Mitchell, Finance Director
City of Dover
P.O. Box 475
Dover, DE 19903-0475

RE: Verizon Delaware, Inc. Cable Franchise Agreement

Dear Mrs. Mitchell:

I agree with the letter from Rhonda S. Binda, Esquire, dated March 30, 2007, that draft agreements back and forth are not "public records" which we must produce to the public if requested under FOIA. A copy of the Attorney General's opinion that she refers to is enclosed for your records. Once Council votes to approve the franchise agreement, then it becomes a public record.

Very truly yours,

NICHOLAS H. RODRIGUEZ

NHR:pmw
Enclosure
cc: Traci McDowell, City Clerk

RECEIVED
APR 16 2007
BY FINANCE DEPT.

Utility Committee Mtg 4/23/07
Agenda Item 2
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March 30, 2007

VIA FACSIMILE AND U.S. MAIL

Ms. Donna Mitchell
Finance Director
City of Dover Finance Department
P.O. Box 475
Dover, DE 19903-0475

Re: Verizon Delaware Inc. ("Verizon") Cable Franchise Agreement

Dear Ms. Mitchell:

Verizon requests that the City decline to produce a draft copy of the cable franchise agreement to any third party, including members of the public or the local media, because the draft cable franchise agreement is not a "public record," pursuant to Delaware's Freedom of Information Act, 29 Del. Code § §10001-10005. The Act expressly excludes from the definition of a "public record" any records specifically exempted from disclosure by common law. *See* 29 Del. Code §10003(g) (6). In *Freedom of Information Act Complaint Against Town of Laurel,* Del. Op. Atty. Gen. 05-1B13, 2005 WL 1209243 (May 9, 2005), the Attorney General concluded that "the courts in Delaware would not define a 'public record' under FOIA to include a working draft which the author is still revising prior to presentation to a public body." *Id.* at *3. The *Town of Laurel* opinion further clarified that a draft agreement only becomes a public record after the town council has "voted in public session to approve the contract as written, subject to legal review." *Id.*

In this case, both Verizon and the City will revise portions of the draft agreement and arrange further meetings to discuss these revisions, leaving the agreement clearly in draft form and subject to revisions by both parties. Furthermore, there has been no vote by the City Council in a public session on Verizon's proposed cable franchise agreement. Thus, Verizon believes that its draft cable franchise agreement is exempt from disclosure under Delaware law.

Please do not hesitate to contact me if you require further discussion.

Sincerely,

Rhonda S. Binda

RSB:cjk
cc: Nicholas Rodriguez, City Solicitor

PACE | Global Asset Management

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City of Dover

March Monthly Report

Asset, Energy and Risk Management

April 19, 2007

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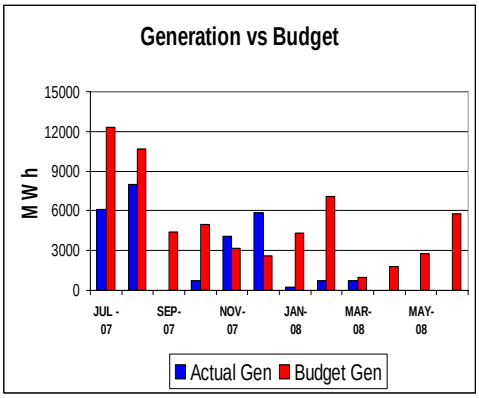
This Report does contain some forward-looking opinions. Certain unanticipated factors could cause actual results to differ from the opinions contained herein. Forward-looking opinions are based on historical and/or current information that relate to future operations, strategies, financial results or 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.

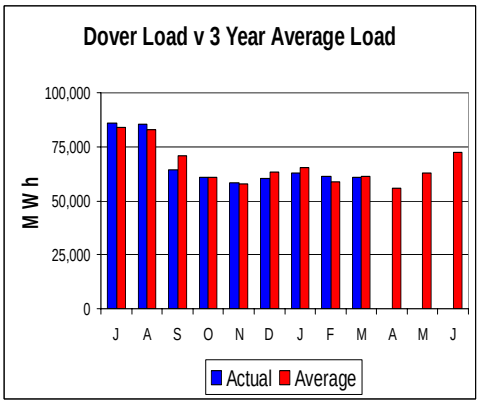
Further, certain statements, findings and conclusions in this Report are based on Pace Global's interpretations of various contracts. Interpretations of these contracts by legal counsel or a jurisdictional body could differ.

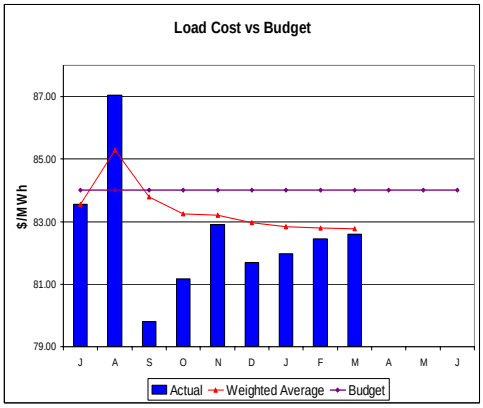
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EXECUTIVE SUMMARY







Generation and Asset Management

Net generation for the month of February credited by PJM was 695 MWh, as compared to a budget of 938 MWh. PJM dispatched Unit #3 at the McKee Run Facility in the real time market on March 7th for reliability purposes. Unit 3 ran 18.9 hours, realizing a generation production margin of $10,253, on an average unit margin of $14.75 per MWh sold. VanSant Unit 11 as operated for 0.3 hours as part of an annual blackstart demonstration for PJM. The demonstration was successful. Blackstart capability revenue from PJM is approximately $60,000 annually. The annual outage on McKee Run Unit 3 was also successfully completed during the month.

During the month of March, North American Energy Services ("NAES) reported that there were no lost time accidents, OSHA reportable incidents or environmental Notice of Violations. Costs attributable to the operations of the McKee Run and VanSant stations for March were $123,363 below a budget of $393,987 due to favorable variances in personnel, administrative, maintenance and operating costs. For power year 2006-07, operations are $772,778 below a budget of $4,244,122.

Energy and Risk Management

Wholesale load for the month of March was 60,619 MWhs versus a three year historic load of 61,400 MWhs. Purchased power (or hedges) accounted for 62,765 MWhs of this volume at a cost of $4.63 million. Purchases and sales as well as other PJM related charges accounted for an additional cost of $133,036, inclusive of all load related fees. Total purchased power cost for the month of March was $5.01 million resulting in an all in monthly cost of power (including fees[1]) of $82.61/MWh, or $1.39/MWh below the targeted annual average of $84.00/MWh.

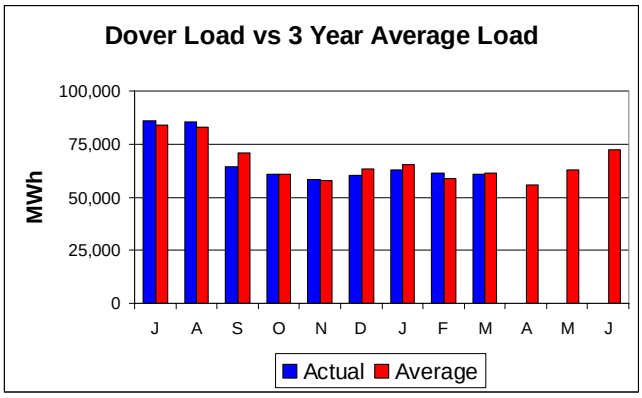
Dover is calculated to be 100 percent hedged on peak and 101 percent hedged off peak for an anticipated all in delivered cost of $83.01[1] for the 2006-07 power year. Hedging for the 2007-08 power year currently has Dover hedged 91 percent on peak and 80 percent off peak with an "At Market" expected price of $84.22/MWh delivered to the Dover bus before any incentive fee paid to the Asset Manager. Hedging for 2008-09 has begun and Dover is currently hedged 15 percent on peak and 19 percent off peak at a target

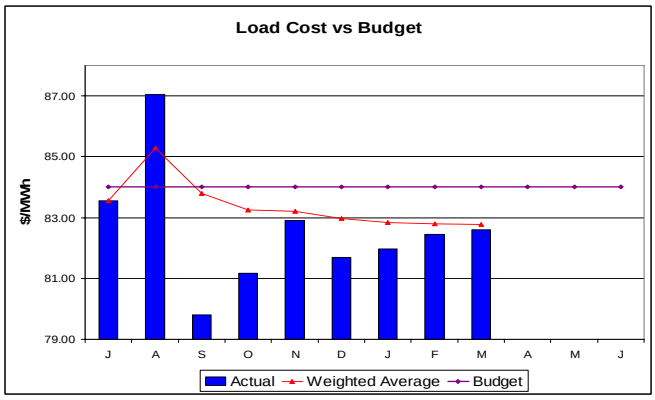
[1] Based on budgeted PGAM Incentive Fee.

price of $84.05/MWh before incentive fees. For the 2009-10 power year, Dover is 14 percent hedged on peak and 18 percent off peak at a target price of $81.59/MWh. All purchases are with investment grade entities. Credit is not currently required to be posted by the counterparties, but these positions are closely monitored by Pace Global Asset Management.

PJM wholesale power prices experienced significant upward movement throughout the forward price periods since the last reported results (period ending 3/16/07). For example, the average forward On-peak price for the upcoming Power Year 2007/2008 increased by $7.08 per MWh, or 8.2 percent, over the last four weeks. This abrupt movement in the March shoulder period demonstrates the market volatility that the City's risk management program is designed to manage. As a result, the City's expected cost of service in 2006-07 and 2007-08 continues to be significantly protected from such adverse price movements. Pace Global and the City are now focused on developing a comprehensive hedging strategy for power year 2008-09 and beyond.

PURCHASED POWER





March Hedges or Purchased Power

Counterparty	Volume (MWh)	Average Cost ($/MWh)	Cost to Dover ($ millions)
BP	18,575	73.12	1.36
Constellation	27,375	77.58	2.12
Integrys	16,815	68.40	1.15
Connective (Capacity Only)	11.8 MW	$5.00/MW.d	$1.8k
Total Energy Purchases	62,765	73.80	4.63
Dover Load	60,619		

PJM Power Balancing and Load Related Fees

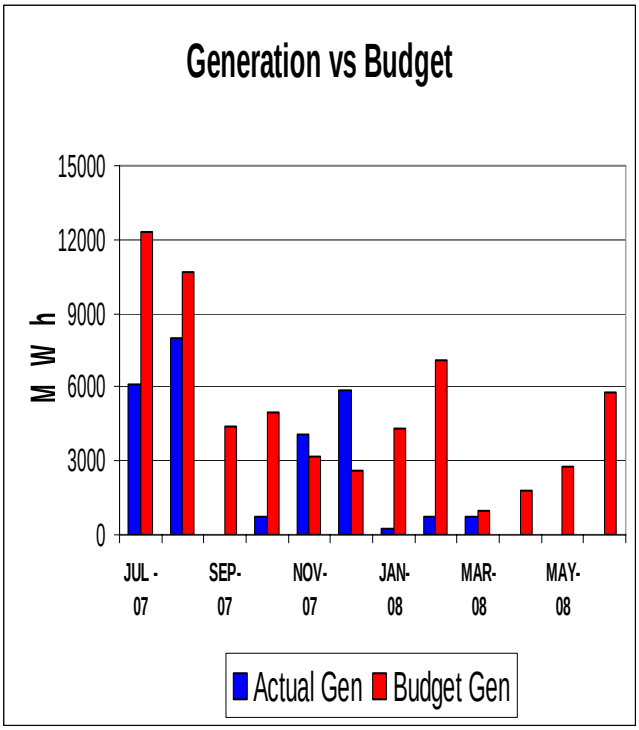
Purchased Power (Hedges): 62,765 MWh's @ $73.80/MWh:	$4,632,265
Power Balancing and Additional PJM Related Costs:	$133,035
Total Cost to Serve Load (60,619 MWh's)	$4,765,300

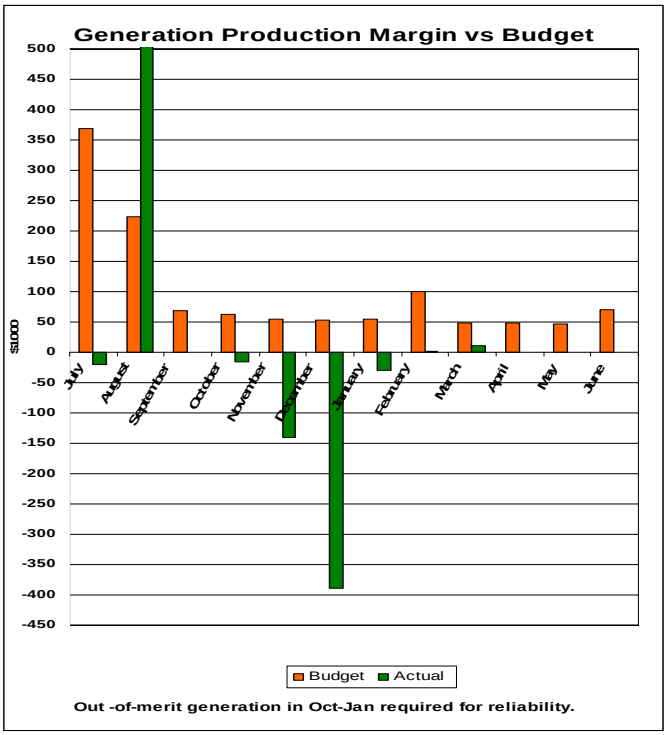
All in $/MWh load cost inclusive of Energy Manager Fees[1]: $82.61/MWh

Monthly Market Management Highlights

- PJM market volatility raised forward prices through the 2006-07 and 2007-08 power year forward periods. For example, the 2007-08 forward strip increased by $7.08/MWh. However, existing hedge positions protected the City's budgets, as intended – limiting projected increases to $0.03 and $0.87 per MWh, respectively.
- Aggregate Day Ahead demand bids within 1% of actual daily loads resulted in load following costs well-below budget, despite a volatile Real Time PJM market.

GENERATION MANAGEMENT





Monthly Operations Summary – March 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	18.917	18.917	0.30	19.217
Starts	#	0	0	1	1	2	3
Gross Generation	MWh	0	0	780.182	780.182	0.3	780.482
Net Generation	MWh	0	0	697.498	697.498	0.0	697.498
Total Auxiliaries	MWh	34.634	34.634	251.360	389.894	37.345	427.239
Auxiliaries purchased	MWh	34.634	34.634	168.676	237.943	37.315	275.258
Fuel Gas Used	1000s BTU	0	0	101,305	101,305	103,747	205,053
Fuel Oil Used	1000s BTU	0	0	13,242,748	13,242,748	0	13,242,748
Fuel Oil Used*	Gallons	0	0	88,151	88,151	0	88,151
Total Fuel	1000s BTU	0	0	13,344,053	13,344,053	103,747	13,447,801
Net Heat Rate*	BTU/KWh	NA	NA	19,131	19,131	NA	19,131
Unit Trips	#	0	0	0	0	2[&]	2[&]
Capacity Factor	%	0.00%	0.00%	0.92%	0.92%	0.00%	0.53%
Availability Factor	%	100%	100%	86.17%	95.39%	100%	96.54%
eFOR	%	0%	0%	0%	0%	0%	0%
HW Boiler Gas Usage	1000s BTU				2,141,346		2,141,346
Pilot Gas Usage	1000s BTU	0	0		0		0

*** Fuel oil usage numbers and resulting Net Heat Rate are based on questionable flow meter readings. These numbers are believed to be inaccurate at this time. Based on tank level readings, #6 FO use during the McKee 3 dispatch was 56,293 gallons, which yields a more credible net heat rate of 12,269 Btu/kWh.**

 # Note: Does not include HWB or Pilot Gas; * Note: Includes fuel used to heat boiler to prevent freezing.

[&] Note: Unit Trips under controlled conditions to test turbine overspeed trip function

Generation Financial Performance

Per the table below, the McKee and VanSant stations experienced a generation production margin of $10,253 on power sales of 695 MWh for the month of March. The average realized unit generation production margin was $14.7 per MWh.

Generation Production Margin

Transaction	Volumes	Revenue/(Cost)
PJM Invoice for Power Sold	695 MWh's	$85,911
Fuel and Transport	750dth gas/56,293 gal #6 oil	($75,658)
Generation Production Margin	695 MWh's	$10,253

Non-Production Energy Revenues and Costs

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)	$4,978
Fuel Oil Tank Heating & Blackstart Gas Supply	($18,163)
Eastern Shore Demand Charge	($4,342)
Transco Demand Charge	($4,349)
	($21,876)

Emissions and Allowance Management

Two thousand tons of 2006 vintage SO_2 allowances were sold on April 2nd, resulting in the current emissions allowance balances shown in the table below. This includes 654 tons 2006 vintage SO_2 allowances remaining for sale. Timing for sale of these allowances will be discussed with the City.

EMISSIONS & ALLOWANCE SUMMARY

Allowance Vintage	Allowance Allocation	Emissions Month	Emissions YTD	Allowances Sold Month	Allowances Sold YTD	Allowance Balance
SO2 - 2006	2725	n/a	71	2000	2000	654
SO2 - 2007	2723	7	11	0	0	2712
Nox - 2007	198	0	0	0	0	198

NOx emissions pertain only to Seasonal emissions (May 1 – Sep 30)

On April 2nd, a sale of 2,000 tons of 2006 vintage SO_2 allowances was made to Louis Dreyfus Energy Service, LP. The transaction netted $426.75 per ton or $853,500 for the City. Combined with the 170 tons NOx credits sold in 2006 for $950 net per ton (yielding $161,500), net emissions allowance sales revenue for the 2006-07 power year is $1,015,000

After the transactions referenced above, the City of Dover has 654 vintage 2006 allowances and 2,712 vintage 2007 SO_2 allowances remaining. If McKee Run and Van Sant units experience operating conditions similar to 2006, the City of Dover will have approximately 3,300 excess 2006 and 2007 vintage SO_2 allowances this year. Current SO_2 allowance market prices are in the range of $420 per ton.

No activity occurred with respect to City of Dover NO_x allowances. Note that NOx allowance retirement is only applicable to generation during the Ozone Season or generation between May 1 and September 30 of each calendar year. For 2007, the City of Dover has 198 tons of NO_x allowances. Based on previous year operating statistics, approximately 173 tons of NO_x allowances will be available for trade. Current NO_x allowance market prices are stable near $1000 per ton.

Monthly Generation Management Highlights:

- Generating units were dispatched only once (Unit 3 ran 18.9 hrs on March 6th) during the month (for PJM reliability purposes), realizing a generation production margin of $10,253, on a unit production margin of $14.75/MWh sold.
- As authorized during the month of March, sale of 2,000 excess 2006 vintage SO2 allowances was conducted on April 2nd, netting $426.75 per ton or $853,500 for the City.

OPERATIONS MANAGEMENT

Operations Summary

Generation Unit performance for the month of March is provided below:

Monthly Operations Summary – March 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	18.917	18.917	0.30	19.217
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Gross Generation	MWh	0	0	780.182	780.182	0.3	780.482
Net Generation	MWh	0	0	697.498	697.498	0.0	697.498
Total Auxiliaries	MWh	34.634	34.634	251.360	389.894	37.345	427.239
Auxiliaries purchased	MWh	34.634	34.634	168.676	237.943	37.315	275.258
Fuel Gas Used	1000s BTU	0	0	101,305	101,305	103,747	205,053
Fuel Oil Used	1000s BTU	0	0	13,242,748	13,242,748	0	13,242,748
Fuel Oil Used*	Gallons	0	0	88,151	88,151	0	88,151
Total Fuel	1000s BTU	0	0	13,344,053	13,344,053	103,747	13,447,801
Net Heat Rate*	BTU/KWh	NA	NA	19,131	19,131	NA	19,131
Unit Trips	#	0	0	0	0	2[&]	2[&]
Capacity Factor	%	0.00%	0.00%	0.92%	0.92%	0.00%	0.53%
Availability Factor	%	100%	100%	86.17%	95.39%	100%	96.54%
eFOR	%	0%	0%	0%	0%	0%	0%
HW Boiler Gas Usage	1000s BTU				2,141,346		2,141,346
Pilot Gas Usage	1000s BTU	0	0		0		0

*** Fuel oil usage numbers and resulting Net Heat Rate are based on questionable flow meter readings. These numbers are believed to be inaccurate at this time. Based on tank level readings, #6 FO use during the McKee 3 dispatch was 56,293 gallons, which yields a more credible net heat rate of 12,269 Btu/kWh.**

 # Note: Does not include HWB or Pilot Gas

*** Note: Includes fuel used to heat boiler to prevent freezing.**

[&] Note: Unit Trips under controlled conditions to test turbine overspeed trip function

Unit Trips/Outages

During the month, Unit 3 ran a total of 18.917 hours on March 6 due to dispatch by PJM in the real time market for reliability purposes. Unit 11 was operated for 0.3 hours on March 27 as part of an annual blackstart demonstration for PJM. The Unit 11 overspeed trip devices were also tested at the conclusion of the successful black start test and found to be operating properly.

Other Events

NAES completed the annual outage on Unit 3 during the period March 19- 26, ahead of the anticipated scheduled duration. During the outage, we received our annual boiler inspection and certificate of inspection from Mr. Steve Smith of the ARISE Insurance Company.

After months of discussion and providing information to the DNREC Tank Management Branch, they have approved an alternate procedure to be followed until an Out-of-Service Inspection can be completed on the McKee Run Fuel Oil Tank #1. Under the alternate procedure, the plant will need to supply DNREC with visual inspection documentation and oil tank inventory information on a monthly basis until the Out-of-Service Inspection is completed. On this basis, DNREC has extended the tank inspection deadline to no later than June 1, 2008.

A meeting with the DNREC Air Quality Management Branch was held to discuss a Delaware Regulation 1146 Compliance Plan for Unit 3. A number of options regarding Unit 3 presented during the meeting by the City of Dover are on the table for the DNREC to consider. A follow up meeting with DNREC is to be scheduled for an April, 2007 date.

NAES met with and provided information to several boiler equipment vendors who had been contacted to help us find ways to lower our NOx emissions to comply with DNREC Regulation 1146, which will take effect in 2009.

Leading Edge Turbine Technologies (LETT) has received the fuel nozzles for inspection, flow testing and repairs. The repairs should take four to eight weeks and once the nozzles are returned, they will be placed into the plant inventory as a spare set. NAES has asked for an analysis from LETT to help determine the exact cause of the damage to the fuel nozzles.

NAES continues to work with General Physics to set up the GPILearn on-line training system for the plant. They have provided them with preliminary information on plant personnel so that individual training accounts could be set up for each employee and so that supervision is able to monitor their training plan. Training on the system for selected plant management personnel is scheduled for early April, 2007.

As part of efforts to continuously improve, NAES has been conducting research on installation of Automatic Generation Control (AGC) on Unit 3 and on Unit 11. This improvement, if achievable, could provide enhanced operational value to PJM and the City. Pace Global and NAES are working together to review alternative competitive bidding strategies in the PJM market that could provide greater margin from operations.

Generation Unit performance for the fiscal year 2006-07 to date is provided below:

Fiscal Year to Date 7/1/06-3/31/07							
		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	184.134	190.018	441.026	815.178	112.354	927.532
Starts	#	6	5	23	34	35	69
Gross Generation	MWh	1,499.154	1,580.808	22,198.381	25,278,343	3,557.578	28,835.921
Net Generation	MWh	1,406.823	1,482.405	20,259.787	23,149.015	3,536.090	26,685.105
Total Auxiliaries	MWh	388.784	394.856	3,844.113	4,769.565	287.891	5,102.043
Auxiliaries purchased	MWh	296.453	296.453	1,905.519	2,498.425	266.403	2,809.415
Fuel Gas Used	1000s BTU	13,478,640	17,386,555	153,605,208	184,470,403#	42,103,989	226,574,393#
Fuel Oil Used	1000s BTU	8,547,961	3,177,772	105,335,824	117,061,558	5,246,186	122,307,744
Fuel Oil Used	Gallons	57,177	21,256	702,281	780,714	37,933	818,647
Total Fuel	1000s BTU	22,026,601	20,564,327	258,941,032	301,531,961#	47,350,176	348,882,138#
Net Heat Rate	BTU/KWh	15,734	13,900	12,781	13,026	13,391	13,074
Unit Trips	#	4	1	1	6	9	15
Capacity Factor	%	1.26%	1.33%	3.02%	2.59%	1.38%	2.32%
Availability Factor	%	97.74%	98.44%	97.91%	98.03%	99.17%	98.54%
eFOR	%	1.06%	3.33%	0.52%	0.94%	0.0%	0.73%
HW Boiler Gas Usage	1000s BTU				16,254,985		16,254,985
Pilot Gas Usage	1000s BTU	526,200	822,562		1,348,762		1,348,762

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

Environmental, Health and Safety

During the month of March, there were no employee or contractor related injuries or illnesses. The site did hold an emergency evacuation drill at the McKee Run facility during the first week in March. The drill went smoothly, however several ways to improve the process were identified and NAES is currently working on those improvements. Plans to implement a better means of accounting for each person on site are currently in progress.

The Employee-led Plant Safety Committee has completed plans to commemorate two years of accident-free operation. The plant will complete this milestone on April 5, 2007. A lunch time event is scheduled for April 17, 2007.

There were no Notice of Violations or environmental excursions during the month. There were two Near Miss Reports turned in which involved LOTO[2]. There was no injury nor equipment damage involved in either incident but these incidents should heighten an awareness in returning valves, control switches, and breakers to their original position, unless properly documenting otherwise.

The plant was notified by the DNREC Tank Management Branch that they had approved an alternate procedure for monitoring the McKee Run Fuel Oil Tank #1 and Oil Inventory until an Out-of-Service Tank inspection can be completed. The inspection must be completed no later than June 1, 2008.

[2] Lockout/Tagout procedures.

Operations Financial Summaries

Operating Costs for the month of March were $270,624 against a budget of $393,987. Costs attributable to the operations of the McKee Run and VanSant stations for March were $123,363 below budget due to favorable variances in personnel, administrative, maintenance and operating costs. For power year 2006-07 Year to Date, operations are $772,778 below a budget of $4,244,122.

A breakdown of operating costs for March and Fiscal Year to Date are provided below:

Financial – Current Month

	Month – March 2007		
	Actual	Budget	Variance
Personnel	207,036	250,018	42,982
Administrative	30,624	49,119	18,495
EH & S	1,094	6,000	4,906
Maintenance Expense	22,855	48,050	25,195
Operations Expense	9,015	40,800	31,785
Total	**$270,624**	**$393,987**	**$123,363**

Financial – Fiscal Year to Date

	Number of Months - 9		
	Actual	Budget	Variance
Personnel	2,184,761	2,438,154	253,393
Administrative	741,179	766,655	25,476
EH & S	68,808	65,500	(3,308)
Maintenance Expense	346,780	495,450	148,670
Operations Expense	129,816	478,363	348,547
Total	**$3,471,344**	**$4,244,122**	**$772,778**

Monthly Operations Management Highlights:

- McKee Run Unit 3 responded to PJM's dispatch request on March 6th and operated for 18.9 hrs, producing 695 MWh for sale into the PJM real time market.
- VanSant Unit 11 as operated for 0.3 hours as part of a successful annual blackstart demonstration for PJM. The demonstration was successful
- The annual outage at McKee Run Unit 3 was successfully completed during March 19 - 26.
- There were no lost time accidents, OSHA reportable incidents or environmental Notice of Violations associated with the generation stations in March.

ENERGY MANAGEMENT

Purchased Power and Volumes and Pricing

Purchased power for the month of March is summarized below. This power serves to hedge or protect Dover from the volatility in the PJM wholesale power market.

March Hedges or Purchased Power

Counterparty	Volume (MWh)	Average Cost ($/MWh)	Cost to Dover ($ millions)
BP	18,575	73.12	1.36
Constellation	27,375	77.58	2.12
Integrys	16,815	68.40	1.15
Connective (Capacity Only)	11.8 MW	$5.00/MW.d	[$1.8k]
Total Energy Purchases	62,765	73.80	4.63
Dover Load	60,619		

Actual Dover load of 60,619 MWh was 1.3% below the 3 year historic load of 61,400 MWh. Hedge volumes exceeded load as the 100% on peak and 101% off peak hedge levels for 2006-07 vary against monthly load projections.

PJM market volatility raised forward prices through the 2006-07 and 2007-08 power year forward periods. For example, the 2007-08 forward strip increased by $7.08/MWh. However, existing hedge positions protected the City's budgets, as intended, as discussed in the Risk Management section of this report.

Aggregate Day Ahead demand bids were within 1% of actual daily loads. This resulted in load following costs well-below budget, despite a volatile Real Time PJM market.

PJM Power Balancing and Load Related Fees

Purchased Power (Hedges): 62,765 MWh's @ $73.80/MWh: $4,632,265

Power Balancing and Additional PJM Related Costs: $133,035

Energy Manager Fee and Incentive (Fee @ $2.76/MWh, Incentive @ $1.24/MWh) $242,476

Total Cost to Serve Load (60,619 MWh's) $5,007,778

All in $/MWh load cost inclusive of Energy Manager Fees: $82.61/MWh

Purchased Fuel and Transportation

Natural gas commodity purchases were necessary to supply start gas to McKee Run Unit 3 during 18.9 hours of PJM reliability dispatch on March 6th, as well as to provide gas to VanSant Unit 11 during blackstart testing on March 27th. Pipeline balancing was utilized to manage gas costs as early March prices had spiked. Average incurred gas price for 950 Dth was $7.08 per Dth.

Date	Volume (Dth)	Price ($/Dth)	Total Commodity Cost ($)
14-Mar	150	$6.80	$1,020.00
15-Mar	150	$6.95	$1,042.50
16-Mar	150	$7.08	$1,062.00
17-Mar	100	$6.92	$692.00
18-Mar	100	$6.92	$692.00
19-Mar	100	$6.92	$692.00
26-Mar	200	$7.65	$1,530.00
Totals	**950**	**$7.08**	**$6,730.50**

Gas was also separately purchased on a firm basis to maintain the No.6 fuel oil inventories at McKee Run at approximately 140 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	$7.72	$16,746

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	$4,342
TransCo FT Demand Charge	$4,349
Total Purchases	$8,691

Other Gas Purchases

Commodity and transportation imbalances on Eastern Shore Pipeline for the month resulted in a credit of $303 to the City, and are summarized as follows.

Imbalance (dth)	Estimated $/dth	Estimated Total Cost
(108)	$7.30	($788)

Transport	Volume	Estimated $/dth	Estimated Total Cost
Firm	2,124	$0.017	$36
IT	765	$0.587	$449

Purchased Commodity Fuel Oil Summary

Approximately 56,000 gallons of No.6 fuel oil was consumed during March 6 operations at McKee Run Unit 3. Inventory of 1.2 million gallons No. 6 oil remains adequate.

No No.2 fuel oil was consumed at VanSant during the month March. Inventories of No.2 at VanSant are low and PGAM has been authorized to replenish storage up to 10 days supply, within prudency. However, the current market price of $2.00 per gallon is viewed as too high to merit purchases at this time and the market continues to be monitored.

Tank Inventory Actuals as of March 31

Tank	Tank Capacity (gal)	Inventory in (gal)	Days of Burn (Full Load)
#6 Oil	2,554,105	1,207,208	9
#2 Oil	258,000	116,848	4

March -07 Burns

Date	#6 Oil Burns/gal	Inventory Price $/gal	Market Price $/gal	Inventory Cost	Market Cost
6-Mar	56,293	$1.26	$1.34	($70,648)	($75,433)

RISK MANAGEMENT

PJM wholesale power prices experienced significant upward movement throughout the forward price periods since the last reporting period (ending 3/16/07). For example, the average forward On-peak price for the upcoming Power Year 2007/2008 increased by $7.08 per MWh, or 8.2 percent, while the average forward On peak price for the Power Year 2008/2009 increased by $5.37 per MWh, or 6.4 percent. This abrupt movement in the March shoulder period demonstrates the market volatility that the City's risk management program is designed to manage, and the City's expected cost of service in 2006-07 and 2007-08 continues to be significantly protected from such adverse price movements.

Pace Global and the City are now focused on developing a comprehensive hedging strategy for power year 2008-09 and beyond. A meeting was held on April 11th to further clarify the structure and objectives of the program, which is proposed to consist of integrated programmatic, defensive, and discretionary hedging decision protocols designed to work together to ensure stable, predictable power prices for the City's ratepayers for the next several power years. We anticipate that the strategy will be ratified in the April 2007 ERMC meeting, and Pace Global will thereafter begin implementation to increase the City's hedge ratio to 30 percent for power year 2008-09. The first element of the proposed hedging strategy will target peak usage in order to reduce the City's exposure to the most volatile element of the City's power costs.

2006 - 2007 Power Year Hedge Position

As of April 10th, estimated power consumption for Power Year 2006-07 was hedged at 100 percent on peak and 101 percent off peak. Hedge volumes are based on the three year historical load profile of Dover at the Dover bus prior to any distribution losses to the retail meter. As shown in the table below, these hedge positions produce an estimated all-in wholesale price to Dover of $83.01 per MWh for the 2006-07 power year, inclusive of all Pace budgeted fees. Despite the acute PJM market price increase in March, Dover's power cost is up only $0.03 per MWh relative to last month as the hedge positions shielded the City and its customers. The "Current Expected" price outcome remains below the budgeted figure of $85.24 per MWh (including Incentive Fees). The ten day value at risk (VaR) indicates that this values could increase to $84.30 per MWh, given a "worst case" possible adverse market movement in commodity and load following costs. That "At Market + Risk" result would still be $0.94 per MWh below budget.

Date: 04/10/2007	**Forward Hedge % Power Year 2006-07**	
	Peak	**100%**
	Off Peak	**101%**

	At Market	At Market + Risk*
Energy Cost(including Load Following)	**$75.64**	**$76.93**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following		
FRC Margin	$0.00	$0.00
	$0.01	$0.01
Pass-Through Items		
Transmission	$2.24	$2.24
Ancillary	$1.12	$1.12
Losses	$0.00	$0.00
	$3.36	$3.36
Add Pace Fees	$2.76	$2.76
Total Cost	**$81.77**	**$83.06**
Add Incentive	$1.24	$1.24
Current Expected	$83.01	$84.30

** Includes estimate of 10-Day VaR & Load Following Risk.*
Includes actuals through March and projections through June.
Pace Incentive Fee represents budgeted amount.

2006 – 2007 Month-by-Month Hedge Transactions

Off-Peak Power, Dover Zone			4/10/2007
Period 06-07	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-06	39,472	42,400	107%
Aug-06	34,547	37,600	109%
Sep-06	33,474	30,000	90%
Oct-06	27,712	29,400	106%
Nov-06	26,939	28,800	107%
Dec-06	32,041	31,800	99%
Jan-07	31,518	29,400	93%
Feb-07	27,267	26,400	97%
Mar-07	28,399	29,400	104%
Apr-07	26,122	28,800	110%
May-07	29,005	29,400	101%
Jun-07	32,038	28,800	90%
Total	368,534	372,200	101%

On-Peak Power, Dover Zone			4/10/2007
Period 06-07	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-06	39,074	41,600	106%
Aug-06	45,943	47,840	104%
Sep-06	35,575	32,000	90%
Oct-06	32,603	33,440	103%
Nov-06	30,030	31,920	106%
Dec-06	28,816	30,400	105%
Jan-07	34,476	33,440	97%
Feb-07	30,279	30,400	100%
Mar-07	31,984	33,440	105%
Apr-07	29,624	31,920	108%
May-07	34,663	33,440	96%
Jun-07	38,389	31,920	83%
Total	411,456	411,760	100%

2007 - 2008 Power Year Hedge Position

For power year 2007-2008, the estimated power consumption is hedged 91 percent peak and 80 percent off-peak. Hedge volumes are based on the three year historical load profile at the Dover bus prior to any distribution losses to the retail meter. As shown in the table immediately following, the all in price to Dover at these hedge levels is estimated at $84.22/MWh, before any incentive fees. Incentive fees will be estimated once the benchmark cost of supply is established for the 2007-2008 power year. The $84.22 cost of service is up only $0.87 per MWh versus the last report, as the 91 percent on peak hedge position protected the City from the recent $5.37/MWh increase in PJM forward market prices for this period. The 10 day value at risk (with an adverse market movement in commodity and load following) could increase this target number to $86.57/MWh.

Date: 04/10/2007

Forward Hedge % Power Year 2007-08	
Peak	**91%**
Off Peak	**80%**

	At Market	At Market + Risk*
Energy Cost(including Load Following)	**$77.13**	**$79.48**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following		
FRC Margin	$0.00	$0.00
	$0.01	$0.01
Pass-Through Items		
Transmission	$2.24	$2.24
Ancillary	$2.00	$2.00
Losses	$0.00	$0.00
	$4.24	$4.24
Add Pace Fees	$2.84	$2.84
Total Cost	**$84.22**	**$86.57**
Add Incentive	$1.24	$1.24
Current Expected	$85.46	$87.81

** Includes estimate of 10-Day VaR & LF Risk*

2007 – 2008 Month-by-Month Hedge Transactions

Off-Peak Power, Dover Zone			4/10/2007
Period 07-08	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-07	39,867	30,600	77%
Aug-07	34,892	28,200	81%
Sep-07	33,809	29,120	86%
Oct-07	27,989	22,560	81%
Nov-07	27,208	23,040	85%
Dec-07	32,362	25,440	79%
Jan-08	31,834	25,480	80%
Feb-08	27,539	23,400	85%
Mar-08	28,683	22,440	78%
Apr-08	26,383	20,240	77%
May-08	29,295	24,480	84%
Jun-08	32,358	23,040	71%
Total	372,219	298,040	80%

On-Peak Power, Dover Zone			4/10/2007
Period 07-08	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-07	39,464	40,320	102%
Aug-07	46,402	44,160	95%
Sep-07	35,930	33,440	93%
Oct-07	32,929	31,280	95%
Nov-07	30,330	28,560	94%
Dec-07	29,105	27,200	93%
Jan-08	34,821	29,920	86%
Feb-08	30,582	28,560	93%
Mar-08	32,303	23,520	73%
Apr-08	29,920	24,640	82%
May-08	35,010	28,560	82%
Jun-08	38,773	36,960	95%
Total	415,569	377,120	91%

2008 - 2009 Power Year Hedge Position

For power year 2008-2009, the estimated power consumption is hedged 15 percent peak and 19 percent off-peak. Hedge volumes are based on the three year historical load profile at the Dover bus prior to any distribution losses to the retail meter. As shown below, these hedge levels combined with current market projections produce a cost of service to Dover estimated at $84.05 per MWh before any incentive fee. The $84.05 is $3.85 per MWh above the 2008-09 projected cost of $80.20 in our last report. This increase results from significant upward PJM price movements since the last report period (ending March 16). The 10 day value at risk (with an adverse market movement in commodity and load following cost) could increase this target number to $89.61 per MWh.

Date: 04/10/2007

Forward Hedge % Power Year 2008-09	
Peak	**15%**
Off Peak	**19%**

	At Market	At Market + Risk*
Energy Cost(including Load Following)	**$76.90**	**$82.46**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following		
FRC Margin	$0.00	$0.00
	$0.01	$0.01
Pass-Through Items		
Transmission	$2.24	$2.24
Ancillary	$2.00	$2.00
Losses	$0.00	$0.00
	$4.24	$4.24
Add Pace Fees	$2.90	$2.90
Total Cost	**$84.05**	**$89.61**
Add Incentive		
Current Expected	$84.05	$89.61

** Includes estimate of 10-Day VaR & LF Risk*

2008 – 2009 Month-by-Month Hedge Transactions

Off-Peak Power, Dover Zone			4/10/2007
Period 08-09	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-08	40,265	5,880	15%
Aug-08	35,241	6,120	17%
Sep-08	34,147	5,760	17%
Oct-08	28,269	5,640	20%
Nov-08	27,480	6,240	23%
Dec-08	32,685	5,880	18%
Jan-09	32,152	6,120	19%
Feb-09	27,815	5,280	19%
Mar-09	28,970	5,880	20%
Apr-09	26,647	5,520	21%
May-09	29,588	6,360	21%
Jun-09	32,682	5,520	17%
Total	375,941	70,200	19%

On-Peak Power, Dover Zone			4/10/2007
Period 08-09	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-08	39,859	5,280	13%
Aug-08	46,866	5,040	11%
Sep-08	36,290	5,040	14%
Oct-08	33,258	5,520	17%
Nov-08	30,634	4,560	15%
Dec-08	29,396	5,280	18%
Jan-09	35,169	5,040	14%
Feb-09	30,888	4,800	16%
Mar-09	32,627	5,280	16%
Apr-09	30,219	5,280	17%
May-09	35,360	4,800	14%
Jun-09	39,161	5,280	13%
Total	419,727	61,200	15%

2009 - 2010 Power Year Hedge Position

For power year 2009-2010, the estimated power consumption was hedged 14 percent peak and 18 percent off-peak. Hedge volumes are based on the three year historical load profile at the Dover bus prior to any distribution losses to the retail meter. As shown below, these hedge levels combined with current market projections produce a cost of service to Dover estimated at $81.59 per MWh before any incentive fee. The $81.59 is $3.02 per MWh above the 2009-2010 projected cost of $78.57 in our last report. This increase results from significant upward PJM price movement since the last report period (ending March 16). The 10 day value at risk (with an adverse market movement in commodity and load following cost) could increase this target number to $86.67 per MWh.

Date: 04/10/2007

Forward Hedge % Power Year 2009-10	
Peak	**14%**
Off Peak	**18%**

	At Market	At Market + Risk*
Energy Cost(including Load Following)	**$74.38**	**$79.46**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following		
FRC Margin	$0.00	$0.00
	$0.01	$0.01
Pass-Through Items		
Transmission	$2.24	$2.24
Ancillary	$2.00	$2.00
Losses	$0.00	$0.00
	$4.24	$4.24
Add Pace Fees	$2.96	$2.96
Total Cost	**$81.59**	**$86.67**
Add Incentive		
Current Expected	$81.59	$86.67

** Includes estimate of 10-Day VaR & LF Risk*

2009 – 2010 Month-by-Month Hedge Transactions

Off-Peak Power, Dover Zone			4/10/2007
Period 09-10	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-09	40,668	5,640	14%
Aug-09	35,593	6,120	17%
Sep-09	34,489	5,760	17%
Oct-09	28,552	5,880	21%
Nov-09	27,755	6,000	22%
Dec-09	33,012	5,880	18%
Jan-10	32,474	6,360	20%
Feb-10	28,093	5,280	19%
Mar-10	29,260	5,640	19%
Apr-10	26,914	5,520	21%
May-10	29,884	6,360	21%
Jun-10	33,009	5,520	17%
Total	379,701	69,960	18%

On-Peak Power, Dover Zone			4/10/2007
Period 09-10	Total Volume (MWh)	Fixed Volume (MWh)	Hedge Ratio
Jul-09	40,258	5,520	14%
Aug-09	47,335	5,040	11%
Sep-09	36,653	5,040	14%
Oct-09	33,591	5,280	16%
Nov-09	30,940	4,800	16%
Dec-09	29,690	5,280	18%
Jan-10	35,521	4,800	14%
Feb-10	31,197	4,800	15%
Mar-10	32,953	5,520	17%
Apr-10	30,521	5,280	17%
May-10	35,714	4,800	13%
Jun-10	39,553	5,280	13%
Total	423,924	61,440	14%

Credit and Counterparty Position

In order to manage its risk profile, Pace Global continues to monitor the 'in the money' or 'out of the money' positions with each of the counterparties with which Dover has conducted transactions. Below are summaries of the counterparties trading with Dover, their corresponding credit position, term, volumes and pricing.

Dover: Counterparty Credit Risk

Date: 04/10/2007

10-day Credit Risk ($000) - 97.5% Confidence Level

Counterparty	Credit Rating	Tenor (months)	Credit Limit	Comment	With Offsets				Without Offsets			
					Mark-to-Market	Low Price Outcome	High Price Outcome	Line Availability	Mark-to-Market	Low Price Outcome	High Price Outcome	Line Availability
Sempra Energy Trading	AA	1	$20,000	Moody's Credit Rating A1	$2,519	($1,915)	$6,953	$17,481	$7,635	$5,525	$10,744	$12,365
Constellation	AA-	1	$15,000	Moody's Credit Rating A1	($482)	($786)	($179)	$15,000	$0	$0	$83	$15,000
BP Energy	AA-	1	$20,000	Moody's Credit Rating A1	($386)	($568)	($205)	$20,000	$0	$0	$27	$20,000
Conectiv	BBB-	1	$10,000	Moody's Credit Rating Baa3	$524	($283)	$1,330	$9,476	$524	$7	$1,330	$9,476
WPS	AA-	1	$15,000	Moody's Credit Rating A1	$273	($558)	$1,104	$14,727	$644	$131	$1,314	$14,356

APPENDIX 1

POWER PURCHASES – HEDGE TRANSACTION DETAILS

Power Year 2006/07										
ID	Counterparty	Timeblock	Quality	Trade Date	Buy/Sell	Start Date	End Date	Volume	Allocation	Hedged Price
2	BP Energy	On Peak 5x16	Firm	6/22/2006	Buy	7/1/2006	6/30/2007	25	MW per hour	$90.25
7	BP Energy	Off Peak 5x8+2x24	Firm	6/22/2006	Buy	7/1/2006	6/30/2007	25	MW per hour	$57.70
1	Connectiv	On Peak 5x16	Firm	6/22/2006	Buy	7/1/2006	9/30/2006	25	MW per hour	$95.00
6	Connectiv	Off Peak 5x8+2x24	Firm	6/22/2006	Buy	7/1/2006	9/30/2006	25	MW per hour	$56.00
3	Constellation	On Peak 5x16	Firm	6/27/2006	Buy	7/1/2006	6/30/2007	50	MW per hour	$88.50
4	Constellation	On Peak 5x16	Firm	6/27/2006	Buy	7/1/2006	8/31/2006	30	MW per hour	$90.50
8	Constellation	Off Peak 5x8+2x24	Firm	6/27/2006	Buy	7/1/2006	6/30/2007	25	MW per hour	$57.75
9	Constellation	Off Peak 5x8+2x24	Firm	6/27/2006	Buy	7/1/2006	8/31/2006	25	MW per hour	$56.65
5	WPS	On Peak 5x16	Firm	7/12/2006	Buy	10/1/2006	6/30/2007	20	MW per hour	$84.71
10	WPS	Off Peak 5x8+2x24	Firm	7/12/2006	Buy	10/1/2006	6/30/2007	25	MW per hour	$56.65

Power Year 2007/08										
ID	Counterparty	Timeblock	Quality	Trade Date	Buy/Sell	Start Date	End Date	Volume	Allocation	Hedged Price
16	Conectiv	On Peak 5x16	Firm	10/18/2006	Buy	7/1/2007	8/31/2007	20	MW per hour	$112.75
17	Conectiv	Off Peak 5x8+2x24	Firm	10/18/2006	Buy	7/1/2007	8/31/2007	15	MW per hour	$63.25
18	Conectiv	On Peak 5x16	Firm	10/19/2006	Buy	1/1/2008	2/29/2008	40	MW per hour	$100.50
19	Conectiv	Off Peak 5x8+2x24	Firm	10/19/2006	Buy	1/1/2008	2/29/2008	30	MW per hour	$65.25
11	Sempra Energy Trading	On Peak 5x16	Firm	10/13/2006	Buy	7/1/2007	9/30/2007	35	MW per hour	$72.65
12	Sempra Energy Trading	On Peak 5x16	Firm	10/13/2006	Buy	10/1/2007	11/30/2007	20	MW per hour	$72.65
13	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	10/13/2006	Buy	7/1/2007	11/30/2007	25	MW per hour	$72.65
14	Sempra Energy Trading	On Peak 5x16	Firm	10/16/2006	Buy	7/1/2007	6/30/2008	30	MW per hour	$75.65
15	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	10/16/2006	Buy	7/1/2007	6/30/2008	20	MW per hour	$75.65
20	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	10/20/2006	Buy	9/1/2007	9/30/2007	10	MW per hour	$46.15
21	Sempra Energy Trading	On Peak 5x16	Firm	10/20/2006	Buy	12/1/2007	12/31/2007	20	MW per hour	$69.95
22	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	10/20/2006	Buy	12/1/2007	12/31/2007	25	MW per hour	$69.95
23	Sempra Energy Trading	On Peak 5x16	Firm	10/20/2006	Buy	3/1/2008	3/31/2008	10	MW per hour	$70.10
24	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	10/20/2006	Buy	3/1/2008	3/31/2008	20	MW per hour	$70.10
25	Sempra Energy Trading	On Peak 5x16	Firm	10/20/2006	Buy	4/1/2008	4/30/2008	10	MW per hour	$58.35
26	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	10/20/2006	Buy	4/1/2008	4/30/2008	20	MW per hour	$58.35

Power Year 2007/08

ID	Counterparty	Timeblock	Quality	Trade Date	Buy/Sell	Start Date	End Date	Volume	Allocation	Hedged Price
34	Sempra Energy Trading	On Peak 5x16	Firm	10/31/2006	Buy	7/1/2007	12/31/2007	10	MW per hour	$85.40
47	Sempra Energy Trading	On Peak 5x16	Firm	12/27/2007	Buy	3/1/2008	4/30/2008	25	MW per hour	$76.35
48	Sempra Energy Trading	On Peak 5x16	Firm	12/27/2007	Buy	5/1/2008	5/31/2008	50	MW per hour	$71.35
49	Sempra Energy Trading	On Peak 5x16	Firm	12/27/2006	Buy	6/1/2008	6/30/2008	75	MW per hour	$85.75
50	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	12/27/2006	Buy	5/1/2008	6/30/2008	25	MW per hour	$44.50
51	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	12/27/2006	Buy	7/1/2007	6/30/2008	5	MW per hour	$66.30
52	Sempra Energy Trading	On Peak 5x16	Firm	12/27/2006	Buy	7/1/2007	6/30/2008	5	MW per hour	$66.30
27	WPS	On Peak 5x16	Firm	10/25/2006	Buy	12/1/2007	12/31/2007	20	MW per hour	$85.50
28	WPS	On Peak 5x16	Firm	10/25/2006	Buy	1/1/2008	2/29/2008	10	MW per hour	$101.00
29	WPS	On Peak 5x16	Firm	10/26/2006	Buy	7/1/2007	8/31/2007	20	MW per hour	$112.00
30	WPS	On Peak 5x16	Firm	10/26/2006	Buy	9/1/2007	9/30/2007	30	MW per hour	$77.00
32	WPS	On Peak 5x16	Firm	10/27/2006	Buy	10/1/2007	11/30/2007	20	MW per hour	$75.00
33	WPS	Off Peak 5x8+2x24	Firm	10/27/2006	Buy	7/1/2007	6/30/2008	10	MW per hour	$53.30

Power Year 2008/09

ID	Counterparty	Timeblock	Quality	Trade Date	Buy/Sell	Start Date	End Date	Volume	Allocation	Hedged Price
53	Sempra Energy Trading	On Peak 5x16	Firm	1/4/2007	Buy	7/1/2008	6/30/2009	15	MW per hour	$69.05
54	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	1/4/2007	Buy	7/1/2008	6/30/2009	15	MW per hour	$69.05

Power Year 2009/10

ID	Counterparty	Timeblock	Quality	Trade Date	Buy/Sell	Start Date	End Date	Volume	Allocation	Hedged Price
55	Sempra Energy Trading	On Peak 5x16	Firm	1/4/2007	Buy	7/1/2009	6/30/2010	15	MW per hour	$68.35
56	Sempra Energy Trading	Off Peak 5x8+2x24	Firm	1/4/2007	Buy	7/1/2009	6/30/2010	15	MW per hour	$68.35

APPENDIX 2

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 Line Item	Load	Generation	Net
Day Ahead Energy	$18,527.10	$0.00	$18,527.10
Realtime Energy	$32,977.03	$74,562.01	$107,539.04
Regulation	($34,684.47)	$0.00	($34,684.47)
Synchronized Reserve Charges	($20,095.41)	$0.00	($20,095.41)
Balancing Operating Reserves Charges	($4,404.39)	$0.00	($4,404.39)
Day Ahead Operating Reserves Charges	($3,833.31)	$0.00	($3,833.31)
Synchronous Condensing Charges	($1,292.66)	$0.00	($1,292.66)
Reactive Services Charges	($161.21)	$0.00	($161.21)
Real-time Economic Load Response Program Charges	($3,000.08)	$0.00	($3,000.08)
Transmission Losses (Point-to-Point) Credits	$4,615.88	$0.00	$4,615.88
Balancing Operating Reserves Credits	$0.00	$11,348.93	$11,348.93
Auction Revenue Rights Credits	$69,918.33	$0.00	$69,918.33
PJM Scheduling System Control and Dispatch Service Charges	($17,647.37)	$0.00	($17,647.37)
Transmission Owner Scheduling System Control and Dispatch Service Charges	($4,503.96)	$0.00	($4,503.96)
Reactive Supply and Voltage Control from Generation Sources Service Charges	($21,953.98)	$0.00	($21,953.98)
Black Start Service Charges	($1,102.58)	$0.00	($1,102.58)
North American Electric Reliability Corporation (NERC) Charge	($278.85)	$0.00	($278.85)
Reliability First Corporation (RFC) Charges	($606.19)	$0.00	($606.19)
Network Integration Transmission Service Charges	($145,641.41)	$0.00	($145,641.41)
Expansion Cost Recovery Charges	($415.29)	$0.00	($415.29)
Black Start Service Credits	$0.00	$4,977.77	$4,977.77
Non-Firm Point-to-Point Transmission Service Credits	$1,260.20	$0.00	$1,260.20
PPA	($713.32)	$0.00	($713.32)
Total	**($133,035.94)**	**$90,888.71**	**($42,147.23)**

Due to the Settlement of Transmission Rate Case ER05-515: Pepco/ Dpl the City is entitled to an estimated refund of $512,640 to be spread over 12 months beginning in June -06. The credit comes through on the PJM bill as a reduction in the rate charged by DPL for Network transmission service. Pace will track this credit to ensure the proper refund is received by the city. The savings by month is as follows:

June-06:	$91,577.42
July-06:	$94,630.00
Aug-06:	$94,630.00
Sept-06	$91,577.42
Oct-06	$94,630.00
Nov-06	$94,630.00 (being researched, appears to be an over refund)

APPENDIX 3

NORTH AMERICAN ENERGY SERVICES - MARCH 2007 MONTHLY REPORT

North American Energy Services
Dover, DE

March 2007

Monthly Report



VanSant Generating Station
Black Start Demonstration

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1.0 Executive Summary

2.0 Environmental Health and Safety

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6.0 Engineering

7.0 Summary of NAES Performance

1.0 Executive Summary

Calendar of Events	*Date*
Unit 3 Annual Outage	March 19 – March 26, 2007
Unit 11 Annual Black Start Test	March 27, 2007
Two Year Accident Free Target	April 5, 2007
RCRA & DOT Training	April 10, 2007
GPiLearn Training	April 11 – 12, 2007
Unit 11 Annual Outage	April 16 – 29, 2007
Unit 1 Annual Outage	October 8 - 15, 2007
Unit 2 Annual Outage	October 15 - 22, 2007
McKee Run Fuel Oil Tank #1 Out-of-Service Inspection Due Date	June 1, 2008

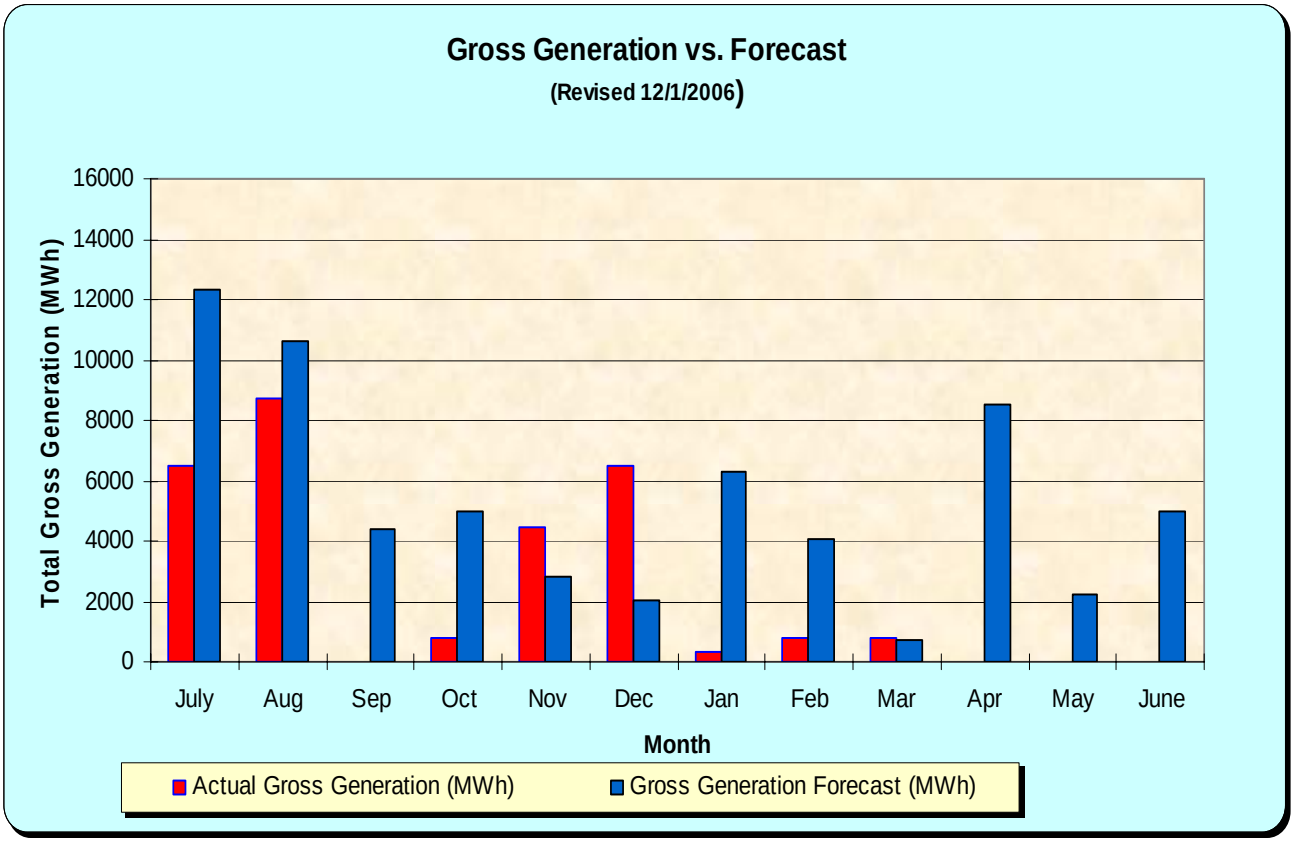
Environmental, Health, and Safety

	Month (March 2007)	*Fiscal Year to Date 7/1/06-6/30/07*
NOVs	0	0
Opacity Deviations	0	36
Environmental Deviations	0	0
OSHA Recordable	0	0
OSHA LTA's	0	0

Operations

	Month (March 2007)	*Fiscal Year to Date 7/1/06-6/30/07*
Net Station Output (MWH) – Note 1	697.498	26,685.105
Period Hours	2,972	26,300
On line Hours	19.217	927.532
Planned Outage Hours	102.917	279.734
Maintenance Outage Hours	0.0	54.667
Forced Outage Hours	0.0	108.575
Reserve Shutdown Hours	2,853.866	24,933.272
Equivalent Forced Outage Hours	0.0	214.57
Station Availability - Note 2	96.54%	98.32%

Note 1 – Net Station Output does not include station auxiliaries when units are off line.
Note 2 – Availability is calculated using service hours + reserve shutdown hrs divided by hours in period.


Gross Generation vs. Forecast
(Revised 12/1/2006)
Total Gross Generation (MWh)
16000
14000
12000
10000
8000
6000
4000
2000
0
July
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
June
Month
Actual Gross Generation (MWh)
Gross Generation Forecast (MWh)

2.0 Environmental, Health and Safety

During the month of March, there were no employee or contractor related injuries or illnesses. The site did hold an emergency evacuation drill at the McKee Run facility during the first week in March. The drill went smoothly, however we did identify several ways to improve our process and are currently working on those items. Plans to implement a better means of accounting for each person on site are currently in progress.

The Employee-led Plant Safety Committee has completed the plans to commemorate two years of accident-free operation. The plant will complete this milestone on April 5, 2007. A lunch time event is scheduled for April 17, 2007.

There were no Notice of Violations or Environmental excursions during the month. There were two Near Miss Reports turned in which involved LOTO. There was no injury nor equipment damage involved in either incident but these incidents should heighten an awareness in returning valves, control switches, breakers to their original position unless properly documenting otherwise.

The plant was notified by the DNREC Tank Management Branch that they had approved an alternate procedure for monitoring the McKee Run Fuel Oil Tank #1 and Oil Inventory until an Out-of-Service Tank inspection can be completed. The inspection must be completed no later than June 1, 2008.

Safety Statistics

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
Hours Worked	5,389.5	5,697.75	5129.5	5,454	5,101.5	5,089.5	5,506	4,705	5,605				47,677.75
First Aid cases	0	0	0	0	0	0	0	0	0				0
OSHA Recordable	0	0	0	0	0	0	0	0	0				0
Lost Time Accidents	0	0	0	0	0	0	0	0	0				0
Restricted Workday Accident	0	0	0	0	0	0	0	0	0				0
Near Miss	0	1	0	0	0	0	0	0	2				3

Date last OSHA Recordable	**4/05/05**
Date last Lost Time Accident	**4/05/05**
Days since last OSHA recordable	**725**
Days since last Lost Time Accident	**725**

Emissions (NOx & SO2) All data thru 3/31/07

NOx Summary - Year (May-Sept.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2002	17.34	14.38	175.76	6.01	213.49
2003	9.34	7.84	127.36	2.45	146.99
2004	3.38	2.74	98.76	7.55	112.43
2005	20.16	20.64	103.3	2.19	146.29
2006	1.82	1.78	19.25	1.72	24.57
2007	0	0	0	0	0

NOx Allowances Summary					
NOx Allowance Vintage	**NOx Allowances Sold YTD**	**NOx Allowances Available (Per Facility, Prior to Sale)**		**Total NOx Tons Emitted (NOx Season)**	**NOx Allowance Balance**
		McKee Run	***VanSant***		
2007	0	191	7	0	198
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*
2002	23.43	24.93	696.91	6.38	751.65
2003	22.77	18.89	490.14	2.35	534.15
2004	10.96	9.64	489.44	1.45	490.89
2005	49.91	52.08	530.24	2.30	634.69
2006	3.69	1.51	69.92	0.24	75.36
2007	0	0	10.48	0.16	10.64

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	2000	2586	139	71	654
2007	0	2585	138	11	2712
2008	0	2585	138	0	2723
2009	0	2585	138	0	2723

2.1 Training

Final arrangements have been made with General Physics, to utilize their web-based training programs for the Dover facility. The training courses would include topics that satisfy OSHA compliance and provide general knowledge to site personnel related to power plant operations, mechanical, electrical, instrumentation & control maintenance, water treatment, heat rate and plant performance. Three Dover employees are scheduled to attend training at the General Physics training Center on April 11 & 12, 2007. Program implementation should begin once the two day training is completed and employees at the Dover site receive instructions on how to use the General Physics' system.

3.0 Financial

Financial – Current Month

	Month – March 2007		
	Actual	Budget	Variance
Personnel	207,036	250,018	42,982
Administrative	30,624	49,119	18,495
EH & S	1,094	6,000	4,906
Maintenance Expense	22,855	48,050	25,195
Operations Expense	9,015	40,800	31,785
Total	**$270,624**	**$393,987**	**$123,363**

Financial – Fiscal Year to Date

	Number of Months - 9		
	Actual	Budget	Variance
Personnel	2,184,761	2,438,154	253,393
Administrative	741,179	766,655	25,476
EH & S	68,808	65,500	(3,308)
Maintenance Expense	346,780	495,450	148,670
Operations Expense	129,816	478,363	348,547
Total	**$3,471,344**	**$4,244,122**	**$772,778**

3.1 Variance analysis

For the month of March, we had a favorable variance of $123,363. The variance was due to the following:

PERSONNEL EXPENSES – Favorable variance of $42,982 due to lower overtime and burdens due to low that accounted for the majority of the total variance

ADMINISTRATIVE EXPENSES - Favorable variance of $18,495 which was mostly due to insurance premiums budgeted on a monthly basis were paid in a lump sum payment in August.

ENVIRONMENTAL, HEALTH, AND SAFETY EXPENSES - Favorable variance of $4,906 due to a zero non-hazardous waste disposal expense and zero safety supply purchases.

MAINTENANCE EXPENSES- Favorable variance of $25,195 due to the City of Dover crediting a few of the major accounts for items that were previously charged out to these accounts but were actually inventory purchases. We now have a separate inventory account that we can use in H.T.E. so the number of times this happens in the future should certainly be minimized.

OPERATING EXPENSES – Favorable variance of $31,785 due primarily to not being billed for McKee Run auxiliary electric usage and for low water usage (limited operational run time).

4.0 Operations

Month – March 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	18.917	18.917	0.30	19.217
Starts	#	0	0	1	1	2	3
Gross Generation	MWh	0	0	780.182	780.182	0.3	780.482
Net Generation	MWh	0	0	697.498	697.498	0.0	697.498
Total Auxiliaries	MWh	34.634	34.634	251.360	389.894	37.345	427.239
Auxiliaries purchased	MWh	34.634	34.634	168.676	237.943	37.315	275.258
Fuel Gas Used	1000s BTU	0	0	101,305	101,305	103,747	205,053
Fuel Oil Used	1000s BTU	0	0	13,242,748	13,242,748	0	13,242,748
Fuel Oil Used	Gallons	0	0	88,151	88,151	0	88,151
Total Fuel	1000s BTU	0	0	13,344,053	13,344,053	103,747	13,447,801
Net Heat Rate	BTU/KWh	NA	NA	19,131	19,131	NA	19,131
Unit Trips	#	0	0	0	0	2[&]	2[&]
Capacity Factor	%	0.00%	0.00%	0.92%	0.92%	0.00%	0.53%
Availability Factor	%	100%	100%	86.17%	95.39%	100%	96.54%
eFOR	%	0%	0%	0%	0%	0%	0%
HW Boiler Gas Usage	1000s BTU				2,141,346		2,141,346
Pilot Gas Usage	1000s BTU	0	0		0		0

 # Note: Does not include HWB or Pilot Gas
*** Note: Includes fuel used to heat boiler to prevent freezing.**
[&] Note: Unit Trips under controlled conditions to test turbine overspeed trip function

Fiscal Year to Date 7/1/06-6/30/07							
		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	184.134	190.018	441.026	815.178	112.354	927.532
Starts	#	6	5	23	34	35	69
Gross Generation	MWh	1,499.154	1,580.808	22,198.381	25,278,343	3,557.578	28,835.921
Net Generation	MWh	1,406.823	1,482.405	20,259.787	23,149.015	3,536.090	26,685.105
Total Auxiliaries	MWh	388.784	394.856	3,844.113	4,769.565	287.891	5,102.043
Auxiliaries purchased	MWh	296.453	296.453	1,905.519	2,498.425	266.403	2,809.415
Fuel Gas Used	1000s BTU	13,478,640	17,386,555	153,605,208	184,470,403#	42,103,989	226,574,393#
Fuel Oil Used	1000s BTU	8,547,961	3,177,772	105,335,824	117,061,558	5,246,186	122,307,744
Fuel Oil Used	Gallons	57,177	21,256	702,281	780,714	37,933	818,647
Total Fuel	1000s BTU	22,026,601	20,564,327	258,941,032	301,531,961#	47,350,176	348,882,138#
Net Heat Rate	BTU/KWh	15,734	13,900	12,781	13,026	13,391	13,074
Unit Trips	#	4	1	1	6	9	15
Capacity Factor	%	1.26%	1.33%	3.02%	2.59%	1.38%	2.32%
Availability Factor	%	97.74%	98.44%	97.91%	98.03%	99.17%	98.54%
eFOR	%	1.06%	3.33%	0.52%	0.94%	0.0%	0.73%
HW Boiler Gas Usage	1000s BTU				16,254,985		16,254,985
Pilot Gas Usage	1000s BTU	526,200	822,562		1,348,762		1,348,762

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

VanSant Lifetime through 3/31/07			
	Actual Starts	Factored Starts	Fired Hours
VanSant	1152	1885.75	3,761.902
Since HGP - Dec 2004	104	218.5	348.699

Fuel Oil Inventory							
	Monthly Inventory (Start)	Monthly Inventory (End)	Fuel Purchases (Month)	Monthly Inventory (Change)	FY 06-07 Inventory (Start)	Fuel Purchases (YTD)	FY 06-07 Inventory (Change)
McKee Run (#6 Fuel Oil)	1,263,501	1,207,208	0	(56,293)	1,870,932	0	(663,724)
VanSant (#2 Fuel Oil)	115,625	116,848	0	1,223	155,782	0	(38,934)

Note: As measured by tank level instruments

CapacityTesting					
Summer 2006-2007 (June 1- Aug 31)			**Winter 2006-2007 (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	1	17	17.3
2	17	17.4	2	17	17.45
3	102	102.68	3	102	105.18
VanSant	39	40.3	11	40	40.23
Total	175	177.38	Total	176	180.16

Unit 11 completed capacity test during the month of February 2007. Units 1, 2 & 3 completed capacity testing in December 2006.

Historical Performance

Month	*Generation* (MWh)*	*Gas* (MMBTU)*	*Oil* (gal)*	*Availability*		*Capacity Factor*		*Starts*	
				2006	*2005*	*2006*	*2005*	*2006*	*2005*
Jul	6,102.198	74,878,054	11,238	97.12	100	4.69	18.2	27	21
Aug	8,144.843	85,343,345	73,580	99.23	100	6.26	18.6	19	27
Sep	0	0	0	93.86	99.93	0	2.29	0	4
Oct	720.739	7,869,890	8,549	100	96.34	.55	0.33	3	2
Nov	4,068.753	44,648,124	54,148	98.10	100	3.21	0.19	9	2
Dec	5,917.68	56,444,693	517,970	100	100	4.52	17.69	4	9
				2007	**2006**	**2007**	**2006**	**2007**	**2006**
Jan	285.314	4,156,503	0	100	100	0.22	0	1	1
Feb	569.496	584,278	65,011	100	98.87	0.63	0	3	6
Mar	697.498	205,053	88,151	96.54	90.99	0.53	.21	3	2
Apr					96.53		.01		6
May					100		.09		1
Jun					100		1.07		2
FYTD	24,954.323	179,623,911	665,485	97.68	98.55	2.96	4.99	58	83

*** Note: Total Net Generation for all four units combined**

4.1 Training

During the month of March, all Operations Personnel continue with monthly online PJM training in order to meet PJM training requirements and for further exam preparation. Work continues on finalizing the Operational Readiness Plan which will provide a more structured training and skill set refresher regimen to all Operations and Maintenance Personnel.

4.2 Personnel

We continue to have an opening in the operations department due to an employee leaving the company in October 2006 to pursue other career opportunities. At the present time, plant management has decided to leave the position open and continues to actively adjust the operations teams' work schedules to meet plant needs.

Lance Berryhill, Operations Supervisor, and Larry Sheranko, Operations Supervisor, took the PJM Generation System Operator Certification Test in March and were told unofficially by the Test Center that they had passed the test. Official notification from PJM is expected in approximately four to eight weeks. The plant now has five members of the plant staff that are PJM Generation System Operator certified. The remaining Plant Supervisors are in the process of scheduling an appropriate time to take the test sometime in the coming months. We continue to train other Operations personnel with the intent of achieving certification too.

5.0 Maintenance

During the month of March, the plant maintenance staff continued addressing our backlog of work orders, completed the annual outage inspections on Unit 3 and focused on keeping all units available to our client and PJM. Sixty-six work orders were issued during the month, and seventy work orders were completed during the month.

The table below summarizes the monthly work order activities.

Work Order Report

March- 07

Priority #	Outstanding From Previous Months	Issued This Month	Completed This Month	Outstanding at the end of the month
P1	0	2	2	0
P2	0	6	6	0
P3	1	17	17	1
P4	8	29	30	7
P5	7	2	5	4
P6	0	0	0	0
P7	5	5	3	7
P8	6	1	3	4
P9	2	1	1	2
P6 - 1	0	0	0	0
P6 - 2	0	0	0	0
P6 - 3	0	0	0	0
P6 – 4	1	3	1	3
P6 – 5	1	0	1	0
P6 – 6	0	0	0	0
P6 – 7	2	0	1	1
P6 - 8	0	0	0	0
PM	18	17	22	13
Totals	33	66	70	29

Note: PM's are included in the priority totals

Notable activities during the month include:

1) We completed the annual outage on Unit 3 ahead of the anticipated scheduled duration. During the outage, we received our annual boiler inspection and certificate of inspection from Mr. Steve Smith of the ARISE Insurance Company.

2) During the month, maintenance team members started taking oil samples for our oil analysis program.

3) We met with and provided information to several boiler equipment vendors who had been contacted to help us find ways to lower our NOx emissions to comply with DNREC Regulation 1146 that will take effect in 2009.

4) Members of the maintenance team, operations team and flex team participated in the annual black start test and over-speed trip test on Unit 11 at VanSant Generating Station.

The following work orders remained open at the end of the month:

Work Order #	*Due Date*	*Brief Description of Work Order*	*Reason for Past Due*
5711	6/20/05	New control room CEMS view node and computer	Computer has been dedicated as a replacement. OEM vendor cannot assist with configuration. Plant looking into alternative method of interface with main CEMS computer.
6614	3/15/07	Revise plant safety video	Video is 90% complete.
6655	11/17/06	Steps for 001 Outfall	Plan has been developed and are awaiting vendor visits and quotes
6731	12/14/06	Leaking regulator on B acid pump at VanSant	Waiting on parts, on order
6912	3/6/07	Unit 3 cooling tower fan C brings in substation ground alarm	Motor is out for rewind and is expected back by mid April.
6946	3/26/07	Semi – Annual calibrations of confined space monitor	Test gas and new test regulator on order. Expect to receive early April.

5.1 Training

1) During the month, Phil Marvel received more training on the monthly PM of our sulfur determinator from Ray Wheatley.

2) Members of the flex team received training on gauge and instrument calibrations from the Plant Instrument Technicians, Rich Newman and Dave Pletsch.

3) By working with our maintenance staff during the month, flex team members also became more familiar with their duties and responsibilities. This cross training will be a benefit to the entire team, as it adds more flexibility to our skill sets.

6.0 Engineering

Unit Trips/Outages/Operations

During the month, Unit 3 ran a total of 18.917 hours on March 6 and Unit 11 was operated for 0.3 hours on March 27. Unit 3 was dispatched by PJM and Unit 11 was operated as part of an annual blackstart demonstration for PJM. The Unit 11 overspeed trip devices were also tested at the conclusion of the successful black start test and found to be operating properly.

In March, the Unit 3 Annual Outage was completed during which an inspection of the boiler ductwork was conducted. This is an annual event and an increased focus was placed on this particular inspection as a follow up to the Storm Technologies Test Report completed in December 2006 which had identified possible air-in leakage in the air heater section. Several holes were found, one of which was a pretty significant one in the seal separation plate between the air and gas sections of the air heater. The air pre-heater seals and baskets were inspected and found to be in good condition. A large split in the casing of the east side wind box duct to the wind box was found and repaired, which was at approximate Elev. 160'. Also, a hole in the side wall to top wall metal was found and repaired. At the completion of the inspection, work orders to address the found discrepancies, all of which were corrected or repaired prior to the end of the outage. An inspection of the Forced Draft Fans revealed that the 3B Forced Draft Fan Outlet Dampers were out of synchronization, in both the open and closed positions. They were repaired and stroked. The condenser was flooded to check for leaking tubes, expansion joint and piping. One leaking tube on the top west side of the condenser was plugged. In addition to normal preventative maintenance and inspections performed on unit specific equipment during a boiler annual outage, the neutralizing pit was pumped down, the liner was inspected and the pit cleaned. A new servo for the turbine control valve was replaced and tested for operation, due to problems with load swing during unit operation earlier in the month.

Other Events

Leading Edge Turbine Technologies (LETT) has received the fuel nozzles for inspection, flow testing and repairs. The repairs should take four to eight weeks and once the nozzles are returned, they will be placed into the plant inventory as a spare set. We have asked for an analysis from LETT to help us determine the exact cause of the damage to the fuel nozzles.

A site visit by ISG, the MAXIMO vendor was slated for March 1, 2007 but they cancelled out at the last minute. They have provided us with internet access to view some of abilities of the upgraded CMMS software but access is limited which would help allow us to determine exactly how the software upgrade could help us. We are looking at other options with ISG as we continue to look for ways to improve our plant processes.

We continue to work with General Physics to set up the GPILearn on-line training system for the plant. We have provided them with preliminary information on plant personnel so that individual training accounts could be set up for each employee and so that supervision is able to monitor their training plan. Training on the system for selected plant management personnel is scheduled for early April, 2007.

After months of discussion and providing information to the DNREC Tank Management Branch, they have approved an alternate procedure to be followed until an Out-of-Service Inspection can be completed on the McKee Run Fuel Oil Tank #1. Under the alternate procedure, the plant will need to supply DNREC with visual inspection documentation and oil tank inventory information on a monthly basis until the Out-of-Service Inspection is completed. We have been mandated by DNREC to have this inspection completed no later than June 1, 2008.

A meeting with the DNREC Air Quality Management Branch was held to discuss a Delaware Regulation 1146 Compliance Plan for Unit 3. A number of options regarding Unit 3 presented during the meeting by the City of Dover are on the table for the DNREC to consider. A follow up meeting with DNREC is to be scheduled for an April, 2007 date.

In our efforts to continuously improve, we have been conducting research on installation of Automatic Generation Control (AGC) on Unit 3 and on Unit 11. This improvement, if achievable, would provide an even greater value to these units during periods of operation. Also included in the improvement effort, we have been actively been working with Pace Global to develop competitive bidding strategies in the PJM market that could provide more operating opportunities for all our units, thereby increasing electric generation revenue.

7.0 Summary of NAES Performance to Date

Measure	*Month*		*Year to Date*		*YTD Incentive*
eFOR	0.0%		0.73%		$65,400
Budget (Actual vs. Budget)	68.69%		84.14%		$20,000
Safety	0		0		$15,000
Environmental	0		0		$15,000
Capacity Tests Completed	Summer	Winter	Summer	Winter	
Unit 1	No	No	Yes	Yes	$1,000
Unit 2	No	No	Yes	Yes	$1,000
Unit 3	No	No	Yes	Yes	$6,000
Unit 11	No	No	Yes	Yes	$2,000
			Total YTD Incentive		$125,400