UTILITY COMMITTEE

A G E N D A

January 22, 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. Proposed Energy Conservation Plan for Dover *(Ron Zink, Sierra Club)*

2. Brown Water Financial Update/Water Quality Expense Report *(Committee Tabled January 8, 2007)*

3. Discussion - Options to Address Regulation 1146 Emission Control Requirements at McKee Run 3 Electric Generation Station

4. PACE/NAES Monthly Report *(December)*

5. Adjournment by 6:00 P.M.

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

COOL CITIES

An environmental program sponsored by

THE CITY OF SEATTLE

And endorsed by

City Governments
Throughout the United States

500 cities – 50,000,000 citizens

The goal is to reduce greenhouse gases by 7% below 1990 levels by 2012

Common Strategies:
Energy Efficiencies and Power Reduction
Green Vehicle and Transportation Solutions
Renewable Energy

These programs have been analyzed in detail from existing efforts with the results published.
How to Do with results and Cost Benefits including how much CO2 pollutants eliminated and pay back times are included in this proposal

The Need is local: Delaware has a very high cancer, asthma, and infant mortality environmental related.
Delaware has an F grade for quality of air as rated by the American Lung Association.

The Need is also National – the rise in sea levels threaten Dover – the death of the sea by 2050 threaten its harvest.

There is no Magic Bullet. Just as every litter bit counts – now so does every little bit count – be it the vehicle left idling or the lights left on.

Over 1000 citizens of Delaware have asked you to do what you can as quickly as you can. Over half are from Kent County, with a majority from Dover.

Cities have shown they can and are reenergizing our nation, proving that we can solve a national problem – one city at a time – Now it's our turn.

CITY OF DOVER WATER QUALITY APPLICABLE EXPENDITURES

ACCOUNT #	PROJECT #	DESCRIPTION	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TO DATE
417-6800-568.40-31	WS0201	Wellhead Redevelopment Program	$990.00					$990.00
417-6800-568.40-31	WS0404	Wellhead Redevelopment Program		$150,961.29				$150,961.29
417-6800-568.40-31	WS0505	Wellhead Redevelopment Program			$143,840.15			$143,840.15
417-6800-568.40-31	WS0606	Wellhead Redevelopment Program				$23,838.98		$23,838.98
		Wellhead Redev. Total (capacity and flow control)	$990.00	$150,961.29	$143,840.15	$23,838.98		$319,630.42
417-6800-568.40-31	WS0301	Water System SCADA Upgrade (flow control)	$192,198.00	$21,294.60				$213,492.60
417-6800-568.40-34	WD0304	Division Street Water Main Upgrade (unlined pipe replacement)	$12,033.20	$8,498.73		$1,334,251.51		$1,354,783.44
417-6800-568.40-34	WD0306	Dead End Water Main Removal (improved flow control)	$22,391.79					$22,391.79
417-6800-568.40-34	WD0504	Water Quality Evaluation (system analysis)			$1,660.00	$77,407.64		$79,067.64
417-6800-568.40-34	WD0502	Water Quality Improvements (recommendation implementation)					$85,188.24	$85,188.24
417-6800-568.40-34		Misc. Distribution System Improvements (capacity, flow control, pipe replacement)	$0.00	$100.00	$56,440.04	$20,917.96	$3,751.96	$81,209.96
417		TOTAL	$227,612.99	$180,854.62	$201,940.19	$1,456,416.09	$88,940.20	$2,155,764.09
412-6800-568.20-51		Claims since 12/2002 (damaged laundry, etc.)	$1,143.31	$3,376.00	$5,586.40	$2,939.41	$939.88	$13,985.00
412-6800-568.30-25		Flushing Advertising	$504.12	$5,309.70	$2,974.44	$9,592.00	$9,873.82	$28,254.08
various	estimated	Flushing Labor (In-house)	$19,098.00	$106,948.80	$101,856.00	$165,516.00	$124,137.27	$517,556.07
412-6800-568	estimated	Flushing Supplies - Distribution		$148.47	$742.10	$777.31	$234.50	$1,902.38
412-7600-576	estimated	Flushing Supplies - WTP				$1,177.46		$1,177.46
412-7600-576	estimated	Sample Analysis Supplies				$3,276.90		$3,276.90
		VFDs (flow control)						$0.00
412		TOTAL	$20,745.43	$115,782.97	$111,158.94	$183,279.08	$135,185.47	$566,151.89
		WATER QUALITY TOTAL	$248,358.42	$296,637.59	$313,099.13	$1,639,695.17	$224,125.67	$2,721,915.98

CITY OF DOVER WATER QUALITY APPLICABLE EXPENDITURES

OCTOBER - NOVEMBER 2006 FLUSHING OPERATION LABOR EXPENSES						
EMPLOYEE	**REGULAR HOURS**	**OVERTIME HOURS**	**RATE PER HOUR**	**SHIFT DIFFERENTIAL**	**TOTAL OVERTIME**	**TOTAL MONTHLY PAY**
Rick Abbott	$2,830.40	46.0	$26.54	$120.75	$1,341.59	$4,171.99
Robert Carson	$2,710.40	32.0	$25.41	$69.25	$882.37	$3,592.77
Earl Hayes	$3,078.40	8.0	$28.86	$73.63	$304.51	$3,382.91
Ralph McDougall	$3,673.97	86.0	$34.66	$0.00	$2,980.76	$6,654.73
George O'Neal	$3,078.40	14.5	$28.86	$46.75	$465.22	$3,543.62
Shawn Ridgeway	$2,112.00	46.5	$19.80	$121.13	$1,041.83	$3,153.83
Lee Ridgway	$2,049.60	10.0	$19.23	$53.38	$245.68	$2,295.28
Gerald Pennewell	$2,710.40	32.0	$25.41	$74.38	$887.50	$3,597.90
Vic Brown	$2,489.60	15.0	$23.34	$47.13	$397.23	$2,886.83
Bruce Blankenship	$3,084.80			$18.00	$18.00	$3,102.80
Michael Boots	$3,084.80	9.0	$28.92	$60.00	$320.28	$3,405.08
Shawn Combs	$3,084.80			$56.00	$56.00	$3,140.80
Robert Daniels	$2,830.40	8.0	$26.54	$40.00	$252.32	$3,082.72
James Hunter	$2,830.40	9.5	$26.54	$54.00	$306.13	$3,136.53
Andrew Polasko	$2,830.40			$20.00	$20.00	$2,850.40
Shawn Russum	$2,667.20	8.0	$25.01	$86.00	$286.08	$2,953.28
Samuel Spangler	$2,300.80			$42.00	$42.00	$2,342.80
TOTALS	**$47,446.77**	**324.5**	**$339.12**	**$982.40**	**$9,847.50**	**$57,294.27**
% OF LABOR EXPENSE DIRECTLY RELATED TO FLUSHING						**18.90%**
LABOR EXPENSE DIRECTLY RELATED TO FLUSHING						**$10,829.90**

CITY OF DOVER WATER QUALITY APPLICABLE EXPENDITURES

FLUSHING OPERATION LABOR EXPENSE ESTIMATES							
FLUSHING OPERATION	**DAYS**	**ACTUAL LABOR EXPENSE**	**COST PER DAY**	**CREWS**	**DAILY COST PER CREW**	**EST. LABOR EXPENSE**	**DIRECT FLUSHING LABOR EXPENSE**
October 22 - November 15, 2006	18	$57,294.27	$3,183.02	5	$636.60	n/a	$10,829.90
July 9 - August 5, 2006	21	n/a	n/a	5	$636.60	$66,843.00	$12,634.82
FY 2007 Totals	**39**					**$124,137.27**	**$23,464.72**
March 5 - 31, 2006	22	n/a	n/a	5	$636.60	$70,026.00	$13,236.48
September 25 - October 18, 2005	20	n/a	n/a	5	$636.60	$63,660.00	$12,033.17
July 5 - 16, 2005	10	n/a	n/a	5	$636.60	$31,830.00	$6,016.58
FY 2006 Totals	**52**					**$165,516.00**	**$31,286.23**
June 19 - 20, 2005	1	n/a	n/a	4	$636.60	$2,546.40	$481.33
March 4 - 16, 2005	10	n/a	n/a	6	$636.60	$38,196.00	$7,219.90
November 12 - 24, 2004	9	n/a	n/a	6	$636.60	$34,376.40	$6,497.91
August 9 - 17, 2004	7	n/a	n/a	6	$636.60	$26,737.20	$5,053.93
FY 2005 Totals	**27**					**$101,856.00**	**$19,253.06**
May 20 - 27, 2004	6	n/a	n/a	6	$636.60	$22,917.60	$4,331.94
March 8 - 23, 2004	12	n/a	n/a	6	$636.60	$45,835.20	$8,663.88
September 22 - October 3, 2003	10	n/a	n/a	6	$636.60	$38,196.00	$7,219.90
FY 2004 Totals	**28**					**$106,948.80**	**$20,215.72**
May 18 - 21, 2003	4	n/a	n/a	6	$636.60	$15,278.40	$2,887.96
April 29 - 30, 2003	1	n/a	n/a	6	$636.60	$3,819.60	$721.99
FY 2003 Totals	**5**					**$19,098.00**	**$3,609.95**
TOTALS	**151**					**$517,556.07**	**$97,829.69**



Washington New York Houston Columbia San Diego London Moscow Mexico City

Options to Address Regulation 1146 Emission Control Requirements at McKee Run 3 Electric Generating Station

January 8, 2007

Regulation 1146

- Delaware to enact Regulation No. 1146 for limiting pollutant emissions
  - Applicable to plants above 25 MW capacity that burn #5 or #6 fuel oil
  - By January 1, 2009, NOx annual emission rate at McKee 3 not to exceed 244 tons
  - By January 1, 2009, SO2 emission annual rate at McKee 3 not to exceed 439 tons, and supplied fuel oil not to exceed 0.5% sulfur content by weight
  - By May 1, 2009, NOx emissions to be reduced to 0.15 lb/MMBtu on rolling 24-hour basis
  - By January 1, 2012, NOx emissions to be reduced to 0.125 lb/MMBtu on rolling 24-hour basis

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Effects of Regulation on McKee Run 3

- McKee Run 3 Historic Emissions Performance

***Per U.S. EPA Clean Air Markets Database**

	2006 (9 months data)	2005	2004	2003	2002
SO_2 tons	29.5	530.2	488.5	502.2	700.3
NO_x tons	19.2	211.5	207.7	234.7	345.3
NO_x rate (lb/MMBtu)	0.18	0.34	0.28	0.29	0.32

- McKee Run 3 Fuel Supply
  - Currently burns #6 fuel oil
  - Currently accepts fuel oil up to 1% sulfur content by weight

Proprietary & Confidential

Options for Addressing Regulation 1146

- Fuel Switching
  - Regulation 1146 does not cover units that burn #4 fuel oil
  - Due to lower viscosity, switch may require pump and burner replacement or retrofit
  - Greater volatility of #4 fuel oil may also require additional fire protection measures
  - $2.82/MMBtu price increase for #4 fuel oil (based on current New York Harbor prices)
- SCR on back-end
  - Will reduce NOx below specified limits
  - Capital Cost (~$100/kW)
  - O&M Cost (~2.5 mill/kWh)
- SNCR
  - Will achieve NOx reduction, but less effective than SCR
  - Capital Cost (~$20/kW)
  - Similar O&M Costs to SCR

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City of Dover

December Monthly Report

Asset, Energy and Risk Management

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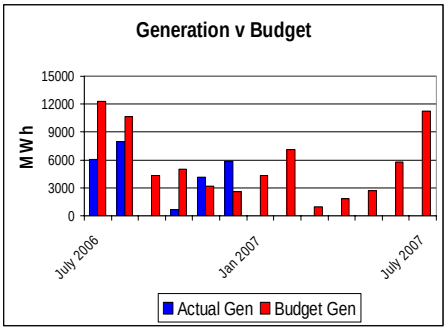
This Report does contain some forward-looking opinions. Certain unanticipated factors could cause actual results to differ from the opinions contained herein. Forward-looking opinions are based on historical and/or current information that relate to future operations, strategies, financial results or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

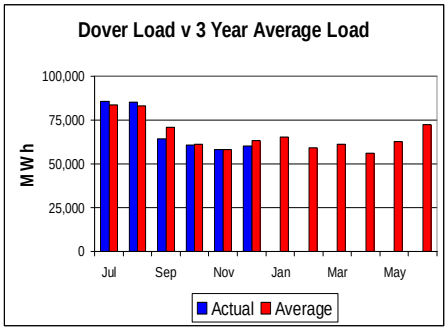
Further, certain statements, findings and conclusions in this Report are based on Pace Global's interpretations of various contracts. Interpretations of these contracts by legal counsel or a jurisdictional body could differ.

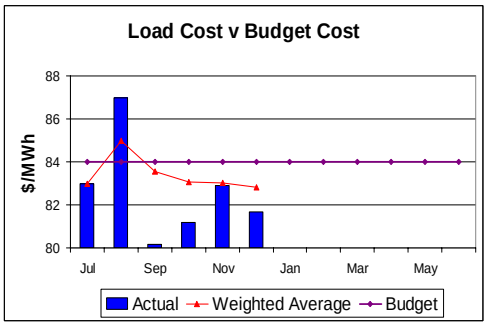
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EXECUTIVE SUMMARY







Generation and Asset Management

Net generation for the month of December credited by PJM was 5,869 MWh (stations ran out of merit only for reliability purposes to support local transmissions upgrades) compared to a budget of just under 3,000 MWh. Because the units ran out of merit order, a negative gross margin (or loss of $406,092) was realized.

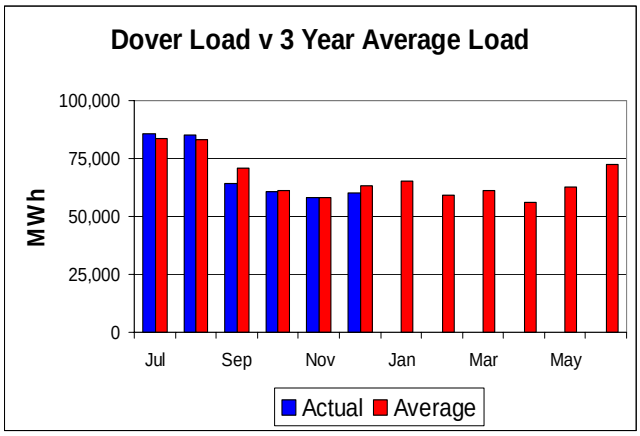
During the month of December, North American Energy Services reported that there were no lost time accidents, OSHA reportable incidents or environmental Notice of Violations. Costs attributable to the operations of the McKee Run and VanSant stations were $110,354 above a budget of $453,628 due to retro-active pay to employees due under the IBEW contract, test in McKee Unit three and maintenance work associated with the CT nozzle change-out. For power year 2006-07, operations are $$490,304 below a budget of $2,819,012.

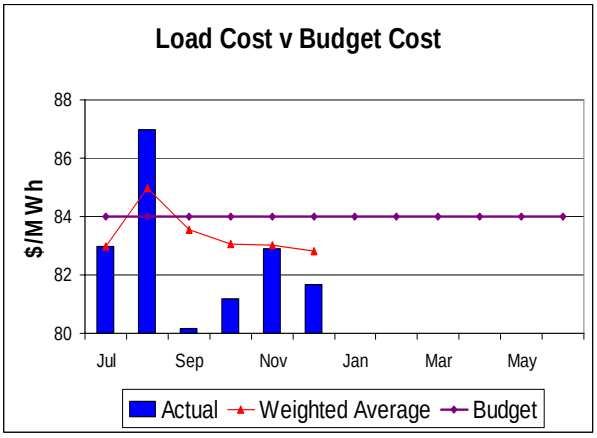
Energy and Risk Management

Wholesale load for the month of December was 60,384 MWh's verses a three year historic load of 63,200 MWhs. Purchased power (or hedges) accounted for 60,220 MWH's of this volume at a cost of $4.51 million. Purchases and sales as well as other PJM related charges accounted for an additional cost of $185,237 inclusive of all load related fees. Total purchased power costs for the month of December was $4.93 million resulting in an all in cost of power with fees of $81.69/MWh or $2.31 below the targeted annual average of $84.00/MWh.

Dover remains calculated to be 96% hedged on peak and 100% hedged off peak for an anticipated all in delivered cost of $83.34 for the 2006/07 power year. Hedging has begun for the 2007/08 power year and currently Dover is hedged 91% on peak and 80% off peak with a at market expected price of $82.92/MWh delivered to the Dover bus before any incentive fee paid to the Energy Manager. Hedging for 2008/09 and 2009/10 power years have also begun as described further in the report. All purchases are with investment grade entities. Based on current market conditions, certain hedges have moved to be "out of the money" or possess a negative market value to Dover. Credit is not currently required to be posted by the counterparties but such position is being closely monitored by Pace Asset Management.

PURCHASED POWER





December Hedges or Purchased Power

Counterparty	Volume (MWh)	Average Cost ($/MWh)	Cost to Dover ($ millions)
BP	18,600	72.89	1.33
Constellation	26,400	77.31	2.03
WPS	16,320	68.20	1.14
Connective (Capacity Only)	313 (equivalent cost)	5.00 (equivalent cost)	---
Total Energy Purchases	60,220	74.83	4.51
Dover Load	60,384	--	--

Balanced Purchased from PJM and Load Related Fees

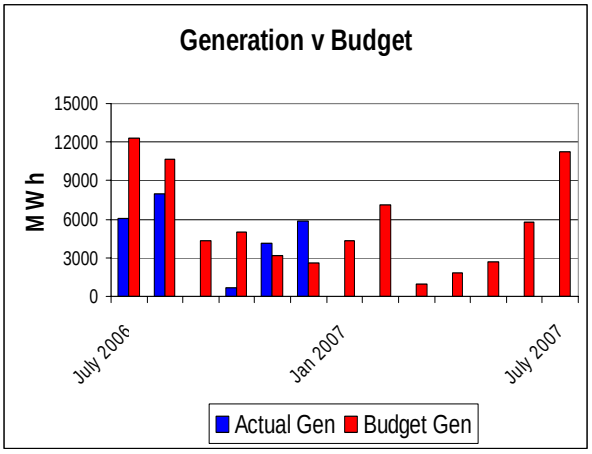
Purchased Power (Hedges) 60,220 MWh's @ $74.83/MWh:	$4,505,970
Power sold to PJM (2,579 MWh's) and Additional PJM Related Costs	$185,236
Total Cost to Serve Load (58,141 MWh's)	$4,586,986

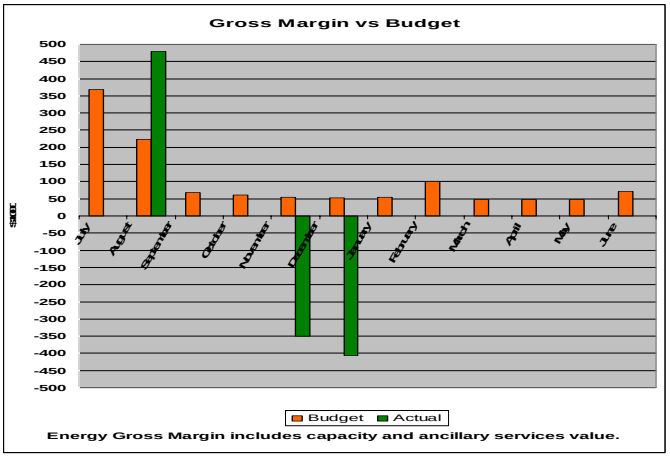
All in $/MWh load cost inclusive of Energy Manager Fees: $81.69/MWh

Highlights

- Generating units were not dispatch in merit order in the month due to soft prices, units ran to support transmission work only
- Market pricing of fuel oil became cheaper in late December allowing the units to run on oil in lieu of gas on several occasions.

GENERATION





Month – December 2006

		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	120.252	120.252	2.35	122.602
Starts	#	1	1	2	4	0	4
Gross Generation	MWh	768.236	385.301	5,324.011	6,477.548	0	6,477.548
Net Generation	MWh	725.987	363.640	4,828.053	5,917.68	0	5,917.68
Total Auxiliaries	MWh	95.431	74.792	686.666	856.945	34.182	891.127
Auxiliaries purchased	MWh	53.182	53.182	190.708	297.072	34.182	331.254
Fuel Gas Used	MMBTU	2,577,584	1,748,409	1,318,701	5,644,694	0	5,644,694
Fuel Oil Used	MMBTU	8,547,962	3,177,772	65,710,782	77,436,515	0	77,436,515
Fuel Oil Used	Gallons	57,177	21,256	439,537	517,790	0	517,790
Total Fuel	MMBTU	11,125,545	4,926,772	67,029,483	83,081,209	0	83,081,209
Net Heat Rate	BTU/KWh	15,325	13,547	13,883	14,039	0	14,039
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	5.74%	2.88%	6.36%	5.85%	0	4.52%
Availability Factor	%	100%	100%	100%	100%	100%	100%
eFOR	%	0	0	0	0	0	0
HW Boiler Gas Usage	MMBTU				2,153,162		2,153,162
Pilot Gas Usage	MMBTU	123,185	278,442		401,627		401,627

December Emissions and to Date

	Tons emitted current month/season	Seasonal tons emitted year to date	Tons in Inventory
SOx	39	75	2,679
NOx	1	25	197

Highlights:

- McKee Run and Van Sant ran solely for support of local transmission outages resulting in a $406,00 gross margin loss (fuel cost more than power)

OPERATIONS AND ASSET MANAGEMENT

Unit performance for the month of December is provided below

Month – December 2006							
		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	120.252	120.252	2.35	122.602
Starts	#	1	1	2	4	0	4
Gross Generation	MWh	768.236	385.301	5,324.011	6,477.548	0	6,477.548
Net Generation	MWh	725.987	363.640	4,828.053	5,917.68	0	5,917.68
Total Auxiliaries	MWh	95.431	74.792	686.666	856.945	34.182	891.127
Auxiliaries purchased	MWh	53.182	53.182	190.708	297.072	34.182	331.254
Fuel Gas Used	MMBTU	2,577,584	1,748,409	1,318,701	5,644,694	0	5,644,694
Fuel Oil Used	MMBTU	8,547,962	3,177,772	65,710,782	77,436,515	0	77,436,515
Fuel Oil Used	Gallons	57,177	21,256	439,537	517,790	0	517,790
Total Fuel	MMBTU	11,125,545	4,926,772	67,029,483	83,081,209	0	83,081,209
Net Heat Rate	BTU/KWh	15,325	13,547	13,883	14,039	0	14,039
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	5.74%	2.88%	6.36%	5.85%	0	4.52%
Availability Factor	%	100%	100%	100%	100%	100%	100%
eFOR	%	0	0	0	0	0	0
HW Boiler Gas Usage	MMBTU				2,153,162		2,153,162
Pilot Gas Usage	MMBTU	123,185	278,442		401,627		401,627

 # Note: Does not include HWB or Pilot Gas

Unit Trips/Outages

During the month of December, at the McKee Run Facility Unit 1 was self dispatched on December 18th, 19th, 20 th, and the 21st. Unit 2 was operated on December 12th and 13th and Unit 3 was operated on December 4th, 5th, 6th 7th, 11th and 12th to support the City of Dover Electric Department while their line crews worked on upgrades to the 69KV electrical distribution system. The line outage work will continue into January 2007.

Other Events

Operation of the units to support the City of Dover's 69KV line outages with scheduled dates in December and January has begun. During the line outages in December, Units 1, 2, and 3 were put on line during the month to support the Dover Load and for voltage support in various sections of the city. During the December time frame, the McKee Run generating units also completed emission testing as required by the McKee Run Title V Operating Permits. The test schedule has been approved by DNREC and emission testing on Units 1, 2 & 3 began during the week of December 11. When Units 1, 2 and 3 were operated in the December time period, the units successfully completed capacity tests as required by PJM for the winter season. Unit 11 still is in exempt status until the unit is called upon to run in the winter period.

We continue to work on gathering information for DNREC in order to provide them with enough data to approve a two year variance on an internal inspection of the tank. We are also proceeding with cleaning of the #2 fuel oil tank that is now empty so that it can be assessed for either use as a holding tank for the remaining fuel in the #1 fuel tank or to take the tank completely out of service. This work is expected to start in the second week of January.

During the month, plant personnel coordinated with XL Insurance Services, the City of Dover's insurance carrier, to gather oil samples from transformers at both the McKee Run and VanSant facilities. Oil sampling is part of the plant preventative/predictive maintenance program and the test results are used to assess the condition of the transformers. Also during the month, XL Insurance Services provided an outside test firm to perform thermographic tests on all of the motor control centers on Units 1 and 2.

Preliminary work has begun on developing the Budget for the fiscal year 2007-2008. Employee suggestions to improve the plant have been solicited and will be evaluated for merit as part of the budget development process.

Power Year to Date Performance is provided below:

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	147.234	411.608	742.94	107.120	850.096
Starts	#	6	4	21	31	31	62
Gross Generation	MWh	1,499.154	1,273.637	20,801.383	23,574.174	3,377.692	26,951.866
Net Generation	MWh	1,406.823	1,197.091	18,992.793	21,596.707	3,357.616	24,954.323
Total Auxiliaries	MWh	276.078	260.242	2,493.874	3,030.372	155.763	3,186.135
Auxiliaries purchased	MWh	183.747	183.747	1,371.95	1,739.444	135.687	1,875.131
Fuel Gas Used	MMBTU	13,476,583	13,432,136	152,715,191	179,623,911#	42,000,242	221,624,154#
Fuel Oil Used	MMBTU	8,547,961	3,177,772	84,820,428	96,546,161,	2,941,527	99,487,689
Fuel Oil Used	Gallons	57,177	21,256	565,969	644,402	21,083	661,485
Total Fuel	MMBTU	22,024,544	16,609,908	237,535,619	276,170,073#	44,941,770	321,111,843#
Net Heat Rate	BTU/KWh	15,656	13,875	12,507	12,788	13,385	12,868
Unit Trips	#	4	1	1	6	7	13
Capacity Factor	%	1.87%	1.59%	4.22%	3.60%	1.95%	3.23%
Availability Factor	%	96.63%	97.68%	99.22%	97.85%	98.76%	98.07%
eFOR	%	1.58%	4.96%	0.78%	1.40%	0%	1.09%
HW Boiler Gas Usage	MMBTU				9,635,410		9,635,410
Pilot Gas Usage	MMBTU	526,200	681,457		1,207,657		1,207,657

 # Note: Does not include HWB or Pilot Gas

Environmental, Health and Safety

There were no Notice of Violations or Environmental excursions during the month. There were five opacity deviations during the month which occurred on Unit 2 during soot blowing as a result of

operating the unit all day on oil during testing. During emission testing, test protocol prohibited the blowing of soot while testing was underway.

Emissions Allowances

For the month of December 39 tons of SOx were emitted. Emissions verse banked allowances are cited below;

	Tons emitted current month/season	Tons emitted year to date	Tons in Inventory
SOx	39	75	2,679
NOx	1	25	197

Current market pricing for allowances will be updated at the Management Committee meeting.

Note, NOx allowance retirement is only applicable to generation during the Ozone Season or generation between May 1 and September 30 of each calendar year.

Safety

During the month of December, there were no employee or contractor related injuries or illnesses. However, an injury did occur to a visitor of one of our employees while on site. The injury occurred when the spouse of an employee fell and broke her ankle. The injury did require surgery to implant pins and a plate into her ankle for support. This was not an OSHA recordable injury.

The station operations worked 5,089 hours without an OSHA reportable incident or lost time accident. There have been 635 days since the last OSHA reportable incident or lost time accident (April 5, 2005)

Generation Financial Performance

Per the table below, the McKee and VanSant station experienced a net gross margin loss of $401,092 on energy sales for the month of December due to the fact the units ran out of merit (reliability reasons) to support transmission related work performed by the City's electric distribution department.

Summary of Generation Sales and Fuel Purchases

Transaction	Volumes	Revenue/Cost
PJM Invoice for Power Sold	5,869 MWH's sold	$326,647*
Fuel and Transport	8,159 Dth/517,463 gal #6	($732,739)
Net Generation Revenue	5,869 MWh's	($406,092)

* Excludes Black Start revenue shown in December estimates, such revenue is included below

Plus Other Revenue

Black Start:	$5,000
Less Net Generation Revenue	($406,092)
Realized margin for December	($401,092)

Operating Costs

Operating Costs for the month of December were $563,982 (budget $453,628) or above budget by $110,354 due to retro active pay due to employees under the new IBEW agreement, testing of McKee Unit 3 and maintenance work associated with the CT nozzle change-out. A breakdown of operating costs for December and year to date are provided below:

Financial – Current Month

Month – December 2006			
	Actual	Budget	Variance
Personnel	384,133	285,528	(98,605)
Administrative	69,248	47,019	(22,229)
EH & S	4,231	13,000	8,769
Maintenance Expense	90,226	64,550	(25,676)
Operations Expense	16,143	43,352	27,209
Total	**$563,982**	**$453,628**	**($110,354)**

Financial – Fiscal Year to Date

Number of Months – 6			
	Actual	Budget	Variance
Personnel	1,484,185	1,568,261	84,076
Administrative	500,835	519,849	19,014
EH & S	13,059	49,500	36,441
Maintenance Expense	254,116	347,800	93,684
Operations Expense	76,513	333,602	257,089
Total	**$2,328,708**	**$2,819,012**	**$490,304**

Year to date, Operations is below budget by $490,304 primarily due to lower than budgeted run times.

Purchased Power and Volumes and Pricing

Purchased power for the month of December is summarized below. This power serves to hedge or protect Dover from the volatility of the wholesale power markets.

Counterparty	Volume (MWh)	Average Cost ($/MWh)	Cost to Dover ($ millions)
BP	18,600	72.89	1.33
Constellation	26,400	77.31	2.03
WPS	16,320	68.20	1.11
Connective (Capacity Only)	313 (equivalent cost)	5.00 (equivalent cost)	---
Total Energy Purchases	60,220	74.83	4.51

Total volume of power delivered to the Dover bus was 60,384 MWh's requiring Dover to purchase 164 MWh's from the PJM market for the month of December.

Summary of Dover Load Costs

Purchased Power (Hedges) 60,220 MWh's @ $74.83/MWh:	$4,505,970
Power purchased from PJM (164 MWh's) and Additional PJM Related Costs[1]	$185,237
Energy Manager Fee and Incentive (Fee @ $2.76/MWh, Incentive @ $1.24/MWh)	$241,536
Total Cost to Serve Load (60,384 MWh's)	$4,932,743
Cost per MWh	$81.69

[1] Includes transmission charges, reserve charges, etc. See Appendix 2 for details.

Purchased Commodity Gas Volumes and Pricing

Mild weather and lower loads in PJM yielded lower on and off-peak market prices which did not warrant running of either the McKee Run or Van Sant generators except for reliability purposes which occurred throughout the month of December. See Operations report for specific Units and days.

Date	Volume (Dth)	Price ($/Dth)	Total Commodity Cost ($)
12/1	500	9.50	4,750
12/4	500	9.05	4,525
12/8	500	8.65	4,325
12/11	100	8.10	810
12/11	1,800	7.33	13,194
12/15	400	7.95	3,180
12/15	900	7.95	7,155
12/15	900	7.95	7,155
12/27	200	7.00	1,400
12/28	200	6.08	1,215
12/28	200	6.03	1,206
12/28	200	6.03	1,206
12/28	200	6.03	1,206
Total Cost	6,600		51,327

Gas was purchased to maintain the fuel oil inventories at McKee Run at approximately 140 degrees. A firm delivery of natural gas is required to maintain this temperature. This firm delivery base load gas supply has been purchased from the Hess Corporation. The Details of this deal are as follows:

Firm Gas Supply	Price Per dth	Total Cost
50 dth/day	$8.69	$13,466

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	$3,192
Total Purchases	$7,534

Other Gas Purchases

Due to the units being run for reliability, gas was purchased from the pipeline. Pace Global Asset Management made every effort possible to minimize the cash out exposure of being long on the pipeline. Below are the imbalances and demand charges from Eastern Shore Pipeline.

Imbalance (dth)	Estimated $/dth	Estimated Total Cost
(673)	$8.28	($5,572)

Transport	Volume	Estimated $/dth	Estimated Total Cost
Firm	1,500	$0.017	($26.70)
IT	9,200	$0.5866	($5,397)

Purchased Commodity Fuel Oil Summary

While no fuel oil was purchased during the month December, No. 6 fuel oil did become less expensive then natural gas resulting in the following burns:

Date	Burns (gallons)	Inventory Cost ($/gal)	Cost ($'s)
12/4	69,136	1.255	86,766
12/5	80,621	1.255	101,179
12/6	80,987	1.255	101,639
12/7	55,487	1.255	69,636
12/11	120,143	1.255	150,779
12/12	35,048	1.255	43,985
12/13	19,372	1.255	24,312
12/18	2,518	1.255	3,160
12/19	23,785	1.255	29,850
12/20	19,500	1.255	24,473
12/21	10,866	1.255	13,637
	517,463		649,416

Oil Inventory as of January 1:

6 Oil: 1,305,202 gallons
#2 Oil: 133,323 gallons

RISK MANAGEMENT

2006 - 2007 Power Year Hedge Position

As of January 10, estimated power consumption for Power Year 2006-2007 was hedged at 96% on peak and 100% 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 below at these hedge levels an all in price to Dover is estimated at $83.34/MWh for the 2006/2007 power year. The 10 day value at risk (with an adverse market movement in commodity and load following) could increase this target number to $84.95/MWh.

Price Date	**Forward Hedge % Power Year 2006-07**	
1/10/2007	**Peak**	**96%**
	Off Peak	**100%**

	At Market	At Market + Risk*
Energy Cost	**$71.59**	**$71.70**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following	$3.50	$5.00
FRC Margin	$0.00	$0.00
	$3.51	$5.01
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	$2.76	$2.76
Total Cost	**$82.10**	**$83.71**
Add Incentive	$1.24	$1.24
Current Expected	$83.34	$84.95

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

Includes actual through November 30, 2006

2007 - 2008 Power Year Hedge Position

For power year 2007-2008, the estimated power consumption was hedged 91%% on peak and 80% 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 at these hedge levels an all in price to Dover is estimated at $82.92/MWh before any incentive fee. Incentive fee will be estimated once the benchmark cost of supply is established for the 2007-2008 power year. The 10 day value at risk (with an adverse market movement in commodity and load following) could increase this target number to $85.15/MWh.

Price Date	**Forward Hedge % Power Year 2007-08**	
1/10/2007	**Peak**	**91%**
	Off Peak	**80%**

	At Market	At Market + Risk*
Energy Cost	**$72.41**	**$73.14**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following	$3.50	$5.00
FRC Margin	$0.00	$0.00
	$3.51	$5.01
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	$2.76	$2.76
Total Cost	**$82.92**	**$85.15**
Add Incentive		
Current Expected	$82.92	$85.15

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

Includes actual through November 30, 2006

2008 - 2009 Power Year Hedge Position

For power year 2008-2009, the estimated power consumption was hedged 18.7% on peak and 14.6% 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 at these hedge levels an all in price to Dover is estimated at $78.90/MWh before any incentive fee. Incentive fee will be estimated once the benchmark cost of supply is established for the 2008-2009 power year. The 10 day value at risk (with an adverse market movement in commodity and load following) could increase this target number to $84.47/MWh.

Price Date	**Forward Hedge % Power Year 2008-09**	
1/10/2007	**Peak**	**18.7%**
	Off Peak	**14.6%**

	At Market	At Market + Risk*
Energy Cost	**$68.39**	**$72.46**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following	$3.50	$5.00
FRC Margin	$0.00	$0.00
	$3.51	$5.01
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	$2.76	$2.76
Total Cost	**$78.90**	**$84.47**
Add Incentive		
Current Expected	$78.90	$84.47

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

Includes actual through November 30, 2006

2009 - 2010 Power Year Hedge Position

For power year 2009-2010, the estimated power consumption was hedged 18.4% on peak and 14.5% 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 at these hedge levels an all in price to Dover is estimated at $76.83/MWh before any incentive fee. Incentive fee will be estimated once the benchmark cost of supply is established for the 2008-2009 power year. The 10 day value at risk (with an adverse market movement in commodity and load following) could increase this target number to $81.01/MWh.

Price Date	**Forward Hedge % Power Year 2009-10**	
1/10/2007	**Peak**	**18.4%**
	Off Peak	**14.5%**

	At Market	At Market + Risk*
Energy Cost	**$66.32**	**$69.00**
Incentive Non-Energy Items		
LSE Capacity	$0.01	$0.01
Load Following	$3.50	$5.00
FRC Margin	$0.00	$0.00
	$3.51	$5.01
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	$2.76	$2.76
Total Cost	**$76.83**	**$81.01**
Add Incentive		
Current Expected	$76.83	$81.01

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

Includes actual through November 30, 2006

Credit and Counterparty Position

Pace Global Asset Management continues to monitor the in the money or out of the money position with each of the power purchases Dover has transacted for to reduce it risk profile to its load obligations. Below are summaries or the power purchases made by Dover, their corresponding credit position, term, volumes and pricing.

Dover: Counterparty Credit Risk

Date: January 11, 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
BP Energy	AA-	1	$20,000	Moody's Credit Rating A1	($3,136)	($5,320)	($952)	$20,000	$1,983	$1,307	$3,127	$18,017
Conectiv	BBB-	1	$10,000	Moody's Credit Rating Baa3	($610)	($1,079)	($141)	$10,000	$0	$0	$4	$10,000
Constellation	AA-	1	$15,000	Moody's Credit Rating A1	($2,258)	($2,968)	($1,547)	$15,000	$0	$0	$0	$15,000
Sempra Energy Trading	AA	1	$20,000	Moody's Credit Rating	($1,671)	($4,495)	$1,154	$20,000	$2,250	$1,412	$3,792	$17,750
WPS	AA-	1	$15,000	Moody's Credit Rating A1	($1,551)	($2,450)	($652)	$15,000	$78	$35	$243	$14,922

2006-2007 power year transactions are cited below:

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	Conectiv	On Peak 5x16	Firm	6/22/2006	Buy	7/1/2006	9/30/2006	25	MW per hour	$95.00
6	Conectiv	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 2007-2008 transactions are cited below:

11 BP Energy	On Peak 5x16	Firm	10/13/2006	Buy	7/1/2007	9/30/2007	35	MW per hour	$72.65
12 BP Energy	On Peak 5x16	Firm	10/13/2006	Buy	10/1/2007	11/30/2007	20	MW per hour	$72.65
13 BP Energy	Off Peak 5x8+2x24	Firm	10/13/2006	Buy	7/1/2007	11/30/2007	25	MW per hour	$72.65
14 BP Energy	On Peak 5x16	Firm	10/16/2006	Buy	7/1/2007	6/30/2008	30	MW per hour	$75.65
15 BP Energy	Off Peak 5x8+2x24	Firm	10/16/2006	Buy	7/1/2007	6/30/2008	20	MW per hour	$75.65
16 Conectiv	On Peak 5x16	Firm	10/18/2006	Buy	7/1/2007	8/31/2007	20	MW per hour	$112.75
18 Conectiv	On Peak 5x16	Firm	10/19/2006	Buy	1/1/2008	2/29/2008	40	MW per hour	$100.50
17 Conectiv	Off Peak 5x8+2x24	Firm	10/18/2006	Buy	7/1/2007	8/31/2007	15	MW per hour	$63.25
19 Conectiv	Off Peak 5x8+2x24	Firm	10/19/2006	Buy	1/1/2008	2/29/2008	30	MW per hour	$65.25
21 Sempra Energy Trading	On Peak 5x16	Firm	10/20/2006	Buy	12/1/2007	12/31/2007	20	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
25 Sempra Energy Trading	On Peak 5x16	Firm	10/20/2006	Buy	4/1/2008	4/30/2008	10	MW per hour	$58.35
34 Sempra Energy Trading	On Peak 5x16	Firm	10/31/2006	Buy	7/1/2007	12/31/2007	10	MW per hour	$85.40
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
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
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
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

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 Transaction Detail

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 Transaction Detail

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 1

NORTH AMERICAN ENERGY SERVICES DECEMBER REPORT

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.

December-06 Bill Split

	Load	Generation	Net
Day Ahead Energy Charges	($4,293.80)	$82,135.32	$77,841.52
Real Time Energy Charges	$550.00	$246,866.45	$247,416.45
Regulation Charges	($26,930.98)	$0.00	($26,930.98)
Synchronized Reserve Charges	($8,926.95)	$0.00	($8,926.95)
Balancing Operating Reserves Charges	($4,041.78)	($9,575.79)	($13,617.57)
Day Ahead Operating Reserves Charges	($4,143.61)	$0.00	($4,143.61)
Synchronous Condensing Charges	($2,865.72)	$0.00	($2,865.72)
Reactive Services Charges	($842.12)	$0.00	($842.12)
Real-time Economic Load Response Program Charges	($721.97)	$0.00	($721.97)
Transmission Losses (Point-to-Point) Credits	$2,252.25	$0.00	$2,252.25
Balancing Operating Reserves Credits	$0.00	$2,243.61	$2,243.61
Auction Revenue Rights Credits	$69,918.33	$0.00	$69,918.33
PJM Scheduling System Control and Dispatch Service Charges	($18,805.81)	$0.00	($18,805.81)
Transmission Owner Scheduling System Control and Dispatch Service Charges	($4,486.52)	$0.00	($4,486.52)
Reactive Supply and Voltage Control from Generation Sources Service Charges	($24,089.23)	$0.00	($24,089.23)
Black Start Service Charges	($1,209.32)	$0.00	($1,209.32)
Network Integration Transmission Service Charges	($151,777.24)	$0.00	($151,777.24)
Expansion Cost Recovery Charges	($445.25)	$0.00	($445.25)
Generation Deactivation (DPL Zone) Charges - Nov 2006	($5,059.99)	$0.00	($5,059.99)
Black Start Service Credits	$0.00	$4,977.77	$4,977.77
Non-Firm Point-to-Point Transmission Service Credits	$1,169.78	$0.00	$1,169.78
PPA	($487.03)	$0.00	($487.03)
	($185,236.96)	$326,647.36	$141,410.40

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)

Note: There will be many various prior period adjustments that will flow through on every invoice. These adjustments are for the most part small. However, unless the city has made an agreement these prior periods adjustment should be billed back to Duke.

North American Energy Services
Dover, DE

December 2006

Monthly Report



#2 Hot Water Boiler @ McKee Run Generating Station

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1.0 Executive Summary

Calendar of Events	*Date*
Operate Unit(s) to Support City of Dover 69KV Line Outages	November 28 - December 1, 2006 December 4 - 7, 2006 December 11 – 15, 2006 December 18 – 22, 2006 January 2 – 5, 2007
Units 1& 2 Appendix E Testing and Unit 3 RATA and Particulate Testing / Support City of Dover 69KV Line Outages	December 11 – 15, 2006 December 18 – 22, 2006
XL Insurance Services – Site visit	January 23 -25, 2007
McKee Run & VanSant Annual Title V Certification Due	January 31, 2007
Unit 1, 2, 3 Annual Outage and #1 Fuel Oil Tank Inspection	March 5 – April 1, 2007
Two Year Accident Free Target	April 5, 2007
Unit 11 Annual Outage	April 16 – 29, 2007

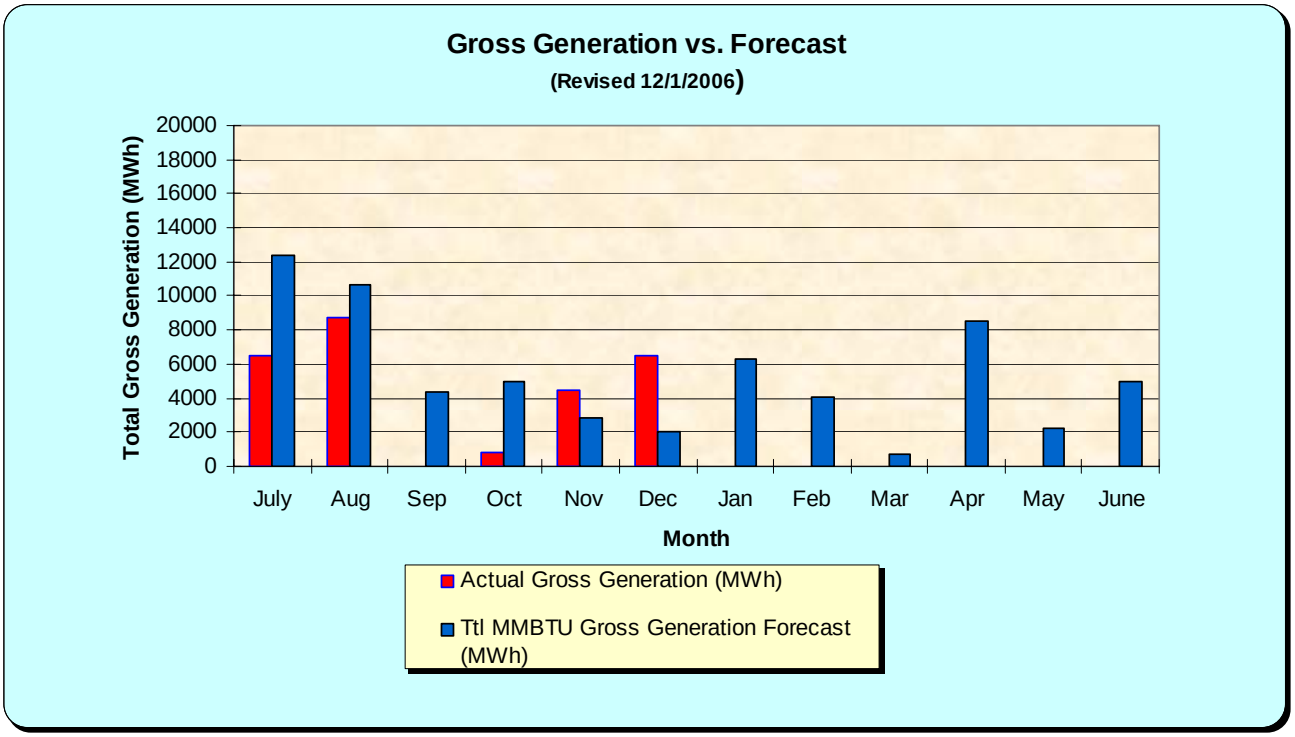
Environmental, Health, and Safety

	Month (December 2006)	*Fiscal Year to Date 7/1/06-6/30/07*
NOVs	0	0
Opacity Deviations	5	34
Environmental Deviations	0	0
OSHA Recordable	0	0
OSHA LTA's	0	0

Operations

	Month (December 2006)	*Fiscal Year to Date 7/1/06-6/30/07*
Net Station Output (MWH) – Note 1	5,917.68	24,954.323
Period Hours	2,976	17,664
On line Hours	242.537	850.096
Planned Outage Hours	0	176.817
Maintenance Outage Hours	0	54.667
Forced Outage Hours	0	108.575
Reserve Shutdown Hours	2,733.243	16,473.625
Equivalent Forced Outage Hours	0	214.57
Station Availability - Note 2	100%	98.07%

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)
20000
18000
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)
Ttl MMBTU Gross Generation Forecast (MWh)

2.0 Environmental, Health and Safety

During the month of December, there were no employee or contractor related injuries or illnesses. However, an injury did occur to a visitor of one of our employees while on site. The injury occurred when the spouse of an employee fell and broke her ankle. The injury did require surgery to implant pins and a plate into her ankle for support. This was not an OSHA recordable injury.

There were no Notice of Violations or Environmental excursions during the month. There were five opacity deviations during the month which occurred on Unit 2 during soot blowing as a result of operating the unit all day on oil during testing. During emission testing, test protocol prohibited the blowing of soot while testing was underway.

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							31,861.75
First Aid cases	0	0	0	0	0	0							0
OSHA Recordable	0	0	0	0	0	0							0
Lost Time Accidents	0	0	0	0	0	0							0
Restricted Workday Accident	0	0	0	0	0	0							0
Near Miss	0	1	0	0	0	0							1

Date last OSHA Recordable	**4/05/05**
Date last Lost Time Accident	**4/05/05**
Days since last OSHA recordable	**635**
Days since last Lost Time Accident	**635**

Emissions (NOx & SO2) All data thru 12/31/06

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

SO2 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

2.1 Training

During the month of December all of the Dover represented employees completed the “Fitness for Duty” training conducted by Kristi Hearn of the NAES HR Department. The Dover employees also completed their respirator training by reviewing the respirator protection policy, power point presentation and video on respirator use and care. In addition, all eligible employees completed their annual respirator fit tests and their annual audiograms and pulmonary function tests.

3.0 Financial

Financial – Current Month

	Month – December 2006		
	Actual	Budget	Variance
Personnel	384,133	285,528	(98,605)
Administrative	69,248	47,019	(22,229)
EH & S	4,231	13,000	8,769
Maintenance Expense	90,226	64,550	(25,676)
Operations Expense	16,143	43,352	27,209
Total	**$563,982**	**$453,628**	**($110,354)**

Financial – Fiscal Year to Date

	Number of Months - 6		
	Actual	Budget	Variance
Personnel	1,484,185	1,568,261	84,076
Administrative	500,835	519,849	19,014
EH & S	13,059	49,500	36,441
Maintenance Expense	254,116	347,800	93,684
Operations Expense	76,513	333,602	257,089
Total	**$2,328,708**	**$2,819,012**	**$490,304**

3.1 Variance analysis

For the month of December, we experienced an unfavorable variance of $110,354. Key contributors to this variance include:

1) Personnel expenses were higher due to payment of retroactive pay to represented employees as negotiated in the new IBEW union contract. These costs were offset slightly from labor cost savings due to the open operator position.

2) Administrative expenses were higher due to Unit 3 Boiler testing for Multi-P Regulation research and for the PJM Generator Operator Certification Training course held during November at the McKee Run Facility

3) The purchase of fuel nozzles for the combustion turbine to eliminate the exhaust temperature spread problem increased maintenance expenses. This expense was offset slightly by otherwise lower maintenance expenses as a result of lower operating hours.

4.0 Operations

Month – October 2006							
		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	120.252	120.252	2.35	122.602
Starts	#	1	1	2	4	0	4
Gross Generation	MWh	768.236	385.301	5,324.011	6,477.548	0	6,477.548
Net Generation	MWh	725.987	363.640	4,828.053	5,917.68	0	5,917.68
Total Auxiliaries	MWh	95.431	74.792	686.666	856.945	34.182	891.127
Auxiliaries purchased	MWh	53.182	53.182	190.708	297.072	34.182	331.254
Fuel Gas Used	MMBTU	2,577,584	1,748,409	1,318,701	5,644,694	0	5,644,694
Fuel Oil Used	MMBTU	8,547,962	3,177,772	65,710,782	77,436,515	0	77,436,515
Fuel Oil Used	Gallons	57,177	21,256	439,537	517,790	0	517,790
Total Fuel	MMBTU	11,125,545	4,926,772	67,029,483	83,081,209	0	83,081,209
Net Heat Rate	BTU/KWh	15,325	13,547	13,883	14,039	0	14,039
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	5.74%	2.88%	6.36%	5.85%	0	4.52%
Availability Factor	%	100%	100%	100%	100%	100%	100%
eFOR	%	0	0	0	0	0	0
HW Boiler Gas Usage	MMBTU				2,153,162		2,153,162
Pilot Gas Usage	MMBTU	123,185	278,442		401,627		401,627

 # Note: Does not include HWB or Pilot Gas

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	147.234	411.608	742.94	107.120	850.096
Starts	#	6	4	21	31	31	62
Gross Generation	MWh	1,499.154	1,273.637	20,801.383	23,574.174	3,377.692	26,951.866
Net Generation	MWh	1,406.823	1,197.091	18,992.793	21,596.707	3,357.616	24,954.323
Total Auxiliaries	MWh	276.078	260.242	2,493.874	3,030.372	155.763	3,186.135
Auxiliaries purchased	MWh	183.747	183.747	1,371.95	1,739.444	135.687	1,875.131
Fuel Gas Used	MMBTU	13,476,583	13,432,136	152,715,191	179,623,911#	42,000,242	221,624,154#
Fuel Oil Used	MMBTU	8,547,961	3,177,772	84,820,428	96,546,161,	2,941,527	99,487,689
Fuel Oil Used	Gallons	57,177	21,256	565,969	644,402	21,083	661,485
Total Fuel	MMBTU	22,024,544	16,609,908	237,535,619	276,170,073#	44,941,770	321,111,843#
Net Heat Rate	BTU/KWh	15,656	13,875	12,507	12,788	13,385	12,868
Unit Trips	#	4	1	1	6	7	13
Capacity Factor	%	1.87%	1.59%	4.22%	3.60%	1.95%	3.23%
Availability Factor	%	96.63%	97.68%	99.22%	97.85%	98.76%	98.07%
eFOR	%	1.58%	4.96%	0.78%	1.40%	0%	1.09%
HW Boiler Gas Usage	MMBTU				9,635,410		9,635,410
Pilot Gas Usage	MMBTU	526,200	681,457		1,207,657		1,207,657

 # Note: Does not include HWB or Pilot Gas

VanSant Lifetime through 12/31/06			
	Actual Starts	Factored Starts	Fired Hours
VanSant	1148	1877.25	3,755.902
Since HGP - Dec 2004	100	209.55	342.699

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	*
Total	175	177.38	Total	176	139.93

* Note: The plant requested that Units 1, 2, 3 & 11 be included in the Winter Cap Test Exemption Program which states that the units do not have to demonstrate capacity unless called upon to run during the December – February cap test period. Units 1, 2 & 3 ran during the month of December and completed their respective capacity test.

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					100		0		1
Feb					98.87		0		6
Mar					90.99		.21		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 December, the Senior Operators and Operation Supervisors continued with monthly online PJM training in order to meet PJM training requirements and for further exam preparation. The operating teams continued to train on water chemistry testing and treatment of the Hot Water Boiler System, dry startups and shutdowns of the units, RedTag Pro Computer software for the LOTO Program, and the plant air system. The teams continue to utilize their lab training by testing lab samples collected when the units operate on fuel oil.

4.2 Personnel

We continue to have an opening in the operations department due to an employee leaving the company in October to pursue other career opportunities. At the present time, we have decided to leave the position unfilled. In addition, we are looking at reorganizing teams to reduce the number of people per shift and eliminate the position all together.

Appraisals for the July 1- December 1, 2006 period were completed for all exempt and non-exempt NAES-Dover employees and forwarded to the NAES HR department for their review. Action plans/objectives for the coming year are being mutually developed for all employees and will be finalized in the coming weeks.

5.0 Maintenance

During the month of December, plant maintenance staff continued addressing our backlog of work orders and focused on keeping all units available to our client and PJM. Sixty five work orders were issued during the month, with sixty five total work orders being completed.

The table below summarizes the monthly work order activities.

Work Order Report

December - 06

Priority #	Outstanding From Previous Months	Issued This Month	Completed This Month	Outstanding at the end of the month
P1	0	1	1	0
P2	0	12	12	0
P3	2	21	19	4
P4	8	24	24	8
P5	1	0	0	1
P6	0	0	0	0
P7	7	5	7	5
P8	4	1	0	5
P9	1	0	0	1
P6 - 1	0	0	0	0
P6 - 2	0	0	0	0
P6 - 3	0	0	0	0
P6 – 4	1	1	0	2
P6 – 5	0	0	0	0
P6 – 6	2	0	2	0
P6 – 7	2	0	0	2
P6 - 8	1	0	0	1
PM	6	16	13	9
Totals	29	65	65	29

Note: PM's are included in the priority totals

Notable activities during the month include:

1) Appendix E Testing on Units 1 and 2, Particulate testing on Units 1, 2 and 3 and RATA testing on Unit 3 was completed during the month to comply with requirements set forth in the Title V McKee Run Operating Permit. Oil and natural gas samples were taken from each unit sent out for an ultimate analysis. Fuel sample results were sent to the test team to be used in the computations in the final reports. The test reports are expected to be completed and sent back to the plant towards the end of January or early February.

2) Recertification of the oil flow transmitter and oil flow meter for VanSant was completed after the transmitter was replaced when it failed in late November.

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*
4329	10/31/03	Gearbox vent lines and misc. items	Work is being planned. This would be nice to have but does not currently impact the operation of the units.
5638	6/3/05	Replace H2 feed line in plant	The line has been prefabricated and will install when all of the units are off line
5711	6/20/05	New control room CEMS view node	Computer has been dedicated, need to configure computer, expect assistance from the OEM within 60 days
5960	11/15/06	Erect steps over oil tank berm at VanSant	Work is in design stage.
6243	2/13/06	VanSant over speed trip test	Tentatively scheduled for the next operation of the unit
6353	4/30/06	Golf cart will not charge	Work in progress – a low priority with two additional carts available
6480	7/28/06	Install hood over vent for 4th floor conf room	Waiting on parts
6550	10/31/06	VanSant semi-annual vibration monitoring	Tentatively scheduled for the next operation of the unit
6600	8/7/06	Air/fuel chart spiking on unit 2	Parts on site, assistance from vendor on configuration details is required
6614	12/31/06	Modify plant safety video	Work is 80% complete
6652	10/13/06	Plan and price a smoke detector system for admin bldg and warehouse.	Work in progress. Waiting for vendor quotes.
6654	11/17/06	Steps for 006 Outfall	Plan is being developed
6655	11/17/06	Steps for 001 Outfall	Plan is being developed
6731	12/14/06	Leaking regulator on B acid pump at VanSant	Waiting on parts

5.1 Training

During the month, all of the maintenance team received the Fitness for Duty training from Kristi Hearn of NAES.

The maintenance team also received the annual respirator fit testing that was conducted by Phil Kosek. We also read and reviewed all of the associated training materials for the respirator training.

6.0 Engineering

Unit Trips/Outages/Operations
During the month of December, at the McKee Run Facility Unit 1 was self dispatched on December 18th, 19th, 20th, and the 21st. Unit 2 was operated on December 12th and 13th and Unit 3 was operated on December 4th, 5th, 6th 7th, 11th and 12th to support the City of Dover Electric Department while their line crews worked on upgrades to the 69KV electrical distribution system. The line outage work will continue into January 2007.

Other Events
Operation of the units to support the City of Dover's 69KV line outages with scheduled dates in December and January has begun. During the line outages in December, Units 1, 2, and 3 were put on line during the month to support the Dover Load and for voltage support in various sections of the city. During the December time frame, the McKee Run generating units also completed emission testing as required by the McKee Run Title V Operating Permits. The test schedule has been approved by DNREC and emission testing on Units 1, 2 & 3 began during the week of December 11. When Units 1, 2 and 3 were operated in the December time period, the units successfully completed capacity tests as required by PJM for the winter season. Unit 11 still is in exempt status until the unit is called upon to run in the winter period.

We continue to work on gathering information for DNREC in order to provide them with enough data to approve a two year variance on an internal inspection of the tank. We are also proceeding with cleaning of the #2 fuel oil tank that is now empty so that it can be assessed for either use as a holding tank for the remaining fuel in the #1 fuel tank or to take the tank completely out of service. This work is expected to start in the second week of January.

During the month, plant personnel coordinated with XL Insurance Services, the City of Dover's insurance carrier, to gather oil samples from transformers at both the McKee Run and VanSant facilities. Oil sampling is part of the plant preventative/predictive maintenance program and the test results are used to assess the condition of the transformers. Also during the month, XL Insurance Services provided an outside test firm to perform thermographic tests on all of the motor control centers on Units 1 and 2.

Preliminary work has begun on developing the Budget for the fiscal year 2007-2008. Employee suggestions to improve the plant have been solicited and will be evaluated for merit as part of the budget development process.

7.0 Summary of NAES Performance to Date

Measure	*Month*		*Year to Date*	
eFOR	0.0%		1.09%	
Budget (Actual vs. Budget)	124.33%		91.99%	
Safety	0		0	
Environmental	0		0	
Capacity Tests Completed	Summer	Winter	Summer	Winter
Unit 1	No	Yes	Yes	Yes
Unit 2	No	Yes	Yes	Yes
Unit 3	No	Yes	Yes	Yes
Unit 11	No	No	Yes	# No

Unit is in the PJM Winter Capacity Testing Exemption Program.