City of Dover
Electric Revenue Fund

Budget & Electric Rate Review and Recommendations

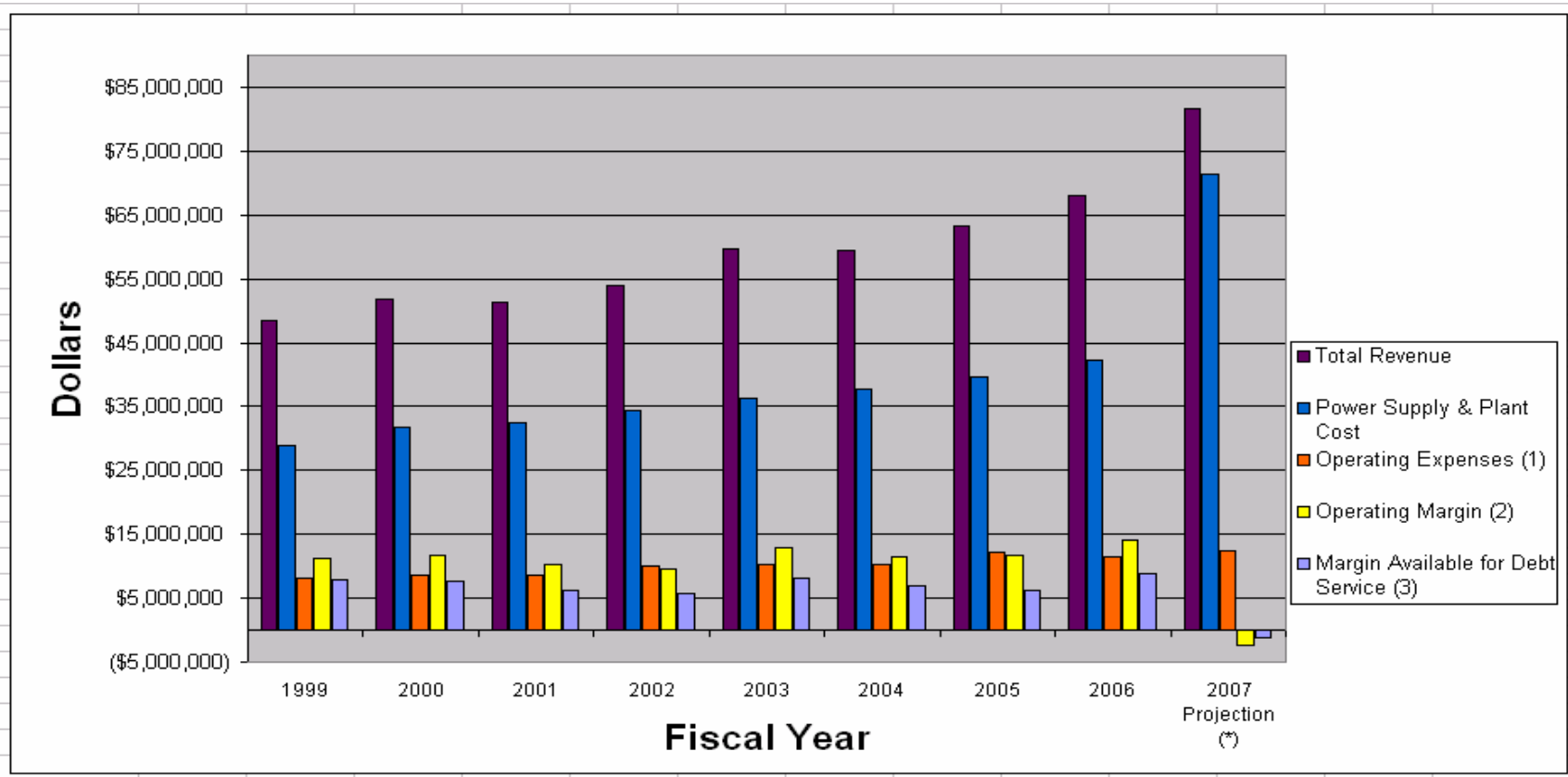
December 11, 2006

Our History &



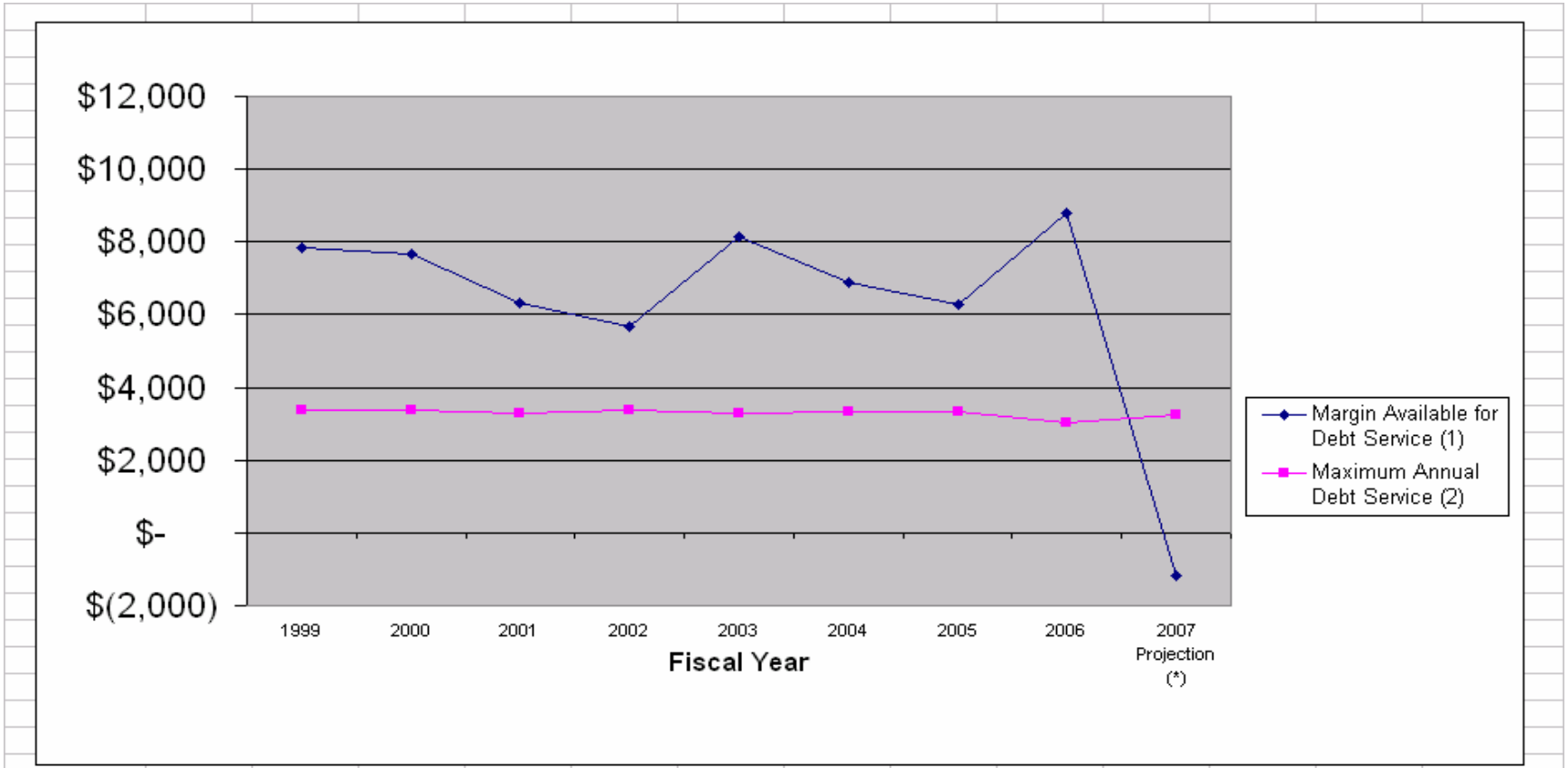
November 13, 2006 Projection

Electric Revenue Fund
Revenue, Expense & Margin Trends



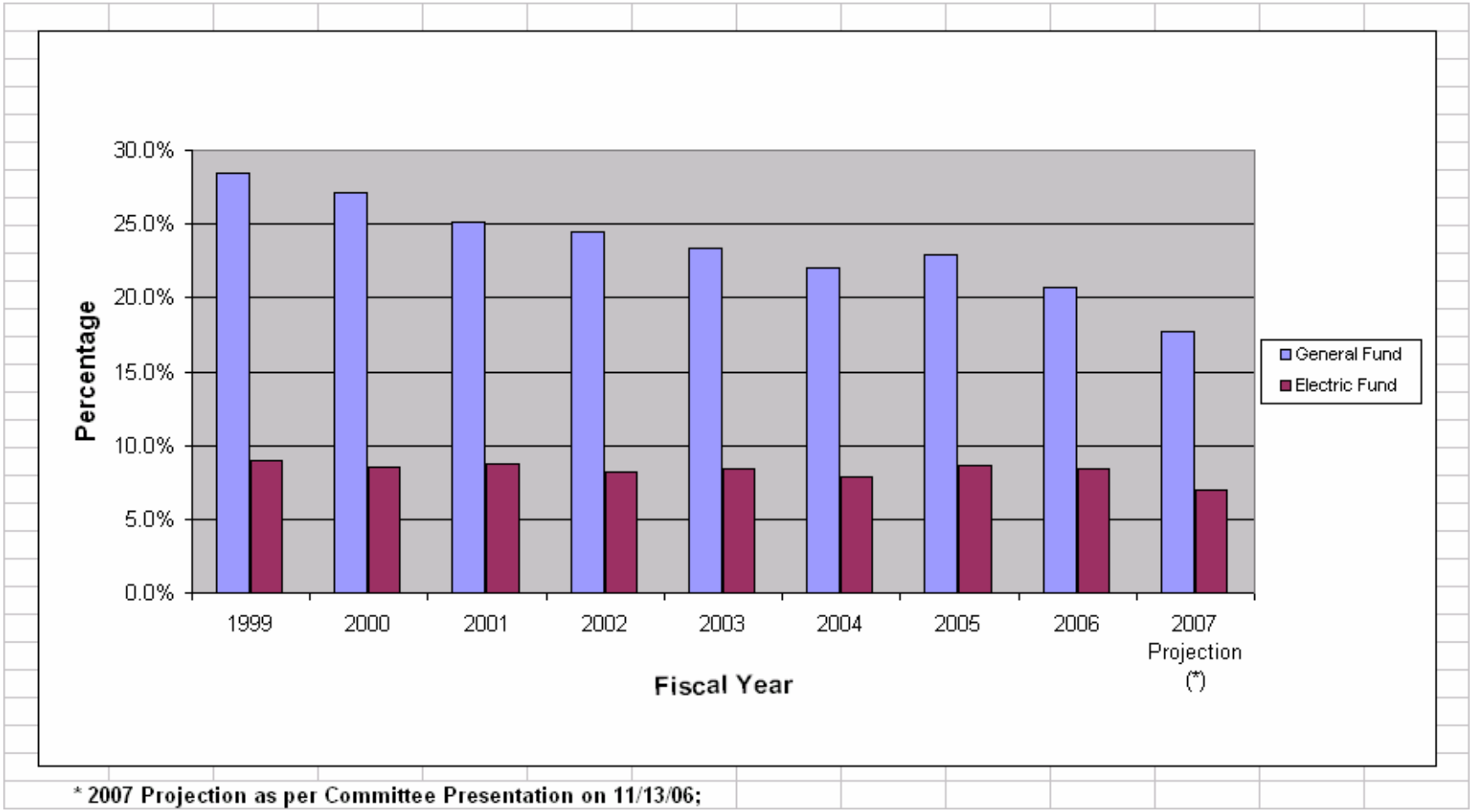
(1) Operating Expenses are Administration, Transmission & Distribution, Engineering, & Allocated Services
(2) Operating Margin represents the balance of revenue left over after deducting all power supply, plant, & operating expenses.
(3) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.
* 2007 Projection as per Committee Presentation on 11/13/06.

Electric Revenue Fund
Debt Requirements (in 000's)



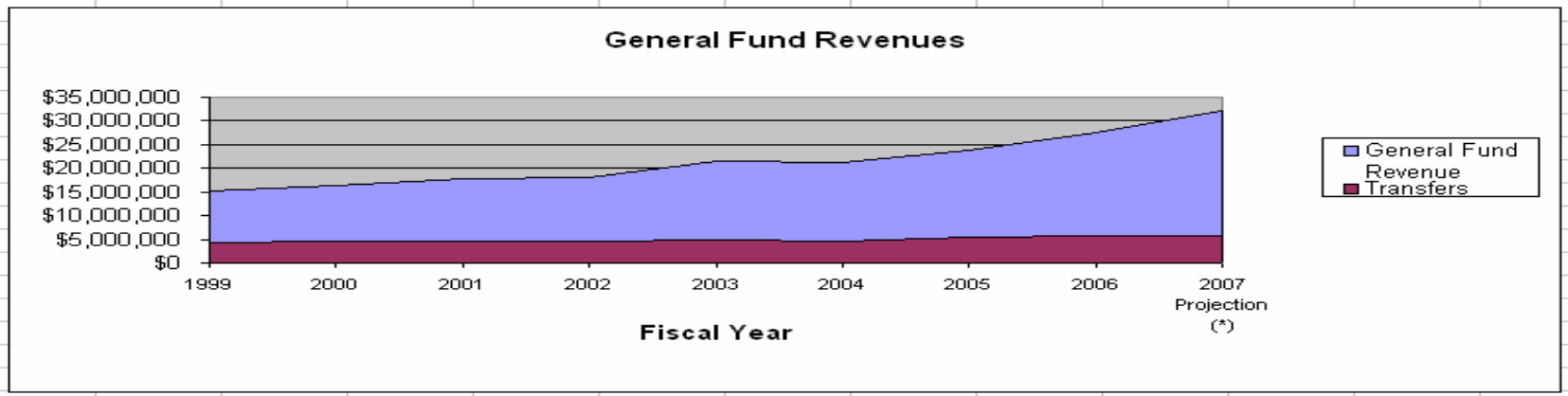
(1) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.
(2) Maximum Annual Debt Service is the amount of revenue left over the City is required to have to meet the requirement of the bond indenture.
* 2007 Projection as per Committee Presentation on 11/13/06.

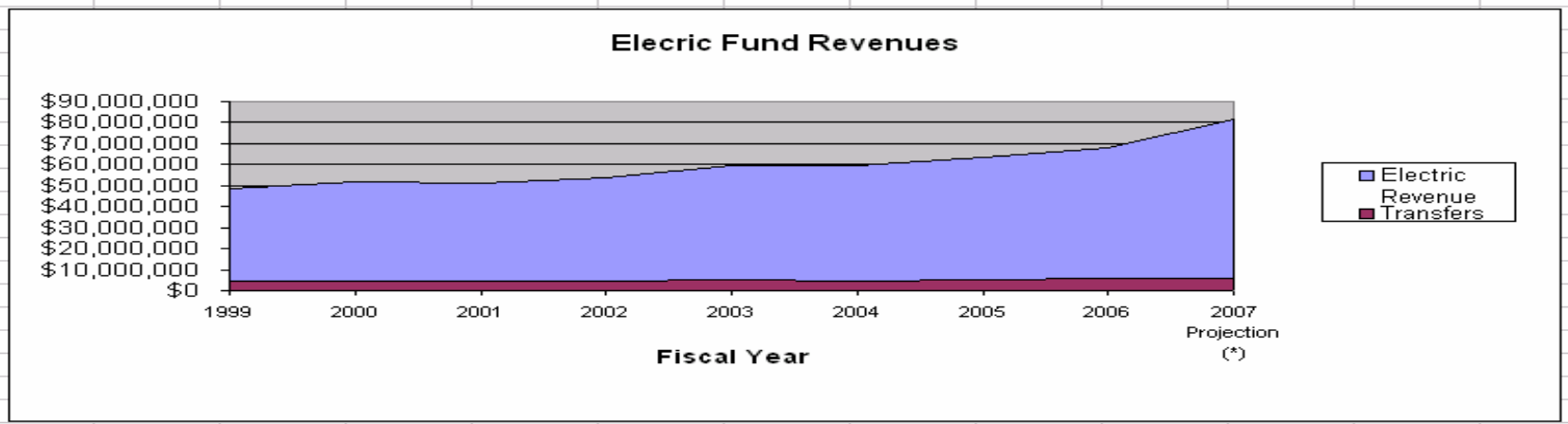
Electric Revenue Fund
Transfers as a Percentage of Fund Revenue



* 2007 Projection as per Committee Presentation on 11/13/06;

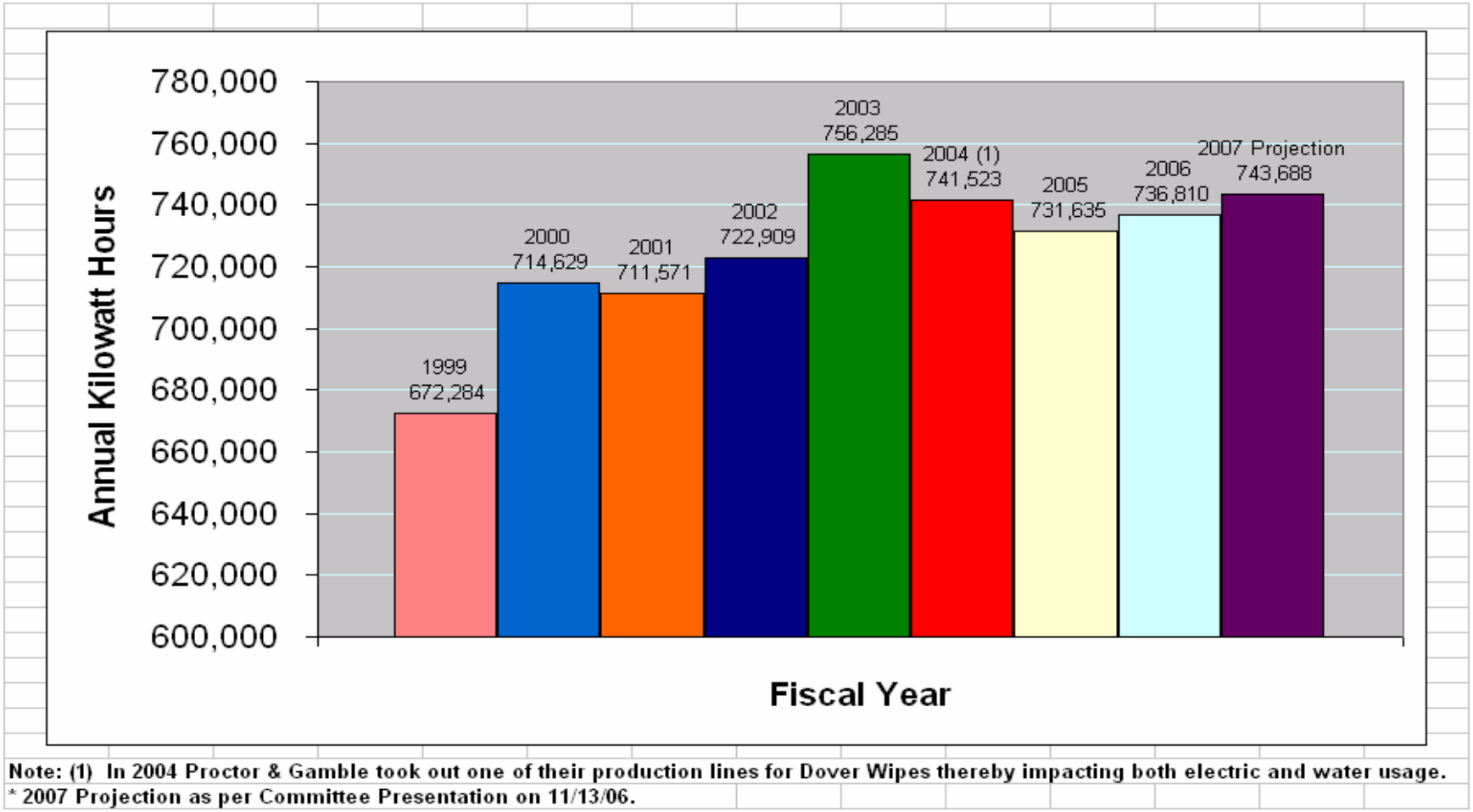
Electric Revenue Fund
Revenue & Transfer Trend – General & Electric Funds





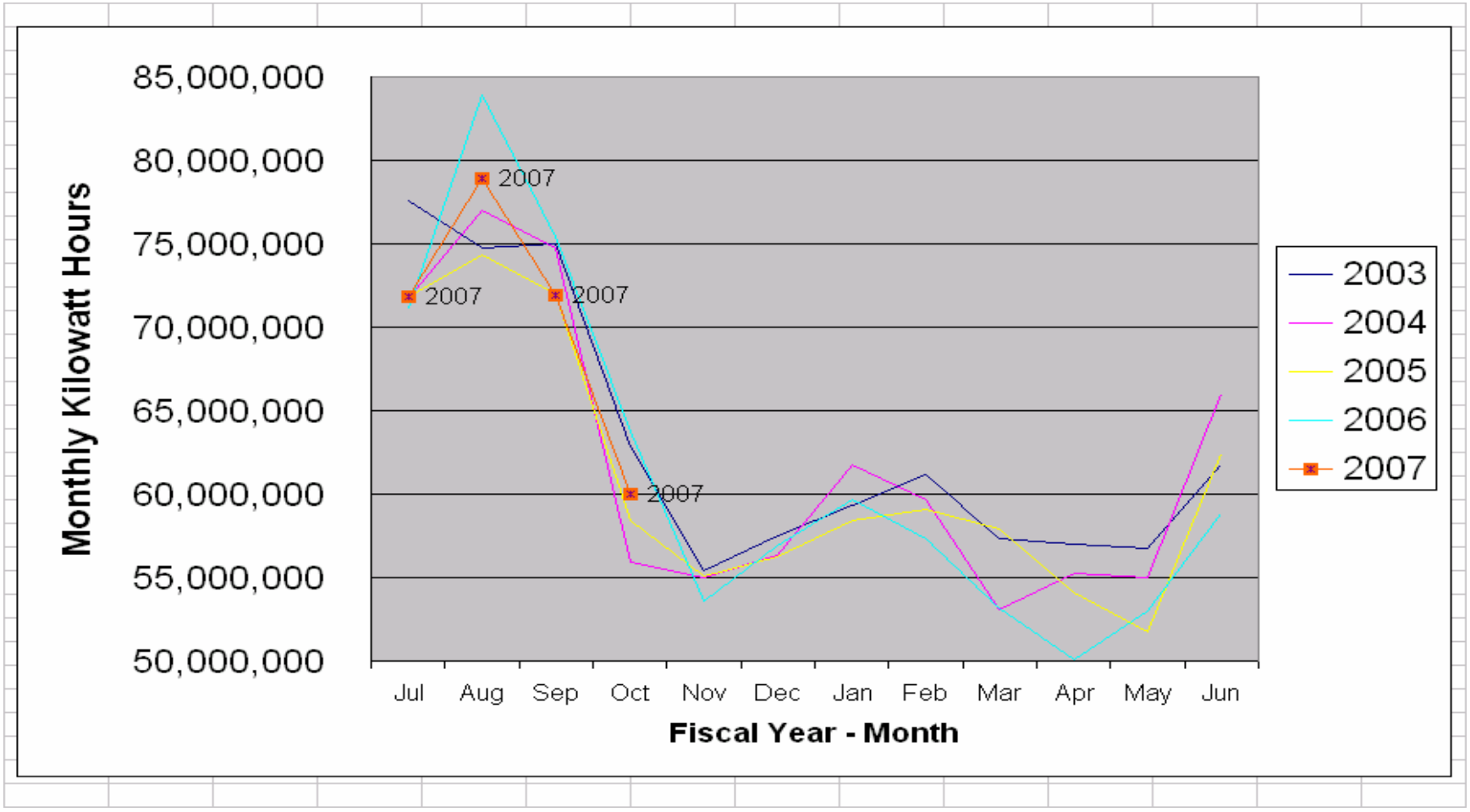
* 2007 Projection as per Committee Presentation on 11/13/06

Electric Revenue Fund
Annual Kilowatt Hour Sales Trend



Note: (1) In 2004 Proctor & Gamble took out one of their production lines for Dover Wipes thereby impacting both electric and water usage.
* 2007 Projection as per Committee Presentation on 11/13/06.

Electric Revenue Fund
Monthly Kilowatt Hour Sales Trend



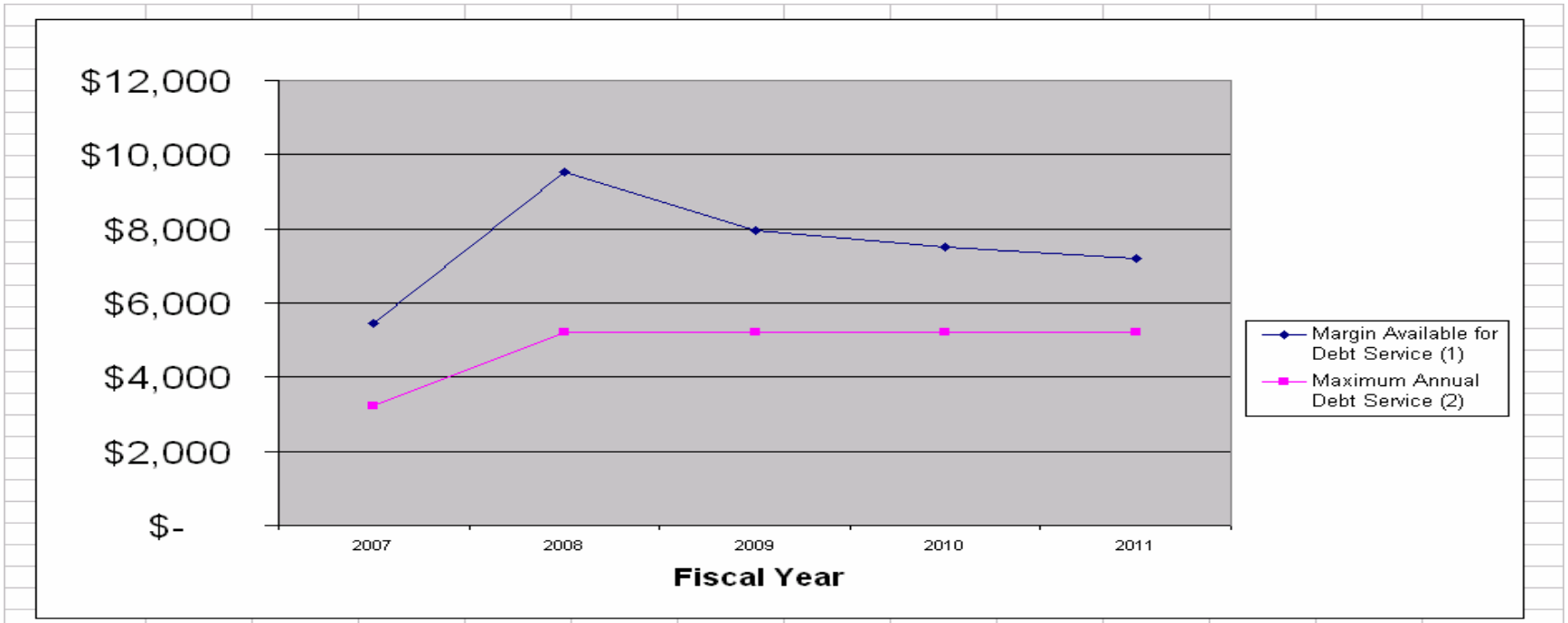
Our Future



Alternatives

Electric Revenue Fund
Future Debt Requirement

- Current Capital Project Plan $44.5M (excluding vehicles & plant)
- Planned bond issue in 2008 - $20.0M
- Increased debt service therefore increases margins to cover covenant



(1) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.
(2) Maximum Annual Debt Service is the amount of revenue left over the City is required to have to meet the requirement of the bond indenture.

Electric Revenue Fund
Assumptions Across All Alternatives

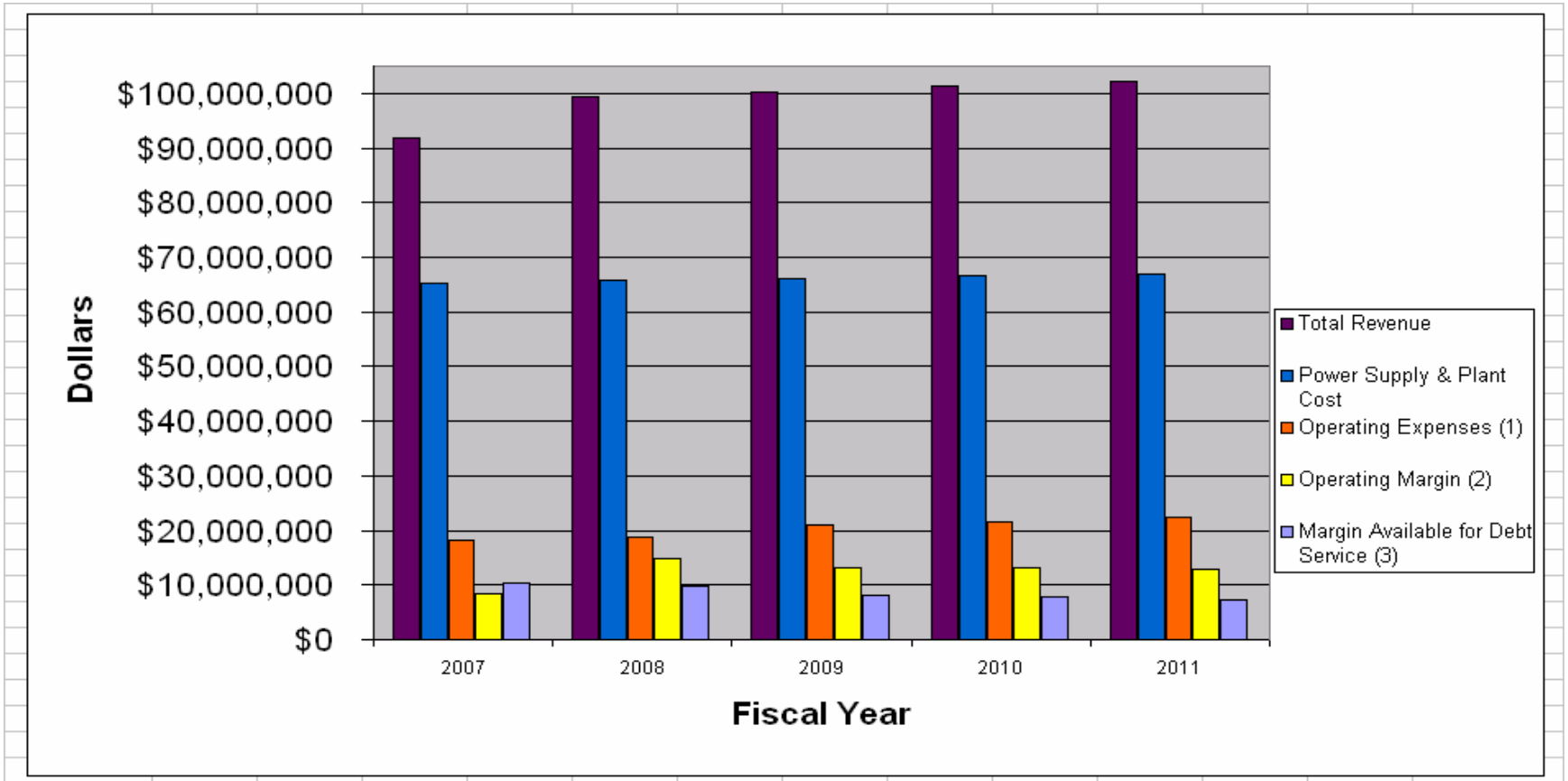
- Net Margin positive in all years
- Debt Service Coverage is greater than 1.25 in all years
- 2008 – 2011 includes $3.0M to partially fund capital projects
- 2008 – 2011 includes 6.5% transfer to General Fund
- 2008 – 2011 assumes power supply and Pace Management Fee stays at $84 megawatt hour
- Pace Incentive Fee of $1.24 mgw in all years
- Net Expense of Plant stays $3.9M in all years

Electric Revenue Fund
Alternative 1

- Rate increase in January 2007 – 21%; No rate increase in July 2007;
- Sales of emission credits as estimated by PACE Global
- Duke Rebate – estimate provided by Duke
- Interest on reserves not included in earlier forecast
- Plant budget reduction for FY07 as provided by NAES
- Additional Margin $3.4M

	Alternative 1		
Adjustments to Income/Expense	General Fund	Electric Fund	Total
Carry Forward Balance	$ -		$ -
Capital Asset Reserve	-		-
Contingency Reserve	-		-
Excess Budget Balance	-		-
CIP not purchased ytd, except Pitts Center	-		-
Street Lights	-		-
Sale of Emission Credits	-	$1,000,000	1,000,000
Duke Rebate	-	800,000	800,000
Interest on Reserves (Move from Cash Flow)	-	917,127	917,127
Personnel Reductions - Vacant Positions	-	-	-
Plant Budget Reduction	-	642,461	642,461
3% All Budget Cuts - Reduce Services/Layoffs	-	-	-
Expense Reductions - Minimal Impact	-	-	-
Subtotal	$ -	$3,359,588	$3,359,588
Reduce Transfer to General Fund	-	-	-
Total	$ -	$3,359,588	$3,359,588

Electric Revenue Fund
Alternative 1 – Revenue, Expense & Margin Projections



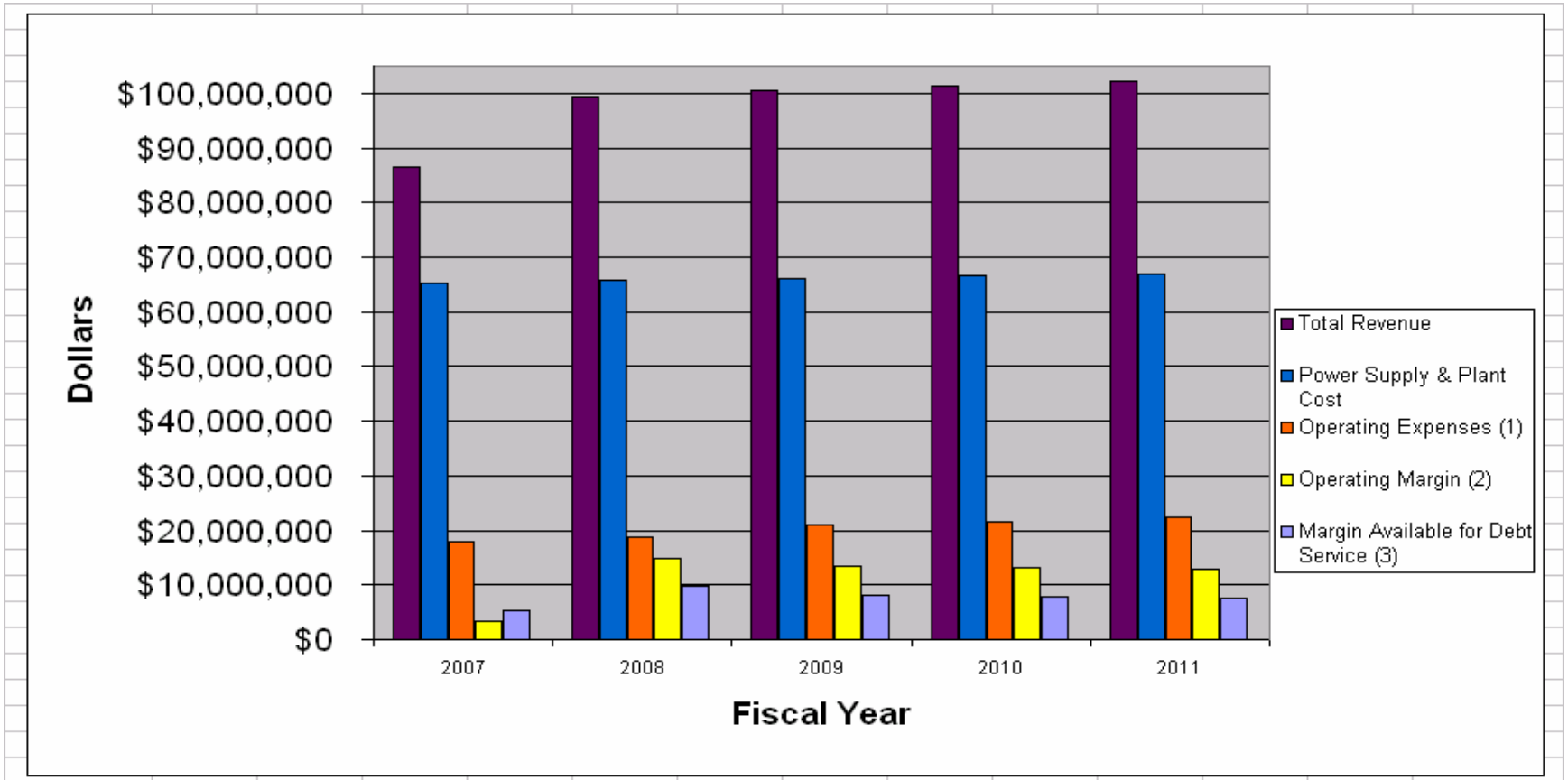
(1) Operating Expenses are Administration, Transmission & Distribution, Engineering, & Allocated Services
(2) Operating Margin represents the balance of revenue left over after deducting all power supply, plant, & operating expenses.
(3) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.

Electric Revenue Fund
Alternative 2

- Rate increase in January 2007 – 8%; Rate increase in July 2007 – 12%;
- Sales of emission credits as estimated by PACE Global
- Duke Rebate – estimate provided by Duke
- Interest on reserves not included in earlier forecast
- Plant budget reduction for FY07 as provided by NAES
- Additional Margin $3.3M

	Alternative 2		
Adjustments to Income/Expense	General Fund	Electric Fund	Total
Carry Forward Balance	$ -		$ -
Capital Asset Reserve	-		-
Contingency Reserve	-		-
Excess Budget Balance	-		-
CIP not purchased ytd, except Pitts Center	-		-
Street Lights	-		-
Sale of Emission Credits	-	$1,000,000	1,000,000
Duke Rebate	-	800,000	800,000
Interest on Reserves (Move from Cash Flow)	-	917,127	917,127
Personnel Reductions - Vacant Positions	-	-	-
Plant Budget Reduction	-	642,461	642,461
3% All Budget Cuts - Reduce Services/Layoffs	-	-	-
Expense Reductions - Minimal Impact	-	-	-
Subtotal	$ -	$3,359,588	$3,359,588
Reduce Transfer to General Fund	-	-	-
Total	$ -	$3,359,588	$3,359,588

Electric Revenue Fund
Alternative 2 – Revenue, Expense & Margin Projections



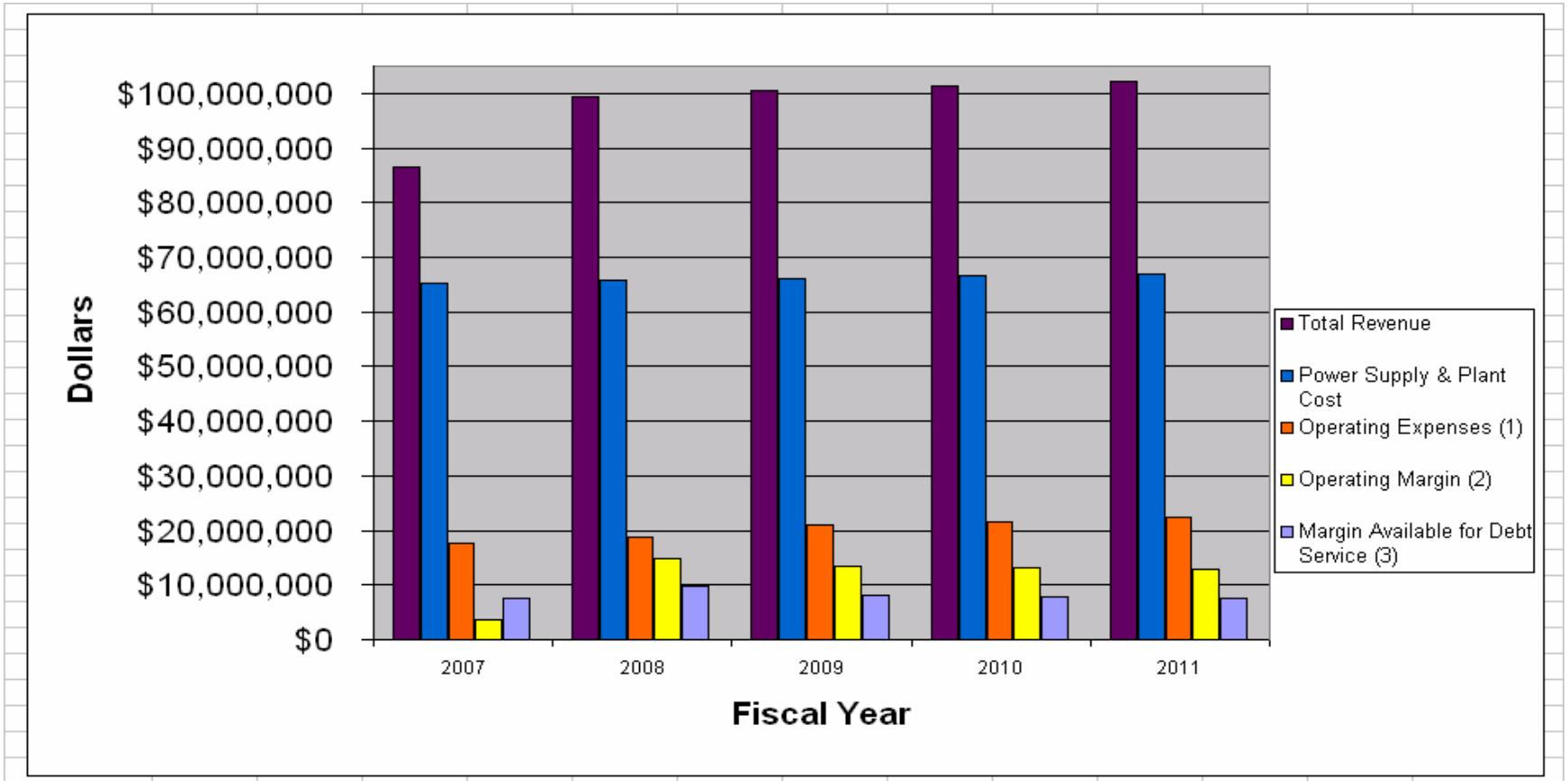
(1) Operating Expenses are Administration, Transmission & Distribution, Engineering, & Allocated Services
(2) Operating Margin represents the balance of revenue left over after deducting all power supply, plant, & operating expenses.
(3) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.

Electric Revenue Fund
Alternative 3

- Rate Increase in January 2007 – 8%; Rate increase in July 2007 – 12%;
- Budget reductions – Transfer to General Fund $1.8M; Operating Exp. $.9M;
- Additional Revenue – Electric Fund $2.7 (reserve interest, FY06 Est. Duke Rebate, & Emission Credits)
- Net Margin Increase - $5.4M

	Alternative 3		
Adjustments to Income/Expense	General Fund	Electric Fund	Total
Carry Forward Balance	$ 941,533		$ 941,533
Capital Asset Reserve	330,129		330,129
Contingency Reserve	-		-
Excess Budget Balance	-		-
CIP not purchased ytd, except Pitts Center	220,502		220,502
Street Lights	84,000		84,000
Sale of Emission Credits	-	$1,000,000	1,000,000
Duke Rebate	-	800,000	800,000
Interest on Reserves (Move from Cash Flow)	-	917,127	917,127
Personnel Reductions - Vacant Positions	-	-	-
Plant Budget Reduction	-	642,461	642,461
3% All Budget Cuts - Reduce Services/Layoffs	-	-	-
Expense Reductions - Minimal Impact	255,996	275,545	531,541
Subtotal	$1,832,160	$3,635,133	$5,467,293
Reduce Transfer to General Fund	(1,800,000)	1,800,000	-
Total	$ 32,160	$5,435,133	$5,467,293

Electric Revenue Fund
Alternative 3 – Revenue, Expense & Margin Projections



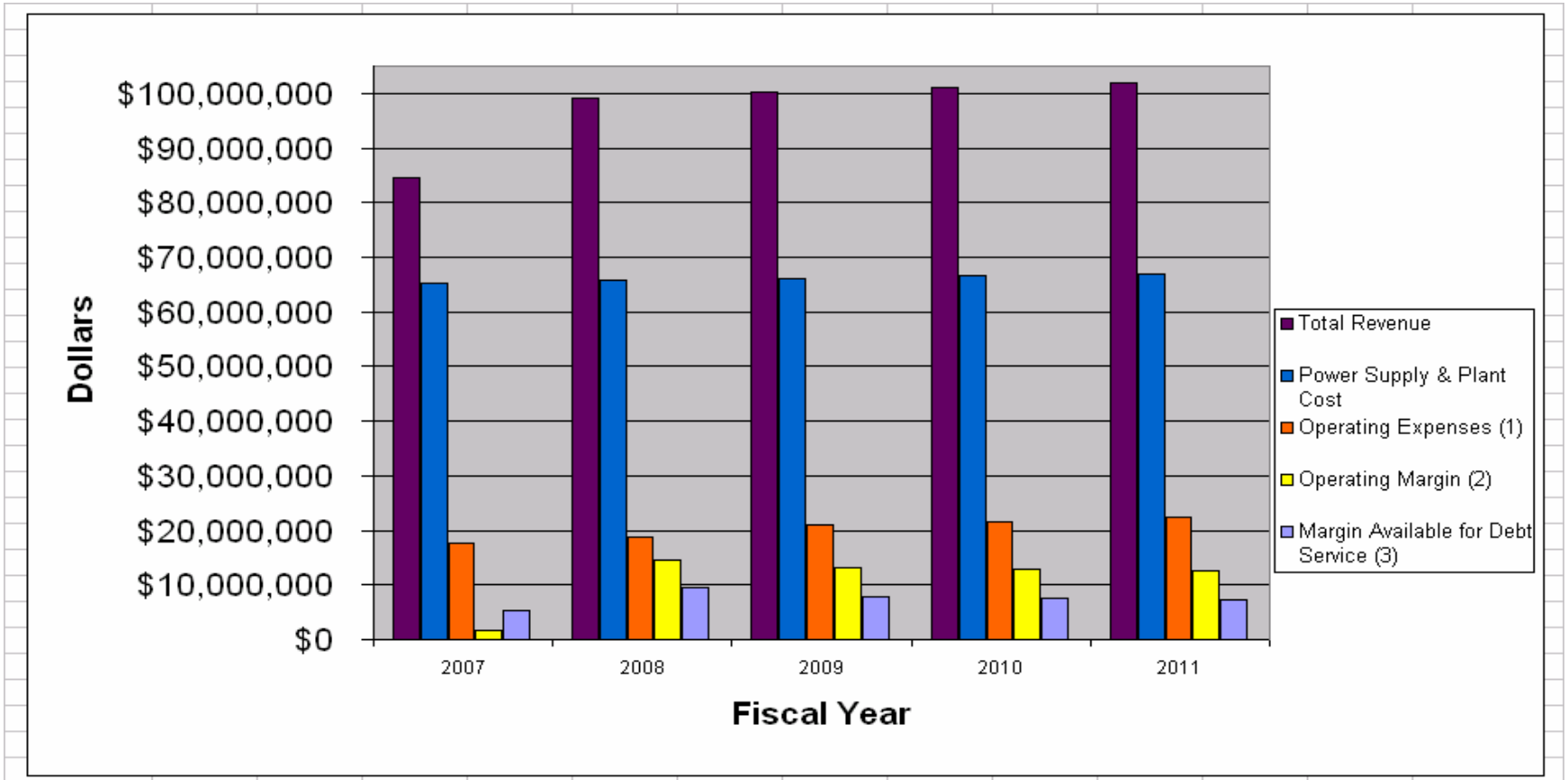
(1) Operating Expenses are Administration, Transmission & Distribution, Engineering, & Allocated Services
(2) Operating Margin represents the balance of revenue left over after deducting all power supply, plant, & operating expenses.
(3) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.

Electric Revenue Fund
Alternative 4

- Rate increase in January 2007 – 3%; Rate increase in July 2007 – 17%
- Budget reductions – Transfer to General Fund $1.8M; Operating Exp. $.9M;
- Additional Revenue – Electric Fund $2.7 (reserve interest, FY06 Est. Duke Rebate, & Emission Credits)
- Net Margin Increase - $5.4M

	Alternative 4		
Adjustments to Income/Expense	General Fund	Electric Fund	Total
Carry Forward Balance	$ 941,533		$ 941,533
Capital Asset Reserve	330,129		330,129
Contingency Reserve	-		-
Excess Budget Balance	-		-
CIP not purchased ytd, except Pitts Center	220,502		220,502
Street Lights	84,000		84,000
Sale of Emission Credits	-	$1,000,000	1,000,000
Duke Rebate	-	800,000	800,000
Interest on Reserves (Move from Cash Flow)	-	917,127	917,127
Personnel Reductions - Vacant Positions	-	-	-
Plant Budget Reduction	-	642,461	642,461
3% All Budget Cuts - Reduce Services/Layoffs	-	-	-
Expense Reductions - Minimal Impact	255,996	275,545	531,541
Subtotal	$1,832,160	$3,635,133	$5,467,293
Reduce Transfer to General Fund	(1,800,000)	1,800,000	-
Total	$ 32,160	$5,435,133	$5,467,293

Electric Revenue Fund
Alternative 4 – Revenue, Expense & Margin Projections



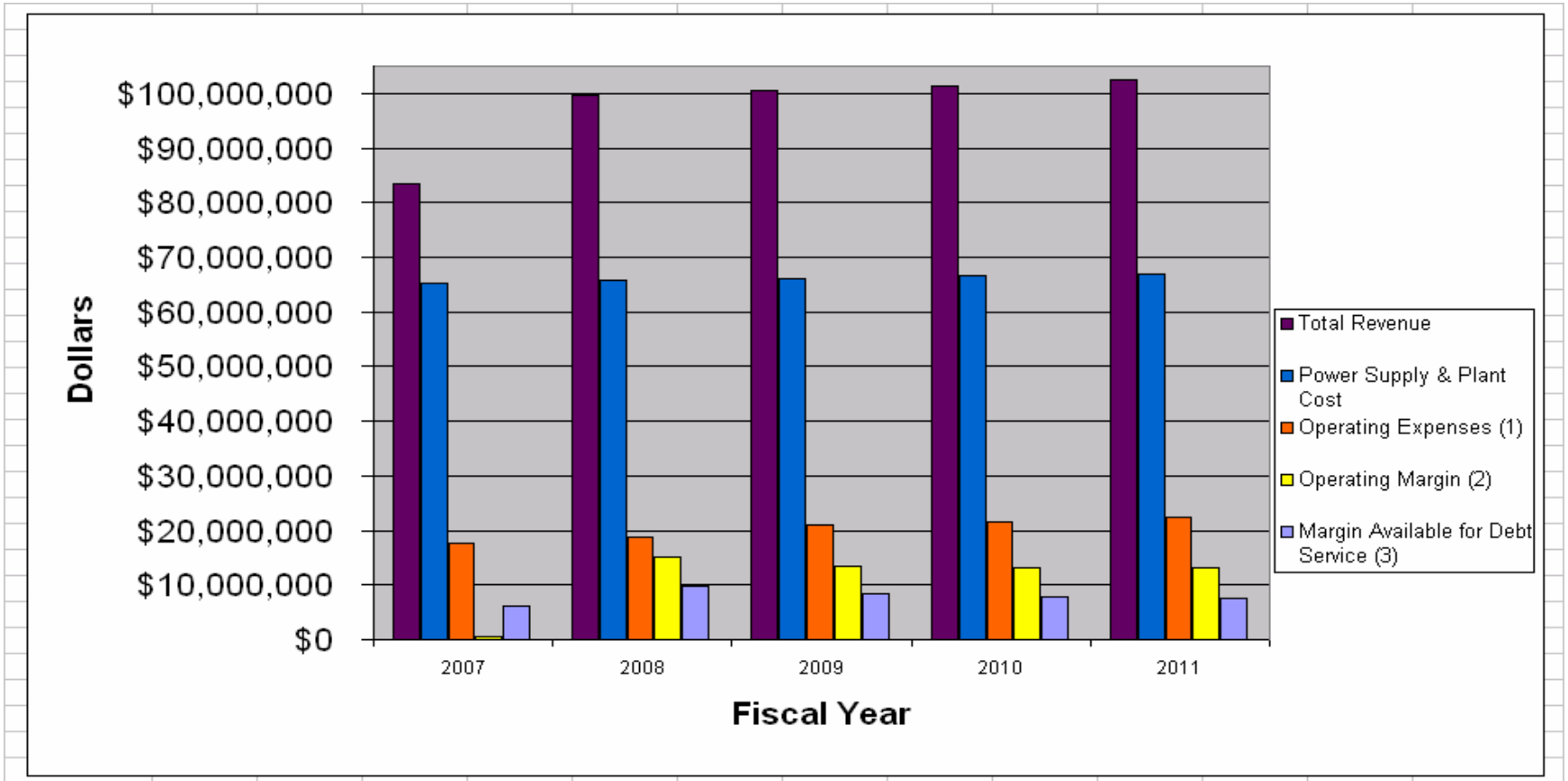
(1) Operating Expenses are Administration, Transmission & Distribution, Engineering, & Allocated Services
(2) Operating Margin represents the balance of revenue left over after deducting all power supply, plant, & operating expenses.
(3) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.

Electric Revenue Fund
Alternative 5

- No rate increase January 2007; Rate increase July 2007 – 21%;
- Budget reductions – Transfer to General Fund $3.7M; Operating Exp. $.9M; Reductions in service and layoffs;
- Additional Revenue – Electric Fund $2.7 (reserve interest, FY06 Est. Duke Rebate, & Emission Credits)
- Net Margin Increase $7.3M

	Alternative 5		
Adjustments to Income/Expense	General Fund	Electric Fund	Total
Carry Forward Balance	$ 941,533		$ 941,533
Capital Asset Reserve	330,129		330,129
Contingency Reserve	335,194		335,194
Excess Budget Balance	49,921		49,921
CIP not purchased ytd, except Pitts Center	951,782		951,782
Street Lights	84,000		84,000
Sale of Emission Credits	-	$1,000,000	1,000,000
Duke Rebate	-	800,000	800,000
Interest on Reserves (Move from Cash Flow)	-	917,127	917,127
Personnel Reductions - Vacant Positions	119,873	-	119,873
Plant Budget Reduction	-	642,461	642,461
3% All Budget Cuts - Reduce Services/Layoffs	921,000	-	921,000
Expense Reductions - Minimal Impact	-	275,545	275,545
Subtotal	$ 3,733,432	$3,635,133	$7,368,565
Reduce Transfer to General Fund	(3,700,000)	3,700,000	-
Total	$ 33,432	$7,335,133	$7,368,565

Electric Revenue Fund
Alternative 5 – Revenue, Expense & Margin Projections



(1) Operating Expenses are Administration, Transmission & Distribution, Engineering, & Allocated Services
(2) Operating Margin represents the balance of revenue left over after deducting all power supply, plant, & operating expenses.
(3) Margin Available for Debt Service is the balance of revenue left over after adding interest earned and deducting/adding transfers in & out.

Electric Revenue Fund
Recap of Alternatives – Covenant & Rate Increase

									Projected
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Historical	2.95	2.88	2.37	2.13	3.06	2.59	2.37	3.17	(0.45)
							Rate Increase		
	2007	2008	2009	2010	2011		2007	2008	
Scenario 1	4.04	2.88	1.95	1.86	1.78		21%	0%	
Scenario 2	2.07	2.90	1.97	1.88	1.80		8%	12%	
Scenario 3	2.87	2.90	1.97	1.88	1.80		8%	12%	
Scenario 4	2.11	2.82	1.90	1.81	1.73		3%	17%	
Scenario 5	2.39	2.94	2.00	1.90	1.83		0%	21%	

Electric Rates



Electric Revenue Fund
Rate Impact – Samples by Customer Class
For Scenarios 2 & 3

Description	Kwh Consumption		Rate	1-Jul Rates	1-Jan-07 Rates	$ Difference
Residential		1000	R	$ 119.60	$ 129.00	$ 9.40
Rental Office	July 2005	2226	C	$ 263.88	$ 299.93	$ 36.05
	January 2006	3220	C	$ 379.49	$ 431.53	$ 52.04
Bank	July 2005	2507	C1	$ 306.56	$ 347.56	$ 41.00
	January 2006	3510	C1	$ 423.21	$ 480.35	$ 57.14
Bank	July 2005	6240	C2	$ 667.51	$ 774.45	$ 106.94
	January 2006	5683	C2	$ 701.37	$ 796.91	$ 95.54
Car Dealer	July 2005	43000	C5	$ 4,654.05	$ 5,358.99	$ 704.94
	January 2006	42520	C5	$ 4,713.09	$ 5,431.48	$ 718.39
Large Insurance Company	July 2005	129000	P	$ 13,757.18	$ 14,291.44	$ 534.26
	January 2006	77000	P	$ 8,685.50	$ 9,098.94	$ 413.44
Transmission	July 2005	1674000	T	$ 142,162.34	$ 146,665.94	$ 4,503.60
	Jan 2006	1458000	T	$ 124,065.54	$ 131,552.38	$ 7,486.84

Electric Revenue Fund
Rate Impact – Samples by Customer Class
Scenario 4

- Scenario 4 rates were not received from the Consultant in time for inclusion in the packet. We will forward this slide as soon as available.