DOVER/McKEE RUN	ADMINISTRATIVE MANUAL	
Number: **AMP-601**	Subject: **Procurement**	
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Page 1 of 27	**Prepared by North American Energy Services**	

1. PURCHASE CATEGORIES

All purchases made at the plant fall into one of four categories. These four categories are defined below. These definitions are important to understand as they are used throughout all the purchasing procedures in the Administrative Manual as well as elsewhere in the manual.

A. Routine Purchases

Routine purchases are those purchases that consist of the periodic purchasing of small value commodities and consumables that tend to not vary in price over time, purchases for those invoices that do not lend themselves to the normal bidding process, as well as blanket Purchase Orders (PO).

The procedures for Routine Purchases differ from Normal Purchases in that the traditional process of obtaining multiple quotes is only performed periodically and vendors may be selected based on overall lowest price (or other factors) while they may not be the lowest price on some items. While Normal Purchases require three bids for each purchase, Routine Purchases only require obtaining three bids on an annual basis. Also, if it is known that a particular item or group of items has undergone a significant change in price, those items shall be rebid.

Examples of purchases that may be classified as Routine Purchases include: office supplies, safety consumables, and maintenance consumables.

The other type of purchase covered by Routine Purchases are those items that are billed to the plant on a periodic basis but do not require rebidding. These are either purchases that simply do not lend themselves to obtaining quotes (e.g. telephone bills, postage and shipping fees) or are contracts that require the generation of a periodic Purchase Order but will not be rebid each period, typically annually (e.g. janitorial services, office services). These types of purchases are classified as blanket POs at the plant.

Approval for issuing periodic (typically monthly) POs against these purchases is obtained by generating a Purchase Requisition (PR) for each type of purchase at the beginning of the year covering the anticipated expenditures for the coming year. The amount on the PR is typically equal to the approved annual operating budget. The PR for the blanket PO is then forwarded to the Owner's

Representative for approval and is used as documentation for generating the periodic POs.

B. Normal Purchases

Normal Purchases are those purchases that cover higher value goods and services and are not made on a regular basis. The policies for these purchases follow the traditional practice of obtaining three competitive quotes, generating a purchase requisition and a purchase order. Deviation from the requirement to have three quotes is allowed for emergencies and sole source purchases as described below.

Examples of purchases that fall under this category include: office equipment, office furniture, computer hardware, maintenance equipment and tools, and spare parts).

C. Service Contract Purchases

Service Contracts are used to procure services performed by the vendor's personnel on the plant premises. This process starts with a request for proposal letter (example shown on Exhibit B) with a detailed scope as the first contact with the potential vendor(s). These contracts may be modeled after the generic contract contained as Exhibit E to this procedure or may be a contract generated by the service provider. The plant Owner's personnel will usually be involved in reviewing purchasing documents associated with Service Contracts. Plant management personnel will contact plant Owner personnel whenever a Service Contract is deemed to be appropriate to determine the Owner's desired level of involvement in development and approval of the Service Contract. When a Service Contract is used, a PO will be issued for the contract for tracking purposes within the CMMS (OR EQUIVALENT).

Examples of Service Contracts include: major equipment maintenance, plant capital improvements, and may include smaller value routine services such as landscaping and janitorial services.

D. Owner Purchases

These are purchases that are managed primarily by Owner personnel. The Owner's personnel will manage the bidding and selection of vendors for these purchases. If the purchase is to be handled outside of the plant's budget, all purchase orders and payments will be managed by Owner's headquarters personnel. If the cost associated with the purchase is to be included in the plant budget, a Purchase Order will be issued from the CMMS (OR EQUIVALENT) based on input from Owner's personnel.

Examples of this type of purchase include: environmental consulting projects and capital improvements coordinated by Owner headquarters personnel.

2. GENERAL POLICIES

The following discussions are intended to provide the general background to interpret the more detailed procedures in all purchasing and contracting procedures in the Administrative Manual.

A. Responsibility of North American Energy Services

The plant Owners have granted North American Energy Services (NAES) an agency delegation with respect to the procurement of goods. This allows NAES to perform the procurement function and enter into purchase orders on behalf of the Owners within the parameters defined in the Operations & Maintenance Agreement. In performing this responsibility, NAES' actions should always be taken in the best interest of the Owners.

B. Adherence to the Procurement Procedure

The intent of this procedure is to provide guidelines for effective performance of the procurement function. In certain instances, deviation from this procedure may be appropriate with the approval of the Plant Manager.

C. Purchase Initiation

1. Anyone at the plant can initiate a purchase by: submitting a Request for Goods, initiating a Quotation in the CMMS (OR EQUIVALENT), or initiating a Purchase Requisition upon recognition of the need to obtain goods that are not available at the plant. Approval of these documents is performed at the supervisory or Plant Manager level.

2. All vendor contact must be documented and all quotes received from vendors must be attached to the purchasing documents or maintained in the plant purchasing files for reference by supervisory personnel during the approval process. The Materials Management Coordinator or plant management personnel (or their staff working on a specific purchase) may obtain verbal quotations.

D. Purchase Requisitions Approval and Authority

1. No one is authorized to commit funds for purchases of goods or services, either verbally or in writing, except the Plant Manager or his designate, or the Owner's Representative.

2. All PRs must be approved by the Plant Manager (or designee). PRs over $25,000 will additionally need to be approved by the Owner's Representative before the order is placed. Any series of purchases of similar items that will total over $25,000 may not be separated into multiple PRs for the purpose of avoiding the approval of the Owner's Representative approval. Exceptions to these approval levels will not be permitted.

3. PRs for unbudgeted items that exceed $5,000 or 5% (whichever is greater) of a line item in the budget must be approved by the Plant Manager and submitted to the Owner's Representative with a Budget Change Request (BCR) form for approval. The Plant Manager will decide when a BCR should be submitted to accommodate an unbudgeted purchase. BCRs are discussed in detail in AMP-502.

4. Any changes to an approved PR must be approved by the Plant Manager. If the change results in a total expenditure over $25,000, it must also be approved by the Owner's Representative. The Plant Manager must use his discretion in deciding whether the change to the PO is significant enough in dollar value or scope to warrant obtaining new bids. Any changes to existing POs must result in a change to the related PR.

5. When the Plant Manager or other member of the plant staff is absent, a designate will be appointed who will have approval authority for PRs and POs.

6. Commitments in writing shall be obtained from vendors on orders of any significant value. All Service Contracts shall be initiated by a Request for Proposal Letter (see Exhibit B for an example) sent from the plant to the potential bidders. This letter shall be attached to the PR that is forwarded to the Owner's Representative if the purchase value exceeds $25,000. If vendors offer services, goods, discounts or other items associated with a purchase, they must be required to submit the offer in writing to the plant. Further, the plant staff shall not make verbal commitments to a vendor for purchases without having the required approvals on a PR and PO.

7. PRs must include definitive, itemized information on price and related costs. Tax and freight/delivery costs may be left open or estimated if initially unknown.

8. POs must only include items and prices listed on the approved PR.

E. Sole Source Justification

Sole source justification must be documented and approved by the appropriate supervisor. Sole source justification can be approved for any of the four types of purchases.

F. Conflict of Interest

When making purchasing decisions on behalf of the plant, all employees are expected to use their best, impartial judgment. It is necessary for employees to avoid any potential compromise or appearance of compromise of judgment. In turn, the Plant Manager must use impartial judgment when evaluating cases brought to his attention and should consult the Division Director for further guidance if he feels it is prudent to do so.

1. North American Energy Services employees shall not accept any gifts or other gratuities from Suppliers that could reasonably be considered to have been offered in an attempt to obtain any form of preferential treatment. Any such offer shall be reported to the Plant Manager.

2. Plant employees who have a financial interest in any organization that sells to or is attempting to sell goods or services to the plant must clear such conflicts with the Plant Manager.

3. No employee shall engage in any business transaction on behalf of the plant with a relative by blood or marriage, or with a company of which the relative is an owner or representative, without clearing the conflicts with the Plant Manager.

G. State and Local Retail Sales and Use Taxes

1. Most of the labor and material costs are exempt from state sales tax under the manufacturing exemption. The exemption applies to all items that are "essential to the manufacturing process" and to the labor cost to repair or install such items.

2. Invoices regularly contain incorrect sales tax amounts and should be carefully scrutinized to avoid overpayment or underpayment of tax. The Materials Management Coordinator is responsible for determining the taxability of goods and services.

3. In instances where an invoice includes sales tax for an exempt item, remittance to the vendor shall be reduced accordingly. In addition, an exemption certificate shall be mailed with the remittance for the exempt item(s).

4. There are also instances where invoices omit the sales tax for taxable items. These invoices generally come from out-of-state vendors. When these invoices are paid, copies of the invoice and PO are kept in a file for later use. At the end of the quarter, a spreadsheet is prepared listing each PO, invoice, G/L Account for each item, sales tax rate, and tax amount due. The Materials Management Coordinator uses this spreadsheet to prepare and submit a quarterly Sales and Use Tax Return, along with the appropriate tax payment.

H. Terms and Conditions

The plant Terms and Conditions shall be forwarded to each vendor along with the Purchase Order. If the vendor returns their own Terms and Conditions or otherwise indicates that they are not willing to accept the project Terms and Conditions, notify Plant Manager. It is important to understand that if the vendor returns their own Terms and Conditions, the plant Terms and Conditions may very well not apply to the purchase. Plant personnel must clearly understand whether the plant Terms and Conditions have been accepted or not. The Plant Manager will work with the Owner's Representative in resolving any conflicts.

Acceptance of the vendors Terms and Conditions may only be done with the Owner's Representative consent and may require negotiations to modify some aspects of the terms.

I. Warranties

NAES shall secure the best warranty reasonably available for new parts and equipment where possible. All warranties from vendors should clearly identify the project company as the purchaser. NAES shall track the status of all warranties for all purchased goods and services at the plant.

J. Equipment Leaving Plant Site for Repairs

Before equipment with a value greater than $25,000 in need of repair can be moved from the site, it must be verified that insurance coverage for the full replacement value of the equipment has been provided. If full coverage has not been provided, the Plant Manager must be notified. Any deviation from this requirement must have the Owner's Representative's approval.

K. On-Site Work by Vendors

Before a Vendor's personnel are allowed to perform services inside the plant, proof of insurance from the Vendor for the following coverage must be submitted. Any deviation from these limits must be approved by the Plant Manager and the Owner's Representative.

1. Workers' compensation as required by state law.

2. Employer's liability $1,000,000.

3. Comprehensive General Liability $1,000,000.

L. Special Considerations

1. Chemical/lubricant containers - Due to the expense of disposal, the responsibility for empty containers shall be assigned to the supplier, where possible. Purchase orders shall reflect this requirement.

2. Used Parts - No used parts, equipment, or components shall be used without consent of the Owner's Representative.

2. PROCEDURES

The process pertaining to these procedures is shown on the Purchasing Flowchart included as Exhibit A at the end of this procedure. The discussion provides supplementary details concerning the purchasing process.

A. Routine and Normal Purchases

The process for Routine and Normal purchases is the same. The primary difference between these types of purchases is the frequency with which quotes are obtained. As discussed above, Normal Purchases require obtaining three quotes for each purchase while Routine Purchases only require obtaining bids annually (in most cases).

1. Requesting a Purchase - Requester

   a. Complete the Requester information on a Request for Goods form or a Quotation within the CMMS (OR EQUIVALENT) and identify each item needed with a part number and estimated cost if possible. Any detail that is available and will help the Materials Management Coordinator in researching prices should be documented and attached to the Request for Goods. List the vendors that may be able to provide the goods. If no vendors are known at this time, indicate that a search for vendors is necessary. If there is justification for a sole source purchase, check one of the justification criteria and describe the situation. Obtain the necessary department supervisor's approval signature.

   b. If the Requester/Department Supervisor has researched the availability/source of a particular item/equipment and is convinced that a specific model/vendor is the optimum for the purchase, the Additional Information will be annotated "No Substitute for Items Listed". Supporting documentation will be attached.

2. Approving the Request for Goods - Department Supervisor

   a. Confirm the goods are required and are not in inventory by checking the CMMS (OR EQUIVALENT). The Department Supervisor completes the G/L Account Number information to indicate the source of budget funding for each item to be ordered. The Department Supervisor signs the Request for Goods and submits it to the Materials Management Coordinator for cost research.

   b. If the item/service being requested is not included in the current approved budget, the need for a Budget Change Request (see AMP-502) must be evaluated by the Plant Manager. If deemed necessary, a BCR will be filled out by the Plant Manager and attached to the Request for Goods.

3. Obtaining Cost Information – Materials Management Coordinator

   a. With input from the Requester, Department Supervisor, and the Plant Manager, determine if a bid package will be necessary or if written or verbal solicitation will be adequate. Requirements for bid packages are covered below under Service Contracts.

b. Contact the vendors listed on the Request for Goods or search for other vendors. A minimum of three (3) vendors shall be contacted for pricing information. Maintain documentation of all inquiries and information received.

c. If necessary, review the completed Request for Goods with the original Requester. Identify the selected vendor on the bottom of the Request for Goods.

d. Record the Stock Number of each part on the Request for Goods form. If a Stock Number does not exist for the item, create a new Stock Record in the CMMS (OR EQUIVALENT) using the guidance provided in AMP-701, Inventory Control.

4. Generating a Purchase Requisition – Materials Management Coordinator

a. In the CMMS (OR EQUIVALENT), complete the vendor information as determined in the price research phase.

b. In Purchasing-Requisitions, generate a new requisition number and complete the following information:

- Identify Single Source Vendor (if applicable)
- Enter Requestor's Name and Department

c. Complete the line item information including part numbers, stock numbers, manufacturer's name, etc. Include a line item for sales tax and one for freight (if applicable).

d. Calculate cost and print the requisition.

e. Submit the Purchase Requisition with attached supporting documentation (Request for Goods, quote information, etc.) to the Department Supervisor for approval, then to the Plant Manager for approval. If the total of the Purchase Requisition is over $25,000 it must be submitted to the Owner's Representative for approval (generally by fax) before generating a PO for submittal to the vendor.

5. Approving a Purchase Requisition - Department Supervisor and Plant Manager

a. If necessary, confirm the need for the goods.

b. Ensure the items required are in the budget.

c. If items are not in the budget, sign the Budget Change Request (BCR) and obtain the Owner's Representative's signature.

Attach the BCR to the Purchase Requisition and return the entire package to the Materials Management Coordinator.

d. Sign the Requisition and return it to the Materials Management Coordinator.

6. Generation of Purchase Orders – Materials Management Coordinator

a. After approval of the Purchase Requisition by the Department Supervisor, Plant Manager and Owner's Representative (if necessary), the PO can be generated in the CMMS (OR EQUIVALENT).

b. Mark the requisition approved in CMMS (OR EQUIVALENT) and generate a PO.

c. Go to Purchase Orders, make sure all information is still accurate, and then print the PO.

7. Approving Purchase Orders - Materials Management Coordinator

a. Confirm all required documentation is attached, the G/L account number is correct, necessary approvals are present, and ensure the PO contains only the items listed and annotated on the PR.

b. Sign the PO.

8. Distribution of Purchase Orders – Materials Management Coordinator

a. Distribute the copies of the PO as follows:

- Vendor (with Terms and Conditions)
- PO sequential file
- Vendor file
- Owner's Representative

b. The vendor may receive the PO in the following ways:

- Telephone order with PO to follow in the mail (marked "Confirming Order - Do Not Duplicate");
- PO faxed with original to follow in the mail;
- PO mailed;
- PO hand delivered
- e-mail of PDF of signed original PO with all terms and conditions attached.

Always include the Terms and Conditions with the POs when they are distributed to the vendor.

c.

9. Complete Vendor File – Materials Management Coordinator

   a. Staple the following documents together in the order listed:

      - Copy of PO
      - Copy of approved PR with items checked that apply to this order
      - Copy of cost research material that applies to this order
      - Request for Goods form (if applicable)
      - Any other documentation regarding the purchasing process for this purchase

   b. File in alphabetical order by Vendor in open vendor files until all items ordered have been received. When the order is complete, the PO package is given to the Administrative Assistant to hold until the invoice comes in.

10. Receiving Goods – Materials Management Coordinator

    Refer to AMP-603, Receiving, for more information on receiving goods.

11. Invoice for Goods - Materials Management Coordinator

    See AMP – 402, Accounts Payable for the procedure for paying invoices.

B. Service Contracts

1. Initiating the Quote Process

   a. Upon recognizing that the complexity of a Purchase Requisition exceeds "off the shelf" requirements, the Requester or the Plant Manager will direct that a bid package be formulated.

   b. In general, contracted services will be obtained using a bid package although bid packages for small value contracts may be very simple. This is to ensure that the contractual requirements, insurance liability, warranty and work requirements are clearly understood by all parties. If the Plant Manager feels that a particular situation dictates using a Purchase Order without an accompanying Service Contact for contracted services, the Owner's Representative approval must be obtained.

   c. The Materials Management Coordinator, Requester, and Department Supervisor shall work together to determine the detail to be addressed in the bid package.

2. Formation of the Bid Package

The composition of a bid package will vary with the complexity of the purchase. Below is a list of the items that may be included in the package. As a minimum, the bid package should consist of a Request for Proposal Letter (Exhibit B), Bid Instructions (Exhibit C), a Bid Letter (Exhibit D), and the Service Contract that contains all applicable requirements, specifications, terms and conditions (Exhibit E).

Each of these exhibits is samples only and must be customized to the specific situation and requirements when outside services are to be subcontracted. As discussed previously, the Plant Manager will decide if the work requires the use of a Service Contract as opposed to a Purchase Order. In general, work done at the plant by subcontractors is procured using a Service Contract. All Service Contracts shall be reviewed by personnel at the Owner's headquarters prior to signing.

a. Request for Proposal Letter

b. Bid Instructions

c. Bid Letter

d. Service Contract

e. Technical specifications

f. Drawings

g. Service engineer requirements

h. Pricing, payment, shipping schedules

i. Insurance requirements

3. If there is any doubt as to the contractual requirements, the Materials Management Coordinator should request direction from the Plant Manager when selecting the appropriate documentation for the bid package.

4. If the work/service being requested effects any equipment warranty, the concurrence of the Owner's Representative shall be obtained.

5. Contact with Potential Suppliers during Quote Process

All contacts and coordination with potential suppliers throughout the bidding process shall be through or with the prior approval of the Materials Management Coordinator in order to control the actions of the potential suppliers, avoid misinterpretations and ensure fairness. The Materials Management Coordinator shall keep written records of all contacts with potential suppliers during the bidding process.

EXHIBIT A

PURCHASING FLOWCHART

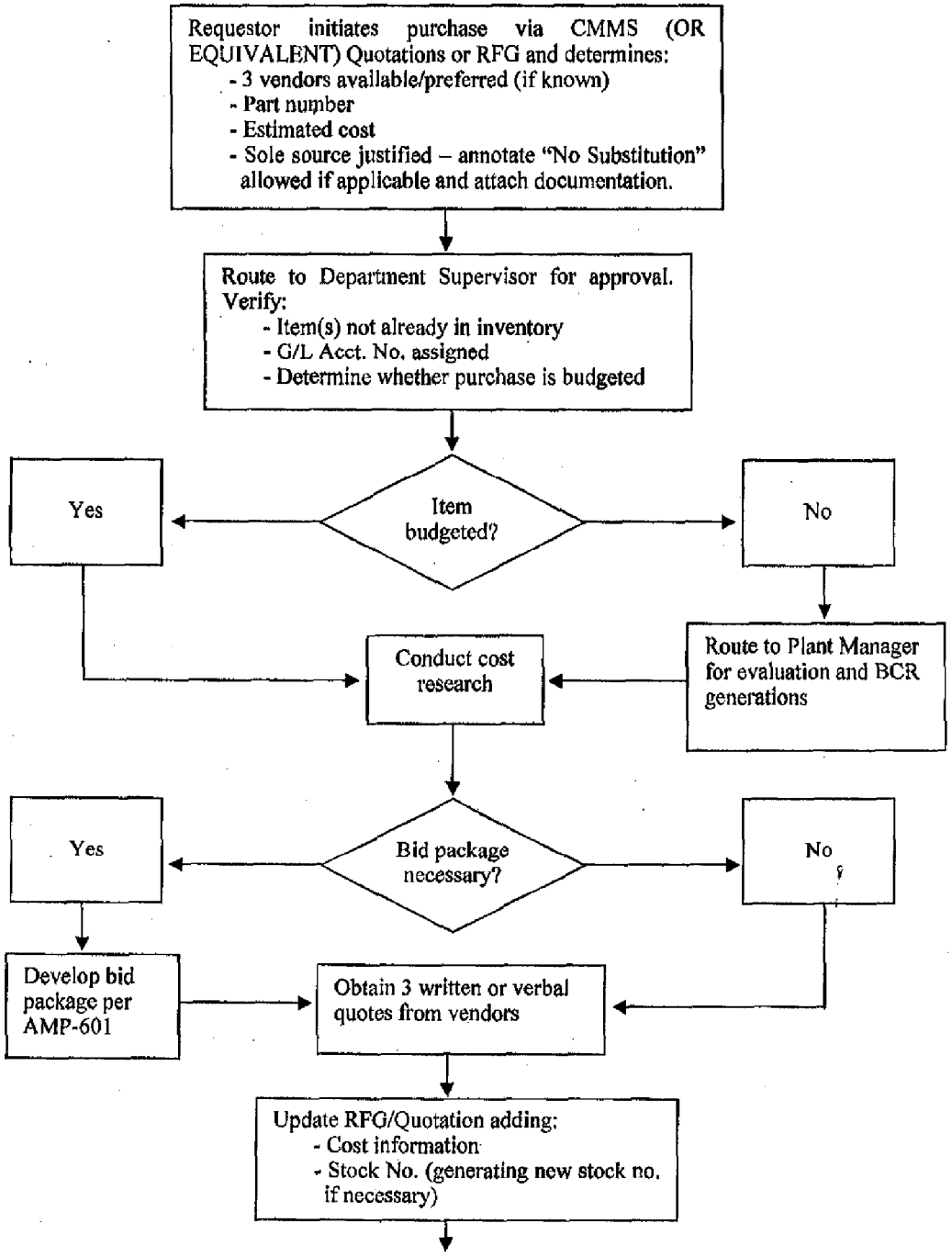
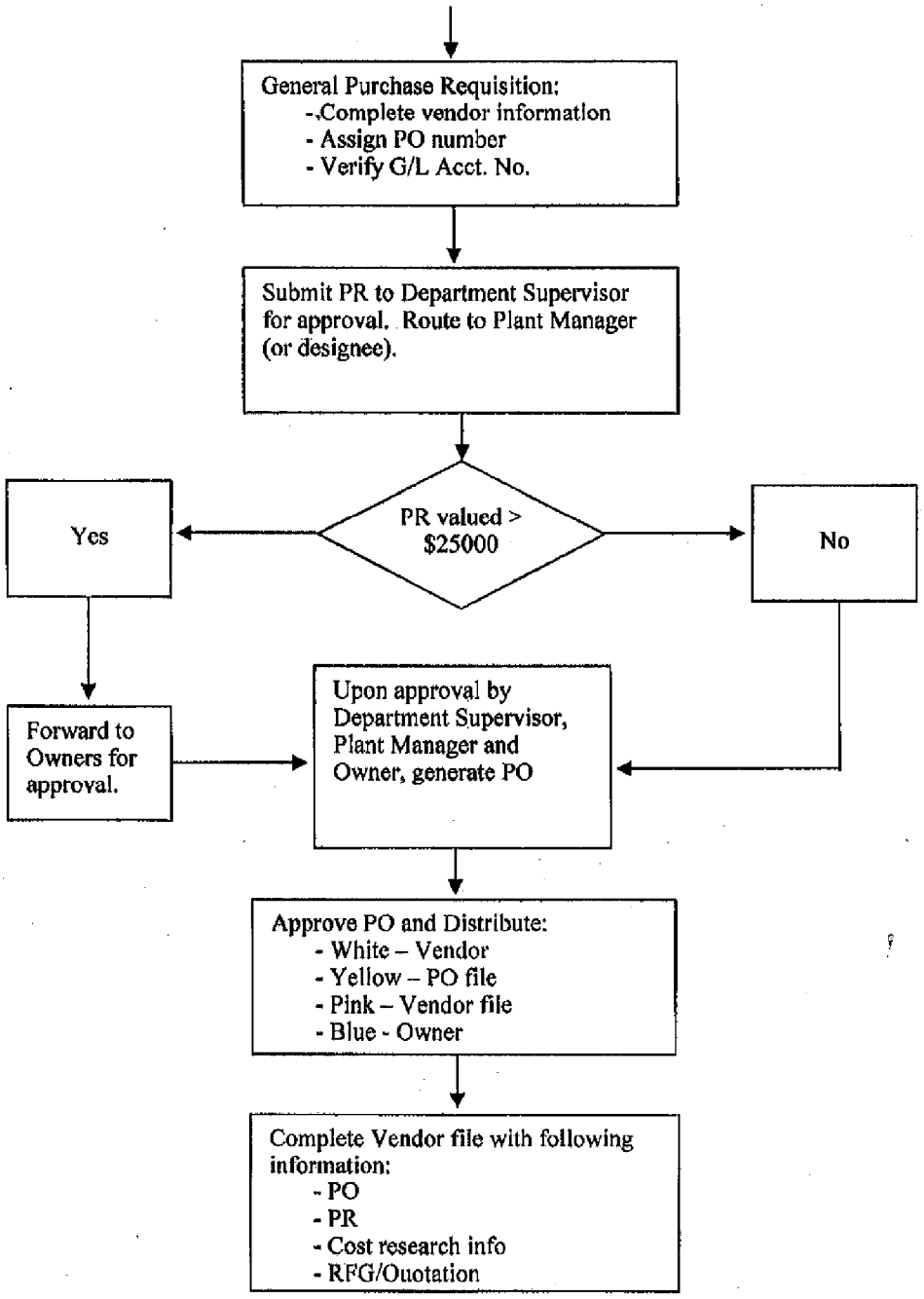


EXHIBIT A

PURCHASING FLOWCHART
(continued)



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Power and Fuel Procurement Guidelines and Procedures

For

Pace Global Asset Management, LLC

Serving

Dover, Delaware

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REVISION HISTORY

Date	Rev.	Revision Summary	Prepared By	EMS	Executive Director
6/9/06	0	Issued for Use	PGAM		

SCOPE OF POWER AND FUEL PROCUREMENT GUIDELINES AND PROCEDURES

These Pace Global Asset Management, LLC ("**Pace Global**") Power and Fuel Procurement Guidelines and Procedures (the "**Procedures**"), which are subject to review and approval by Dover, Delaware ("**Dover**"), are constructed in two sections. The first section will outline the procedures to bid and schedule Dover's generation and load into the PJM wholesale markets. The second section will outline the procedures for purchasing and sales by Dover and Pace Global, on behalf of Dover, of fuel, energy, capacity and other ancillary services both in the wholesale power and fuels markets.

In the event of conflict between these Procedures and the Energy Management Agreement, dated as of May 4, 2006, between Dover and Pace Global, as the same may be amended from time to time, the Energy Management Agreement shall control,

SCHEDULING GENERATION AND LOAD INTO THE PJM WHOLESALE MARKETS

Scheduling of Dover generation and load will be performed in accordance with the rules and procedures established by the PJM Interconnection and in accordance with the PJM approved tariff and subject to Dover review.

1) Contacts and Authorized Representatives

For the purposes of these Procedures, the Primary Communications Channel is listed in Exhibits I for NAES and in Exhibits II for Pace Global. The Primary Communications Channel is the method each company chooses to receive data and information from the other Party. All numbers included in these protocols are assumed to be necessary whenever NAES Primary Communications Channel ("NPCC") or Pace Global Primary Communications Channel ("PGPCC") are used.

2) Procedures for Scheduling and Issuing Dispatch orders

A. Day-Ahead Scheduling:

Daily Conference Call

1. At [9:00] a.m. Eastern Prevailing Time (EPT), there will be a daily conference call between Pace Global and NAES unless otherwise agreed to by the parties. Pace Global and NAES should be prepared to discuss the daily availability of the generating units, the facility's past day performance, the current day's schedule, the preliminary day-ahead forecasted schedule, forecasted current and day-ahead prices, Gas and fuel oil supply as applicable, and any other miscellaneous issues.

2. After [9:00] a.m Eastern Prevailing Time (EPT) day-ahead and until Midnight on the day of Dispatch, NAES, shall provide a revised availability notice via PGPCC each time the availability of any of the generating unit changes.

Schedule Offer Review

1. Pace Global will utilize the formula developed by NAES and Pace Global and subject to review and approval by Dover for appropriate schedule offers for day-ahead and real-time based on the generation units heat rates, emissions profiles and other technical inputs. Pace Global shall submit to NAES for informational purposes schedule offers to be submitted to PJM one (1) hour prior to the deadline for submittal into PJM's day-ahead or real-time market. All information shall be in hour-ending format, in Eastern Prevailing Time (EPT).

2. NAES shall review such offers and provide via email to the Pace Global Project Manager any changes to the schedule offers thirty (30) minutes prior to the deadline for submittal into PJM's day-ahead or real-time market. No response or a response sent less than thirty (30) minutes prior to the deadline for submittal into PJM's day-ahead or real-time market shall constitute acceptance of Pace Global's proposed schedule offers.

Next day Schedule

1. PJM shall provide to NAES and Pace Global a schedule shown for the next Dispatch day by 4:15 p.m. Eastern Prevailing Time (EPT). The schedule will be in hour-ending format, in Eastern Prevailing Time (EPT). Each schedule will include the following:

    a. Electric energy in MW by unit in each hour accepted by the PJM in the day-ahead market;
    b. Reflect the megawatt value of any regulation Scheduled by PJM or self-scheduled;
    c. Include all hours of the Dispatch day;
    d. Not be in violation of the Facility's technical parameters;
    e. Comply with the Facility's ramp-rate;
    f. Include Startup and Shutdown profiles;
    g. Include the time at which the Facility is expected to synchronize to the grid;
    h. Include the time at which the Facility is expected to reach its desired dispatch point;
    i. Reflect the time at which the Facility is expected to begin to ramp-down.
    j. Reflect the time at which the Facility is expected to be completely off-line.

2. In the event that NAES is not able to Dispatch the Facility to meet the requirements outlined in the schedule, NAES shall notify Pace Global as soon as possible via phone. NAES must then provide Pace Global a revised availability notice via email as soon as possible.

B. Real-time Dispatch and Schedule Changes:

1. NAES will follow dispatch instructions as directed by PJM, provided such instructions do not violate the physical characteristics of the Facility and in adherence to accepted electric industry practice.

2. In the event that the PJM should institute emergency procedures, directing generators to increase or decrease output, VAR or other technical parameters, PJM will notify NAES immediately by phone.

3. NAES shall notify Pace Global via telephone if output from the Plant is restricted, anticipated to be restricted or the Plant trips due to an unforced or forced outage or any other reason. Pace Global will contact NAES operator via telephone to discuss the course of action, if any is necessary.

3) **Communication Protocols**

In general, non-urgent calls received from the PJM should be directed to Pace Global. This includes calls such as scheduling, forecasting, and economic imbalance purchasing, etc. Calls from the PJM regarding physical parameters or any emergency condition, such as turning down or off, switching and tagging or other any other physical interface issue, shall be handled by NAES. Pace Global shall not reveal to third parties any commercially sensitive information, including but not limited to scheduled output, schedule offers, schedule details, or outages, other than to PJM in connection with the operation of the Facility.

NAES shall direct all non-urgent calls received from the delivering pipeline to Pace Global. If the pipeline orders the NAES operator to limit hourly flows or another restriction, then the NAES operator shall ask if it is possible to be allowed time to contact Pace Global to discuss the issue for clarification before complying. If the pipeline will not wait for a call from Pace Global then the unit operator should comply with the pipeline's restriction and adjust the dispatch accordingly then call Pace Global as noted above. Pace Global will not share with the delivering pipeline commercially sensitive information such as expected consumption and operation.

If the delivering pipeline orders Pace Global to comply with an hourly flow restriction, Pace Global shall contact NAES immediately. If possible, Pace Global will work with delivering pipeline to resolve the issue.

4) **Procedures for Testing and GADS data collection**

From time to time, NAES shall perform a Seasonal Claimed Capability Test and other tests in accordance with PJM and other governing body's rules. Pace Global shall coordinate with, and schedule any tests required. In addition, Pace Global shall assist NAES in compiling GADS data to be submitted to PJM for the calculation of NAES's Unforced Capacity Credit (UCC).

PURCHASING AND SALES OF POWER AND FUEL

Purchases and sales of fuel, capacity and other ancillary services shall be performed under Dover reviewed and approved contracts as follows:

1) Risk Management Policies and Protocols will be developed by Pace Global for review and approval by Dover city manager or his designee.

2) Based upon the recommendations provided in the approved Risk Management Policies and Procedures target monthly volumes of power and fuel and number of counterparties will be established based on current market conditions.

3) Pace Global will then contact counterparties with approved credit ratings as cited in the Risk Management Policies and Protocols to begin negotiations of master enabling agreements.

4) Master enabling agreements will then be negotiated into final form by the contract counterparties and Dover. Pace Global will facilitate such contract discussions with the assistance of Dover's outside counsel. The form of master enabling agreements is cited below for physical power, physical gas and financial transactions that provide the framework whereby under which transactions may occur.

5) Upon completion of negotiations, Pace Global and Dover's outside counsel will present to Dover final master agreements for review and execution by the city manager and/or Mayor.

6) Pace Global will then negotiate and present to Dover's outside counsel and City Manager/Mayor for review and execution confirmations to actual transactions under the terms and conditions outlines in the master enabling agreements.

7) All transactions will be tracked in Pace Global's risk management systems as discussed below. Dover will have real time access to such tracking systems.

Physical Energy and Ancillary Products: Edison Electric Institute Master Power Purchase and Sales Agreement

Physical Gas: North American Energy Standards Board Base Contract for the Purchase and Sale of Natural Gas

Financial Transactions: International Swap Dealers Association Master Agreement

Forms of these contracts are provided in Appendices A, B, and C to these procedures.

All purchases and sales of power and fuel made by Pace Global on behalf of Dover will be made in accordance with the approved Risk Management Policy and Protocols. Such procedures and protocols will be subject to review and approval by Dover management (Manager and his/her designees).

Risk Management Policies and Procedures

Pace Global will provide advice and recommendations to Dover and develop for review and approval by Dover Risk Management Policies and Procedures (the "RM Procedures"). As part of these RM Procedures Pace Global will provide risk management reporting through **RiskSpectives®**. In this manner Pace Global will provide Dover with risk monitoring and advisory services to provide ongoing analysis of risks, tracking of hedged positions, and hedging recommendations.

The RM Procedures would incorporate:

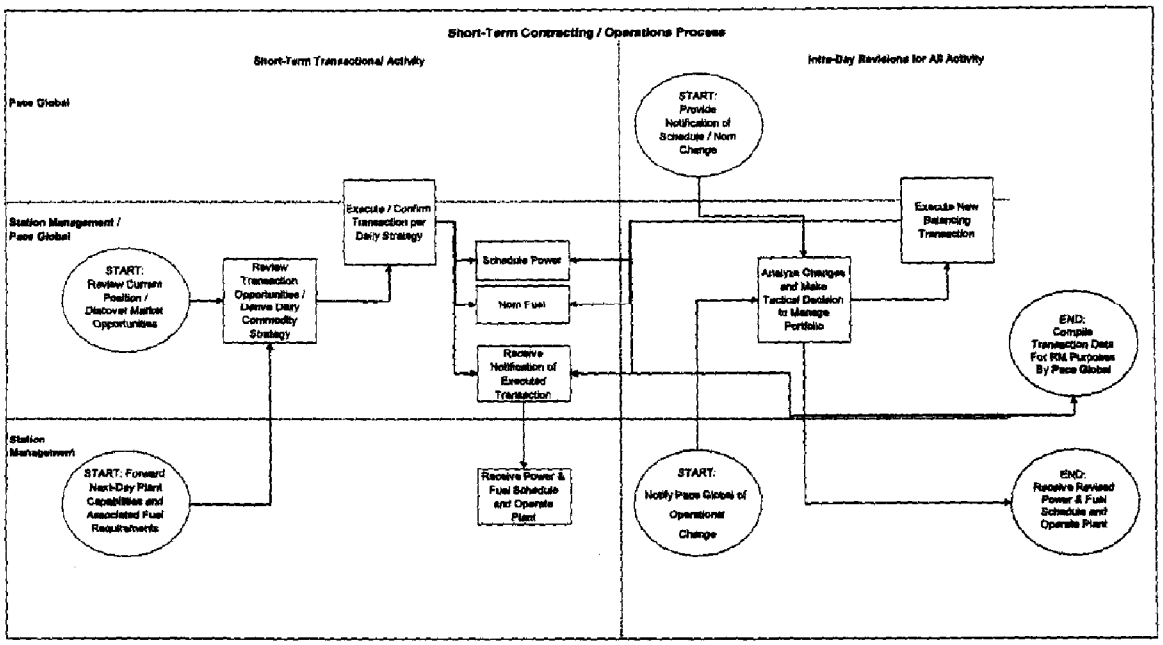
- Risk management objectives based on the strategic assessment and Dover's risk tolerances and preferences;
- Dover approved entities and responsible parties, for a robust risk management process, including a Risk Management Committee; as well as specific responsibilities for those parties;
- Authorized transactions (instruments) through which the hedging strategy could be effected; as well as a matrix describing approval levels for transactions of various types, lengths, and magnitudes;
- Reporting requirements;
- Compliance procedures; and
- Credit policies and procedures.

RiskSpectives®, a proprietary risk management system, measures and monitors the risk exposure of clients who subscribe to this service. RiskSpectives® is a web based application and subscribers can securely access it via the internet.

RiskSpectives® will allow Pace Global, as the Asset Manager, as well as Dover to constantly monitor Dover's electric and fuel risk position and the possible effect of adverse price migration on its financial targets or power cost objectives. The system can also be used to perform What-If scenario analysis, which is a valuable tool in proactive planning for plausible market movements. The system calculates risk exposure as a consequence of price volatility. The system will allow Pace Global to recommend and Dover to make effective hedging decisions and protect its electric-supply costs.

The RM Procedures are being finalized and will be included by reference into the Procedures upon completion.

Exhibit 1: Daily Work and Report Flow Diagram



ATTACHMENT #2
Regular LF&A Meeting of 6/12/2006

CITY OF DOVER
LEGISLATIVE, FINANCE & ADMINISTRATION COMMITTEE

JUNE 12, 2006

AGENDA ITEM NO. 2

DOWNTOWN DOVER BUSINESS IMPROVEMENT DISTRICT - ASSESSMENT (TAX) RATES FOR FISCAL YEAR 2006-2007

Submitted by: Donna Mitchell

INTRODUCTION

The Business Improvement District (BID) Ordinance adopted by City Council requires that Council must adopt a BID budget and assessment every year. This report presents the proposed budget and assessment for fiscal year 2006-07.

ORDINANCE REQUIREMENT AND BUDGET

(A) Appendix D, Article III, Section 9(f) requires that a budget be submitted to City Council for consideration and approval.

For your consideration, we have attached the FY 2006-07 budget showing BID tax revenue and the expenses charged against this revenue (Attachment A).

(B) For your consideration, we have also provided the tax calculation worksheet with recommended rates (Attachment B).

REQUEST FOR ACTION

We request Council to approve the following budget for fiscal year 2006-07 Attachment A, and Assessment (Tax) Rate for 2006-07 - Attachment B.

ATTACHMENT A

DOWNTOWN DOVER BUSINESS IMPROVEMENT DISTRICT

CASH RECEIPTS BUDGET FOR 2006-07

BID TAX REVENUE AND EXPENSES CHARGED AGAINST THIS REVENUE ADMINISTERED THROUGH MAIN STREET, INC.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

1. The amount hereinafter named aggregating Forty-nine thousand, three hundred and eighty-six dollars ($49,383) or so much thereof as may be necessary are hereby appropriated from current revenues and other funds for the use by the City of Dover/Main Street, Inc. for the fiscal year beginning July 1, 2006, and ending June 30, 2007:

REVENUE	PROPOSED
Tax Revenue	$49,383
EXPENSES	
Salary and Personnel Costs	$49,383

ATTACHMENT B

DOWNTOWN DOVER BUSINESS IMPROVEMENT DISTRICT

TAX CALCULATION WORKSHEET

JULY 1, 2006 TO JUNE 30, 2007

	ZONE 1	ZONE 2	ZONE 3	TOTAL
Aggregate Assessments	$32,457,900	$48,005,100	$29,654,800	$110,117,800
Assessment Tax Rate per $100	0.0849	0.0362	0.0150	---
Revenue Raised	$27,557	$17,378	$4,448	$49,383
% Revenue Raised	56%	35%	9%	100%
Number of Parcels	125	117	49	291
Average Assessment	$220	$149	$91	$170

NOTE: These figures were estimated per the reassessed values. The revenue percentages by Zone are per the City of Dover Code Appendix D-Article III, Section 9(e).

JULY 1, 2005 TO JUNE 30, 2006

	ZONE 1	ZONE 2	ZONE 3	TOTAL
Aggregate Assessments	$29,476,600	$55,924,600	$33,291,700	$118,692,900
Assessment Tax Rate per $100	0.0849	0.0362	0.0150	---
Revenue Raised	$25,026	$20,245	$4,994	$50,264
% Revenue Raised	50%	40%	10%	100%
Number of Parcels	121	113	49	283
Average Assessment	$207	$179	$102	$178

NOTE: Information provided by the Assessor's Office.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

1. That Chapter 102 – Taxation, Article IV – Abatement of Real Estate Taxes, be amended by adding a new Section 102-116 – Affordable Apartment Housing Complexes, as follows:

Section 102-116. Affordable Apartment Housing Complexes

(a) A multi-family apartment complex which meets all of the following criteria shall be entitled to a five-year phase-in of real property taxes:

(1) It must consist of no less than thirty(30)units

(2) It must be required by a deed restriction or other legal document to lease not less than 80% of the residential units located therein to persons whose annual income is 60% or less of area median income adjusted by household size as defined by the Federal Department of Housing and Urban Development(HUD) for Kent County,Delaware

(3) It must have been approved by the Delaware State Housing Authority(DSHA) for financing of new construction,or DSHA defined substantial rehabilitation of existing housing; and, acquisition if DSHA defined substantial rehabilitation is being done.

(b) The phase-in of real property taxes shall be in accordance with the following table:

TABLE INSET:

Year of Operation	Reduction of Taxes (Percent)
1	100
2	75
3	50
4	25
5	0

(c) Unless otherwise directed by the council, year one of the abatement period begins in the tax year after the completion of the new construction or rehabilitation of existing housing.

(d.) All quarterly property taxes for new construction, as defined in section 49A of the city Charter, will likewise be abated for apartment complexes that meet the aforementioned criteria..

(e) This property tax abatement program will have no effect on both citywide revaluations of property values for taxation purposes and the institution of those new values.

(f) Any person who purchases a property for which an application for the abatement was made, or for which the abatement was approved, will have the rights and benefits of the application or approved abatement.

(g) The approval of all abatements under this program shall be by the City Assessor. Notice of action taken in determining entitlement to the abatement shall be given to the property owner. The property owner shall have rights of appeal as outlined in section 47 of the Dover City Charter.

ADOPTED