**EXHIBIT #1**
**Budget Hearings of May 10,11,16,17 and June 6, 7, 9, 2006**

## Projects 100 Percent Complete by June 30

| Fund | Number |
|---|---|
| Total | 75 |
| General | 27 |
| Water | 23 |
| Electric | 25 |

## Projects 75 Percent Complete by June 30

| Fund | Number |
|---|---|
| Total | 3 |
| General | 2 |
| Water | 0 |
| Electric | 1 |

## Projects 50 Percent Complete by June 30

| Fund | Number |
|---|---|
| Total | 3 |
| General | 1 |
| Water | 2 |
| Electric | 0 |

## Projects 25 Percent Complete by June 30

| Fund | Number |
|---|---|
| Total | 1 |
| General | 0 |
| Water | 1 |
| Electric | 0 |

## Projects 0 Percent Complete by June 30

| Fund | Number |
|---|---|
| Total | 10 |
| General | 2 |
| Water | 3 |
| Electric | 5 |

**EXHIBIT #2**
**Budget Hearings of May 10,11,16,17 and June 6, 7, 9, 2006**

# Mayor's Compensation Statistical Data

## Calculation Based on Consumer Price Index (U.S. Bureau of Labor Statistics)

| | |
|---|---|
| Nov 1997 CPI: 161.3 | Mar 1998 CPI: 162.2 |
| Nov 2005 CPI: 197.6 | Mar 2006 CPI: 199.8 |
| 197.6/161.3 = 1.23 | 199.8/162.2 = 1.23 |
| 1.23 x $45,000 = $55,350 | 1.23 x $45,000 = $55,350 |

## Calculation Based on Employment Cost Index (U.S. Bureau of Labor Statistics)

| | |
|---|---|
| Mar 1997 ECI = 134.1 | Dec 1997 ECI = 75.0 |
| Sep 2005 ECI = 179.4 | Dec 2005 ECI = 100.2 |
| | *ECI Re-indexed Dec 2005 |
| 179.4/134.1 = 1.34 | 100.2/75.0 = 1.34 |
| 1.34 x $45,000 = $60,300 | 1.34 x $45,000 = $60,300 |

## Comparison to average City of Dover employee compensation (City of Dover Combined Annual Financial Report)

1997 Total Salary & Wages: $12,514,869
1997 Number of Full-time Employees: 338
1997 Total Employees: 352

1997 Average Compensation/Full-time Employee: $12,514,869/338 = $37,026
1997 Average Compensation/Employee: $12,514,869/352 = $35,553

2004 Total Salary & Wages: $16,465,728
2004 Number of Full-time Employees: 356
2004 Number of Full-time Employees: 378

2004 Average Compensation/Full-time Employee: $16,465,728/356 = $46,252
2004 Average Compensation/Employee: $16,465,728/378 = $43,560
46,252/37,026 = 1.25
43,560/35,553 = 1.23
1.25 x $45,000 = $56,213
1.23 x $45,000 = $55,135

**Comparison to City of Annapolis MD (City of Annapolis Website & notices and City of Dover Website)**

Current Annapolis Budget: $62,210,780
Annapolis Population: 35,660
City of Annapolis Employees: 542
Annapolis Mayor's Salary: $70,000
*Annapolis Mayor eligible for all benefits offered to other city employees

Current Dover Budget: $101,143,471 (original FY05-06 budget)
Dover Population: 34,500 (est.)
City of Dover Employees (Full-time Equivalent): 377

Annapolis Mayor's Salary/$1 million budget: $70,000/62.210780 = $1125
Annapolis Mayor's Salary/1000 residents: $70,000/35.660 = $1963
Annapolis Mayor's Salary/employee: $70,000 = $129

Comparable Dover Mayor's Salary/$1 million budget: $1125 x 101.143471 = $113,786
Comparable Dover Mayor's Salary/1000 residents: $1963 x 34.500 = $67,724
Comparable Dover Mayor's Salary/employee: $129 x 377 = $48,633

Average: ($113,786 + $67,724 + $48,633)/3 = $76,714
Correction for difference in Cost of Living (Realtor.com Salary Calculator):
($76,714/119.3) x 100 = $64,303

## Mayor's Compensation Specific Proposal with Associated Cost

1. Effective FY07 (July 1, 2006), make Mayor eligible for defined contribution retirement plan (401k).

2. Effective FY07 (July 1, 2006), increase Mayor's salary to $50,000.

3. Effective FY08 (July 1, 2007), increase Mayor's salary to $55,000.

4. Effective summer 2007, require bi-annual review of Mayor's salary.

| | Amount | Diff fr/current | % of Budget (FY06 Gen/Total) |
|---|---|---|---|
| FY07 Salary | $50,000 | $ 5,000 | .016%/.0048% |
| FICA | $ 3,850 | $ 389 | .0013%/.00038% |
| 401k (maximum) | $ 3,000 | $ 3,000 | .0099%/.0029% |
| Total FY07 | $56,850 | $ 8,389 | .028%/.0081% |
| FY08 Salary | $55,000 | $10,000 | .033%/.0096% |
| FICA | $ 4,274 | $ 777 | .0026%/.00075% |
| 401k (maximum) | $ 3,300 | $ 3,300 | .011%/.0032% |
| Total FY08 | $62,574 | $14,077 | .046%/.014% |

| | Amount | Diff fr/current | % of Budget (FY07 Gen/Total) |
|---|---|---|---|
| FY07 Salary | $50,000 | $ 5,000 | .014%/.0038% |
| FICA | $ 3,850 | $ 389 | .0011%/.00029% |
| 401k (maximum) | $ 3,000 | $ 3,000 | .0082%/.0023% |
| Total FY07 | $56,850 | $ 8,389 | .023%/.0064% |
| FY08 Salary | $55,000 | $10,000 | .027%/.0076% |
| FICA | $ 4,274 | $ 777 | .0021%/.00059% |
| 401k (maximum) | $ 3,300 | $ 3,300 | .0090%/.0025% |
| Total FY08 | $62,574 | $14,077 | .038%/.011% |

## Direct Monetary Value of Qualified Full-time Mayor

**(Excludes indirect/unidentifiable monetary value and intangible value)**

### On-going Revenue Streams

| | | |
|---|---|---|
| Corporate Franchise Fees: | FY04 | $ 559,260 |
| | FY05 | $ 710,380 |
| | FY06 (to date) | $ 314,040 |
| | Total (to date) | $1,583,680 |
| | Annual Projection | $ 720,000 |
| Additional State of Delaware PILOT: | FY06 | $ 241,514 |
| | Annual Projection | $ 241,514 |
| Total Annual Projection | | $ 961,514 |

### Authorized/Received Grants

| | |
|---|---|
| Homeland Defense: | $ 213,133 |
| ICD: | $ 2,500 |
| Total | $ 215,633 |

**Total FY06 Revenue:** **$1,177,147**

### Anticipated Future Grants

| | |
|---|---|
| Homeland Defense: | $ 362,000 |
| Police (JAG): | $ 22,076 |
| Total | $ 384,076 |

### Future Cost Avoidance

Restrictive Legislation: $ 723,000
(Estimate in current $)

# Job Class Evaluation-Mayor

| Degree of Involvement | SS | FES | Lowest of Both |
|---|---|---|---|
| Data Responsibility | 9 | 7 | 7 |
| People Responsibility | 10 | 7 | 7 |
| Assets Responsibility | 9 | 7 | 7 |
| Experience | 5 | 6 | 5 |
| Education | 7 | 6 | 6 |
| Math | 4 | 5 | 4 |
| Communication | 7 | 7 | 7 |
| Judgment | 7 | 7 | 7 |
| Complexity of Work | 8 | 7 | 7 |
| Impact of Decisions | 7 | 7 | 7 |
| Physical Demands | 3 | 4 | 3 |
| Equipment Usage | 2 | 3 | 2 |
| Unavoidable Hazards | 2 | 4 | 2 |
| Safety of Others | 9 | 9 | 9 |
| Total Points | 1980 | 1577 | 1435 |
| Proposed Labor Grade | 133 | 129 | 128 |

| Labor Grade Range | Min | Mkt. | Max. |
|---|---|---|---|
| Labor Grade 128 | $56,089-66,783 | $66,784-77,478 | $77,479-88,173 |
| Labor Grade 129 | $58,893-70,122 | $70,123-81,352 | $81,353-92,582 |
| Labor Grade 133 | $71,585-85,234 | $85,235-98,884 | $98,885-112,534 |

Sec. 4. Government vested in mayor and city council.
The government of the said city and the exercise of all the powers conferred by this Charter (except as otherwise provided herein) shall be vested in a mayor and city council. (Amd. of 7-12-2005 (S.B. 126))

Sec. 9. Meetings of mayor and council--Generally.
At 7:30 p.m. on the second Monday in May following a regular municipal election, the mayor and council shall meet at the usual place for holding council meetings and the newly elected officers shall assume the duties of office, being first duly sworn or affirmed to perform their duties with fidelity. Such meeting shall be called or known as the annual meeting. Thereafter, the council shall hold regular meetings at such times as may be prescribed by ordinance, but not less frequently than once each month. Special meetings may be called and held as prescribed by ordinance. All meetings of the council shall be open to the public except scheduled executive sessions.
At the annual meeting held on the second Monday in May, the members of council shall elect one of their members to serve as council president, such term to be in effect until the next regularly scheduled annual meeting or until a successor is elected. The council president shall serve as vice-mayor. Council president shall preside over regular and special council meetings.
The mayor shall preside over the annual meeting and quarterly town meetings, and at the annual meeting present a state of the city message and offer mayoral appointments for council confirmation. The mayor, upon recommendation from the council president, will present council appointments for council approval.
In the event of absence of the council president, then the senior member of council in terms of length of service as a councilman shall assume the duties of the council president and shall be designated council president acting. In the event that two or more members of council have the same seniority in terms of length of service as a councilman, then the members of council shall vote and elect one of those as council president acting. Council president acting shall fulfill all of the duties and responsibilities of council president during his period of unavailability or absence.

Sec. 10. Meetings of mayor and council--Procedure.
Five of the members elected to the council shall constitute a quorum to do business, but a less number may adjourn from time to time and may compel the attendance of absent members in such manner and under such penalties as may be prescribed by ordinance.
No ordinance, resolution, motion or order shall be valid unless it shall have (1) the affirmative vote of a majority of the members elected to the council, and (2) the written approval of the mayor, or the vice-mayor in those cases where the vice-mayor is authorized to act as mayor as provided in section 15 hereof, provided that in the absence of such approval by the mayor, or the vice-mayor as the case may be, the council may, after not less than seven days nor more than 35 days after the prior vote, pass or adopt the said ordinance, resolution, motion or order which did not receive the approval of the mayor, or the vice-mayor, by the affirmative vote of two-thirds of the members elected to council.
Whenever the council shall adopt an ordinance, resolution, motion or order, it shall be the duty of the mayor, or the vice-mayor, to signify his/her approval or disapproval thereof in

writing to the clerk of the council within seven days thereafter. The clerk of the council shall forthwith notify the members of the council of such approval or disapproval. Motions to adjourn meetings of council and orders to compel the attendance of absent members shall not require the approval of the mayor or vice-mayor.
A councilman may abstain from voting on a matter that he feels would involve the consideration of his own official conduct, on a matter in which he has a financial interest, in a matter in which he has a conflict of interest or in accordance with a policy adopted by council.
The yeas and nays shall be taken upon the passage of every ordinance and resolution and entered together with the text of the ordinance or resolution upon the journal of the proceedings of the council. The journal shall be deemed conclusive evidence of the facts stated therein except in the case of fraud.
(Amd. of 7-12-2005 (S.B. 126))

Sec. 14. Duties of mayor.
The mayor shall be the executive and chief official of the city. The mayor shall have the powers and perform the duties conferred and imposed by this Charter and ordinances of the city. The mayor shall preside at the annual meeting of the council and at all quarterly town meetings. The council president shall preside at all other meetings of the council. The mayor shall have no vote on council matters of any nature whatsoever. The mayor is an ex officio member of all committees, but shall have no vote.
(Amd. of 7-12-2005 (S.B. 126))

Sec. 53. Police; mayor to be conservator of peace.
There shall be a city police force, the number thereof and their salaries shall be determined by the council, but they shall be chosen and appointed by the mayor. The mayor is hereby vested with all the powers of a conservator of the peace within the city limits. The mayor shall appoint a chief of police subject to removal at any time by the mayor in accordance with applicable laws. The members of the police force shall be subject to his/her direction and orders delivered through the proper chain of command and in accordance with applicable laws and ordinances. They shall preserve peace and order, and compel obedience within the city limits to the ordinances of the city and the laws of the state. They shall have such other duties as the council and the mayor shall prescribe by ordinance.
Each member of the police force shall be vested with all the power and authority within the city limits and within one mile outside of said limits, (and, in the case of the pursuit of an offender, without limit) of a constable of Kent County.
(Amd. of 7-12-2005 (S.B. 126))

Sec. 2-52. Special meetings.
(a) When and where held. Special meetings of the mayor and city council shall be called by the mayor or the council president. Designation of the time and place of the special meetings shall be delivered by verbal or written notice to each councilmember at least 24 hours prior to the meetings.
(b) Waiver of notice. The notice of the special meeting may be waived by the councilmembers individually.

(Code 1968, § 2-3; Code 1981, § 2-67; Ord. of 5-24-1993)

Sec. 2-221. Duties and responsibilities.

The mayor shall have all of those duties and responsibilities set forth in sections 14 and 53 of the Charter, and as otherwise assigned in the Charter and this Code. In addition thereto, the mayor shall be available on a full-time basis to promote the economic and social interests of the city and the general welfare of its citizens by:

(1) Interacting with private citizens, city employees, business people, and other major employers;

(2) Interacting with civic and neighborhood associations;

(3) Interacting with officials and representatives of other governments and lobbying said officials, as necessary, to promote the welfare of the city and its citizens;

(4) Maintaining memberships and/or contacts with various organizations and committees whose purposes, services, or results significantly affect or could significantly affect the government of or the citizens of the city;

(5) Representing the government of the city at various community functions;

(6) Consulting with the council on policy issues and, from time to time, offering policy initiatives;

(7) Consulting with the city manager on budgeting, policy and operational issues;

(8) Representing the city, in consultation with the council and city manager, regarding major projects within or near the corporate boundaries of the city;

(9) Making appointments to various commissions and committees as delineated in the city Charter and elsewhere in the city Code;

(10) Taking such other decisions and actions, within the mayor's Charter and Code assigned authority, as necessary to promote the safety, health, and welfare of the citizens of the city.

Note: In reference to interacting with city employees, this provision does not grant the authority or responsibility to the mayor to intercede in personnel matters which are the responsibility of council or council appointed staff members, unless otherwise granted by city Charter or Code. Furthermore, such interaction shall also be governed by the provisions of section 36 of article III of the city Charter.

(Code 1981, § 2-91; Ord. of 4-28-1997; Ord. of 1-24-2005)

Sec. 38-81. Authority to declare state of emergency.

The mayor is hereby authorized, when he finds that the city, or any part thereof, is in imminent danger of suffering civil disturbance, disorder, riot or other occurrence which shall endanger the lives, safety, health or property of the public, to declare a state of emergency.

(Code 1968, § 20-9; Ord. of 5-12-1975, § 2; Code 1981, § 6-31)

Sec. 38-82. Emergency measures.

(a) After declaring a state of emergency, the mayor may:

(1) Assemblies. Prohibit or limit to ten or more the number of persons who assemble or gather in a group on public streets, public places or other open areas, either public or private.

(2) Inflammables, explosives. Prohibit the sale, transfer, possession or use of gasoline, kerosene or combustible, inflammable or explosive liquids or materials in containers of any kind.
(3) Curfew. Establish a curfew, and prohibit any person from being on the public streets, in public places or in any other public place during the hours declared by the mayor to be a period of curfew, provided this shall not include those persons who are caused to be in public places by reason of their employment or a private emergency involving health, safety or protection of property.
(4) Streets; traffic. Halt or restrict access or egress, on foot or by vehicles, upon public streets to or from the city or any part thereof, and to halt or restrict the movement of trains, automobiles, buses, trucks or other vehicles into, within or from the city.
(5) Alcoholic beverages. Require the closing of taverns and bars, and prohibit the sale or service of alcoholic beverages in any tavern, bar, hotel, restaurant, club or other establishment.
(6) Firearms. Prohibit the possession of firearms or any other deadly weapon by a person in a place other than that person's place of residence or business, provided that the prohibition shall not apply to members of the armed forces of the United States of America, state national guard, or any law enforcement officer.
(7) Other regulations. Issue such other regulations as are deemed necessary.
(b) The mayor may do all acts necessary to enforce such orders.
(Code 1968, § 20-9; Ord. of 5-12-1975, § 2; Code 1981, § 6-32)

Sec. 38-83. Duration of state of emergency.
The state of emergency declared by the mayor shall exist for a period not to exceed 61 days. The mayor may extend the state of emergency for additional periods of 61 days, and the mayor may terminate the state of emergency, or modify its provisions prior to the time set forth in his declaration.
(Code 1968, § 20-10; Ord. of 5-12-1975, § 2; Code 1981, § 6-33)

Sec. 38-84. Violations; penalties.
Any person who violates any prohibition established by a declaration of a state of emergency pursuant to this division shall be punished as provided in section 1-17.
(Code 1968, § 20-11; Ord. of 5-12-1975, § 2; Code 1981, § 6-34)

**Speed, Stephen R.**

**From:** Jackson, Cheryl

**Sent:** Monday, January 30, 2006 1:13 PM

**To:** Administrative Services; Central Services; City Clerks Office; City Managers Office; Elect Admin; Finance Department; Fire Department Staff; Human Resources Department; Information Technologies; Parks and Recreation; Planning and Inspections Department; Public Works; Tax Assesors Department

**Subject:** In-House Job Posting

# In-House Posting

**POSITION:** Librarian II (Head of Adult Services)

**SALARY RANGE:** $37,963 - $45,555 (40 hours per week)

**JOB SUMMARY:** The essential function of the position within the organization is to manage the library department of responsibility. The position is responsible for staff supervision, planning, training, policy, procedures, collection development, customer service, and reporting. This position supervises nine employees, including two with ALA accredited MLS degrees, and manages all adult reference, readers' advisory, and circulation services. Assists with collection development, bibliographic instruction, staff training, and other duties as assigned. The successful candidate will be a tactful, customer service-oriented professional. As a member of the library's management team, the person in this position will be responsible for assisting with the creation and implementation of library policies and procedures. Some evening and weekend hours are required. This position reports to the Library Director.

**JOB REQUIREMENTS:** Requires ALA accredited MLS and three to five years of library experience, preferably with two years of supervisory experience.

**TO APPLY:** Submit a City of Dover employment application to the Human Resources Department by 5:00 P.M. February 08, 2006.

IN AN EFFORT TO DETERMINE IF THERE ARE QUALIFIED AND INTERESTED INTERNAL CANDIDATES, THIS POSITION HAS BEEN POSTED IN-HOUSE ONLY. THE CITY OF DOVER RESERVES THE RIGHT TO DO AN EXTERNAL POSTING SHOULD IT BE NECESSARY.

# Revenue Requirements, Cost of Service, and Rate Adjustments for the Electric Utility

**Presented to the**
**City of Dover, Delaware**
**June 6, 2006**

## Agenda

- Background Information
- Financial Planning
- Net Margins / Cash Flow
- Cost of Service
- Rate Design
- Renewable and Green Energy
- Discussion

## Need for the Rate Study

- Last Study in 2003
  - Minor Structural Changes
- Rates Revised 7/1/2005
  - Combined Several Rate Classes
  - Customer Charge Adjustments
- Purchased Power Costs Increasing
  - Blended Energy Rate of $84/MWh
  - Current Cost Approximately $55/MWh
- Voluntary Renewable Energy Rate
- Mandatory State Green Energy Charge



## Key Study Assumptions

- Customer Growth 1 to 2 percent
- Sales Growth 2.5 percent
- Expenses Generally Increasing 3.5 percent
- Energy Purchases Increasing 2.5 percent
- Price for Purchases Estimated at $84/MWh
- Cost and Revenue for Self Generation Equal
- Utilize Rate Stabilization Account
- Other Reserves Utilized
- No Capital Expenditures for Generation Included
- Debt Issuance of $20 Million in 2008
- Eliminate Seasonal Rates and Winter Block



## Rate Study Components

| Steps | Issue |
|---|---|
| Financial Planning | Revenue Adequacy |
| Cost-of-Service | Revenue Responsibility |
| Rate Design | Revenue Recovery |



## Financial Planning

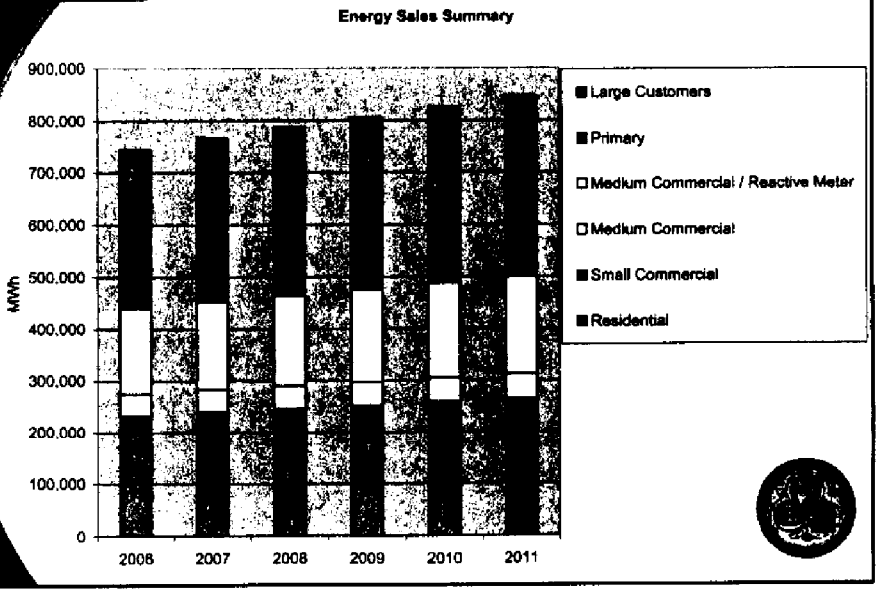
- Review and Summarize Historical Information
- Revenue Forecast
  - Customers
  - Sales
  - Revenues from Sales and Other Sources
- Expenditure Forecast
  - Operation & Maintenance including Power Supply
  - Capital Requirements
  - Debt Service



## Financial Planning

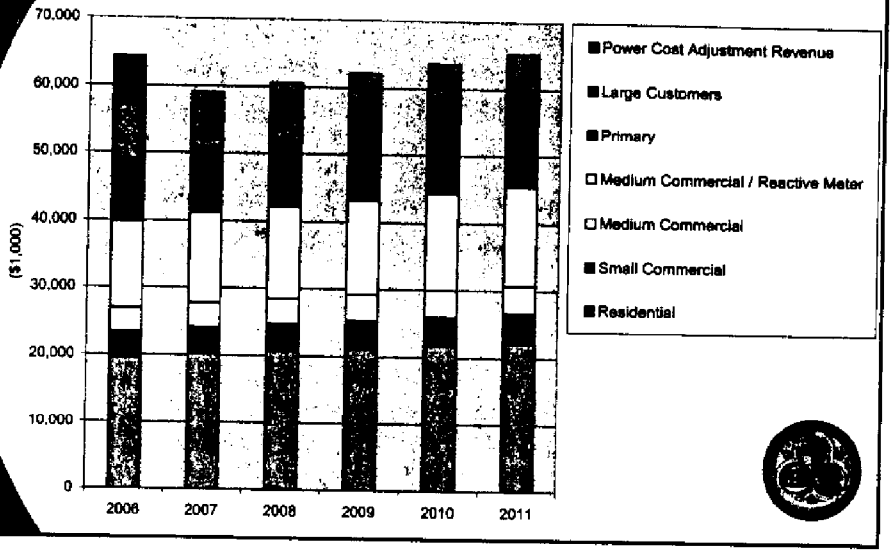
- Review Results
- Determine Level of Required Revenue Adjustment
- Develop Financial Plan

## Financial Planning



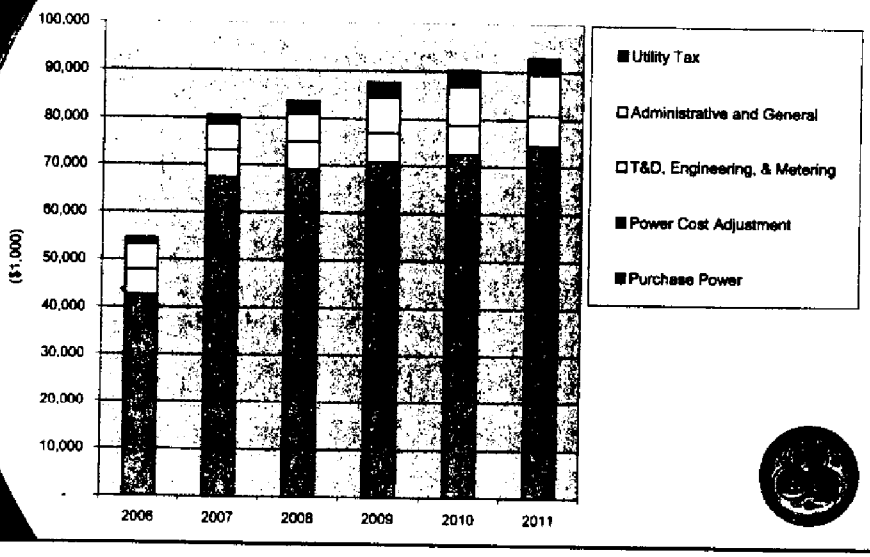
# Financial Planning

**Electric Sales Revenue - Existing Rates**




# Financial Planning

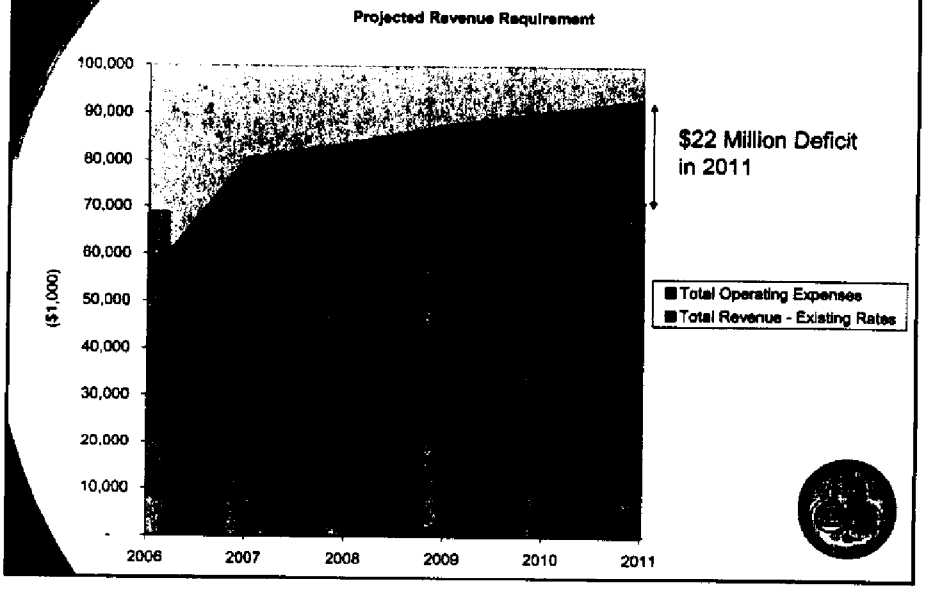
**Electric Operating Expenses**



# Financial Planning

| Revenue Requirement | 2006 ($1,000) | 2007 ($1,000) | 2008 ($1,000) | 2009 ($1,000) | 2010 ($1,000) | 2011 ($1,000) |
|---|---|---|---|---|---|---|
| Operating Revenue - Existing Rates | 57,156 | 59,097 | 60,575 | 62,089 | 63,641 | 65,233 |
| Operating Revenue - Power Cost Adjustment | 7,149 | - | - | - | - | - |
| Operating Revenue - Other | 3,133 | 2,492 | 2,492 | 2,492 | 2,492 | 2,492 |
| Operating Revenue - Utility Tax | 1,246 | 1,778 | 2,698 | 3,081 | 3,289 | 3,410 |
| Total Revenue - Existing Rates | 68,686 | 63,367 | 65,764 | 67,662 | 69,423 | 71,135 |
| Less: | | | | | | |
| Total Operating Expenses | (54,442) | (80,432) | (83,546) | (87,602) | (90,225) | (92,856) |
| Operating Margin | 14,243 | (17,064) | (17,782) | (19,939) | (20,802) | (21,721) |

# Financial Planning



## Cash Flow Analysis

- Reviewed Plan Results with Staff
- Proposed Annual Revenue Increases
- Key Considerations
  - Utilize Rate Stabilization Account
  - Use Other Reserves



## Cash Flow Analysis

- Annual Revenue Increase
  - July 2006 38 percent
  - July 2007 8 percent
  - July 2009 4 percent
  - July 2010 1 percent
  - July 2011 1 percent



## Cash Flow Analysis

| | 2006 ($1,000) | 2007 ($1,000) | 2008 ($1,000) | 2009 ($1,000) | 2010 ($1,000) | 2011 ($1,000) |
|---|---|---|---|---|---|---|
| Operating Revenue - Retail Rates | 57,158 | 59,097 | 83,032 | 91,189 | 96,389 | 96,944 |
| **Revenue Increase Percentage** | - | **38%** | **8%** | **4%** | **1%** | **1%** |
| **Revenue Adjustment** | - | **22,457** | **6,643** | **3,648** | **964** | **969** |
| Operating Revenue - Power Cost Adjustment | 7,149 | - | - | - | - | - |
| Operating Revenue - Other | 3,133 | 2,492 | 2,492 | 2,492 | 2,492 | 2,492 |
| Operating Revenue - Utility Tax | 1,246 | 1,778 | 2,688 | 3,081 | 3,289 | 3,410 |
| Total Revenue - With Adjustment | 68,686 | 85,825 | 94,864 | 100,410 | 103,134 | 105,835 |
| Less: | | | | | | |
| Total Operating Expenses | (54,442) | (80,432) | (83,546) | (87,602) | (90,225) | (92,856) |
| Operating Margin | 14,243 | 5,393 | 11,318 | 12,808 | 12,909 | 12,980 |

## Cost-of-Service Analysis

- Key Question –

  What is the Responsibility for Costs to Provide Service for Each Customer Class?

## Cost-of-Service Analysis

- System Units of Service
- Allocate Operating and Capital Costs
- Develop Unit Costs of Service
- Assign Costs to Customer Classes
- Compare Costs to Serve with Revenues
- Need to Adjust in Next 6 to 12 Months
  - Demand Charge
  - Cash Flow
  - Energy Purchases
  - DAFB

## Cost-of-Service Analysis

| Description | Total System | Residential | Small Commercial-1 Phase | Small Commercial-3 Phase | Medium Commercial-1 Phase | Medium Commercial-3 Phase | Medium Comm w/Reactive | Primary |
|---|---|---|---|---|---|---|---|---|
| Energy Cost: | | | | | | | | |
| Energy Sales (kWh) | 767,015,000 | 201,180,348 | 28,496,732 | 10,373,513 | 18,480,394 | 24,419,774 | 170,066,718 | 158,197,375 |
| Total Cost | $69,053,971 | $18,359,224 | $2,600,800 | $946,755 | $1,684,618 | $2,228,710 | $15,521,414 | $14,080,524 |
| Cents/kWh | 9.00 | 9.13 | 9.13 | 9.13 | 9.13 | 9.13 | 9.13 | 8.90 |
| Demand Cost: | | | | | | | | |
| Contribution to Peak (kW) | 171,000 | 58,897 | 8,343 | 2,700 | 5,148 | 5,720 | 29,624 | 31,677 |
| Total Cost | $8,861,333 | $3,548,094 | $512,342 | $198,575 | $256,807 | $287,174 | $1,575,176 | $1,578,011 |
| $/kW-mo | 4.32 | 5.02 | 5.12 | 6.13 | 4.14 | 4.18 | 4.43 | 4.15 |
| Customer Service: | | | | | | | | |
| Number of Customers | 21,361 | 18,975 | 1,152 | 297 | 249 | 273 | 383 | 28 |
| Total Cost | $3,639,174 | $3,132,908 | $190,220 | $49,007 | $61,587 | $67,701 | $126,400 | $6,255 |
| $/Customer/Month | 14.20 | 13.76 | 13.76 | 13.76 | 20.64 | 20.64 | 27.52 | 27.52 |
| Total Cost: | | | | | | | | |
| Dollars | $81,554,478 | $25,040,224 | $3,303,363 | $1,194,337 | $2,002,212 | $2,583,585 | $17,222,990 | $15,666,790 |
| Cents/kWh | 10.63 | 12.45 | 11.59 | 11.51 | 10.83 | 10.58 | 10.13 | 9.90 |
| Comparison of Revenues: | | | | | | | | |
| Revenue Requirement | $81,554,478 | $25,040,224 | $3,303,363 | $1,194,337 | $2,002,212 | $2,583,585 | $17,222,990 | $15,666,790 |
| Gen. by Existing Rates | 59,097,448 | 20,183,580 | 2,918,547 | 1,069,362 | 1,580,517 | 2,038,749 | 13,356,007 | 9,810,328 |
| Dollar Difference | $22,457,030 | $4,856,645 | $384,817 | $124,975 | $421,696 | $544,836 | $3,866,984 | $5,856,463 |
| Rate Increase Required | 38.00% | 24.06% | 13.19% | 11.68% | 26.68% | 26.72% | 28.96% | 63.02% |

# Cost-of-Service Analysis

| Description | Total System | Water Pumping | Dover Air Force Base | Kraft | Procter & Gamble | Tilcon Primary | NRG |
|---|---|---|---|---|---|---|---|
| Energy Cost: | | | | | | | |
| Energy Sales (kWh) | 787,015,000 | 22,432 | 80,919,088 | 48,620,336 | 19,030,404 | 6,302,991 | 744,896 |
| Total Cost | $69,053,971 | $2,047 | $7,072,917 | $4,267,253 | $1,663,396 | $561,004 | $65,109 |
| Cents/kWh | 9.00 | 9.13 | 8.74 | 8.74 | 8.74 | 8.90 | 8.74 |
| Demand Cost: | | | | | | | |
| Contribution to Peak (kW) | 171,000 | 0 | 11,830 | 8,354 | 6,501 | 661 | 1,526 |
| Total Cost | $8,861,333 | $304 | $366,978 | $248,717 | $188,494 | $55,801 | $43,660 |
| $/kW-mo | 4.32 | 0.00 | 2.60 | 2.48 | 2.42 | 6.83 | 2.40 |
| Customer Service: | | | | | | | |
| Number of Customers | 21,361 | 3 | 1 | 1 | 1 | 1 | 1 |
| Total Cost | $3,639,174 | $619 | $495 | $495 | $495 | $495 | $495 |
| $/Customer/Month | 14.20 | 20.64 | 41.28 | 41.28 | 41.28 | 41.28 | 41.28 |
| Total Cost: | | | | | | | |
| Dollars | $81,554,478 | $2,970 | $7,442,390 | $4,516,465 | $1,852,385 | $617,301 | $109,465 |
| Cents/kWh | 10.63 | 13.24 | 9.20 | 9.25 | 9.73 | 9.79 | 14.70 |
| Comparison of Revenues: | | | | | | | |
| Revenue Requirement | $81,554,478 | $2,970 | $7,442,390 | $4,516,465 | $1,852,385 | $617,301 | $109,465 |
| Gen. by Existing Rates | 59,097,448 | 1,169 | 4,296,176 | 2,465,617 | 939,628 | 446,169 | 191,600 |
| Dollar Difference | $22,457,030 | $1,802 | $3,146,214 | $2,050,848 | $912,757 | $171,132 | ($82,136) |
| Rate Increase Required | 38.00% | 154.15% | 73.23% | 83.18% | 97.14% | 38.36% | -42.87% |

# Rate Design Analysis

- Rates Were Developed To:
  - Generate Adequate Revenues
  - Reflect Costs of Providing Service
  - Meet City's Policies, Objectives, and State Mandates
  - Eliminate Seasonal Rate Differentials
  - Incorporate Direction Provided
  - Consolidate Rate Classes

## Rate Design Analysis

- Need to Address Revenue Shortfalls
- Rate Implementation Strategy
  - Case 1 Reflects Cost of Service
  - Case 2 Across the Board Recovery
  - Case 3 Cost Recovery with Industrial Customer Sensitivity



## Rate Design Analysis – Case 1

| RATE CLASS | BLENDED ENERGY RATE [1] ($/kWh) | PROPOSED ENERGY RATE ($/kWh) | TOTAL RATE INCREASE (%) |
|---|---|---|---|
| Residential | 0.0902 | 0.1146 | 24 |
| Small Commercial | 0.0969 | 0.1114 | 14 |
| Medium Commercial | 0.0489 | 0.0724 | 29 |
| Primary | 0.0450 | 0.0810 | 59 |
| Dover Air Force Base [2] | | | 73 |
| Kraft | 0.0399 | 0.0838 | 87 |
| Proctor & Gamble | 0.0399 | 0.0838 | 89 |
| Tilcon Primary | 0.0450 | 0.0743 | 41 |
| Voluntary Renewable Energy Rate | | 0.0018 | |
| Renewable Energy Charge | | 0.000178 | |

[1] Blended Energy Rate is based on Summer/Winter Average Energy Usage.
[2] Additional required revenue for Dover AFB to be recovered through the Purchase Power Fuel Adjustment Rate, estimated at $0.0485/kWh.
[3] Playtex Class Incorporated in Primary Rate Class.



# Rate Design Analysis – Case 2

| RATE CLASS | BLENDED ENERGY RATE [1] ($/kWh) | PROPOSED ENERGY RATE ($/kWh) | TOTAL RATE INCREASE (%) |
|---|---|---|---|
| Residential | 0.0902 | 0.1283 | 38 |
| Small Commercial | 0.0969 | 0.1337 | 38 |
| Medium Commercial | 0.0489 | 0.0675 | 38 |
| Primary | 0.0450 | 0.0621 | 38 |
| Dover Air Force Base [2] | | | 38 |
| Kraft | 0.0399 | 0.0551 | 38 |
| Proctor & Gamble | 0.0399 | 0.0551 | 38 |
| Tilcon Primary | 0.0450 | 0.0621 | 38 |
| Voluntary Renewable Energy Rate | | 0.0018 | |
| Renewable Energy Charge | | 0.000178 | |

[1] Blended Energy Rate is based on Summer/Winter Average Energy Usage.
[2] Additional required revenue for Dover AFB to be recovered through the Purchase Power Fuel Adjustment Rate, estimated at $0.0485/kWh.
[3] Playtex Class Incorporated in Primary Rate Class.



# Rate Design Analysis – Case 3

| RATE CLASS | BLENDED ENERGY RATE [1] ($/kWh) | PROPOSED ENERGY RATE ($/kWh) | TOTAL RATE INCREASE (%) |
|---|---|---|---|
| Residential | 0.0902 | 0.1146 | 24 |
| Small Commercial | 0.0969 | 0.1163 | 19 |
| Medium Commercial | 0.0489 | 0.0743 | 32 |
| Primary | 0.0450 | 0.0815 | 60 |
| Dover Air Force Base [2] | | | 73 |
| Kraft | 0.0399 | 0.0738 | 67 |
| Proctor & Gamble | 0.0399 | 0.0738 | 69 |
| Tilcon Primary | 0.0450 | 0.0765 | 44 |
| Voluntary Renewable Energy Rate | | 0.0018 | |
| Renewable Energy Charge | | 0.000178 | |

[1] Blended Energy Rate is based on Summer/Winter Average Energy Usage.
[2] Additional required revenue for Dover AFB to be recovered through the Purchase Power Fuel Adjustment Rate, estimated at $0.0485/kWh.
[3] Playtex Class Incorporated in Primary Rate Class.



# Large Insurance Company

## Primary

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 10,287.00 | 13,692.60 | 11,254.58 | [illegible] |
| Jan-06 | 5,804.20 | 8,647.00 | 7,191.70 | [illegible] |



# Automobile Dealership

## Primary

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 10,083.48 | 13,647.48 | 11,095.98 | [illegible] |
| Jan-06 | 8,807.20 | 13,102.00 | 10,607.20 | [illegible] |



# Large Department Store

## Medium Commercial with Reactive Metering

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 17,473.29 | 19,491.31 | 18,567.17 | [illegible] |
| Jan-06 | 10,835.82 | 14,299.69 | 13,571.20 | [illegible] |

# Drugstore

## Medium Commercial with Reactive Metering

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 3,311.53 | 3,769.76 | 3,553.27 | [illegible] |
| Jan-06 | 2,915.19 | 3,833.95 | 3,620.70 | [illegible] |

# Office

## Small Commercial 3-Phase With No Demand

| | Current | Case 1 | Case 2 | |
|---|---|---|---|---|
| Jul-05 | 259.20 | 260.08 | 309.14 | [illegible] |
| Jan-06 | 188.72 | 206.61 | 244.96 | [illegible] |

# Manufacturing Plant

## Transmission

| | Current | Case 1 | Case 2 | |
|---|---|---|---|---|
| Jul-05 | 101,009.82 | 158,902.34 | 110,858.54 | [illegible] |
| Jan-06 | 84,765.01 | 138,645.54 | 95,800.94 | [illegible] |

# Home Improvement Store

## Medium Commercial with Reactive Metering

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 16,633.35 | 19,694.61 | 17,750.67 | [illegible]045.68 |
| Jan-06 | 11,242.42 | 14,853.70 | 14,085.38 | [illegible]141.62 |

# Doctor's Office

## Small Commercial 3-Phase with No Demand

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 219.46 | 220.20 | 261.28 | [illegible]02 |
| Jan-06 | 184.99 | 202.49 | 240.02 | [illegible] |

# Restaurant

## Small Commercial 3-Phase with No Demand

| | Current | Case 1 | Case 2 | Case 3 |
|---|---|---|---|---|
| Jul-05 | 371.53 | 372.82 | 444.44 | [illegible] |
| Jan-06 | 258.31 | 283.36 | 337.08 | [illegible] |

# Large Restaurant

## Medium Commercial with Reactive Metering

| | Current | Case 1 | Case 2 | Case 3 |
|---|---|---|---|---|
| Jul-05 | 6,817.82 | 7,615.60 | 7,250.26 | [illegible] |
| Jan-06 | 4,618.19 | 6,098.19 | 5,804.19 | [illegible] |

# Church

## Small Commercial

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Jul-05 | 299.26 | 300.32 | 353.69 | [illegible] |
| Jan-06 | 255.38 | 270.18 | 323.21 | [illegible] |



# Typical Residential Customer

## Residential

| | Current | Case 1 | Case 2 | [illegible] |
|---|---|---|---|---|
| Winter | 102.60 | 119.60 | 133.30 | [illegible] |
| Summer | 107.00 | | | [illegible] |



# Residential Customer

## Residential

| | Current | Case 1 | Case 2 | Case 3 |
|---|---|---|---|---|
| Jul-05 | 132.29 | 159.25 | 177.69 | 159.25 |
| Jan-06 | 189.44 | 245.43 | 274.17 | 245.43 |



# Senior Citizen

## Residential

| | Current | Case 1 | Case 2 |
|---|---|---|---|
| Jul-05 | 58.45 | 65.05 | 72.23 |
| Jan-06 | 30.58 | 35.03 | 38.61 |



# Residential Rates

## Cost Per kWh

| | | |
|---|---|---|
| Lewes | 0.093800 | Over 500 - .08780 |
| Case 1 | 0.114600 | |
| Case 3 | 0.114600 | |
| Case 2 | 0.128300 | |
| Seaford | 0.138160 | |
| Delmarva | 0.139268 | |
| New Castle | 0.140000 | |
| Newark | 0.143120 | Over 500 - .13082 |
| Milford | 0.146910 | |
| Clayton | 0.154600 | |
| Middletown | 0.159705 | |
| Smyrna | 0.160400 | |



# Revenue Requirements, Cost of Service and Rate Adjustments for the Electric Utility

## Discussion and Questions



# EXHIBIT #4
# Budget Hearings of May 10, 11, 16, 17 and June 6, 7, 9, 2006

## Changes to Expenses
### FY 2006 and FY 2007

| | | FY 2006 | | | FY 2007 | | |
|---|---|---|---|---|---|---|---|
| | | Original | Revised | Change | Original | Revised | Change |
| **General Fund** | | | | | | | |
| **City Council** | Changed in budget review | | | | 122,618 | 119,218 | (3,400) |
| **Tax Assessor** | Added staff and supplies | | | | 173,956 | 273,777 | 99,821 |
| **Fire** | Deleted building addition planning -$25,000 | | | | 1,326,787 | 1,299,787 | (27,000) |
| | Reduced fireman's pension contrib - $2,000 | | | | | | |
| **Library** | Overtime added | | | | 1,082,477 | 1,087,627 | 5,150 |
| **Recreation** | John W. Pitts Recreation Ctr | 690,675 | 815,675 | 125,000 | | | |
| **Police** | Reduced electricity | | | | 11,721,667 | 11,708,967 | (12,700) |
| **Information Tech** | Other Equip. Purch - GIS $20,000 | | | | 1,037,008 | 941,400 | (95,608) |
| | Other Equip. Purch - Network Upgrade $42,608 | | | | | | |
| | Other Equip. Purch -Dept query data ext. $33,000 | | | | | | |
| **Facilities Mgmt** | Moved VOIP from Central Svcs | 860,166 | 990,166 | 130,000 | | | |
| | Moved VOIP from Central Svcs -$340,000 | | | | 952,610 | 1,272,610 | 320,000 |
| | Reduced Sp Needs Study - $20,000 | | | | | | |
| **Central Services** | Moved VOIP to Facilities Mgmt | 844,792 | 714,792 | (130,000) | | | |
| | Moved VOIP to Facilities Mgmt - $320,000 | | | | 1,120,982 | 759,832 | (361,150) |
| | Electricity reduced $10,150 | | | | | | |
| | Gem Car removed $21,000 | | | | | | |
| | Construction Purchase - Pear St Warehse -(-$10,000) | | | | | | |
| **Mayor** | Changed in budget review | | | | 123,087 | 114,661 | (8,426) |
| **Pension** | Transfer to Pension Unfunded Liability | | | | - | 250,000 | 250,000 |
| **Capital Asset Reserve** | Transfer to Capital Asset Reserve | | | | 150,000 | 250,000 | 100,000 |
| **Library Reserve** | Transfer to Library Reserve | | | | | 333,500 | 333,500 |

# EXHIBIT #5
# Budget Hearings of May 10, 11, 16, 17 and June 6, 7, 9, 2006

## Changes to Expenses
### FY 2006 and FY 2007

| | | FY 2006 | | | FY 2007 | | |
|---|---|---|---|---|---|---|---|
| | | Original | Revised | Change | Original | Revised | Change |
| **Water/Wastewater** | | | | | | | |
| **Water** | Reduced Electricity | 830,178 | 755,361 | (74,817) | | | |
| **Water Treatment** | Reduced Electricity | 720,598 | 711,415 | (9,183) | 832,127 | 796,627 | (35,500) |
| **Intrafund Svc Fee** | Reduced from revisions | 1,105,937 | 1,104,507 | (1,430) | 1,209,385 | 1,186,119 | (23,266) |
| **Pension** | Transfer to Pension Unfunded Liability | | | | - | 50,000 | 50,000 |
| **Capital Asset Reserve** | Transfer to Capital Asset Reserve | | | | 100,000 | 300,000 | 200,000 |
| **Wastewater I&E** | Construction - Puncheon Run Pump Station Motor Control Replacement | 2,435,189 | 2,287,399 | (147,790) | 1,085,925 | 1,233,715 | 147,790 |

# EXHIBIT #6
# Budget Hearings of May 10, 11, 16, 17 and June 6, 7, 9, 2006

## Changes to Expenses
**FY 2006 and FY 2007**

| | | FY 2006 | | | FY 2007 | | |
|---|---|---|---|---|---|---|---|
| | | Original | Revised | Change | Original | Revised | Change |
| **Electric** | | | | | | | |
| **Electric Purchased Power** | Increased Power charges | | | | 66,085,008 | 67,329,000 | 1,243,992 |
| **Electric T&D** | Contractual Services Tree Trimming | 3,127,580 | 3,052,780 | (74,800) | | | |
| | Computer Hardware reduced $1,500 | | | | 3,410,622 | 3,324,637 | (85,985) |
| | Contractual Services Tree Trimming $84,485 | | | | | | |
| **Electric Engineering** | Training and Conference to 2% - $5,000 | | | | 2,057,021 | 2,039,521 | (17,500) |
| | Reimburse PW inspectors for inspections of conduit - $10,000 | | | | | | |
| | Traffic Signal - $2,000 | | | | | | |
| | Electricity - $500 | | | | | | |
| **Electric Admin** | Office Supplies - $750 | | | | 765,937 | 562,322 | (203,615) |
| | Photographic - $100 | | | | | | |
| | Computer Software - $150 | | | | | | |
| | Subscriptions and Dues - $2,015 | | | | | | |
| | Electricity - $3,600 | | | | | | |
| | Contractual Services - $197,000 | | | | | | |
| **Intrafund Svc Fee** | Reduced from revisions | 3,941,233 | 3,874,543 | (66,690) | 4,080,104 | 3,839,530 | (240,574) |
| **Debt Service** | Bond Reserve Balance Adjustment | 2,640,257 | 2,200,257 | (440,000) | 2,589,048 | 2,149,048 | (440,000) |
| **Pension** | Transfer to Pension Unfunded Liability | | | | - | 100,000 | 100,000 |
| **Rate Stabilization Res** | Transfer to Rate Stabilization Account | | | | - | 500,000 | 500,000 |
| **T&D I&E** | Remove Forklift -$44,000 | | | | 1,704,654 | 1,656,654 | (48,000) |
| | Error in summary $4,000 | | | | | | |
| **Engineering I&E** | Mayfair to Mid City 69 KV line transfer to 07 $ 570,055 69 KV Feeders 3&4 deferment of land purchase - $176,173 | 2,306,483 | 1,560,255 | (746,228) | | | |
| | Mayfair to Mid City 69 KV line transfer to 07 $ 570,055 69 KV Feeders 3&4 deferment of land purchase - $176,173 | | | | 4,747,666 | 5,147,724 | 400,058 |
| | Defer Other Equipment Purchase - Outage Reporting $44,450 | | | | | | |
| | Reduce Dist Upgrades $100,000 | | | | | | |
| | Defer Dist Upgrades Frazier Sub - $60,000 | | | | | | |
| | Defer Dist Upgrades Denney's Road Upgrade - $131,720 | | | | | | |
| | Defer Substations - West Dover $10,000 | | | | | | |

**EXHIBIT #7**

# Budget Hearings of May 10, 11, 16, 17 and June 6, 7, 9, 2006

## Revenue Revisions
FY 2006 and FY 2007

| Fund | Description | FY 2006 Original | FY 2006 Revised | FY 2006 Change | FY 2007 Original | FY 2007 Revised | FY 2007 Change | Total Change |
|---|---|---|---|---|---|---|---|---|
| **General** | | | | | | | | |
| | Business Licenses | 1,310,000 | 1,318,000 | 8,000 | | | | |
| | Permits and Other Licenses | 975,500 | 1,118,500 | 143,000 | | | | |
| | Civil Traffic Penalties | 730,515 | 902,000 | 171,485 | | | | |
| | Parkland Reserve | - | 125,000 | 125,000 | | | | |
| | Interest Earnings | | | | 226,285 | 290,000 | 63,715 | |
| | Property Taxes | | | | 8,778,170 | 9,148,680 | 370,510 | |
| | Transfer Tax | | | | 2,750,000 | 2,900,000 | 150,000 | |
| | Civil Traffic Penalties | | | | 850,000 | 950,000 | 100,000 | |
| | Intrafund Rect Water/Waste | 1,105,937 | 1,104,507 | (1,430) | 1,209,385 | 1,186,119 | (23,266) | |
| | Intrafund Rect Electric | 3,941,233 | 3,874,543 | (66,690) | 4,080,104 | 3,839,530 | (240,574) | |
| | | | | 379,365 | | | 420,385 | **799,750** |
| **Water/Wastewater** | | | | | | | | |
| | Water Fees | 4,166,162 | 4,316,000 | 149,838 | | | | |
| | Wastewater Fees | 2,583,132 | 2,745,000 | 161,868 | | | | |
| | Wastewater Adj Fees | 3,717,296 | 3,760,000 | 42,704 | | | | |
| | Water Tank Space Leasing | 303,000 | 327,094 | 24,094 | | | | |
| | Miscellaneous Service Fee | 98,750 | 104,750 | 6,000 | | | | |
| | Interest Earnings | | | | 70,274 | 78,000 | 7,726 | |
| | | | | 384,504 | | | 7,726 | **392,230** |
| **Water Wastewater I & E** | Interest Earnings | | | | - | 20,000 | 20,000 | |
| | | | | | | | 20,000 | **20,000** |
| **Electric Revenue** | Sales to Customers | | | | 78,681,256 | 81,578,240 | 2,896,984 | |
| | Interest Earnings | | | | 311,135 | 420,000 | 108,865 | |
| | | | | | | | 3,005,849 | **3,005,849** |
| **Electric I & E** | Interest Earnings | | | | 72,951 | 214,000 | 141,049 | |
| | | | | | | | 141,049 | **141,049** |
| **Total Revenue Increase** | | | | | | | | **4,358,878** |