UTILITY COMMITTEE

A G E N D A

<u>September 28, 2009 - 5:00 P.M. - Council Chambers</u> - City Hall - City of Dover
Public comments are welcomed on any item and will be permitted at appropriate times. When possible, please notify the City Clerk *(736-7008 or e-mail at Tmcdowell@dover.de.us)* ***should you wish to be recognized.***

AGENDA ADDITIONS/DELETIONS

1. Update on Federal Energy Stimulus Funds *(Tabled by Committee on 8/10/09)*

2. Status Report on Recycling

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

4. Adjournment by 5:55 P.M.

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

Memorandum

Office of the City Manager
PO Box 475
Dover, DE 19903
Phone: (302) 736-7005
FAX: (302) 736-7002
E-mail tdeprima@dover.de.us

To: **Utility Committee**

From: **Anthony J. DePrima, AICP, ICMA-CM**
City Manager

Date: **September 15, 2009**

Subject: **Status Report on Recycling**

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1. Status of Dover's Recycling Program.

   As of June 30, 2009, Mr. Koenig's Department has successfully completed the roll out of recycling containers to subdivisions in Dover. As of August 31, 2009, there are 7,565 containers in the curbside recycling system. For the month of August 2009, 116.68 tons of materials were picked up in the curbside recycling program. The tracking reports are attached for your review.

2. Status of Delaware Legislation

   I have done a search of the Delaware Legislature website and I did not finding any pending legislation in the 145th General Assembly. I did find a Joint Resolution passed by the House, but not the Senate, that requested the Department of Natural Resources and Environmental Control, in cooperation with the Delaware Solid Waste Authority and in conjunction with all interested parties, to enter into discussions leading to a plan with enabling legislation to be delivered to the Legislature by the first day of session in 2010 and that this plan and legislation must bring the State into compliance with the Governor's expressed goal of "Zero Waste" by 2020.

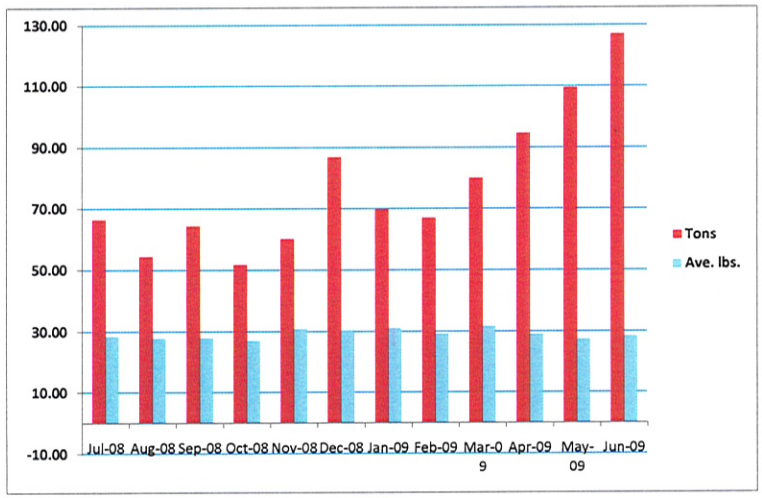
   In addition I learned from a DNREC Recycling Program Manager that the DSWA and DNREC are working on a new Delaware Solid Waste Plan. The person I spoke with did not know of any recycling legislation plan by the administration, but noted that he did expect legislation amending and improving the "Bottle Bill".

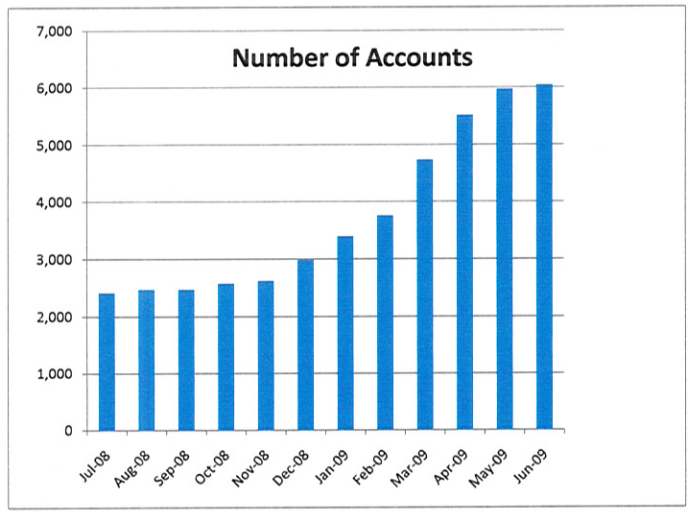
3. Status of DSWA contract

The DSWA recycling contract expires in February 2010. The DSWA has expressed a strong desire to continue serving Dover. However, they did inform us that they will not unilaterally offer a new contract, and will only offer a contract within the context of a formal Request for Proposal that is open to all possible contractors. Therefore I have asked Mr. Koenig to prepare a RFP for recycling services. The goal is to have the RFP on the streets this fall so that we can make a decision before the end of the year. I have also asked Mr. Koenig to develop a cost analysis for the City operation of the recycling service in case we want to consider that option.

FY-2009 Recycling Tracking

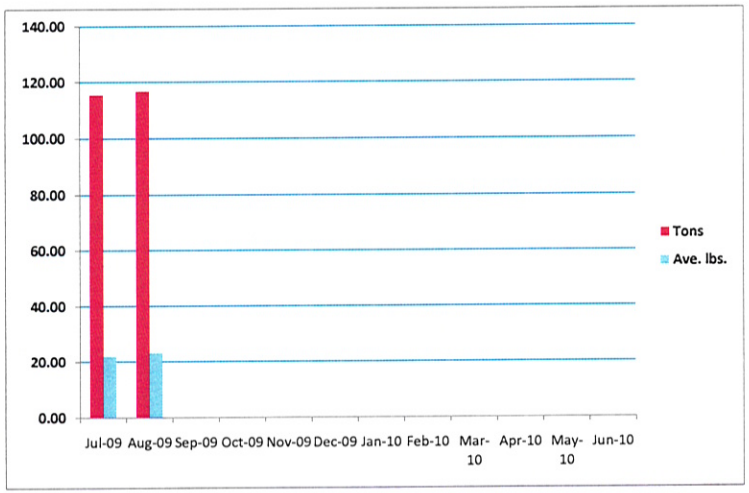
	Curbside Recycling												
				'06-'08	'06-'08	'04-'08	'04-'08						
	Weight / lbs.	Tons	DSWA Avoidance	COD 3-Yr Ops Avoidance	COD 3-Yr Tot Avoidance	COD 5-Yr Ops Avoidance	COD 5-Yr Tot Avoidance	Houses Picked Up	Total Households	% Picked U	Ave. lbs.	# of Accounts	Service Cost
Jul-08	132,720	66.36	$4,081.14	$7,069.89	$8,178.58	$6,664.75	$7,580.04	4,666	6,249	75%	28	2,414	$4,828.00
Aug-08	108,760	54.38	$3,344.37	$5,793.56	$6,702.10	$5,461.56	$6,211.61	3,903	4,950	79%	28	2,471	$4,942.00
Sep-08	128,560	64.28	$3,953.22	$6,848.29	$7,922.23	$6,455.85	$7,342.45	4,597	6,137	75%	28	2,473	$4,946.00
Oct-08	103,420	51.71	$3,180.17	$5,509.10	$6,373.03	$5,193.40	$5,906.63	3,822	5,227	73%	27	2,578	$5,156.00
Nov-08	120,020	60.01	$3,690.62	$6,393.37	$7,395.97	$6,027.00	$6,854.70	3,881	5,272	74%	31	2,622	$5,244.00
Dec-08	173,660	86.83	$5,340.05	$8,592.70	$9,141.46	$8,226.27	$9,159.70	5,690	7,244	79%	31	2,985	$5,970.00
Jan-09	139,200	69.60	$4,280.40	$6,887.62	$7,327.49	$6,593.90	$7,342.10	4,471	6,422	70%	31	3,397	$6,794.00
Feb-09	133,820	66.91	$4,114.97	$6,621.41	$7,044.28	$6,339.05	$7,058.34	4,561	7,434	61%	29	3,763	$7,526.00
Mar-09	159,840	79.92	$4,915.08	$7,908.88	$8,413.98	$7,571.62	$8,430.76	5,039	8,959	56%	32	4,743	$9,486.00
Apr-09	189,040	94.52	$5,812.98	$9,353.70	$9,951.07	$8,954.82	$9,970.91	6,491	10,373	63%	29	5,516	$11,032.00
May-09	218,820	109.41	$6,728.72	$10,827.21	$11,518.68	$10,365.50	$11,541.66	7,982	11,912	67%	27	5,969	$11,938.00
Jun-09	253,920	126.96	$7,808.04	$12,563.96	$13,366.35	$12,028.19	$13,393.01	8,905	14,198	63%	29	6,043	$12,086.00
		930.89	**$57,249.74**	$94,369.70	**$103,335.23**	$89,881.91	**$100,791.92**						**$89,948.00**

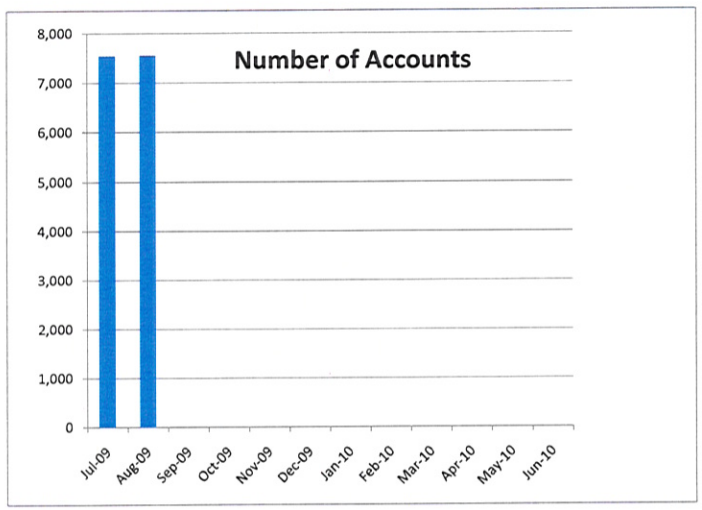




FY-2010 Recycling Tracking

	Curbside Recycling												
				'06-'08	'06-'08	'04-'08	'04-'08						
	Weight / lbs.	Tons	DSWA Avoidance	COD 3-Yr Ops Avoidance	COD 3-Yr Tot Avoidance	COD 5-Yr Ops Avoidance	COD 5-Yr Tot Avoidance	Houses Picked Up	Total Households	% Picked Up	Ave. lbs.	# of Accounts	Service Cost
Jul-09	231,080	115.54	$7,105.71	$12,309.45	$14,239.80	$11,604.05	$13,197.68	10,520	16,312	64%	22	7,555	$15,110.00
Aug-09	233,360	116.68	$7,175.82	$12,430.91	$14,380.31	$11,718.54	$13,327.89	10,083	15,240	66%	23	7,565	$15,130.00
Sep-09	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Oct-09	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Nov-09	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Dec-09	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Jan-10	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Feb-10	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Mar-10	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Apr-10	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
May-10	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
Jun-10	0	0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0	0	#DIV/0!	#DIV/0!	0	$0.00
		232.22	**$14,281.53**	$24,740.36	**$28,620.11**	$23,322.59	**$26,525.57**						**$30,240.00**





PACE | Global Asset Management

4401 Fair Lakes Court
Fairfax, Virginia 22033-3848 USA
Phone: 703-818-9100
Fax: 703-818-9108

City of Dover

July Monthly Report

Energy and Operations Management

August 20, 2009

PACE | Global Asset Management

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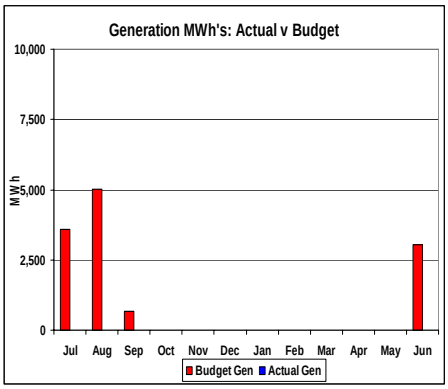
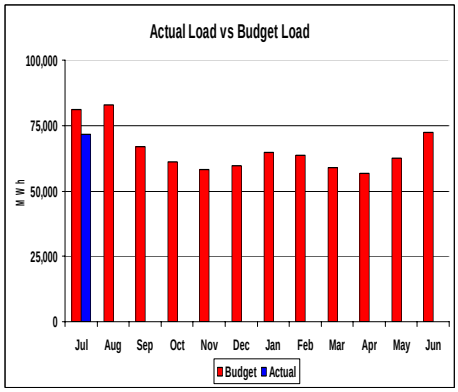
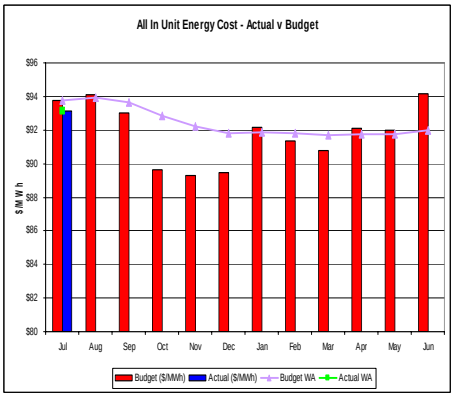
1.0 - EXECUTIVE SUMMARY







Purchased Power Management

Wholesale load for the month of July was 71,704 MWhs versus a three year historic weather normalized load of 81,189 MWhs. Hedged transactions accounted for 70,640 MWhs or 98% of this volume (87% of forecasted load) at a cost of $5.9 million. Spot Market purchases resulted in a PJM charge of $233 thousand ($266 thousand charge in the Day Ahead market and a $33 thousand credit in the real time market). Other PJM related charges accounted for an additional $1.4 million cost, inclusive of all load related fees. July All-In Energy Unit Cost, excluding capacity obligations and credits was $0.66/MWh favorable compared to the budget for July 2009 of $93.76/MWh. For the year, projected All-In Energy Unit Cost is $99.49/MWh favorable to budget; based on YTD actual 1 month results and 11 months projected costs.

Generation and Asset Management

For the month of July McKee Run and Van Sant units did not dispatch into the PJM market. A relatively low average on-peak LMPs for the month demonstrated that the PJM system did not generally require support from the peaking units. The budget for the month expected approximately 3,500 MWhs of generation.

Emissions and Allowance Management

As shown in Exhibit 1, City of Dover holds 2,691 tons of vintage 2008 SO_2 allowances and no tons of vintage 2008 NO_x allowances. Additionally, the City has a balance of 549 tons of vintage 2007 SO_2 allowances. At the August 21, 2008 Management Committee meeting the Committee set a trigger price for the SO2 allowances of $260/ton whereby if the City could achieve this price it would sell half of its SO_2 allowances.

Exhibit 1: Emissions and Allowance Summary through July 31, 2009

2008-2009 EMISSIONS & ALLOWANCE SUMMARY								
		SO_2			NO_x			
Date	Action	Allowance Allocation	Sale Price	Revenue[1]	Allowance Allocation[2]		Sale Price	Revenue[1]
					Seas.	Ann.		
1/1/08	Initial 2008 Allocation	2,723	--	--	198	--	--	--
1/1/08	2007 Carryover	549	--	--	0	--	--	--
1/1/09	2008 Carryover	2,691			0			
1/1/09	Initial 2009 Allocation	2,723	--	--	51	76	--	--
7/30/09	2009 YTD Emissions[3]	1	--	--	6	12	--	--
Totals								
- 2007 Vintage Allowances		**549**	**--**	**--**	**0**	**--**	**--**	**--**
- 2008 Vintage Allowances		**2,691**	**--**	**--**	**0**	**--**	**--**	**--**
- 2009 Vintage Allowances		**2,722**	**--**	**--**	**45**	**64**	**--**	**$0**

$0
$0
Total Revenue **$0**

Notes:
(1) Revenue calculations account for a $1/ton broker fee for SO_2 and a $10/ton broker fee for NO_x.
(2) Per the Clean Air Interstate Rule, in 2009, NOx emissions will be governed by a seasonal and annual program. The NO_x seasonal emissions pertain only to emissions (May 1 – Sep 30), similar to the previous trading regimen. Annual emissions cover the entire year.
(3) The 2009 initial allowance allocation accounts for the reinstatement of CAIR while new SO_2 and NO_x emissions rules are completed. These allocations may changes as the rulemaking process continues.

Dover engaged in no allowance transactions during the month of July, and no units dispatched. City of Dover commenced its new fiscal year and the total net revenue through July 31st from allowance sales for the 2009-10 fiscal year was $0.

Given current dispatch expectations, the market value of the 2007-2009 Dover allowance inventory is approximately $515 thousand at the time of this report. This represents 5,962 SO_2 allowances trading at $77.50, 51 Seasonal NO_x allowances trading at $150, and Annual NO_x trading at $650. Compliance emissions allowance values continue to remain well below the cost of emission controls, but some hope exists for a return of market value next year.

EMISSIONS & ALLOWANCE SUMMARY						
Allowance Vintage	Allowance Allocation	Emissions Month	Emissions	Allowances Sold Month	Allowances Sold	Allowance Balance
SO_2 – 2007	2723	0	98	0	2076	549[1]
SO_2 – 2008	2723	0	32	0	0	2,691
SO_2 – 2009	2723	0	1	0	0	2722
NO_x – 2007	198	0	32	0	166	0
NO_x – 2008	198	0	20	0	178	0
NO_x Annu – 2009	76	0	12[2]	0	0	64
NO_x Seas – 2009	51	0	6	0	0	45

Operations Management Summary

During the month of July, there were no employee or contractor related OSHA injuries, illnesses, time loss accidents or near misses. There were zero Environmental Notices of Violations issued during the month. There were no unit dispatches of any of the McKee Run Units or the VanSant Unit 11 for PJM.

Monthly Budget Variance - The actual expenses attributable to O&M of the two sites for the month of July were $562,248. The expenses were $56,831 or 0.98% over the approved budget of $505,417. The principal reason for the negative variance is due to insurance costs which were budgeted later in the year but were paid in July. In addition the insurance costs were also higher than budgeted. This was offset by lower personnel expenses which are attributable to having the first payroll of the current year accrued in June.

Risk Management Summary

Power demand in the PJM region has been down substantially during the summer as a result of the sluggish economy and markedly cool weather. This factor has largely offset the impact of rising oil prices over the past several months, which have recently traded above $70 per barrel. While the very recent heat wave increased cooling demand and pushed natural gas and power prompt 12-month prices slightly higher, longer-term gas and power forward prices continued to drift down.

Overall, On-Peak Dover power prices for FY 2010-11 rose slightly (1.5% or $0.80/MWh) while the FY 2012-13 and FY 2013-14 fell 3.9% ($2.36/MWh) and 5.5% ($3.50/MWh), respectively, compared with the last reporting period. The reported wholesale Cost-of-Service values in the table below are reflective of the market movements compared to the prior reporting period:

[1] Corrected 2007 SO2 tons emitted to reflect actual emission for Units 3 & 11. December, 2007 report included emissions for all four units.
[2] The NOx Emissions are result from February McKee testing associated with Pollution Remediation project and June emission testing.

Wholesale Cost-of-Service Summary (Projected)

Date 08/10/2009	Budget	August					July	June
Power Year	Cost-of-Service Budget	Cost-of Service $/MWh	Hedge Ratio w/o Solar Plant	Hedge Ratio w/ Solar Plant	Year-to Year C-O-S Increase	Forecasted over 2008-09 Budget	Cost-of Service $/MWh	Cost-of Service $/MWh
2009-2010	$93.26	$92.46	89%	89%	2.7%	2.53%	$92.41	$92.79
2010-2011	N/A	$85.28	85%	86%	-7.8%	-5.44%	$85.17	$85.82
2011-2012	N/A	$80.76	74%	76%	-5.3%	-10.45%	$80.87	$82.09
2012-2013	N/A	$73.95	56%	59%	-8.4%	-18.00%	$74.97	$76.98
2013-2014	N/A	$73.39	18%	20%	-0.8%	-18.62%	$76.31	$79.58

**FY 08/09 Budgeted Cost-of-Service was $90.18/ MWh*

2.0 - BUDGET REPORT

2.1 – VARIANCE REPORT

	Budget Jul-09	Actual Jul-09	Variance Jul-09
Load Forecast	**81,189**	**71,704**	**9,485**
Power Supply			
Power Supply	$5,929,094	$5,929,094	$0
Power Supply Management	$269,593	$260,275	$9,318
Capacity Charges - Load	$1,149,137	$1,154,394	($5,258)
PJM Charges - Load	$1,413,674	$486,701	$926,973
Total - Power Supply	**$8,761,498**	**$7,830,464**	**$931,033**
Generation			
Plant Operations	$505,266	$562,248	($56,982)
Generation Fuel	$293,361	$8,211	$285,150
Capacity Credits	($1,032,361)	($1,032,361)	$0
PJM Credits	($434,112)	($5,487)	($428,625)
Total - Generation	**($667,846)**	**($467,389)**	**($200,458)**
Emission Allowance Sales			
Total - Emission Allowance Sales	**$0**	**$0**	**$0**
Total Power Supply & Generation	**$8,093,651**	**$7,363,076**	**$730,576**
Total Power Supply, Generation & Emission Sales	**$8,093,651**	**$7,363,076**	**$730,576**
Unit Costs			
Total – Power Supply	$107.91	$109.21	($1.29)
Total - Generation + Emission Sales	($8.23)	($6.52)	($1.71)
Final Cost of Service to City of Dover Ratepayers	**$99.69**	**$102.69**	**($3.00)**

	Budget YTD	Actual YTD	Variance YTD
Load Forecast	**81,189**	**71,704**	**9,485**
Power Supply			
Power Supply	$5,929,094	$5,929,094	$0
Power Supply Management	$269,593	$260,275	$9,318
Capacity Charges - Load	$1,149,137	$1,154,394	($5,258)
PJM Charges - Load	$1,413,674	$486,701	$926,973
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Generation Fuel	$293,361	$8,211	$285,150
Capacity Credits	($1,032,361)	($1,032,361)	$0
PJM Credits	($434,112)	($5,487)	($428,625)
Total - Generation	**($667,846)**	**($467,389)**	**($200,458)**
Emission Allowance Sales			
Total - Emission Allowance Sales	**$0**	**$0**	**$0**
Total Power Supply & Generation	**$8,093,651**	**$7,363,076**	**$730,576**
Total Power Supply, Generation & Emission Sales	**$8,093,651**	**$7,363,076**	**$730,576**
Unit Costs			
Total – Power Supply	$107.91	$109.21	($1.29)
Total - Generation + Emission Sales	($8.23)	($6.52)	($1.71)
Final Cost of Service to City of Dover Ratepayers	**$99.69**	**$102.69**	**($3.00)**

2.2 – VARIANCE ANALYSIS

Power Supply

- The Power Supply Management variance is merely an estimate at this point.

- As discussed during the June, 2009 Management Committee, City of Dover's approved budget established in April utilized a preliminary PJM Base Residual Auction values. On June 2nd 2009, PJM announced final Base Residual Auction for current FY that resulted in increase of $5.25 per MW.day UCAP charge ($196.57). In addition PJM also discovered and corrected errors to the variables that calculate the current FY UCAP Obligation. Collectively these charges will result in unfavorable variances each month.

- The PJM Charges for Load experienced a positive $927 thousand variance due to 12% reduction in demand that displaced the expected Open Position by the same amount; a $227 thousand favorable Basis variance; and an $191 thousand favorable Load Following variances for the month. Furthermore there was a $94 thousand favorable variance in transmission costs and a $45 thousand favorable variance in the PJM ancillary charges for the month. Offsetting these favorable variances were a $26 thousand unfavorable variance in transmission rights credits and $77 thousand unfavorable variance in the transmission loss refund.

- For the month a favorable $926 thousand net variance between the Power Supply (fixed positions) and PJM Charges Load (Open positions and transmission etc) was realized through a favorable $849 thousand variance caused by the change in volume and a unfavorable $78 thousand variance caused by the change in price. Hence, 91% of the variance can be attributed to the change in the volume.

Generations

- Plant O&M resulted in an unfavorable variance of $56 thousand compared to the approved budget of $505 thousand due to maintenance expenses associated with the insurance costs that were paid earlier than the budgeted month.

- Generation Fuel realized a favorable variance of $285 thousand for the month due to no dispatch for the month.

- PJM Credits resulted in $429 thousand unfavorable variance for the month. The budget expected 3,500MWhs of generation for the month. Neither McKee Run nor Van Sant units were dispatched into the PJM market.

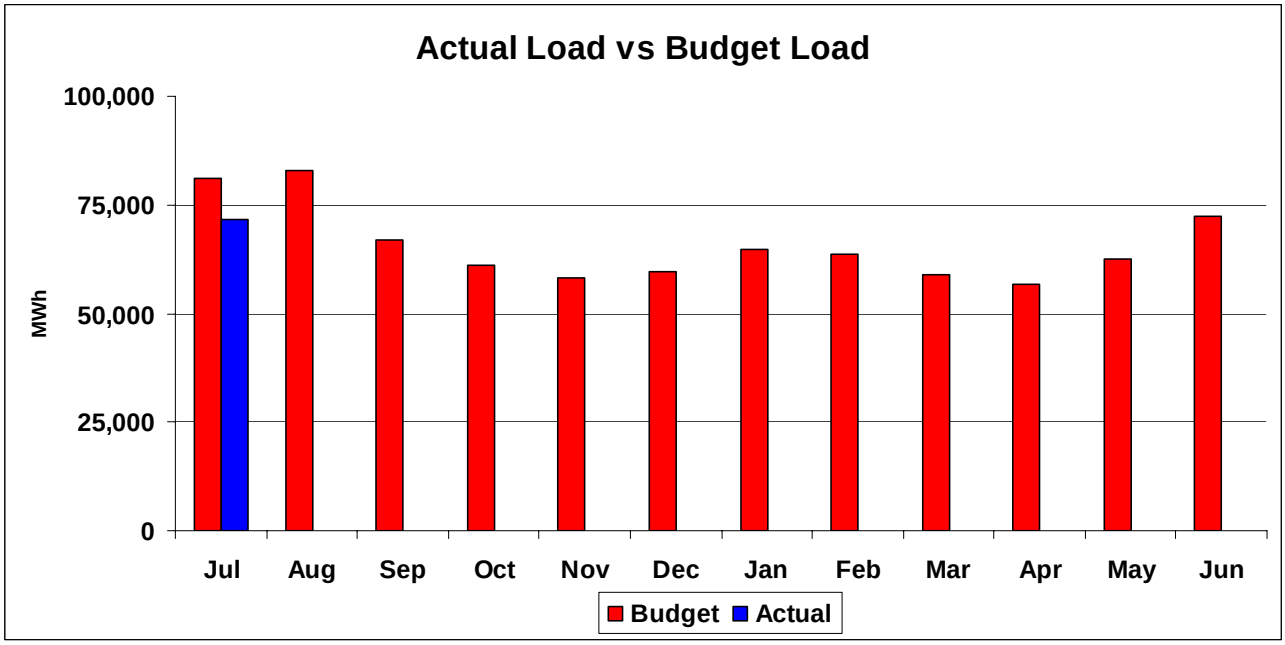
3.0 – ENERGY MANAGEMENT

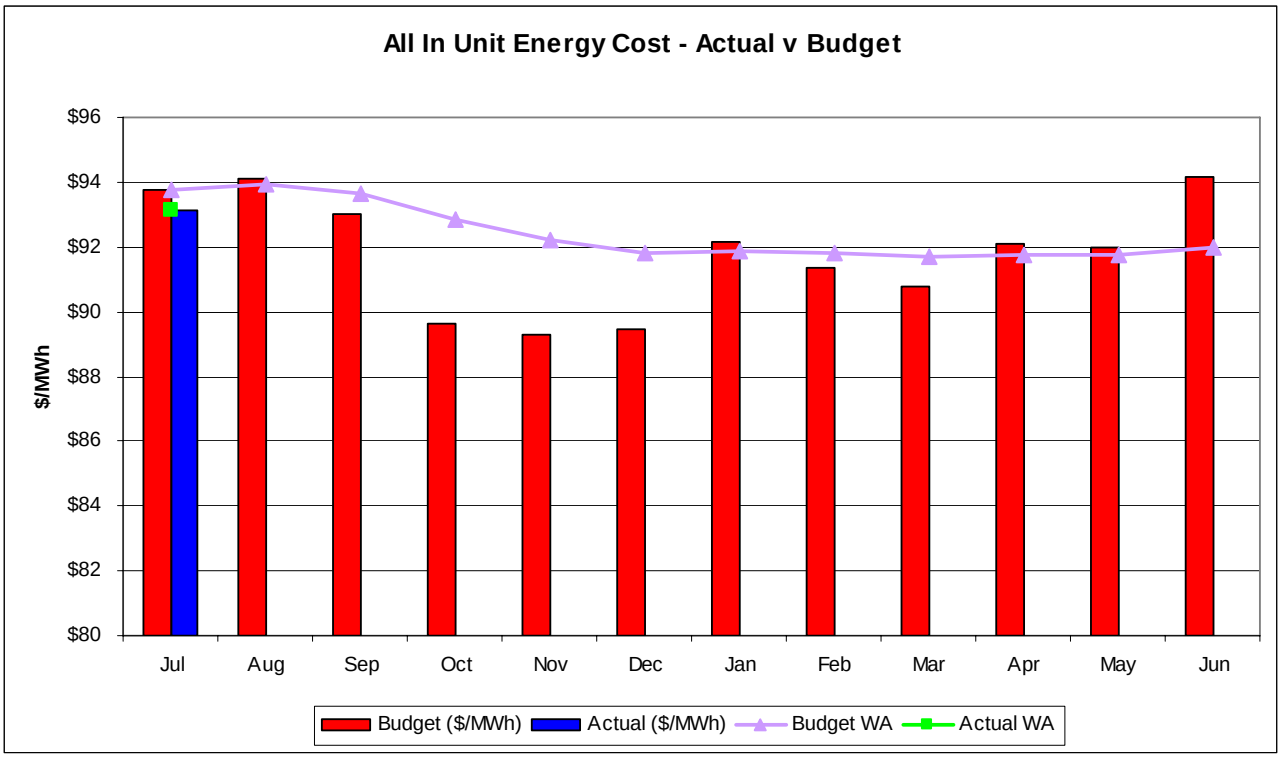
3.1 - PURCHASED POWER

Management Highlights

- Dover's July load was 71,704 MWh which was 11.7% below the historic weather normalized load of 81,189 MWh. Hedge volumes accounted for 98.5% of actual load for the month.

- The July All In Unit Energy cost excluding capacity of $93.11 is $0.66 per MWh lower than budget for the month.




All In Unit Energy Cost - Actual v Budget
$/MWh
$96
$94
$92
$90
$88
$86
$84
$82
$80
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Budget ($/MWh)
Actual ($/MWh)
Budget WA
Actual WA

Purchased Power Variance Report

	Budget Jul-09	Actual Jul-09	Variance Jul-09
City of Dover Load			
Load Obligation (MWh)	81,189	71,704	9,485
Unit Energy Costs ($ per MWh)			
Energy Cost (inc. Load Following & Pace Fees)	$87.28	$87.46	($0.18)
Pass Through	$5.22	$4.34	$0.87
Incentive Fees	$1.27	$1.31	($0.04)
Total - All In Unit Energy Cost	**$93.76**	**$93.11**	**$0.66**

Purchased Power Variance Analysis

- Actual Dover load of 71,704 MWh was 11.6% below the projected July load of 81,189 MWh.

- The All In Unit Energy Cost resulted in an favorable $0.66 per MWh variance due to lower than anticipated open position energy costs due to lower demand compared to historical July demand; a favorable Basis variance; and favorable Load Following variances for the month. Furthermore there was a favorable variance in transmission costs and PJM ancillary charges for the month. Offsetting these favorable variances were unfavorable variance in transmission rights credits and transmission loss refund.

- The Management Incentive fee variance on a $/MWh basis is merely an estimate at this point.

PJM Power Balancing and Load Related Fees

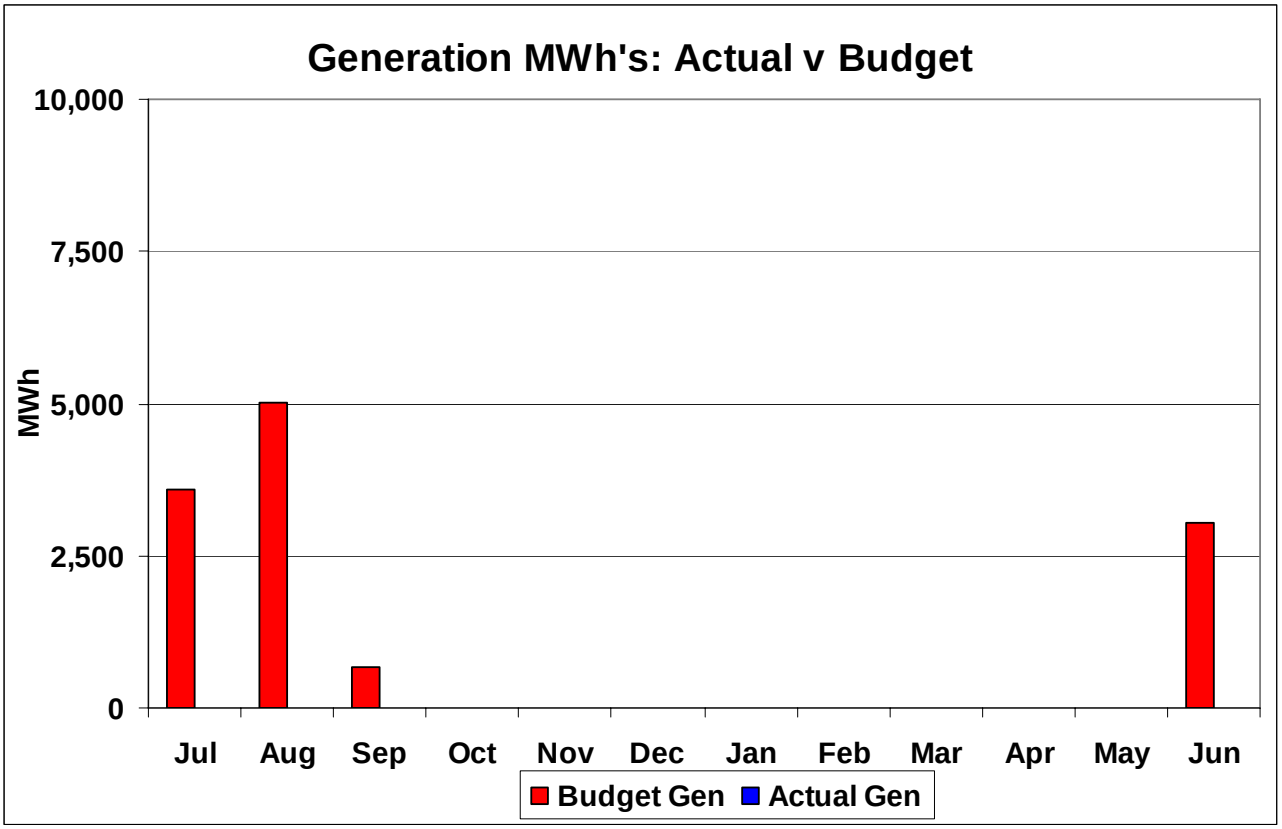
Purchased Power (Hedges): 70,640 MWh's @ $83.93/MWh:	$5,929,094
Power Balancing and Additional PJM and Energy Manager Fee[3]:	$1,901,370
Total Cost to Serve Load (71,704 MWh's)	$7,830,464

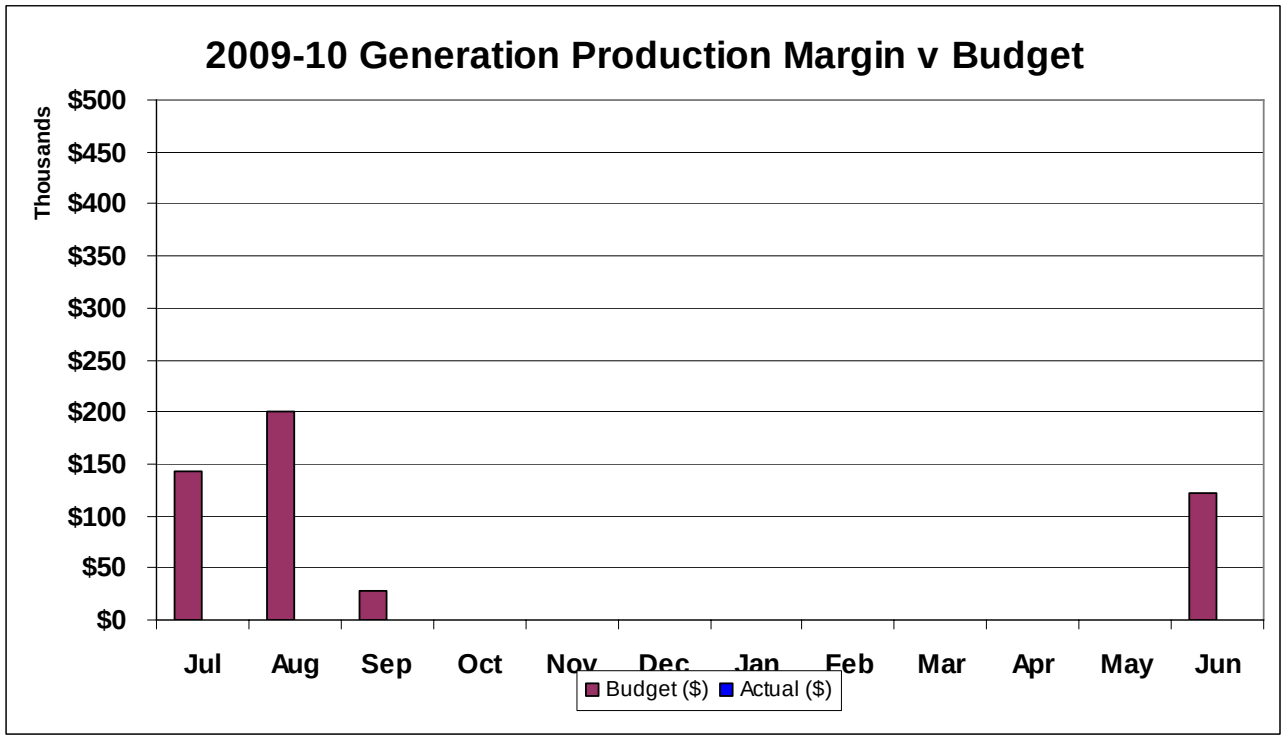
ALL in $/MWh load cost inclusive of Energy Manager Fees: $109.21/MWh

[3] Includes estimated Incentive Fees.

3.2 - GENERATION MANAGEMENT

- PJM did not dispatch Dover units into the market - approximately 3,500MWhs of generation was budgeted for the month.




2009-10 Generation Production Margin v Budget
Thousands
$500
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Budget ($)
Actual ($)

Generation Management Variance Report

	Budget Jul-09	Actual Jul-09	Variance Jul-09
Self-Supplied Capacity from Gen (MW)			
McKee Run 1	17	17	0
McKee Run 2	17	17	0
McKee Run 3	100.3	100.3	0
Van Sant	39	39	0
Self Supplied Capacity from Gen (MW)	**173.3**	**173.3**	0
Additional Capacity from PJM Incremental Auction	**0**	**1.7**	1.7
Total Capacity from Gen (MW)	**173.3**	**175**	1.7
Gen Capacity Sales to PJM ($/MW.d)	$191.32	$191.32	0
Incremental Auction Sales to PJM ($/MW.d)	$0.00	$86.00	$86.00
Power Sales			
Power Sales (MWh)	3,576	0	(3,576)
Sales Revenue ($ per MWh)	($119.87)	$0.00	($119.87)
Power Sales Revenue ($)	**($428,708.75)**	**$0.00**	**($428,708.75)**
Variable Fuel & Transport			
Fuel Oil No.2 Volume - McKee (gal)	0	0	0
Fuel Oil No.2 - McKee ($/gal)	$0.00	$0.00	$0.00
Fuel Oil No.2 Cost of Goods Sold - McKee ($)	$0.00	$0.00	$0.00
Fuel Oil No.2 Volume - VanSant (gal)	0	0	0
Fuel Oil No.6 - VanSant ($/gal)	$0.00	$0.00	$0.00
Fuel Oil No.2 Cost of Goods Sold - VanSant ($)	$0.00	$0.00	$0.00
Gas Volume (Dth)	46,493	0	46,493
Unit Gas Price ($/Dth)	$5.55	$5.55	$0.00
Variable Gas Cost ($)	$258,222.35	$0.00	$258,222.35
Transport ($)	$27,430.89	$0.00	$27,430.89
Variable Gas and Transport Costs ($)	$285,653.24	$0.00	$285,653.24
Variable Fuel & Transport Costs ($)	**$285,653.24**	**$0.00**	**$285,653.24**
Testing	$0.00	$0.00	$0.00
Generation Production Margin	**($143,055.51)**	**$0.00**	**($143,055.51)**
Generation Capacity Payment			
Total - Generation Capacity Payment	**($1,032,361)**	**($1,032,361)**	**$0**

Generation Management Variance Analysis

Fuel Expense

- PJM did not dispatch Dover units into the market and it did not consume any fuel oil nor spot natural gas purchase related to the power generation.

Generation Production Margin		
Transaction	Volumes	Revenue/(Cost)
PJM Invoice for Power Sold	0 MWh's	$0
Fuel and Transport	0 dth gas/0 gal #6 oil 0 gal #2 oil	$0
Generation Production Margin	0 MWh's	$0

The following non-production energy revenues and costs are generally fixed and not directly related to generation dispatch and power production.

PJM Invoice (Black Start)	$5,487
Fuel Oil Tank Heating & Black Start Gas Supply	$0
Eastern Shore Demand Charge	($4,489)
Eastern Shore Transport and Imbalance Charge	$0
Transco Demand Charge	($3,722)
Non-Production Energy Revenue/Costs	($2,724)

Fuel and Transportation

Date	Volume (Dth)	Price ($/Dth)	Total Commodity Cost ($)
Hess Corp			
Sub-Total	0	$0.00	$0.00
PESCO			
Sub-Total	0	$0.00	$0.00
NJNG			
Sub-Total	0	$0.00	$0.00
Total	0	$0.00	$0.00

Do to the conversion from #6 residual oil to Low sulfur #2 oil the need for a constant supply of natural gas to heat the #6 fuel is no longer required. Some gas will still be required for winter heating of the building(s). Pace will still coordinate with NAES on the procurement of supply. However, this expense will now fall under the plant utility costs and be paid and budgeted for by the station.

Gas Transportation Purchased

Eastern Shore Natural Gas Pipeline and TransCo agreements provide for deliveries to the McKee Run and VanSant stations. These charges include a firm demand charge and adjustments as follows:

ESNG FT Demand Charge	$4,489
TransCo FT Demand Charge	$3,722
Total Purchases	$8,211

Other Gas Purchases

Commodity and transportation imbalances on Eastern Shore Pipeline for the month resulted in no charge and it is summarized as follows.

Eastern Shore Transport and Imbalance Charges			
Imbalance/dth	Estimated Cost/dth	Estimated Total Cost	
0	$0.00	$0.00	
		$0.00	
Transport	Volume/dth	$/dth	Total Cost
Firm/IT	0	$0.00	$0.00
Net Charge	$0.00		

Purchased Commodity Fuel Oil Summary

Neither McKee Run units nor Van Sant were dispatched into PJM and no fuel oil #2 was consumed for the month.

McKee Run tank will maintain 3 days of load equivalent dispatches for McKee Run Units. At current fuel market prices, Pace and NAES are considering purchasing ultra low #2 fuel oil inventory when it is a prudent purchase timing.

Tank Inventory Estimates as of July 31			
Tank	Tank Capacity (gallon)	Inventory In (gallon)	Days of Burn (Typical Dispatch[4])
McKee Run (#2 Fuel Oil)	2,554,105	337,519	3
VanSant (#2 Fuel Oil)	258,000	94,557	3

[4] As measured by tank level instruments. Tank levels may change due to oil temperature.

3.3 - EMISSIONS AND ALLOWANCE MANAGEMENT

As shown in Exhibit 1, City of Dover holds 2,691 tons of vintage 2008 SO_2 allowances and no tons of vintage 2008 NO_x allowances. Additionally, the City has a balance of 549 tons of vintage 2007 SO_2 allowances. At the August 21, 2008 Management Committee meeting the Committee set a trigger price for the SO2 allowances of $260/ton whereby if the City could achieve this price it would sell half of its SO_2 allowances.

Exhibit 1: Emissions and Allowance Summary through July 31, 2009

2008-2009 EMISSIONS & ALLOWANCE SUMMARY								
		SO_2			NO_x			
Date	Action	Allowance Allocation	Sale Price	Revenue[1]	Allowance Allocation[2]		Sale Price	Revenue[1]
					Seas.	Ann.		
1/1/08	Initial 2008 Allocation	2,723	--	--	198	--	--	--
1/1/08	2007 Carryover	549	--	--	0	--	--	--
1/1/09	2008 Carryover	2,691			0			
1/1/09	Initial 2009 Allocation	2,723	--	--	51	76	--	--
7/30/09	2009 YTD Emissions[3]	1	--	--	6	12	--	--
Totals								
- 2007 Vintage Allowances		**549**	**--**	**--**	**0**	**--**	**--**	**--**
- 2008 Vintage Allowances		**2,691**	**--**	**--**	**0**	**--**	**--**	**--**
- 2009 Vintage Allowances		**2,722**	**--**	**--**	**45**	**64**	**--**	**$0**

$0
$0
Total Revenue **$0**

Notes:
(1) Revenue calculations account for a $1/ton broker fee for SO_2 and a $10/ton broker fee for NO_x.
(2) Per the Clean Air Interstate Rule, in 2009, NOx emissions will be governed by a seasonal and annual program. The NO_x seasonal emissions pertain only to emissions (May 1 – Sep 30), similar to the previous trading regimen. Annual emissions cover the entire year.
(3) The 2009 initial allowance allocation accounts for the reinstatement of CAIR while new SO_2 and NO_x emissions rules are completed. These allocations may changes as the rulemaking process continues.

Dover engaged in no allowance transactions during the month of July, and no units dispatched. City of Dover commenced its new fiscal year and the total net revenue through July 31st from allowance sales for the 2009-10 fiscal year was $0.

Given current dispatch expectations, the market value of the 2007-2009 Dover allowance inventory is approximately $515 thousand at the time of this report. This represents 5,962 SO_2 allowances trading at $77.50, 51 Seasonal NO_x allowances trading at $150, and Annual NO_x trading at $650.

Compliance emissions allowance values continue to remain well below the cost of emission controls, but some hope exists for a return of market value next year.

SO_2

The SO_2 allowance market remains supportive of prices in the $60-$80/ton range, with the most recent closing price at $77.50/ton. SO_2 market prices are down for a number of reasons. In the wake of the initial CAIR rule promulgation, pre-2010 banked SO_2 allowance prices spiked anticipating lower compliance values for allowances issued in 2010 or later. The DC Circuit remanded the rulemaking back to the EPA with the instruction that lessening the value of SO2 allowances established under the Clean Air Act was outside the scope of the EPA's rulemaking authority. Thus, prior to CAIR re-promulgation, the market generally is seeing less of a premium on banked SO_2 allowances.

The slowed economy and lower power production for 2009 appears to be lessoning the demand for SO2 allowances as total emissions among covered entities will be significantly down compared to 2007 and 2008 (see Table 1). Through the first 6 months of 2007, SO_2 emissions were approximately 4,445,372 tons for covered units. Through the first 6 months of 2008, SO_2 emissions were approximately 3,939,906 tons for covered units. Through the first 6 months of 2009, SO_2 emissions are only 2,546,000 – a significant drop from the previous two years. This emissions data, among other factors, calls into question whether there will be a December true-up spike in SO_2 prices, as we have seen in the past. It is possible, that a December drop in prices will result from the lower emission levels of 2009. However, trades in the $85/ton range for Dec 09 delivery have been noted. Overall expectations are that SO_2 trading volume will continue to be thin with a generally backwardated forward price curve as market participates await the repromulgation of CAIR. Again there is a sense among many of the market participants that the pre-2010 banked premium is unlikely to reappear.

NO_x

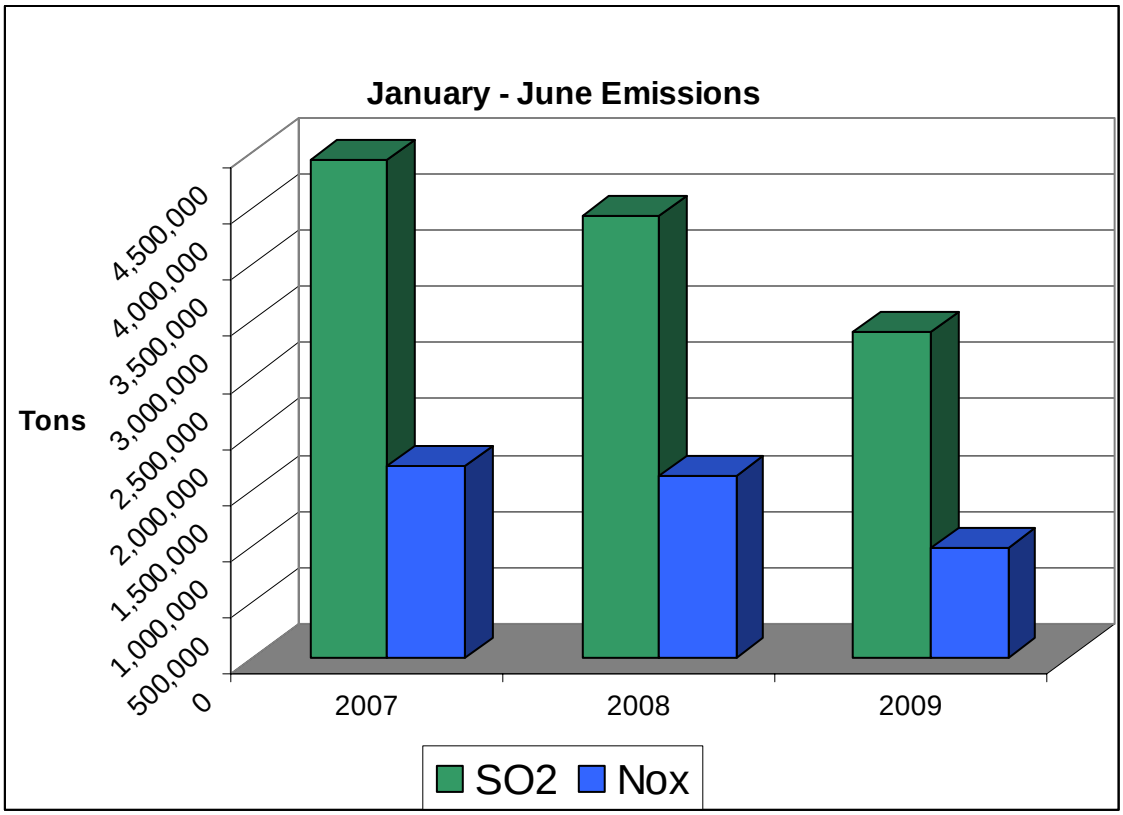
The steady decline of annual NO_x allowance values continued from approximately $1,100/ton down to $650/ton over the past month. Seasonal NO_x allowance value also continued declining, moving from $250/ton down to $150/ton in thin trading.

NO_x prices, both annual and seasonal, are also down for a number of reasons. For starters, many recent NO_x emission control installations (SCR, SNCR, low-NOx burners, etc.) put in place anticipating CAIR implementation (or a regime at least as strict from EPA's upcoming new rule) are reported to be performing better than expected. Annual NO_x emission prices have been further dampened in part due to State allocation of early action allowance pools under CAIR. Additionally, some states (VA for example) are beginning to redistribute to existing sources a number of annual NO_x allowances set-aside for early action credit or new entrants. Annual prices have been still further depressed as a result of the EPA Compliance Supplemental Pool, which distributed an additional 200,000 Annual NO_x allowances, which must be used this year, further depressing expectations of a 2009 true-up price spike.

As with SO_2 emissions, NO_x emissions are way down this year when compared to 2007 and 2008 emissions data. NO_x emissions for covered units for the first 6 months of 2007 and 2008 were

approximately 1,712,000 and 1,622,000 tons respectively. NO_x emissions for the first 6 months of 2009 were 984,000 tons. A slower economy with lower energy demand, gas prices at recent historical lows, gas storage at historical highs, and generally lower dispatch of NO_x intensive units has contributed to lower NO_x emissions levels for 2009 thus far. The NO_x forward price curve is also backwardated as market participants await CAIR promulgation.

Table 1



SOx and NOx Outlook

Hopes for a return of regulatory certainty in the emissions markets have been flat of recent. Senator Carper announced intention to introduce a three pollutant bill to add to carbon legislation after the August Recess. It is safe to say that politically Carpers push currently lacks legs and is not likely to garner relevant attention in Congress anytime soon. His intended link to carbon legislation may be broken if an energy bill only track is created in the Senate. Overall, legislative action to affirm CAIR and / or establish new requirements for SOx, NOx, and Hg is looking unlikely for the near future.

Regarding, CAIR repromulgation EPA indicated that it plans to issue a draft of the new Clean Air Interstate Rule (CAIR) in early 2010; we expect it sometime in Q2 2010. Regulatory intelligence currently indicates that emissions trading system will be used similar to CAIR structures.

Overall, the emissions markets are trading very thin and will likely continue to do so till the uncertainty lifts with market fundamentals clarifying in regulation. In addition to the control investments and orders made prior to the CAIR vacatur, this recent uncertainty has driven many

compliance entities to look towards emission control installations as a firm risk management mechanism.

Pace continues to closely monitor the NO_x and SO_2 markets and will provide Dover with assessments of allowance allocations, liquidity, and value as information becomes available.

RGGI and Federal Carbon Outlook

RGGI market prices are currently floating around $2.95/ton. Maintaining open interest between $2.75 and $4.00, the RGGI market has seen a lot of movement in its early stages, so no clear long-term price signals are yet evident. Based on projected generation and emissions Dover is projected to have an excess of 70,000 allowances through 2013 with a market value at current prices of $206,500.

The main buoy of RGGI pricing currently is not market fundamentals as the market is expected to remain over-allocated / long into 2010. Rather, the conversion potential of RGGI allowances into Federal allowance volume in a national carbon market is the main support for RGGI pricing. While the reality of RGGI compliance for covered units exists, for many compliance is little more than "noise in the system" and opportunities to monetize or covert to federal and then monetize RGGI volume are being hunted. The "coastal" Democratic leadership behind the Waxman / Markey bill ensured that RGGI allowance conversion would take place – continuing the drive of federal market speculation into RGGI. Indeed, Waxman / Markey established the ratio for conversion based on the average RGGI auction clearing price as opposed to the actual "cost of obtaining and holding the allowance" thereby functionally allowing Dover to lift its cost basis on free allowance allocation up from zero for federal conversion. Thus, currently the value of RGGI allowances in the bank should be valued with consideration of potential conversion should a federal system be enacted, in addition to their higher regional value in a non-overallocated RGGI future.

4.0 – OPERATIONS MANAGEMENT

Management Highlights

- During the month of July, there were no restricted work days or lost time accidents. The facility has now gone 185 days without an OSHA recordable accident and 1,578 consecutive days without a lost time reportable accident. There were no Near Miss events during the month. The plant received no Notice of Violations (NOVs) or other permit deviations during the month.

- During the month, there were no unit dispatches of any of the McKee Run units or Unit #11 at VanSant. All units at McKee Run were available for the month of July.

- The plant received the final report from Lewellyn Technology (LT) who performed an Arc Flash Analysis of both generating facilities. The plant has evaluated the recommendations and is now in the process of developing an action plan to implement the recommendations and to use the findings from the report to implement new procedures for safety.

- Ariva vibration report indicated excessive vibration on tower fan three. Ariva report also indicated abnormal results in the unit 1&2 tower fan gearboxes. Maintenance team addressed these issues.

- The Capital Improvement Projects for the 2009-2010 physical year have been approved.

- A Capital Improvement Project has been developed for cooling tower repairs and improvement to extend the lives of the cooling towers.

- Final revisions are being made to the Appendix E reports from the emissions testing which occurred in June 2009.

- NAES Scholarship awards were presented for the month.

- The following is the NAES Monthly Report as submitted to PGAM

NAES Corporation
Dover, Delaware

July 2009 Monthly Report

NAES Scholarship Awards were presented to Dave Hodge's daughter Mariah and Phil Marvel's daughters Kelly and Katie.

Table of Contents

1.0 Environmental, Health and Safety:

During the month of July, there were no restricted work days or lost time accidents. The facility has now gone 185 days without an OSHA recordable accident and 1,578 consecutive days without a lost time reportable accident.

There were no Near Miss events during the month. The plant received no Notice of Violations (NOVs) or other permit deviations during the month.

Environmental, Health and Safety Statistics		
	Month (July 2009)	Fiscal Year to Date (7/1/09-6/30/10)
NOVs	0	0
Opacity Deviations	0	9
Environmental Deviations	0	1
OSHA Recordable	0	1
OSHA LTA's	0	0
First Aid cases	0	0
Restricted Workday Accident	0	1
Near Miss	0	10
Man Hours Worked	5,123.5	5,123.5
Date last OSHA Recordable		1/27/09
Date last Lost Time Accident		4/05/05
Days since last OSHA recordable		185
Days since last Lost Time Accident		1,578

Emissions (NOx & SO2) All data thru 7/31/09

NOx Summary - Year (May-Sept.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2008	1.01	0.96	17.0	1.28	20.25
2009	0.9	0.7	3.1	0.5	5.2
2010	0.0	0.0	0.0	0.0	0.0

NOx Summary - Year (Jan-Dec)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2009	0.9	0.7	9.0	0.5	11.1
2010	0.0	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0	0.0

SO_2 Summary - Year (Jan.-Dec.)Tons					
Year	*Unit #1*	*Unit #2*	*Unit #3*	*Unit #11*	*TOTAL*
2007	6.28	5.31	97.69	0.28	109.56
2008	0.011	0.009	31.0	0.6	31.6
2009	0.0	0.0	0.1	0.2	0.3

Note: *Denoted data is as of 7/31/2009

SO_2 Allowances Summary					
SO_2 Allowance Vintage	**SO_2 Allowances Sold - YTD**	**SO_2 Allowances Available (Per Unit, Prior to Sale & Reconciliation)**		**Total SO_2 Tons Emitted – U3 and U11 YTD**	**SO_2 Allowances Balance**
		Unit #3	***Unit #11***		
2007	2076	2585	138	98	549
2008	0	2585	138	32	2691
2009	0	2585	138	0	2723

Note: Denoted data is as of 7/31/2009

NO_x Allowances Summary					
NO_x Allowance Vintage	**NO_x Allowances Sold - YTD**	**NOx Allowances Available (Per Facility, Prior to Sale)**		**Total NOx Tons Emitted (NOx Season)**	**NO_x Allowances Balance**
		Unit #3	***Unit #11***		
2007	165	191	7	33	0
2008	178	191	7	20	0
2009	0	191	7	6	192
2010	0	191	7	0	198

Note: NOx Season is May 1 to September 30.

CAIR NOx Allowances Summary*						
CAIR NOx Allowance Vintage	**CAIR NOx Allowances Sold YTD**	**NOx Allowances Available (Per Facility, Prior to Sale)**		**Total NOx Tons Emitted (Yr/ Season)**	**NOx Allowance Balance**	
		McKee Run (Yr/Season)	***VanSant (Yr/Season)***		***McKee Run (Yr/Season)***	***VanSant (Yr/Season)***
2009	0	71/48	5/3	12/6	60/43	4/2
2010	0	71/46	5/3	0	71/46	5/3

Note *– CAIR legislation is pending revision

CO2 Allowances Summary*					
CO2 Allowance Vintage	**CO2 Allowances Sold YTD**	**CO2 Allowances Available (Per Facility, Prior to Sale)**		**Total CO2 Tons Emitted**	**CO2 Allowance Balance**
		McKee Run	***VanSant***		
2009	0	55,132	1,699	5,019	53,851
2010	0	47,844	1,636	0	49,480
2011	0	35,883	1,227	0	37,110
2012	0	23,922	818	0	24,740
2013	0	11,961	409	0	12,370

Note: All CO2 allowance values are provided by the RGGI CO2 Allowance Tracking System.

2.0 Financial

Financial – Current Month

Month – July 2009			
	Actual	Budget	Variance
Personnel	199,279	355,389	156,110
Materials & Supplies	2,681	25,875	23,194
Administrative Expenses	360,288	124,153	(236,135)
Total	**$562,248**	**$505,417**	**($56,831)**

Financial – Fiscal Year to Date

Number of Months – 1			
	Actual	Budget	Variance
Personnel	199,279	355,389	156,110
Materials & Supplies	2,681	25,875	23,194
Administrative Expenses	360,288	124,153	(236,135)
Total	**$562,248**	**$505,417**	**($56,831)**

2.1 Variance analysis:

The original budget for July was $505,417. The actual expenses for July are $562,248 for an unfavorable variance of $56,831 or 0.98%. The variance was due to the following:

PERSONNEL EXPENSES - Labor, overtime, and burdens accounted for a favorable variance of $156,110. The first payroll of the current fiscal year accrued in the last fiscal year.

MATERIALS AND SUPPLIES EXPENSES- A favorable variance of $23,194 was due to some of these costs being accrued into June of 2009.

ADMINISTRATIVE EXPENSES - An unfavorable variance of $236,135 was due to insurance costs that were considerably higher than anticipated and budgeted later in the fiscal year.

The current forecast is to finish this fiscal year at $5,883,743 expensed versus $5,798,711 budgeted putting us at 101.5%. This should change once we make the adjustments to the forecast, specifically in the insurance account.

3.0 Operations

Unit Operations / Outages / Trips

During the month, there were no units dispatched at McKee Run or Unit #11 at VanSant.

Month – July 2009							
		McKee Unit 1	McKee Unit 2	McKee Unit 3	MRS Facility	VanSant Unit 11	Total All Units
Capacity	MW	17	17	102	136	39	175
On Line Hours	Hrs	0.00	0.00	0.00	0.00	0.00	0.00
Starts	#	0	0	0	0	0	0
Gross Generation	MWh	0.0	0.0	0.0	0.0	0.0	0.0
Net Generation	MWh	0.0	0.0	0.0	0.0	0.0	0.0
Total Auxiliaries	MWh	20.914	20.914	149.667	191.495	946	192.441
Auxiliaries purchased	MWh	20.914	20.914	149.667	191.495	946	192.441
Fuel Gas Used	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Fuel Oil Used	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Fuel Oil Used	Gallons	0.0	0.0	0.0	0.0	0.0	0.0
Total Fuel	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Net Heat Rate	BTU/KWh	0.0	0.0	0.0	0.0	0.0	0.0
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	0.0	0.0	0.0	0.0	0.0	0.0
Availability Factor	%	100.00	100.00	100.00	100.00	100.00	100.00
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	0	0	0	0	0	0
Maintenance Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Forced Outage Hours	Hours	0	0	0	0	0	0
Reserve Shutdown Hours	Hours	744.000	744.000	744.000	744.000	744.000	744.000
HW Boiler Gas Usage	MMBTU				0		0
Pilot Gas Usage	MMBTU	0	0		0		0

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

2009-2010 Fiscal Year-to-Date (1 Month)							
		McKee Unit 1	McKee Unit 2	McKee Unit 3	MRS Facility	VanSant Unit 11	Total All Units
Capacity	MW	17	17	102	136	39	175
On Line Hours	Hrs	0.0	0.0	0.0	0.0	0.0	0.0
Starts	#	0.0	0.0	0.0	0.0	0.0	0.0
Gross Generation	MWh	0.0	0.0	0.0	0.0	0.0	0.0
Net Generation	MWh	0.0	0.0	0.0	0.0	0.0	0.0
Total Auxiliaries	MWh	20.914	20.914	149.667	191.495	.946	192.441
Auxiliaries purchased	MWh	20.914	20.914	149.667	191.495	.946	192.441
Fuel Gas Used	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Fuel Oil Used	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Fuel Oil Used	Gallons	0.0	0.0	0.0	0.0	0.0	0.0
Total Fuel	MMBTU	0.0	0.0	0.0	0.0	0.0	0.0
Net Heat Rate	BTU/KWh	0.0	0.0	0.0	0.0	0.0	0.0
Unit Trips	#	0	0	0	0	0	0
Capacity Factor	%	0.0	0.0	0.0	0.0	0.0	0.0
Availability Factor	%	100.00	100.00	100.00	100.00	100.00	100.00
Commercial Unavailability (CU)	%	0	0	0	0	0	0
Planned Outage Hours	Hours	0	0	0	0	0	0
Maintenance Outage Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0
Forced Outage Hours	Hours	0	0	0	0	0	0
Reserve Shutdown Hours	Hours	744.000	744.000	744.000	744.000	744.000	744.000
HW Boiler Gas Usage	MMBTU				0		0
Pilot Gas Usage	MMBTU	0	0		0		0

VanSant Lifetime through 7/31/09			
	Actual Starts	Factored Starts	Fired Hours
VanSant	1193	2011.75	3,934.2
Since HGP - Dec 2004	144	344.05	550.578

Fuel Oil Inventory							
	Monthly Inventory (Start)	Monthly Inventory (End)	Fuel Purchases (Month)	Monthly Inventory (Change)	FY 09-10 Inventory (Start)	Fuel Purchases (YTD)	FY 09-10 Inventory (Change)
McKee Run (#2 Fuel Oil)	337,519	337,519	0	0	337,519	0	0
VanSant (#2 Fuel Oil)	94.388	94.557	0	114	94,388	0	114

Note: As measured by tank level instruments. Tank levels may change due to oil temperature.

Capacity Testing – FY 2009-2010					
Summer 2009 (June 1- Aug 31)			**Winter 2009-2010 (Dec 1- Mar 1)**		
Unit	Rated Net Capability (MW)	Reported Net Capability (MW)	Unit	Rated Net Capability (MW)	Reported Net Capability (MW)
1	17	17.24	1	17	17.3*
2	17	17.59	2	17	17.9*
3	102	102.00	3	102	102.3*
VanSant	39	40.30	11	40	40*
Total	175	177.13	Total	176	177.50

Note: * depicts a unit that has not completed capacity test for the PJM Demonstration Period in FY 2009-2010.

Team Report:

Operations completed project on #1, #2, & #3 fuel oil burner pump rooms by removing insulation, lagging, and unused heat tracing. After all the insulation was removed all the oil lines were painted with epoxy paint. To finish the project teams labeled all the piping with directional flow labels on all the oil piping.

Operations completed a similar project in epoxy painting the oil piping on all three burner decks and new fuel oil regulating stations from the oil conversion project on #3 unit and labeled oil piping with directional flow labels.

A study group is being formed to help operators pass the PJM Dispatcher Certification exam. The study group will be lead by an Operations Supervisor and will concentrate on areas that need to be focused on like Emergency Procedures or other areas the operators are weak on.

Teams continued training within the Plant Readiness Program (PRP) to keep their skills and knowledge of the plant up to date particularly when the generating units are off line or when they are not supporting maintenance activities. The GPI online training which supports our safety and environmental training are being used by the teams to complete their training. GPI also has a number of courses that are used to support operator advancement and refresher training.

4.0 Maintenance

During the month of July, plant maintenance staff continued addressing the backlog of work orders. Sixty-eight work orders were issued during the month, with sixty-eight work orders being completed during the month.

The table below summarizes the monthly work order activities.

Work Order Report

July - 09

Priority #	Outstanding From Previous Months	Issued This Month	Completed This Month	Outstanding at the end of the month
P1	0	0	0	0
P2	0	3	3	0
P3	9	21	23	7
P4	26	23	19	30
P5	20	1	0	21
P6	0	0	0	0
P7	8	0	2	6
P8	13	0	0	13
P9	13	6	2	17
P6 - 1	0	0	0	0
P6 - 2	0	0	0	0
P6 - 3	0	2	2	0
P6 – 4	0	0	0	0
P6 – 5	0	0	0	0
P6 – 6	0	0	0	0
P6 – 7	0	0	0	0
P6 - 8	0	0	0	0
PM	22	12	17	17
Totals	111	68	68	111

Note: PM's are included in the priority totals

Notable activities during the month include:

1) Ariva vibration report indicated excessive vibration on tower fan three. Maintenance team inspected tower fan and found two damaged fan blades. Both fan blades were replaced and the fan test run for vibration. Fan tested OK.

2) Ariva report indicated abnormal results in the unit 1&2 tower fan gearboxes. Maintenance staff changed the tower fan gearbox oil in all ten fans.

3) XL Insurance Company suggested a cathodic protection inspection be performed at VanSant for all below ground oil piping. Inspection of the oil piping and the integrity of the piping metal were reported to the plant staff. Lightening arrestors were placed on all exposed oil piping flanges resulting in added protection of the oil system piping.

4) Jersey IC completed a thermography survey while each unit was in operation during our June testing. A detailed report was received by the plant staff. Maintenance staff completed three action items from the thermography report. Hotspots were found on 3B vacuum pump lead wires, 3B vacuum pump breaker and VanSant's "A" exhaust frame blower lead wire. Each item was inspected, cleaned and retighten or replace hardware per the report.

5) Radius completed our quarterly fire protection inspection at each cooling tower. Fire protection systems were manually tested. Both fire alarm bells would not sound off and one remote alarm to the control room wasn't working. Two safety work orders were written as a result of the inspection. Both safety work orders were completed within two days of the inspection.

5.0 Capital Improvement Projects (CIP)

Project Number	Description	Update
EG0801	MR Fire Protection System Upgrades	**Progress: Project deferred to 2009 to investigate an alternative technical approach. XL Insurance is assisting in this endeavor.** **Schedule: Installation now projected to be October 2009.**
EG0804	MR Pollution Remediation Equipment	**Progress: Change out of fuel oil equipment has been completed. Units 1, 2 and 3 have successfully made the conversion and successfully completed a Winter Period Capacity Test. Schedule: Additional testing & tuning needed to optimize Unit 3 operation will be done as opportunities arise with dispatch by PJM. Final reports from the emissions testing for DNREC that occurred in June have been received but had errors in the report and we are working with the testing company to resolve.**
EG0904	MR & VS Arc Flash Analysis	**Progress: Phase One of the project is complete and a final report was received. The report findings are being reviewed to determine scope for phase two.** **Schedule: Task statement(s) will be developed as necessary for implementation of action items from report.**
EG1001	VanSant Mark IV Controls Upgrade	**Progress: Task statement and work scope is being developed for distribution in early September. Schedule: Send out for bids in early September. Evaluation of bids and selection of vendor in October 2009. Engineering, design and procurement to follow with installation and testing of system in addition to operational testing of the system in May 2010.**
EG1002	McKee Run Plant Paving	**Progress: Task statement and work scope is being developed for distribution in late 2009. Schedule: Send out for bids, evaluation of bids and selection of vendor for a Spring 2010 completion.**
EG1003	Miscellaneous Capital Equipment Replacements	**Progress: This project is for the unexpected needs that may occur during a budget year that were unexpected due to equipment failure for example. Schedule: The funding is in place and there are no capital items identified at this time to go into this project fund.**
EG1004	Mckee Run Warehouse & Administration Building Fire Protection	**Progress: A task statement has been developed and needs to be finalized. A RFP will be then be advertised in late August 2009. Schedule: After some planning the work should take place in early 2010.**

5.1 CIP Budget

Project Number	Description	Original Budget ($ X 1000)	Latest Estimate ($ X 1000)
EG0801	MR Fire Protection System Upgrades	50	50
EG0804	MR Pollution Remediation Equipment	3800	3200**
EG0904	MR & VS Arc Flash Analysis Phase II	125	75*
EG1001	VanSant Mark IV Controls Upgrade	700	700
EG1002	Mckee Run Plant Paving	240	240
EG1003	Miscellaneous Capital Equipment Replacements	51	51
EG1004	Mckee Run Warehouse & Administration Building Fire Protection	55	55

* $50K removed and put into O&M budget. The remaining $75K was put into the 2010 O&M budget

**Includes latest projection for fuel usage for testing

6.0 General Plant Information

Training

The plant had training on our updated Facility Response Plan. The training went over scenarios of having an oil spill getting to one of our outfalls and making it to the lake. From the training personnel came up with some ideas how to improve our reaction time. We purchased some plugs for the outfalls so we could stop any oil or chemical by plugging the outfall so there would be no or minimal contamination in the lake.

Plant staff continues to train with the GPI online training for completing the OSHA and environmental training requirements for the year. Plant staff have also continued to review the Plant SMPs (Safety Manual Procedures) for 2009.

Plant personnel continue to train using the EDQP program. This program is used for developing the employee for the next level at their position or we use it for a refresher course for the plant personnel that are at a senior position so they can review plant systems.

Topics discussed during the monthly safety committee meeting were reviewed by the entire staff.

Other Events

The plant received the final report from Lewellyn Technology (LT) who performed an Arc Flash Analysis of both generating facilities. The plant has evaluated the recommendations and is now in the process of developing an action plan to implement the recommendations and to use the findings from the report to implement new procedures for safety. Labeling of electrical panels has been completed indicating arc flash hazards. In addition, training is being scheduled for plant personnel to provide greater understanding of arc flash exposure and personnel safety.

A Capital Improvement Project has been developed for cooling tower repairs and improvement to extend the lives of the cooling towers. This plan prioritizes work that needs to be completed by the inspection report that was supplied by SPIG on #3 unit cooling tower. On a parallel path, the plant has received a budgetary quote for a tower replacement. This information will be provided to Pace Global who will assist in determining which option to pursue.

NAES Scholarship awards were presented to Mariah, daughter of Senior Operator Dave Hodge and Katie and Kelly Marvel, daughters of Phil Marvel, Maintenance Supervisor. Mariah is a first time recipient and will be a freshman at the University of Pennsylvania studying psychology. Katie and Kelly are recipients for the third consecutive year. They both attend Liberty University and will be juniors, both majoring in communications.
The Capital Improvement Projects for the 2009-2010 physical year have been approved. These projects include a Mark IV controls upgrade at VanSant, paving the roads at the McKee Run Generating Station, Miscellaneous Capital Equipment Replacements, and the installation of a Heat and Smoke Detection for the McKee Run warehouses and administration building.

Final revisions are being made to the Appendix E reports from the emissions testing which occurred in June 2009. Catalyst is in the process of revising the reports as well as providing the plant with the

Particulate Testing test results. These reports will be submitted to the EPA and DNREC after a thorough review by the plant with assistance from Monica Lopes, NAES ESS.

The plant FRP has been updated as well as the plant-wide training of all plant staff. In addition, table top drills were utilized to aid in preparing plant personnel for a possible spill drill that the EPA had scheduled for the Dover area.

Calendar of Events	*Date*
Toxic Release Inventory (TRI) Due	July 1, 2009
Fiscal Year 2009-2010 Begins	July 1, 2009
EIA Reporting Requirements EIA-860 Report	July 15, 2009
McKee Run and VanSant Title V Semi-Annual Certification Due	August 1, 2009
NOx Ozone Season Ends	September 30, 2009
Winter Capacity Period	December 1, 2009 to February 28, 2010
#1 Unit Annual Inspection	October 5 to October 11, 2009
#2 Unit Annual Inspection	October 12 to October 18, 2009
One Year Accident Free Target	January 27, 2010
McKee Run and VanSant Title V Annual Certification Due	February 1, 2010
#3 Unit Annual Inspection	March 9 to May 3, 2010
NOx Ozone Season Starts	May 1, 2010
Fiscal Year 2009-20010 Ends	June 30, 2010

7.0 Summary of NAES Performance to Date

Plant Performance FY 2009-2010						
Measure	**Month**		**Year to Date**		**YTD Incentive**	**FY Maximum Incentive**
Commercial Unavailability (CU)	0%		0%		$88,611	$88,611
Safety	0		0		$16,614	$16,614
Environmental	0		0		$16,614	$16,614
Capacity Tests Completed	Summer	Winter	Summer	Winter		
Unit 1	No	No	Yes *	No	$1,662	$3,323
Unit 2	No	No	Yes *	No	$1,662	$3,323
Unit 3	No	No	Yes *	No	$9,969	$19,938
Unit 11	No	No	Yes *	No	$3,323	$6,646
Total YTD Incentive %	89.29%		***Total YTD Incentive***		$138,454	$155,069

Note: * depicts a unit that has completed capacity test during the Summer PJM Demonstration Period which includes the months from June 1 to August 31.

APPENDICES

I. PJM INVOICE BREAKDOWN

The PJM bill is a record of all Electricity Transactions, Transmission Services, Ancillary Services and Miscellaneous fees that allow the PJM to operate. Below is a list of the line items on the PJM bill including all generator activity.

PJM Bill Line Items	Gen	Load	Net
Day Ahead Energy	$0.00	($266,887.27)	($266,887.27)
Realtime Energy	$0.00	$33,441.09	$33,441.09
Transmission Losses Credits	$0.00	$58,179.26	$58,179.26
Network Integration Transmission Service Charges	$0.00	($216,216.94)	($216,216.94)
Inadvertent Interchange Charges	$0.00	($1,616.92)	($1,616.92)
Regulation Charges	$0.00	($24,460.45)	($24,460.45)
Synchronized Reserve Charges	$0.00	($3,146.94)	($3,146.94)
Balancing Operating Reserves Charges	$0.00	($5,239.48)	($5,239.48)
Day Ahead Operating Reserves Charges	$0.00	($8,794.57)	($8,794.57)
Day-ahead Scheduling Reserve	$0.00	($199.98)	($199.98)
Synchronous Condensing Charges	$0.00	($45.55)	($45.55)
Reactive Services Charges	$0.00	($20,832.58)	($20,832.58)
Meter Correction Charges	$0.00	($11.78)	($11.78)
Day-ahead Economic Load Response Program Charges	$0.00	$0.00	$0.00
Real-time Economic Load Response Program Charges	$0.00	$0.00	$0.00
Balancing Operating Reserves Credits	$0.00	$0.00	$0.00
Day Ahead Operating Reserves Credits	$0.00	$0.00	$0.00
Locational Reliability Charges	$0.00	($1,171,202.92)	($1,171,202.92)
Capacity Transfer Rights Credits	$0.00	$16,801.07	$16,801.07
Capacity Resource Deficiency Credits	$0.00	$7.44	$7.44
Demand Response and ILR Compliance Penalty Credits	$0.00	$0.00	$0.00
RPM Auction Credits	$1,032,360.76	$0.00	$1,032,360.76
Auction Revenue Rights Credits	$0.00	$52,183.27	$52,183.27
Synchronized Reserve Credits	$0.00	$0.00	$0.00
PJM Scheduling System Control and Dispatch Service Charges	$0.00	($17,085.73)	($17,085.73)
Transmission Owner Scheduling System Control and Dispatch Service Charges	$0.00	($5,454.54)	($5,454.54)
Reactive Supply and Voltage Control from Generation Sources Service Charges	$0.00	($24,777.82)	($24,777.82)
Black Start Service Charges	$0.00	($1,205.73)	($1,205.73)
North American Electric Reliability Corporation (NERC) Charge	$0.00	($499.21)	($499.21)
Reliability First Corporation (RFC) Charges	$0.00	($638.70)	($638.70)
Expansion Cost Recovery Charges	$0.00	($431.52)	($431.52)
Transmission Enhancement Charges	$0.00	($31,635.67)	($31,635.67)
Black Start Service Credits	$5,486.77	$0.00	$5,486.77
Non-Firm Point-to-Point Transmission Service Credits	$0.00	$1,545.52	$1,545.52
Generation Deactivation	$0.00	$789.19	$789.19
Market Monitoring Unit (MMU) Funding	$0.00	($394.43)	($394.43)
Organization of PJM States, Inc. (OPSI) Funding	$0.00	($46.25)	($46.25)
FERC Annual Recovery	$0.00	($4,096.43)	($4,096.43)
PPA	$0.00	$879.62	$879.62
	$1,037,847.53	**($1,641,094.95)**	**($603,247.42)**

II. LOAD, ALL IN ENERGY AND ALL IN COST OF SERVICE TABLE

	Budget Load (MWh)	Actual Load (MWh)	Budget AIE ($/MWh)	Actual AIE ($/MWh)	Actual YTD AIE ($/MWh)	Budget AICS ($/MWh)	Actual AICS ($/MWh)	Actual YTD AICS ($/MWh)
Jul	**81,189**	**71,704**	**$93.76**	**$93.11**	**$93.11**	**$99.69**	**$102.69**	**$102.69**
Aug	**82,798**		$94.09			$101.23		
Sep	**67,000**		$93.03			$99.53		
Oct	**61,170**		$89.63			$98.32		
Nov	**58,037**		$89.30			$98.74		
Dec	**59,534**		$89.46			$99.70		
Jan	**64,805**		$92.14			$100.84		
Feb	**63,547**		$91.38			$97.04		
Mar	**58,753**		$90.80			$99.03		
Apr	**56,824**		$92.10			$101.53		
May	**62,655**		$91.96			$99.69		
Jun	**72,496**		$94.17			$105.37		

III. GLOSSARY

All In Unit Energy Cost ("AIE") accounts for the wholesale energy costs **excluding** capacity obligations, capacity credits for Dover-owned generation, generation revenues, generating plant costs, the black start ancillary services credit for the Van Sant plant, and revenues associated with the sale of emission allowances. The AIE includes the costs from settling the hedged or forward transactions; the energy bought on the ISO (Independent System Operator or PJM) day-ahead to cover the open position (un-hedged); load following costs associated with balancing the actual load in the ISO real-time market; energy management service related fees; the ISO transmission charges and credits to load serving entities; the ISO ancillary services charges such as generation regulation, spinning reserve, and reactive power; and the ISO administrative charges and cost of service recovery fees.

All In Cost of Service ("AICS") accounts for the net cost of wholesale power to the City of Dover Electric Utility. The AICS starts with the AIE and adds the costs or credits from capacity obligations, capacity credits for Dover-owned generation, generation revenues, generating plant costs, the black start ancillary services credit for the Van Sant plant, and revenues associated with the sale of emission allowances.

Black Start is a generating ancillary service that is the process of restoring a generating plant to service without the support of an external power supply to power auxiliary equipment needed for start up operations.

Capacity UCAP Obligated Purchased is the obligation and payment by all load serving entities in PJM including Dover for the Unforced Capacity (UCAP) requirement from PJM that satisfies the PJM reserve requirements.

Generation Capacity Credit: is the credit provided to generators for supply capcity to the system. The price is determined by the PJM Reliability Pricing Market auction process that includes three auctions for each capacity year.

Generation Production Margin accounts for the variable margin excluding variable O&M and emissions. The Generation Production Margin is calculated by taking the PJM revenues credited to the plant including any balancing charges or credits less the fuel costs. Generation Production Margin includes both “Economic and reliability dispatch” and “Testing.” Economic and reliability dispatch equals the margin achieved when Dover’s generating plants are dispatched by PJM for either economic dispatch (the system energy price is greater than the Dover bid price) or reliability dispatch whereby PJM pays the generating cost of the plants for the hours the plant is run to support the system. Generation Testing equals the Generation Production Margin associated with testing. This is usually expected to be a negative margin because the plant is potentially being dispatched / run when energy prices do not cover its costs.

Non-Production Revenue equals the credits from PJM to Dover for Generation Capacity Credit, the Black Start Revenue and the sales by Dover of Emission Allowances.