

Responses to Questions Submitted to Dover through January 20, 2006

The questions and answers are sorted according to the following broad categories:

- Clarifications to the RFP
- Budgets
- Documents
- Environmental
- Labor
- Operational Matters
- Power Supply Proposals
- Renewable Portfolio Standards

Clarifications to RFP

Q. Will Duke Energy Operating Services LLC (DEOS) be rebidding to operate the generation?

A. No.

Q. What do you mean by run to failure and what is the condition of Units 1 and 2.

A. First, Units 1 and 2 are fully operational and Dover is not aware of any condition that would suggest either unit is subject to an immediate or catastrophic failure. Second, Dover would expect an operator to maintain, exercise, and operate the units in a prudent manner. Third, because of the age of the equipment, if a major component failed or if a substantial maintenance expenditure was required, Dover most likely would decide against making a significant capital investment to restore the equipment.

Q. What is the Delivery Point for purposes of the RFP?

A. The Delivery Point is to the Conectiv DPL Zone, Dover Aggregate, 230 kV.

Q. The RFP requires the offerors to follow the format of Exhibit B, but this format seems to apply primarily to offers for "Integrated Operation-Dispatch of Dover Generation and Power Supply." If a section does not apply to the type of proposal being submitted, should the offeror state, "Not Applicable"?

A. Yes.

Q. A supply RFP issued by DEMEC includes Dover's load. Why is Dover running a parallel RFP?

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A. One of Dover's primary objectives is to optimize the value of the Dover Generation and integrate it with a good power supply arrangement. Dover still has outstanding debt on its generating facilities and, therefore, would prefer to find a means to add value from the generation to service that debt. In the event that Dover does not receive an acceptable proposal, Dover may utilize the services of DEMEC to bridge its power supply requirements. However, at this time, Dover's efforts are aimed at obtaining the best possible power supply and plant operating agreement through its RFP that was issued on January 4, 2006.

Q. What is the mailing address for the proposal?

A. See below:

City of Dover
C/o Betts & Holt
West Tower – 10th Fl.
1333 H St., NW
Washington DC 20005

Q. Will there be a public opening of the proposals?

No. Proposals will be received and evaluated by the City's consultants. A proposal may be subject to further clarification or negotiations.

Q. Will the proposals be kept confidential?

A. Dover must comply with Delaware's Freedom of Information Act. Suppliers should review the provisions regarding "trade secrets and commercial and financial information" of a "confidential nature" and to address their submissions accordingly.

Q. Will you publish a list of who intends to submit proposals?

A. No.

Q. Please describe in more detail the "competitive negotiation" process and how "Best and Final Offers" are expected to be done.

A. During the initial evaluation, Dover may issue questions and clarifications to offerors. It may amend the RFP to ensure that proposals are submitted with consistent terms and conditions, and then Best and Final Offers from offerors for a particular operating model or specific terms and conditions.

Q. Are there any plans to invite short-listed proponents to meet in Dover and make presentations to the City?

A. Not at the present time.

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Q. There appears to be a short period for legal counsel and others to review and finalize contracts with the City of Dover. (a) Would it be possible for us to receive proposed drafts of contracts in the near future to allow time for our review? (b) Is it permissible for our counsel to contact Betts & Holt directly?

A. Yes to both questions (a) and (b).

Q. Please confirm whether the combustion turbine at VanSant is Unit 4 or Unit 11.

A. The VanSant combustion turbine is a GE Frame 6B and the correct designation is Unit 11.

Budgets

Q. Will the O&M budgets be made available?

A. Dover has obtained O&M costs for the three preceding years from Duke. These documents have been posted on the Dover Energy RFP webpage. The documents reflect actual, not budgeted expenses, for each period. The reader should not assume that they include all the expenses customarily assigned to O&M due to the manner in which the Dover-Duke Agreement allocates financial liability to Dover or to DETM.

Documents

Q. List of assets (beyond the generating equipment) that will remain after June 30, 2006, such as vehicles, other mobile equipment, computers and IT (information technology) services (including the IT and voice communications required by PJM's Generator Operating Requirements).

A. The 2005 year-end parts inventory will be posted on the RFP web page. There is a forklift, crane, and other equipment appurtenant to plant operations. Duke does not intend to remove any equipment from the site.

Q. Is it possible to view the current contract between the City of Dover and Duke Energy?

A. A copy of the contracts (power supply and O&M) is available for review in the Dover Electric office, 860 Buttner Pl., Dover, DE.

Q. Is it possible to view the operating permits and licenses?

A. Yes. These are available in the Dover Electric office. Permits are held in the Dover's name.

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Q. Will you make boiler inspection reports available?

A. Yes. These are available in the Dover Electric office.

Q. Is there a consulting engineer's report for bondholders?

A. Yes. The link to the Engineers Report, as well as the past two years CAFR, is:
<http://www.cityofdover.com/departments/finance/documents/>

Environmental Matters

Q. Is the operator or Dover responsible for environmental compliance?

A. Duke is responsible for complying with environmental regulations and laws and has provided staff to address regulatory matters. Dover does not have a dedicated persons assigned to power plant environmental compliance.

Q. Are there any pending air quality violations?

A. No.

Q. Are the generating plants subject to any law or regulation that would require a significant capital expense to continue operating the generating plant?

A. Dover cannot identify a specific compliance matter at this time, although there have been regulatory proposals from time to time that could affect the operating feasibility of the generating plants.

Q. Will there a site condition assessment done prior to a new operator assuming responsibility at the plants?

A. Yes. Dover will conduct a Phase 1 study.

Labor

Q. Is an organizational chart available?

A. It is now posted on the RFP web page.

Q. Is there a union contract?

A. Yes, with the IBEW. It is now posted on the RFP web page.

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Q. Who is the current employer for plant employees?

A. The Plant Manager and O&M Superintendent are employed by Duke Energy. All other employees are employed by DEOS. Dover is NOT the employer.

Q. Will the O&M contractor be expected to employ the union employees?

A. The RFP does not establish this requirement, but it does ask for a personnel plan.

Q. What levels of plant management are excluded in the union contract (i.e., Plant Manager, Operations Manager, Maintenance Manager, EHS Manager, Plant Engineers, Shift Supervisors, etc)?

A. The General Manager and the leadership team are exempt employees (a total of 10 people). IBEW represents sixteen operators, one lab tech, and seven maintenance personnel.

Q. When does the union contract expire?

A. June 30, 2006.

Q. Are there any unfilled positions at this time?

A. Yes. One engineer position due to a promotion.

Q. Are there any legacy benefit obligations?

A. No.

Q. Are there any employees on leaves of absence?

A. No.

Q. Are there recorded injuries at the generating plant?

A. DEOS reports that it has had no recordable injuries during the current fiscal year (July-June). In the ten year history, there were approximately seven recordable injuries, of which only three resulted in lost time.

Operational Matters

Q. Where can an offeror obtain information about PJM obligations?

A. www.pjm.com.

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Q. Does Unit 11 have black start capability?

A. Yes.

Q. Do any units participate in the PJM Regulation Market?

A. No.

Q. Are the units AGC- (automatic generation control)-equipped?

A. No.

Q. Does Dover Generation provide spinning reserve to the pool or any other such services?

A. Not at this time.

Q. Can switching from oil-fired operation to gas (or vice versa) take place without shutting down any of the units?

A. Yes. See Operating Specifics Dover Generation on the website.

Q. Does Duke Energy currently act as the City of Dover's agent (i.e., being a Member of PJM)?

A. Yes. DEOS operates the power plant, but Duke Energy Trading & Marketing (DETM) arranges for the dispatch, PJM coordination, and fuel dispatcher and supplier. Dover is a PJM member and Duke Energy acts as Dover's agent.

Q. Will DEOS provide its operating and safety manuals from the generating plants to the next plant operator?

A. DEOS has agreed to provide the most current operating and procedures manual and the safety manual at the plant. The manuals are currently in book form; if there is a current electronic version, it will be provided also.

Q. Would the O&M provider be responsible for any transmission or distribution assets?

A. No.

Q. Are there written agreements for electric, water, and sewer applicable to the generating stations?

A. No.

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Q. Does Dover have any fuel supply contracts?

A. Dover does not have any fuel supply contracts.

Q. Are there any contracts for plant security?

A. No.

Q. What system does the plant use for computerized maintenance software?

A. Maximo. It will remain at the plant. Under the Duke contract, Dover should have title to this asset. The maintenance history from 1998 to the present is computerized and will remain on-site. Records prior to 1998 were not computerized

Q. Is there a long-term service agreement for the GE Frame 6B CT?

A. No.

Q. When was the last major, hot gas pass and combustion inspection carried out?

A. Fall 2004.

Q. Is there a lease agreement in effect for the gas turbine (wherein the original equipment manufacturer loans a replacement unit while the Dover unit is undergoing major maintenance or repair)?

A. No.

Q. Status of NO_x emissions for the two plants: (i) Do they generate credits or require the purchase of credits? (ii) What is the current balance of credits, if applicable?

A. The plants have adequate allowances to cover operations as the plant is presently operated. To view the available credits, go to www.epa.gov/airmarkets/tracking/index.html.

Q. Does Dover have a forward looking dispatch schedule?

A. No.

Q. Can Dover dispatch the units outside of PJM control?

A. Dover is a member of PJM and has agreed to comply with PJM standards and requirements.

Q. Is Dover's T&D system included in the O&M proposal?

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A. No.

Power Supply Proposals

Q. How will Dover address the price risk between the request for final offers and execution of the contract?

A. Recognizing the potential for market change, Dover will establish a means for confirming acceptability of contract terms and a means for determining acceptable range for pricing.

Renewable Portfolio Standard Requirement:

Q. Are O&M proposals expected to satisfy a renewable portfolio standard?

A. No.

Q. Must a full requirement proposal meeting the renewal portfolio standard?

A. Yes. It should include a component that complies with the Delaware RPS.