

**ROCHELLE CITY COUNCIL
REGULAR MEETING 5/26/2020
AGENDA ITEM NO. 9**

SUBJECT: Resolution Authorizing the Execution of a Third Amendment to the Asset Purchase Agreement between the City of Rochelle and Commonwealth Edison Company, an Illinois Corporation

Staff Contact: Jason Bird

Summary: Rochelle currently owns approximately 20 miles of 138 kV transmission lines and associated substation facilities at Caron Road and Twombly (Substation #2). Since August 1, 2015, RMU has operated these facilities as a transmission owner (“TO”) under the applicable tariff and related agreements of PJM Interconnection, LLC (“PJM”). As a PJM TO, Rochelle recovers an annual revenue requirement for its transmission facilities, which allows Rochelle to recover all necessary transmission-related expenses, including transmission O&M, A&G, taxes, insurance, and depreciation, earn a return on transmission rate base and recover a Payment in Lieu of Taxes.

The transmission function has served Rochelle well by enabling the City to meet PJM reliability requirements and regional compliance obligations, with the necessary cost being shared by customers throughout the applicable transmission zone rather than solely by RMU customers. However, RMU’s primary focus as an electric utility is on providing electric distribution service to retail and commercial customers, not the provision of transmission-related services. In order to better enable RMU to meet current operational needs and better situate it to meet potential future needs, RMU issued a request for proposals on July 12, 2017, to explore opportunities either for a transmission-related strategic partnership, or an outright sale of its transmission assets to a transmission-focused company.

Rochelle received competitive proposals from six respondents, four of which were bids for an outright sale of RMU’s transmission assets. These proposals were evaluated by RMU staff and its consulting team and follow-up interviews were conducted with four of the respondents. The results of these evaluations have been shared with council members over the course of two executive sessions, most recently on November 13th.

After consideration, RMU and staff recommended that the council authorize the City Manager to execute a Letter of Intent (“LOI”) and enter into negotiations over a potential definitive agreement with Nextera Energy Transmission MidAtlantic LLC (“NEET”). Resolution 17-24 was approved by City Council on November 27, 2017 and then the parties subsequently negotiated the Asset Purchase Agreement for the City’s transmission assets.

On December 9, 2019, City Council authorized the assignment of NEET’s contractual rights to Commonwealth Edison Company and a Second Amendment to the Asset Purchase Agreement. That amendment included revisions to the Agreement, as well as the ancillary agreements that are related to the transaction, such as the interconnection agreement and the franchise ordinance.

In preparation of the closing of this transaction, a Third Amendment to the Asset Purchase Agreement is necessary to address closing items, certain real estate issues, and final revisions to closing documents.

Additionally, the agreement calls for the sale of revenue meters, which should have been included in the initial list of assets to be transferred to Commonwealth Edison Company. The Third Amendment does not impact the consideration for the assets being paid to the City.

Recommendation: Approve a Resolution Authorizing the Execution of a Third Amendment to the Asset Purchase Agreement between the City of Rochelle and Commonwealth Edison Company, an Illinois Corporation

Supporting Documents

Resolution Authorizing the Execution of a Third Amendment to the Asset Purchase Agreement between the City of Rochelle and Commonwealth Edison Company, an Illinois Corporation
Third Amendment