



**Franklin City Council Agenda  
November 25, 2024  
Council Chambers  
207 West Second Avenue  
Franklin, Virginia 23851**

**6:00 P.M. Work Session**

**CALL TO ORDER. . . . . MAYOR ROBERT L. CUTCHINS**

1. Presentation: RFP Results & Capital Planning Update
2. Presentation: Approval Request for VMEA Battery Energy Storage System Agreement
3. Discussion: Property Tax Exemption for Fire & EMS
4. Adjournment

**\*\*Agenda subject to change**

# City of Franklin, Virginia

## RFP Results & Capital Planning Update



November 25, 2024

Member NYSE|FINRA|SIPC

# Background

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- Davenport & Company LLC (“Davenport”) has served as Financial Advisor to the City of Franklin (the “City”) for over two decades.
- As independent advisors, we do not recommend particular projects but rather evaluate the affordability of said projects, the impact on the City’s finances, financial policies, credit ratings, etc.
- Since 2022, Davenport has been working closely with City Staff to develop a Multi-Year Plan of Finance to address the City’s Capital Needs, particularly as it pertains to the Courthouse and Armory projects.
  - The first step in the Multi-Year Plan of Finance was securing approximately \$7 million in funding for the Courthouse and Armory Projects; and,
  - The City obtained this \$7 million via the issuance of the Series 2023 Bonds in December of last year.
- The Plan of Finance then contemplated borrowing a second tranche of \$7 million on or about the fall of this year.
- However, as project cost estimates, design specifications, and other capital considerations have continued to evolve, Davenport and have Staff have adapted this plan to meet the City’s new Capital Needs.

# Background (cont.)



- While the construction timelines and project costs are not final, the cost estimates for the Courthouse and Armory project have increased from previous estimates, and the City has identified the need for an additional \$1 million of funding for the Public Safety Radio System project.
  - Additionally, the City has now secured a \$2.5 million HUD Grant to offset some of the Armory project costs;

- The City’s new Capital Needs, incorporating the updated project costs and HUD grant have been summarized below:

Summary of Capital Needs	
	Amount
<b><u>Updated Project Costs</u></b>	
Courthouse	\$ 6,100,000
Armory	10,500,000
Radio System	<u>1,000,000</u>
<b>A</b> Total Project Costs	<b>\$ 17,600,000</b>
<b><u>Funds on Hand</u></b>	
Proceeds on Hand from 2023 Bonds	\$ 7,000,000
HUD Grant Funding for Armory	<u>2,500,000</u>
<b>B</b> Total Funds on Hand	<b>\$ 9,500,000</b>
<b>C = A - B</b> Future Borrowing Needs	<b>\$ 8,100,000</b>

- With the change in Capital Needs, Davenport worked with City Staff to develop an updated Plan of Finance, which would allow to City to strategically layer in the Future Borrowing Needs

# Updated Plan of Finance

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- Since the final construction timeline and cost of the Courthouse and Armory projects are still uncertain, Davenport recommended the City seek an interim Credit Facility for the remaining borrowing needs.
- An interim Credit Facility would allow the City to fund the remaining \$8.1 million of Capital Needs on an “as-needed” basis until the projects are completed and final costs are known.
- Further, the Credit Facility would also allow the City to fund the increase in borrowing needs within the same dollars as the previous Plan of Finance;
  - As previously presented to City Council, the City needed to raise approximately \$250,000 in additional revenues per year for four years to fund its Capital Needs; and,
  - Incorporating the Credit Facility, Davenport estimates this figure will remain the same – even with the increase in borrowing needs.
- In October, Davenport distributed a Request for Proposals (“RFP”) for this interim Credit Facility to local, regional, and national lending institutions on behalf of the City.
- Herein, Davenport has summarized the results of this competitive bidding RFP process;
  - Note: City Council is not being asked to take action on the interim Credit Facility tonight. The presentation herein is meant to appraise City Council of the results of the RFP process. City Council will be asked to take action on the interim Credit Facility at a Public Hearing on December 9<sup>th</sup>.

# Summary of Bids Received

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- Davenport received five proposals for the interim Credit Facility;
  
- Webster Bank provided the most favorable proposal for the City’s interim Credit Facility
  - Under the proposal, the 2024 Note would carry a 3.445% interest rate – over 1.50% below the planning rate of 5.00%.
  
  - Further the Credit Facility would be prepayable, without penalty, beginning in November of 2026, and carry no restrictions regarding the investment of the proceeds.
  
  - Currently, by investing the proceeds in VA SNAP, the City could earn well over 4.50% - offsetting some of the borrowing cost.
  
- Truist Bank also provided a competitive proposal for the interim Credit Facility; however, at this time, we project the Webster Bank option would provide the City with a lower total cost of borrowing.
  
- On the following page we have provided a summary of the Webster Bank Proposal. A full summary of each proposal received may be found in the appendix of the presentation,

# Summary of Top Proposal



## Webster Bank

### Series 2024 Note

Amount: \$8.3 million or \$14.3 million

Interest Rate: 3.445% (Fixed)

Structure: BAN (i.e., All Proceeds Drawn at Closing)

Prepayment: The 2024 Note is not callable until November 1, 2026. On or after November 1, 2026, the Note is prepayable, in whole, without penalty.

Security Type: General Obligation

Fully Credit Approved? No – subject to final credit approval by the Bank.

# Recommendation & Rationale

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- In the event the City wishes to move forward with the 2024 Note, Davenport’s recommended proposal is the 3.445% fixed-rate BAN option from Webster Bank. This recommendation is based upon the following.
  - The 3.445% proposal from Webster Bank was the lowest prepayable fixed rate received for the BAN option (Note: the capital planning for the Credit Facility assumed a 5.00% rate);
    - The 3.445% interest rate is also lower than the Truist interest rate (3.580%);
  - While all proceeds will be drawn at closing, the City could invest these proceeds to mitigate the interest costs;
    - Factoring in interest earnings, the Webster proposal is projected to have the lowest total cost of borrowing of all prepayable proposals (including the Line of Credit Options); and,
  - The proposal allows for prepayment before final maturity with no penalty.



# Next Steps



Date	Task
September 19 <sup>th</sup>	✓ Davenport distributes Request for Proposals for the Interim Financing to local, regional and national banking institutions.
October 3 <sup>rd</sup>	✓ RFP responses due back to Davenport for Interim Financing
November 25 <sup>th</sup>	<u>City Council Meeting</u> <ul style="list-style-type: none"><li>▪ Davenport presents Interim Financing RFP results/recommendation to City Council.</li></ul>
December 9 <sup>th</sup>	<u>City Council Meeting</u> <ul style="list-style-type: none"><li>▪ City holds Public Hearing for Interim Financing.</li><li>▪ City Council considers approval of the Interim Financing and the winning bidder(s).</li></ul>
By December 13 <sup>th</sup>	Close on Interim Financing.



# Appendix A – Detailed Summary of Proposals

# Detailed Summary of Proposals

## Draw Down Line of Credit Option



	Truist				JP Morgan		
	Fixed Rate		Variable Rate		Variable Rate		
Par Amount	\$8,300,000	\$14,300,000	\$8,300,000	\$14,300,000	\$8,300,000	\$14,300,000	
Interest Rate	3.580%		79% of the sum of 1 Month Term SOFR plus 129.1 bps.		116 bps over 80% of one-month adjusted Term SOFR	120 bps over 80% of one-month adjusted Term SOFR	121 bps over 80% of one-month adjusted Term SOFR
Current Rate (Variable)	N/A		4.836%		5.104%	5.144%	5.154%
Tax Status	Tax-Exempt (Does not Specify BQ)				Tax-Exempt BQ	Tax-Exempt NBQ	
Maturity Date	1/15/2028				1/15/2028		
Prepayment Provisions	Prepayable without penalty two years after closing.		The Lender will allow prepayment without any penalty at any time prior to the Maturity Date.		The Facility may be prepaid, in whole or in part, without premium or penalty if paid on any SOFR interest reset date. Any prepayment on any date other than the SOFR interest reset date is subject to breakage costs payable by the Issuer.		
Prepayment Penalty	No penalty after two years.		N/A		Breakage costs if not paid on interest rate reset date		
Lender's Counsel	Williams Mullen				Kutak Rock		
Bank Fees	\$13,500				\$30,000		
Credit Approval Status	Conditionally approved and final approval can be obtained in 3-5 business days				Should the Issuer request financing substantially on the terms and conditions described in this Term Sheet, the Purchaser's credit decision would be made promptly after receipt of such request and completion of due diligence.		
Allows for Later Closing	Yes				Yes		
Other Considerations	<ul style="list-style-type: none"> <li>Annual Financial Statements within 270 days of fiscal year end</li> <li>Annual budget within 30 days of adoption</li> <li>The Default Rate shall be the Truist Prime Rate + 4%</li> <li>The Series 2024 Bond will not include acceleration rights or a Most Favored Nation provisions.</li> <li>The Series 2024 Bond will include customary cross default provisions.</li> </ul>				<ol style="list-style-type: none"> <li>Receipt of audited, comprehensive financial statements within 270 days of the fiscal year end.</li> <li>Additional information as reasonably requested by the Purchaser.</li> <li>Yield Protection</li> </ol>		

# Detailed Summary of Proposals

## BAN Option



	Webster		Huntington	
	Fixed Rate		Fixed Rate	
Par Amount	\$8,300,000	\$14,300,000	\$8,300,000	\$14,300,000
Interest Rate	3.445%		3.610%	
Current Rate (Variable)	N/A		N/A	
Tax Status	Tax-Exempt (BQ or NBQ Does not change rate)		Tax-Exempt (Does not Specify BQ)	
Maturity Date	11/1/2027		1/15/2028	
Prepayment Provisions	Closing through 10/31/2026: No Call 11/1/2026 through Maturity: Callable at par		The Note is subject to prepayment anytime without penalty, in whole but not in part, at a price of par plus accrued interest.	
Prepayment Penalty	No prepayment penalty on or after 11/1/2026.		No penalty	
Lender's Counsel	Gilmore & Bell		Not specified	
Bank Fees	\$5,000		\$3,000	
Credit Approval Status	The Bonds are subject to final credit approval by Webster Bank and the negotiation of mutually acceptable documentation. For due diligence, the Lender will require three (3) most recent audited financial statements, its most recently adopted budget, and any other information that Lender may reasonably require.		The terms set forth herein reflect a proposed, preliminary structure and are subject to Huntington's review and acceptance of documentation.	
Allows for Later Closing	Yes		Yes	
Other Considerations	Funds may be escrowed at a Bank/in a manner of the City's choosing at closing. No restrictions on how the funds will be escrowed.		Funds may be escrowed at a Bank/in a manner of the City's choosing at closing. No restrictions on how the funds will be escrowed.  If the Note has not closed by November 7, 2024, then the Interest Rate and payment will be adjusted to maintain Huntington's economics as of the date of issuing this Term Sheet.	

# Detailed Summary of Proposals

## BAN Option (cont.)



	Truist		JP Morgan		Capital One	
	Fixed Rate		Fixed Rate		Fixed Rate	
Par Amount	\$8,300,000	\$14,300,000	\$8,300,000	\$14,300,000	\$8,300,000	\$14,300,000
Interest Rate	3.360%		3.590%	3.630%	3.630%	4.610% 4.440%
Current Rate (Variable)	N/A		N/A		N/A	
Tax Status	Tax-Exempt (Does not Specify BQ)		Tax-Exempt BQ	Tax-Exempt NBQ		Tax-Exempt (Does not Specify BQ)
Maturity Date	1/15/2028		1/15/2028		1/15/2028	
Prepayment Provisions	Prepayment subject to the Lender's standard break-funding terms for fixed rate loans.		Breakage related to our fixed rate is dependent on JPM's treasury desk at the time of break, as our fixed rates are match funded at the time a rate lock/commitment letter is signed. Unfortunately we don't have a way of telling what a break would be in the future.		Non-callable	
Prepayment Penalty	Standard break funding terms (approximately a make-whole call)		See above.		Non-callable	
Lender's Counsel	Williams Mullen		Kutak Rock		None	
Bank Fees	\$13,500		\$20,000		\$0	
Credit Approval Status	Conditionally approved and final approval can be obtained in 3-5 business days		Should the Issuer request financing substantially on the terms and conditions described in this Term Sheet, the Purchaser's credit decision would be made promptly after receipt of such request and completion of due diligence.		This is not a commitment; rather, the funding of the Loan will occur only after, among other things, (i) COPF's internal credit and committee approvals, and (ii) COPF, the Borrower, and their respective counsels are fully satisfied with the terms of the Loan documents and all of the terms and conditions contained herein and in the Loan documents have been met.	
Allows for Later Closing	Yes		Yes		Yes	
Other Considerations	<ul style="list-style-type: none"> <li>Annual Financial Statements within 270 days of fiscal year end</li> <li>Annual budget within 30 days of adoption</li> <li>The Default Rate shall be the Truist Prime Rate + 4%</li> <li>The Series 2024 Bond will not include acceleration rights or a Most Favored Nation provisions.</li> <li>The Series 2024 Bond will include customary cross default provisions.</li> <li>Funds have to be escrowed with Truist</li> </ul>		<ol style="list-style-type: none"> <li>Receipt of audited, comprehensive financial statements within 270 days of the fiscal year end.</li> <li>Additional information as reasonably requested by the Purchaser.</li> <li>Yield Protection</li> <li>No specification regarding escrow of funds</li> </ol>		Funds may be escrowed at a Bank/in a manner of the City's choosing at closing. No restrictions on how the funds will be escrowed.	



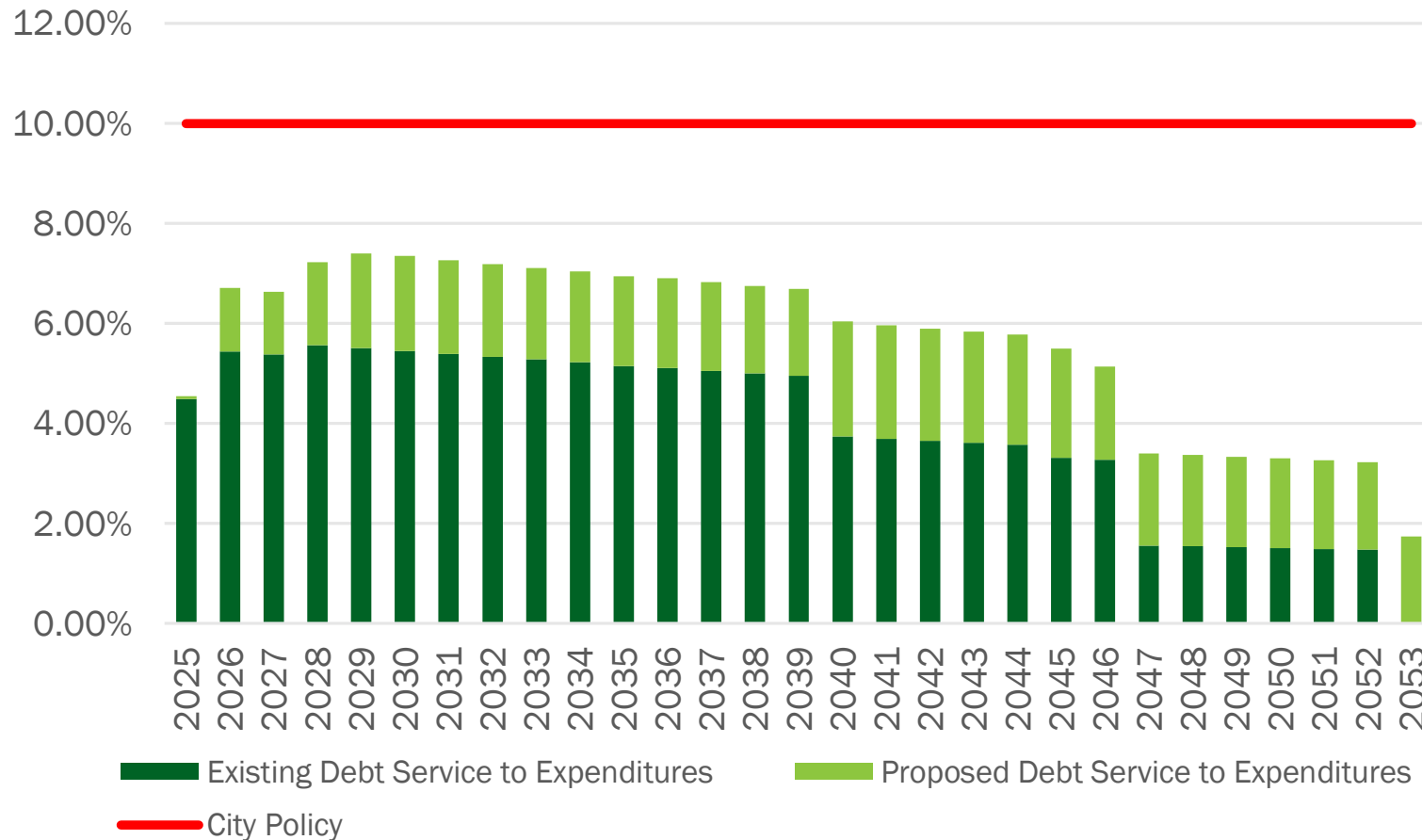
# Appendix B – Impact on the City’s Financial Policies

# Projected Impact on Debt Service as a % of Expenditures

## Interim Credit Facility



Projected Debt Service as a Percentage of Expenditures



Note: Assumes General Fund expenditures grow 1% annually from 2025 Adopted Budget levels beginning in 2026. Debt service estimates are preliminary in nature and subject to change.

# Projected Impact on Debt as a % of Assessed Value

## Interim Credit Facility



### Projected Debt as a Percentage of Assessed Value



Note: Assumes 1% annual growth from the 2024 levels beginning in 2025. Debt service estimates are preliminary in nature and subject to change.





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Version 01/01/2023 AA/SG/KL/DR



# CITY OF FRANKLIN

*Approval Request for VMEA Battery Energy Storage System (BESS) Agreement*

**October 17, 2024**

# AGENDA

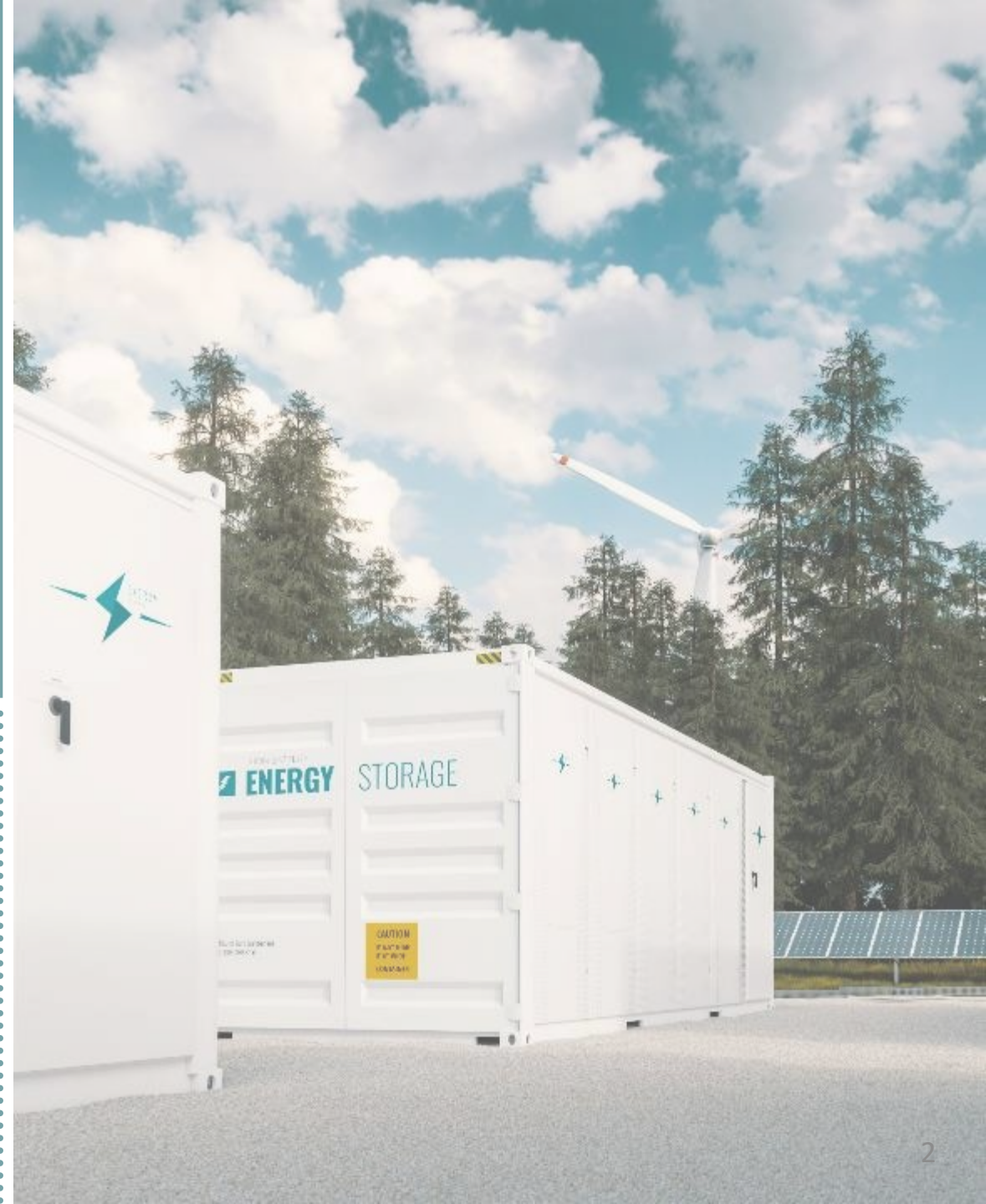
Overview of VMEA

VMEA BESS Process

BESS Benefits

Next Steps / Request Approval

Appendix



# PRESENTATION ACRONYMS

BESS	Battery Energy Storage System
COD	Commercial Operation Date
MW / MWh	Megawatt / Megawatt-Hour
PSA	Power Sale Agreement
SEPA	Southeastern Power Administration
VMEA	Virginia Municipal Electric Association #1
VEPCO	Virginia Electric Power Company

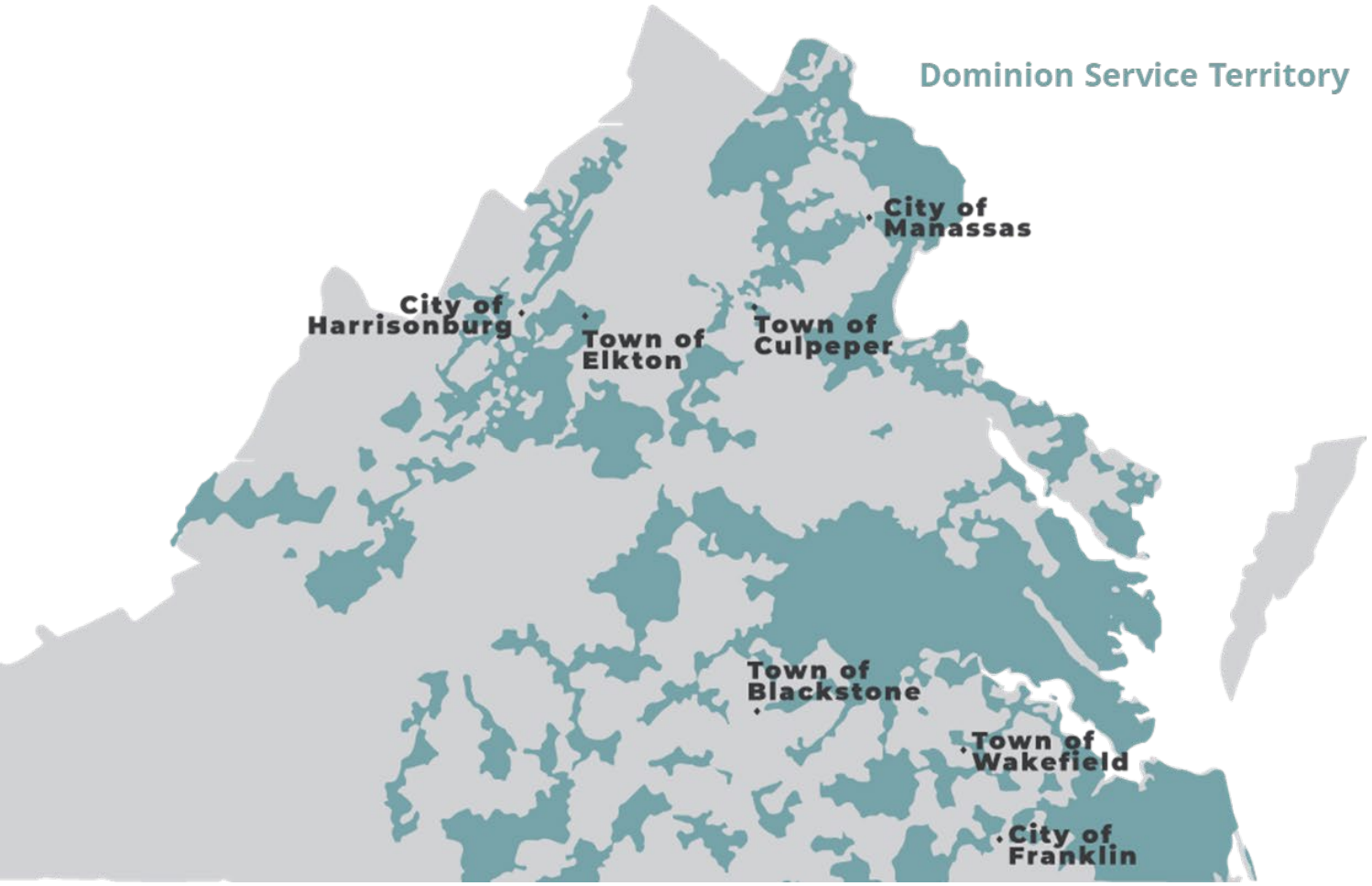
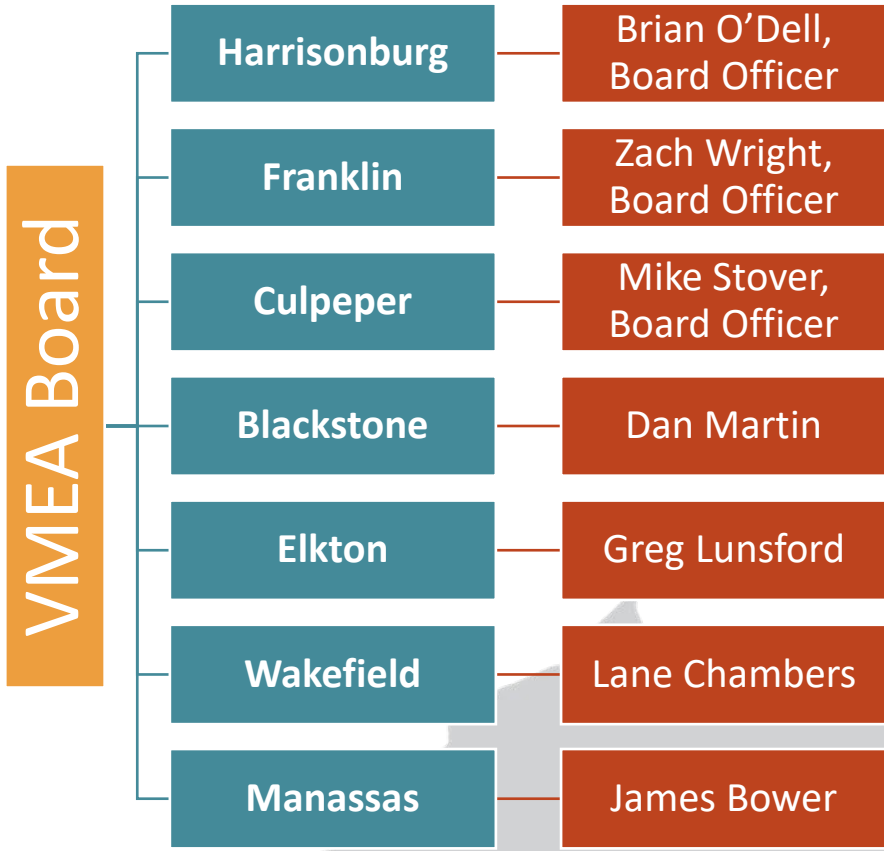
# OVERVIEW OF VMEA

# VIRGINIA MUNICIPAL ELECTRIC ASSOCIATION #1 (VMEA)

- ❑ Formed in 1979 as a nonstock non-profit corporation
- ❑ Created by select municipals to gain negotiating leverage with VEPCO (Virginia Electric Power Corporation)
- ❑ Contractually, VMEA provides power supply and transmission services to its members via:
  - 1988 Generation Agreement
  - 2010 VEPCO PSA
  - 2022 Acorn Solar PPA (for Harrisonburg VA)
- ❑ VMEA is governed by its members

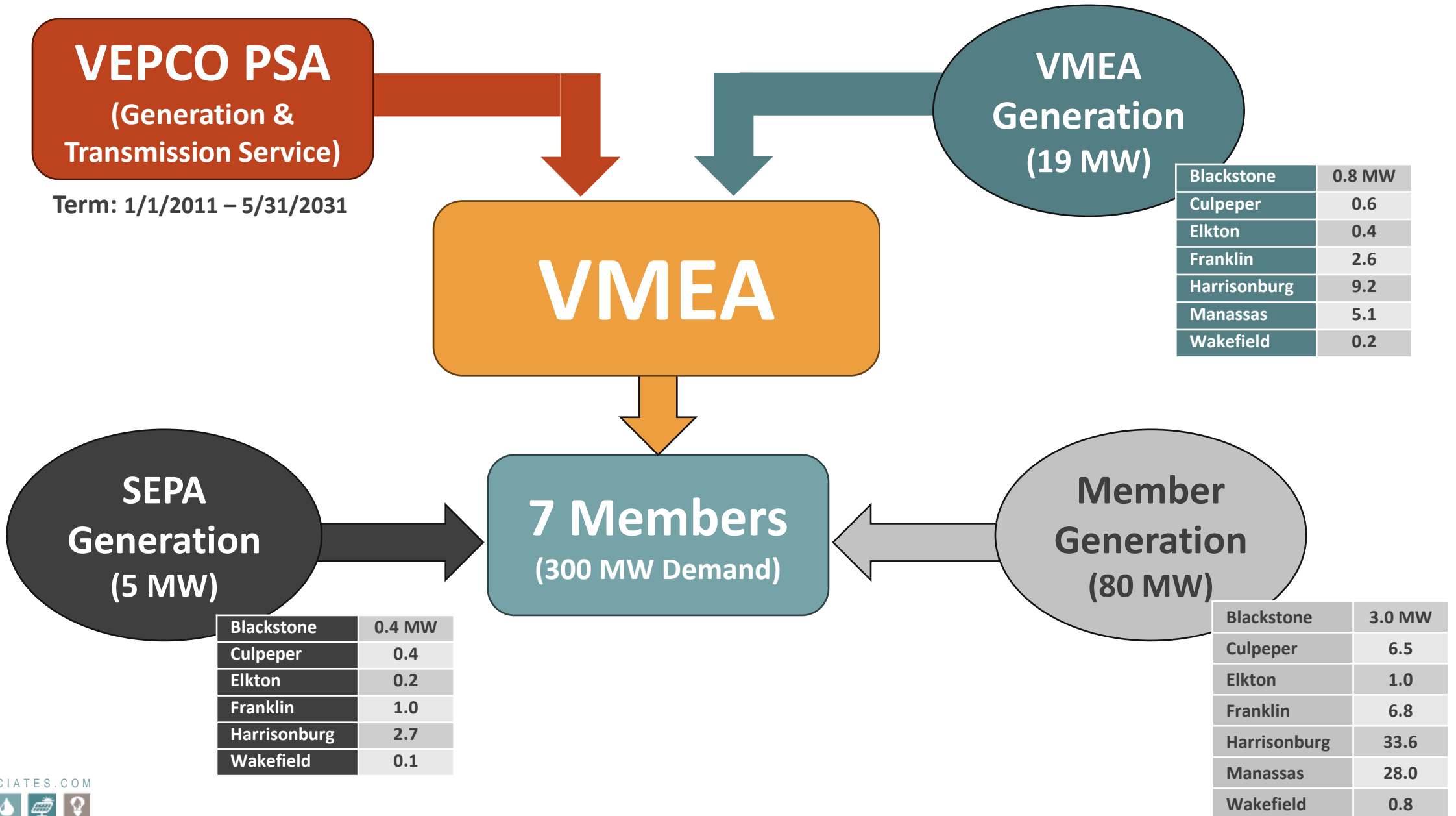


# VMEA GOVERNANCE



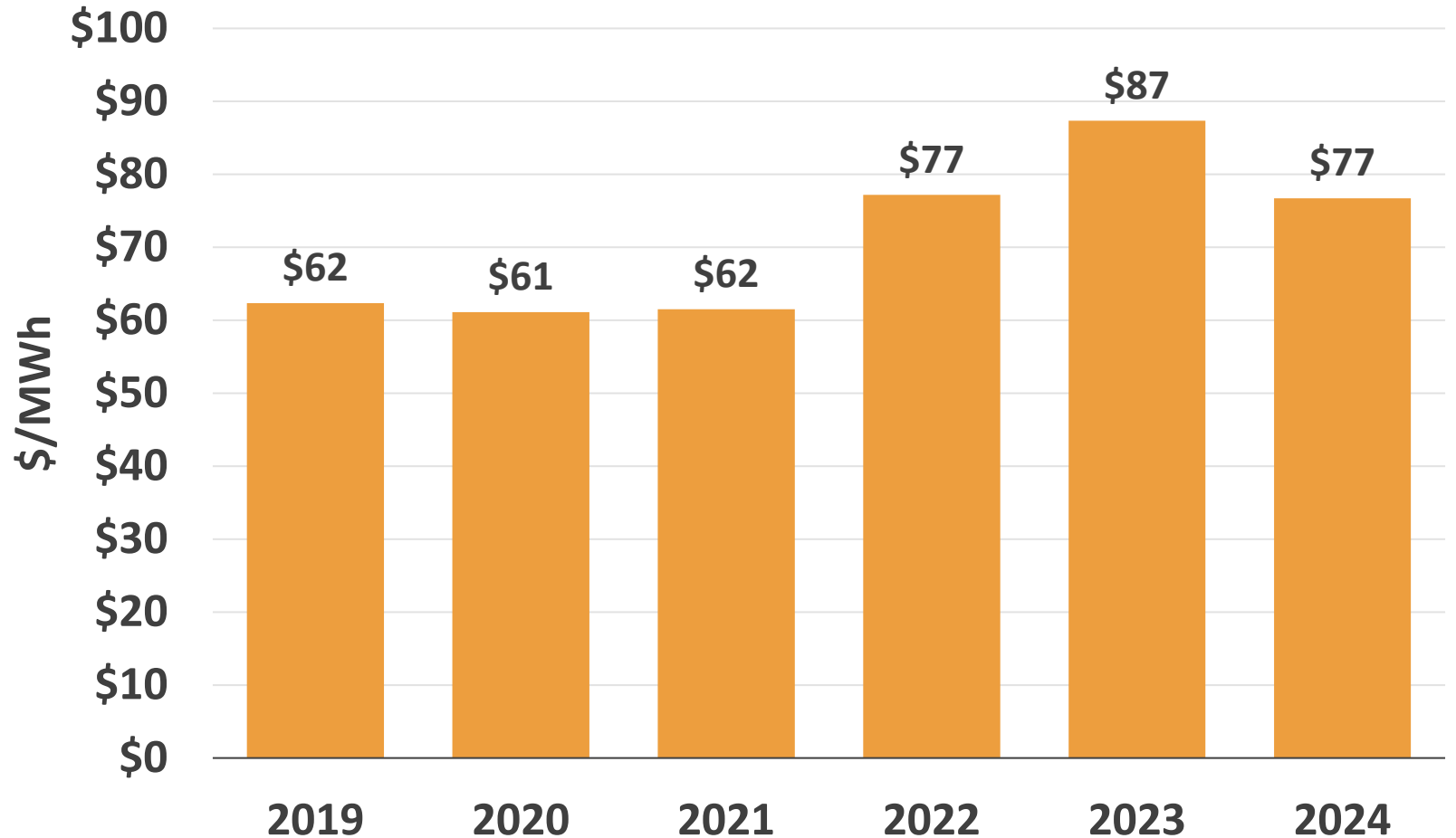


# VMEA ARRANGEMENTS FOR MEMBERS



# VMEA'S HISTORICAL POWER COST\*

- On a monthly basis, VMEA is billed for power, transmission, and 'VMEA generation' related expenses
- VMEA allocates all of its expenses / costs to the members based on their respective load-ratio-share / pro-rata portion of the total
- VMEA retains no margins and has no overhead related expenses
- Historically, VMEA's average annual power cost have been competitive and stable



\*2024 is YTD average cost from January – August 2024

# VMEA BESS PROCESS

# ENERGY STORAGE USES AND BENEFITS

- BESS technology has rapidly developed to support multiple electric industry use-cases
- Because of decreasing capital cost and 2022 IRA benefits, more and more electric utilities are pursuing BESS development
- VMEA has been evaluating potential BESS benefits and cost since 2018

FIGURE 1  
The Value of Storage

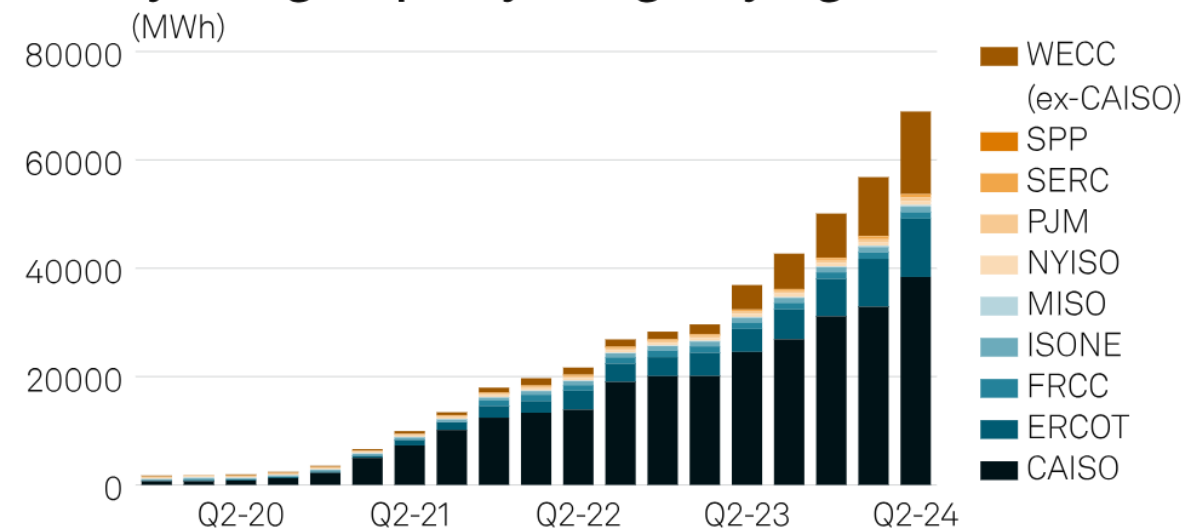


Energy storage technologies have the capacity to benefit each segment of the power system.

© CLEAN ENERGY GROUP

Note: The BESS facility must be recharged from the grid, i.e., it cannot provide long-term power on its own if the overall electric grid system is down.

## Battery storage capacity changes by region



Source: Government filings compiled by S&P Global Commodity Insights

# VMEA BESS PROJECT: WHAT?

2 BESS Facilities:  
7 MW Capacity (Each)  
14 MW Capacity (Total)  
2-Hour Duration



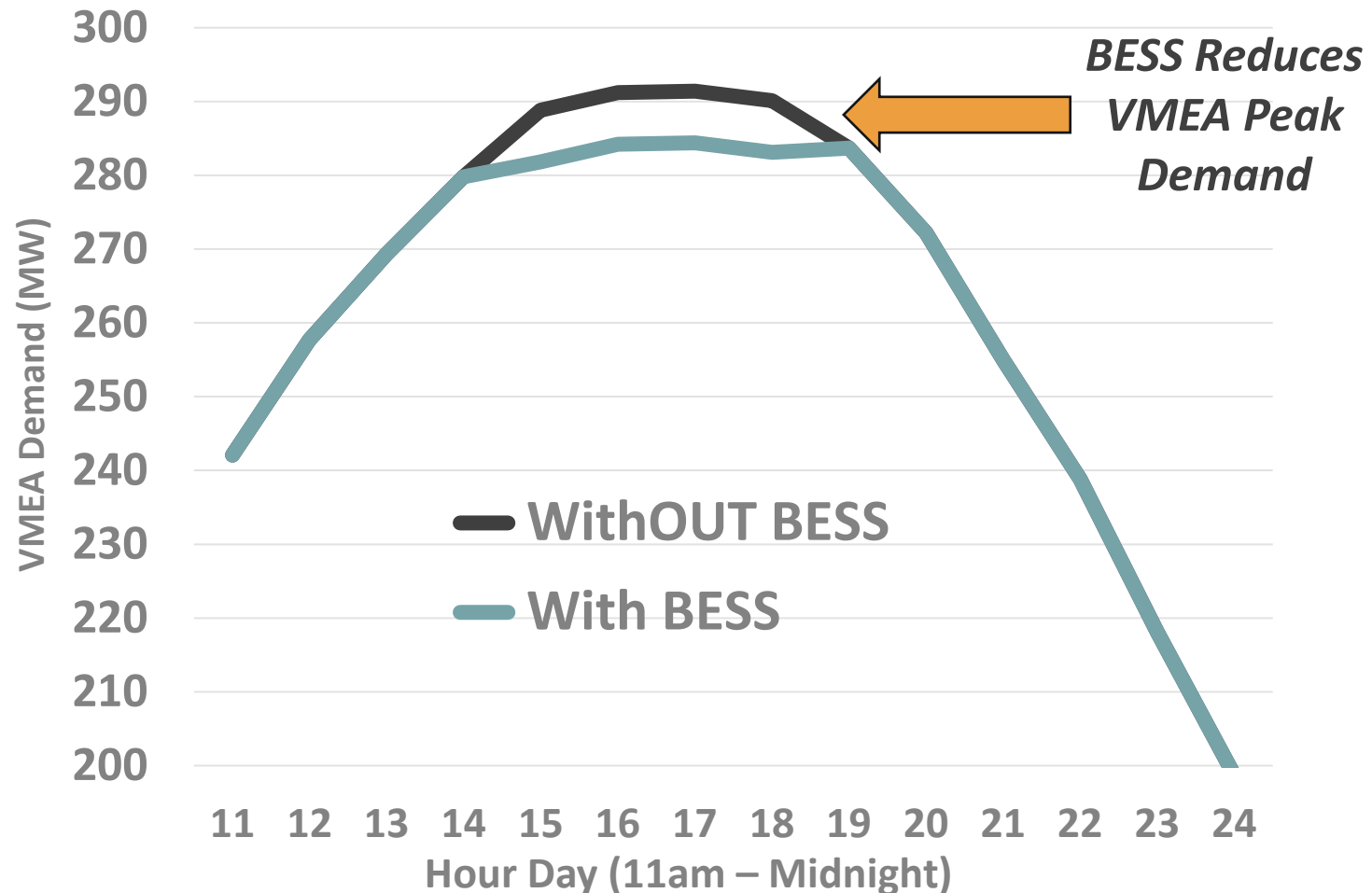
	Allocation (%)	Capacity (kW)
Harrisonburg	48.58%	6,801
Manassas	26.96%	3,774
Franklin	13.62%	1,907
Blackstone	4.44%	622
Culpeper	3.29%	461
Elkton	1.94%	272
Wakefield	1.17%	164
<b>Total</b>	<b>100.00%</b>	<b>14,000</b>

15 Year Agreement with Experienced BESS Vendor

# VMEA BESS PROJECT: WHY?

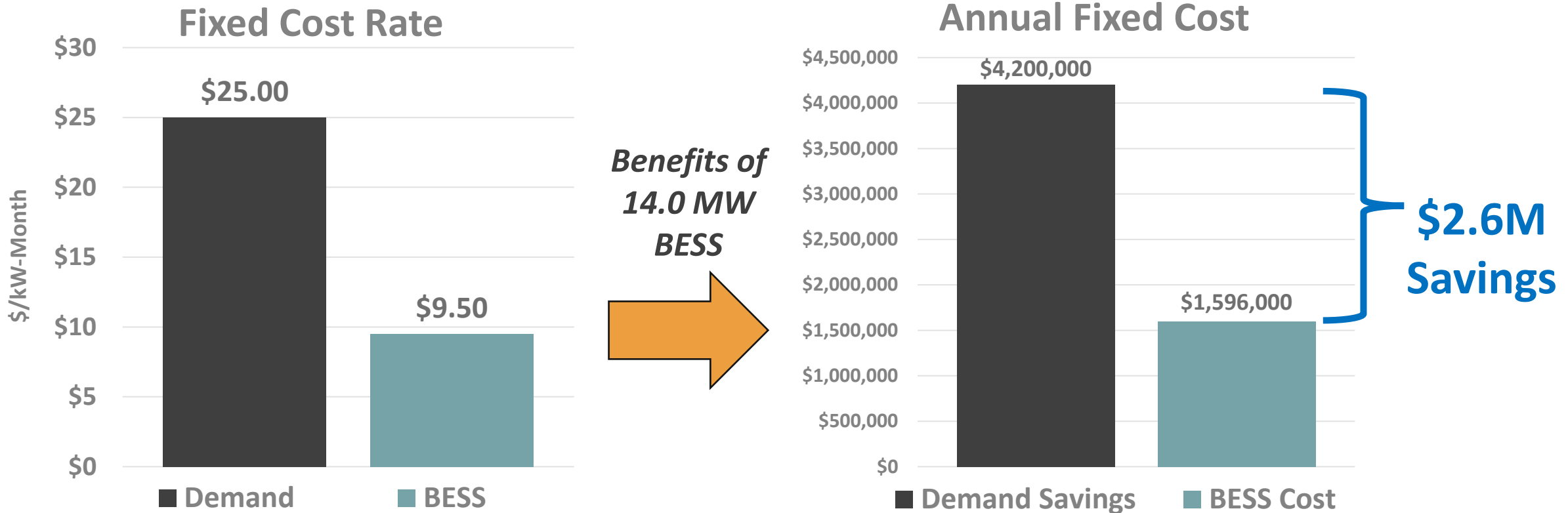
## Lower Power Cost by Reducing Peak Demands

- VMEA pays a significant amount of money every month for demand and transmission related expenses
- Demand and transmission expenses are determined, to a large degree, on VMEA's monthly peak demand
- Utilizing the proposed BESS facility will reduce VMEA's monthly peak demands, which leads to lower demand and transmission charges

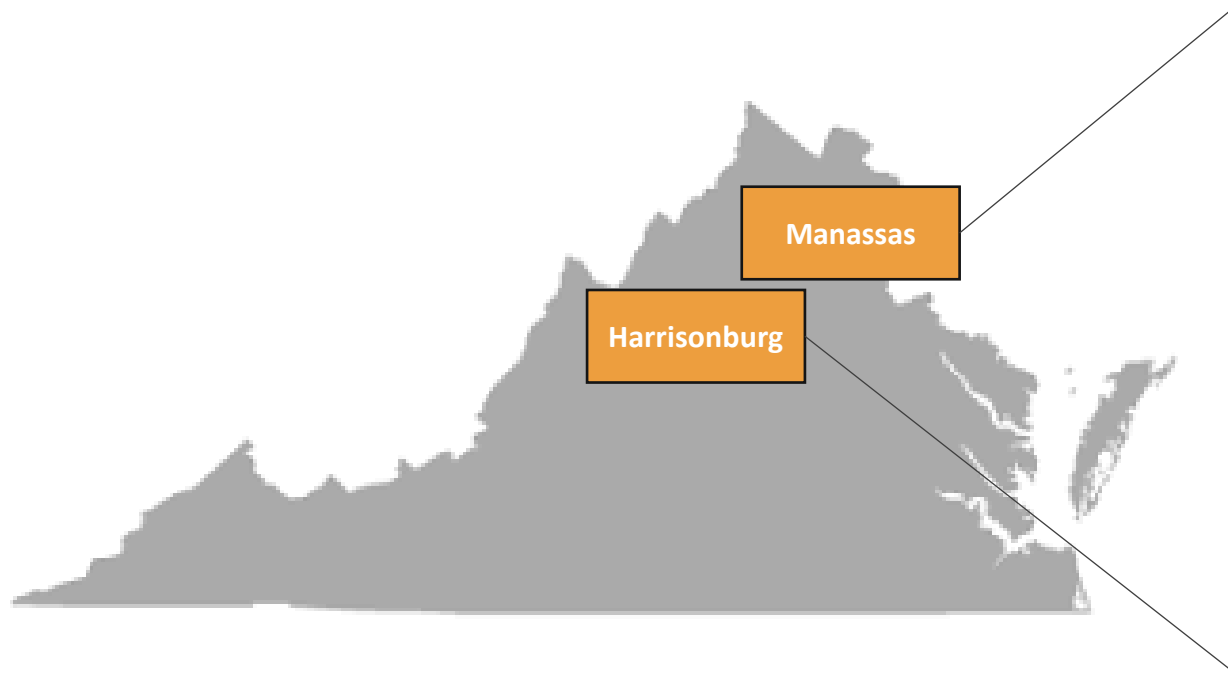


# VMEA BESS PROJECT: WHY? [CONTINUED]

## Lower Power Cost by Reducing Peak Demands



# VMEA BESS PROJECT: WHERE?



**Manassas Church Street Generation Site**

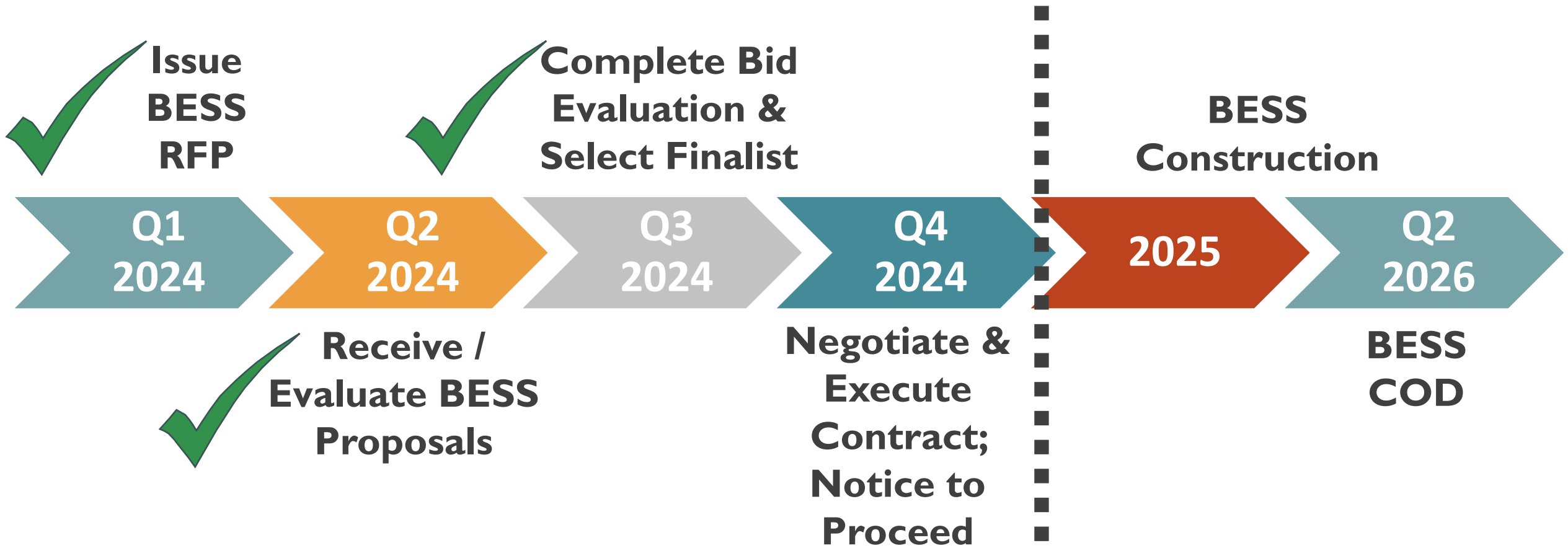


**Harrisonburg Ramblewood Substation**





# VMEA BESS PROJECT: WHEN?



# SUMMARY OF RFP PROPOSALS RECEIVED

- ❑ Issued RFP in March 2024
- ❑ 16 Vendors
- ❑ 35 Proposals
- ❑ Varying Terms and Conditions



AMERESCO

RenewEnergy  
PARTNERS

Bluestem  
ENERGY SOLUTIONS



CITIZENS  
ENERGY  
CORPORATION  
a non-profit energy company

RWE



LIGHTSHIFT  
ENERGY

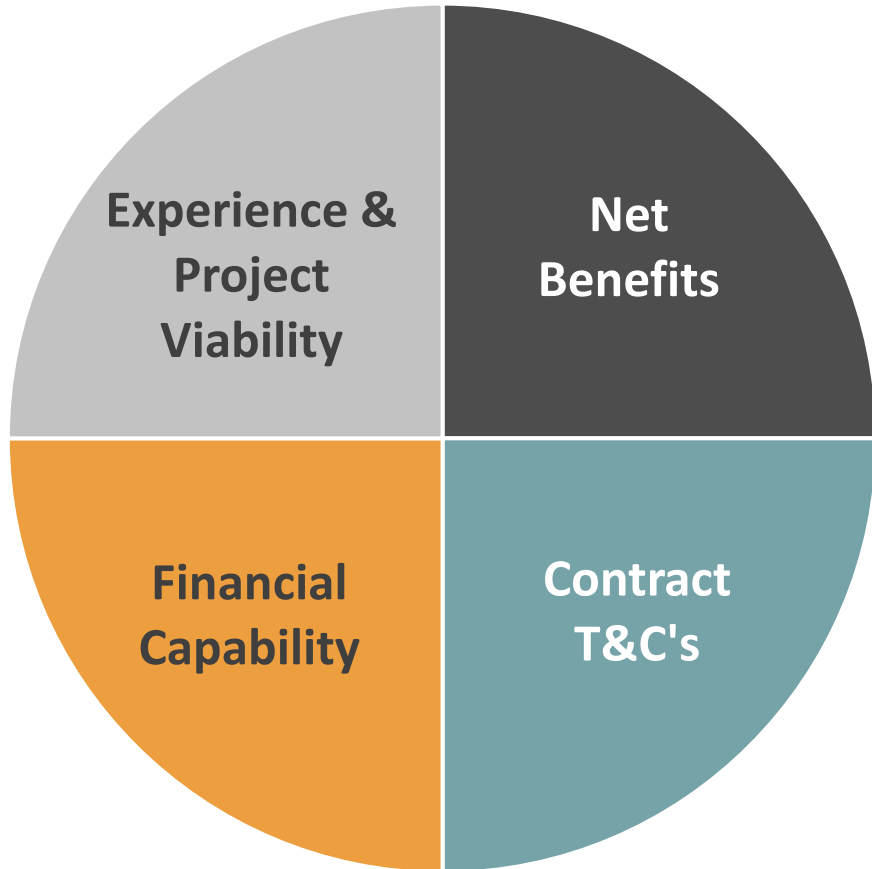


SIEMENS  
ENERGY

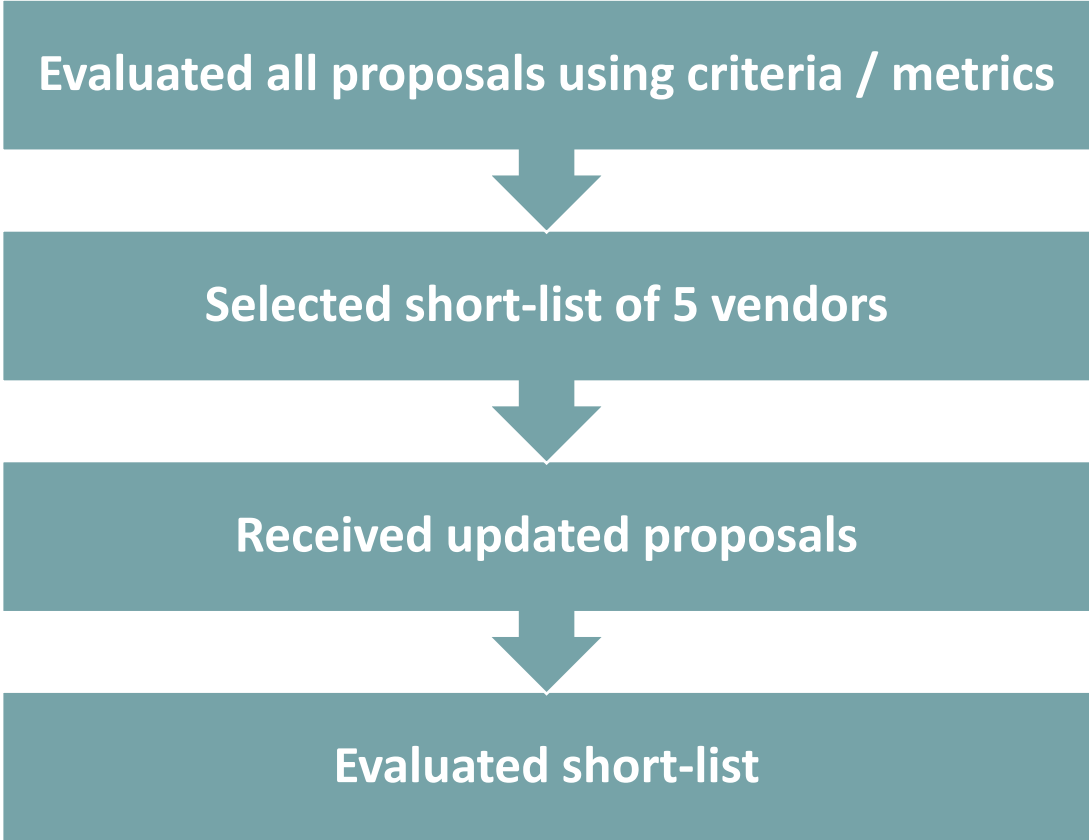
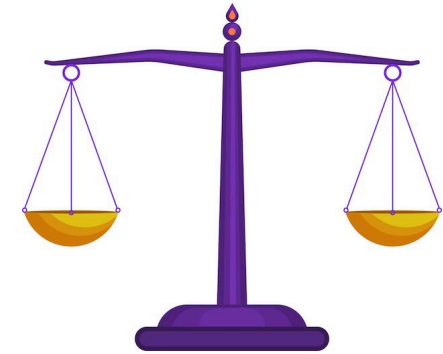


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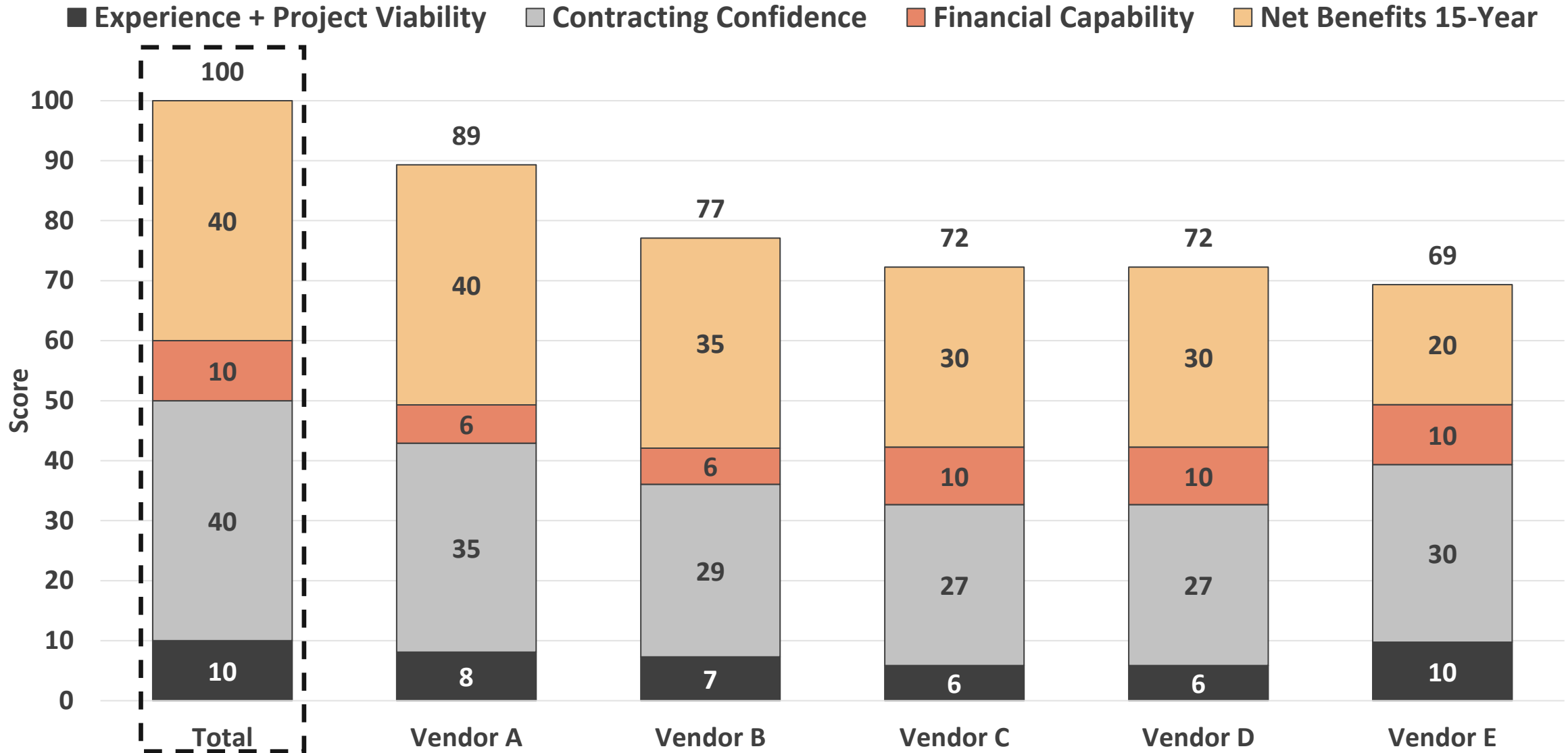
# RFP EVALUATION CRITERIA



**Goal: Best Balance  
of Price & Risk**



# RFP PROPOSAL SCORING FOR SHORT-LIST



# BESS RFP FINALIST & AGREEMENTS

- **VMEA selected RWE as winner of BESS RFP**
  - *Contractual agreement (Tolling Agreement) has been negotiated*
  - *15-year term (starting in 2026)*
- **RWE's obligations under Tolling Agreement:**
  - *Develop / construct BESS facilities*
    - **complete construction on time or face "delay penalties"**
  - *Lease the BESS facilities to VMEA*
  - *Maintain BESS and guarantee performance*
    - **includes performance requirements and significant liquidated damages for non-performance**
  - *Decommission BESS facilities at end of contract*
- **VMEA's responsibilities:**
  - *Dispatch / operate BESS and maximize any / all benefits*
  - *Coordinate maintenance with RWE*
  - *Flexibility to terminate if RWE fails to achieve construction milestones OR maintain performance obligations*

**Member-  
VMEA  
Agreement**



**Site Specific  
Agreements**



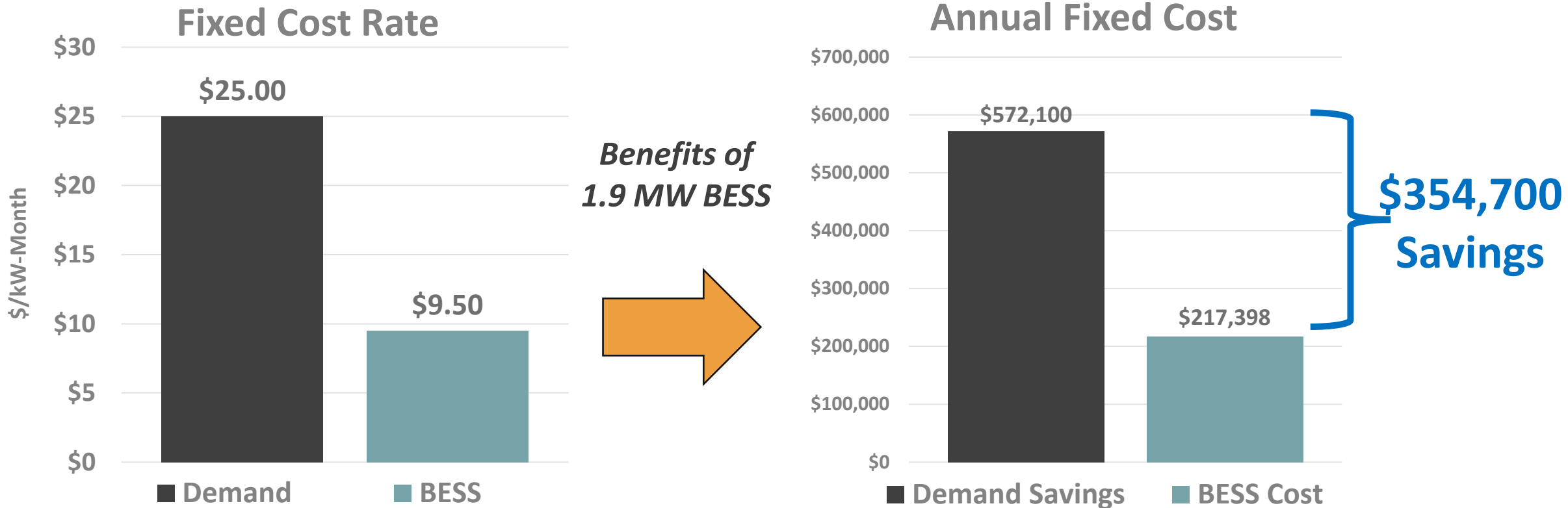
**VMEA-RWE  
Agreement**

# BESS BENEFITS & NEXT STEPS



# FRANKLIN'S EXPECTED BENEFITS

## Lower Power Cost by Reducing Peak Demands



## NEXT STEPS

- Obtain authorization from all VMEA members' councils to execute VMEA - Member BESS Agreement
  - *Allows VMEA to execute BESS Tolling Agreement with RWE*
- VMEA Board will then authorize VMEA President to execute RWE BESS Tolling Agreement (and related supporting agreement, such as VMEA land leases)
- VMEA issues 'Notice to Proceed' to RWE
- Finalize / execute all necessary ancillary BESS agreements (Q1 / 2024)





# — APPROVAL REQUEST

- Request Council approval / authorization for executing VMEA – Franklin BESS Agreement

# APPENDIX: RWE INFORMATION

# RWE

## Distributed Clean Energy for Municipal and Cooperative Utilities

RWE Clean Energy

Distributed Clean Energy



# One of the Largest Global Players in Renewables

**RWE** is a **leading global renewable energy company** with a 125-year corporate history, 20,000 employees in 30 countries, and ~35 GW of operating assets.

## CORE BUSINESSES



**Onshore wind,  
solar and storage**



**Offshore  
Wind**



**Supply &  
Trading**



**Flexible  
Generation**



**GROWING GREEN  
STRATEGY**

**65** GW Installed Green  
Capacity by 2030

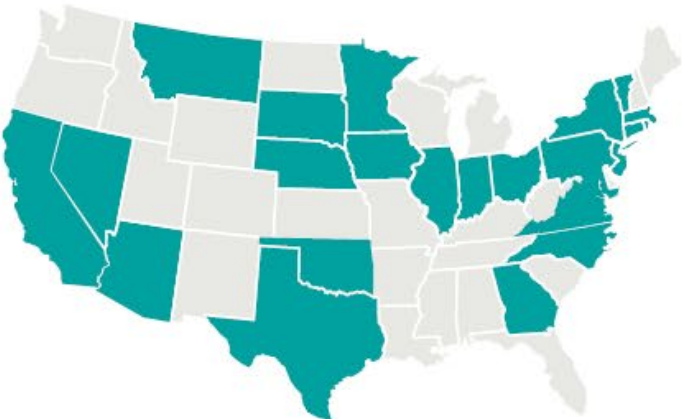
**FINANCIAL  
STRENGTH**

**100**

**Billion in Assets; Self-Financed;  
Investment Grade Credit**

# Building a Clean and Reliable Energy Future in the U.S.

**RWE Clean Energy** is a **leading energy company** in the United States with more than 15 years in the renewables business and a track record in developing, constructing, and operating renewable energy facilities.



Utility Scale PV



Battery Storage



Distributed Energy Development



Onshore Wind



~2,000  
Employees in the U.S.



~9 GW

Operating Asset Base



~36 GW

Development Pipeline for Onshore Wind, Solar and Batteries

# RWE Clean Energy at the Distribution Level – Distributed Clean Energy

DCE designs, develops and constructs energy systems that serve commercial and industrial customers and local utilities across the U.S., accelerating decarbonization efforts **at the distribution level.**

## DCE

- ~**114 U.S.** Employees
- ~**250 MW** Installed Capacity
- ~**1.3 GW** in Development



## Benefits

- Avoids Transmission Congestion
- Leverages RWE's Scale
- Distribution Focused Solutions