

STAFF REPORT

City of Lancaster

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MVB

Date: July 12, 2011

To: Mayor Parris and Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Approve a Joint Powers Agreement to Establish the High Desert Power Authority and Execute a Memorandum of Understanding**

Recommendation:

Adopt **Resolution No. 11-53**, a Resolution of the City of Lancaster, California, approving a Joint Powers Agreement (JPA) between the City of Lancaster (Lancaster) and the City of Pittsburg (Pittsburg), for the establishment of the High Desert Power Authority (HDP), a Joint Powers Authority; approve the Memorandum of Understanding (MOU) between Lancaster and Pittsburg; and authorize the Executive Director to execute all documents necessary to complete the transaction.

Fiscal Impact:

Approving and executing the JPA and MOU does not obligate Lancaster to financial outlay and reimbursement agreements will be executed to ensure no costs are incurred. The revenue from renewable energy development will be divided on a 90%:10% basis, depending upon the geographical location of the project within the State. The HDP Board may, by simple majority, enter into agreements, contracts, etc.; except, agreements or contracts in excess of \$100,000.00 in aggregate would require a four-fifths vote.

Background:

In recent months, staff has been in discussions with Critical Path Transmission, LLC regarding the construction of an electric transmission line project through the Antelope Valley in northern Los Angeles County and southern Kern County. Given the complexity and magnitude of the project, staff approached Pittsburg to consider partnering with Lancaster to assist with the process. The formation of the HDP limits liability for both Lancaster and Pittsburg for the development, construction, and possible ownership, operation and maintenance of electric transmission lines for renewable energy in and around Lancaster and throughout the State.

Discussion:

Lancaster and Pittsburg are engaged in promoting renewable energy development within their respective jurisdictions. Each party shares a commitment to procuring and promoting renewable energy in a cost effective manner consistent with the requirements of AB 32 and the most recently adopted renewable portfolio standards (SBX1-2). Lancaster and Pittsburg also have the authority to establish, own, and operate municipal gas and electric utilities under California Constitution, Article 11, Section 9, and other applicable law.

Lancaster and Pittsburg agree to form a JPA consistent with the laws of the State of California. The HDPA can enter into agreements, contracts, and other necessary arrangements to promote the development of transmission lines in support of renewable energy projects in and around each City, and in such other projects as the HDPA may deem beneficial and in the public interest.

The HDPA may assume ownership and operational control of the transmission lines installed, if it sees fit, and may derive revenues for its role as a facilitator/owner/operator. These revenues will be divided between the two parties based on the location of the facilities developed and equity placed into the project. For facilities located within or adjacent to Lancaster, 90% of revenues from said project will accrue to Lancaster and 10% of revenues to Pittsburg. For facilities located within or adjacent to Pittsburg, 90% of revenues from said project will accrue to Pittsburg and 10% to Lancaster. Revenue allocations may be modified by the HDPA Board through a four-fifths vote.

The HDPA may enter into contracts with anyone who, in its sole discretion, identifies as the best qualified, lowest responsible bidder, and experienced operator pursuant to the specifications of the technology needed. A party to the HDPA or the HDPA itself may serve as the lead agency for all entitlements for proposed projects including, but not limited to, CEQA.

The HDPA will be in effect until dissolved by the parties. The JPA Board will be made up of five members, selected by each City from their City Councils. Majority control would rotate annually; odd numbered years will have three Lancaster seats/two Pittsburg seats and even numbered years will have three Pittsburg seats/two Lancaster seats.

Other operating issues not covered by JPA, but included in the MOU:

- Staff Reimbursement - Pittsburg/Lancaster staff would provide staff support to HDPA for initial 36 months (three years) to assist in the initial project development. HDPA will enter into a reimbursement agreement with Pittsburg and Lancaster for all associated Pittsburg and Lancaster staff time, billed at its fully burdened hourly rate. After this initial period, the HDPA Board will have the right to either extend the reimbursement agreement; designate support staff from one or both cities with appropriate reimbursement arrangements; or enter into a contract for direct professional staff support.
- Legal Counsel - Pittsburg to provide initial counsel until HDPA appoints its own.
- Accounting Services - Until project agreement entered, provided by each party.
- Risk Management - Until project agreements entered, provided by each party.
- Meeting Schedule - Monthly Board meeting commencing one month after LPA approval. Web meetings scheduled whenever possible to reduce travel costs, but the Board should meet as a whole, in person, at least twice a year. HDPA will establish web presence and email account.
- Mailing Address/Phone Number - Primary address will be Lancaster City Hall with copies of all correspondence to Pittsburg care of the Pittsburg Power Company; the main phone number for HDPA to be provided by Lancaster; secondary line provided by Pittsburg/Pittsburg Power Company.

Attachments:

Resolution No. 11-53

Memorandum of Understanding

CJL:lcs