

STAFF REPORT
Lancaster Power Authority

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10/11/11
MVB

Date: October 11, 2011

To: Chairman and Power Authority Members

From: Jason Caudle, Deputy City Manager

Subject: **Master Solar Power Purchase and Sale Agreement between Lancaster Power Authority and PsomasFMG, LLC, to Develop Photovoltaic Solar Generation Facilities**

Recommendation:

Approve the Master Solar Power Purchase and Sale Agreement with PsomasFMG, LLC (PsomasFMG), to develop photovoltaic solar generation facilities on City owned property. Authorize the Executive Director to execute all documents, and make any non-substantive changes necessary to complete the transaction.

Fiscal Impact:

The Lancaster Power Authority (LPA) will provide the initial property site of approximately 30 acres, for PsomasFMG's use in constructing a 6-megawatt Generation Facility. The City shall retain ownership of the property. The LPA will receive 12% of the California Renewable Energy Small Tariff (CREST) Program revenue. For the 6-megawatt project, it is estimated that the LPA will receive \$4.8 million over the 20-year term of the Agreement. Proceeds will be paid to the LPA in the following order: a) System Operations and Maintenance costs; b) Capital payment; c) LPA; d) Applicable taxes; e) Fund the Operations and Maintenance reserve account; and f) PsomasFMG. This Agreement contains a provision to continue discussions with PsomasFMG in the event the CREST Program is replaced with another Program, ultimately requiring Board approval. Staff is also finalizing an Option to Lease Agreement and anticipates seeking Board approval on October 25, 2011.

Background:

Since the City Council authorized the establishment of the LPA, City staff has been working diligently to identify and establish relationships with solar developers to advance the construction and development of solar generating facilities in the community. Not only has City staff been actively seeking opportunities, but in some cases, companies have been actively seeking out the City for opportunities. PsomasFMG is an example of the latter.

PsomasFMG provides turnkey solar solutions to public agencies and commercial entities. The solar systems provided by PsomasFMG substantially reduce client electricity costs, promote energy independence, and reduce greenhouse gas emissions. PsomasFMG has operational solar generating facilities within the Antelope Valley Union High School District,

has begun construction on 19 sites for the Palmdale School District and is about to commence construction on 9 sites for the William S. Hart School District, for a total of 22-megawatts of solar power generation and an estimated savings to the school districts of approximately \$80 million in electrical costs over the 20-year contracts.

City staff has been working closely with PsomasFMG to develop an energy partnership that will allow for the further development and construction of solar facilities. The attached Master Solar Power Purchase and Sale Agreement sets the groundwork for the initial 6-megawatt project and allows for future projects.

SAD:lcs

Attachment:

Master Solar Power Purchase and Sale Agreement