

STAFF REPORT

Lancaster Power Authority

Date: March 13, 2012

To: Chairman Parris and Power Authority Members

From: Jason Caudle, Deputy City Manager

Subject: **Master Solar Power Purchase and Sale Agreement between Lancaster Power Authority and Instream Energy Systems to Develop Photovoltaic Solar Generation Facilities**

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Recommendation:

Approve and authorize the Executive Director to execute the Master Solar Power Purchase and Sale Agreement with Instream Energy Systems (IES) to develop hydrokinetic generation facilities.

Fiscal Impact:

It is anticipated that this agreement and relationship will create substantial positive cash flows of approved facilities. Exact revenue projections will be determined upon execution of an implementation agreement with IES. The City Council will be asked at a future meeting to approve such agreement.

Background:

As a result of the City Council authorizing the establishment of the LPA, City staff has been working diligently to identify and establish relationships with renewable energy developers to advance the construction and development of renewable energy generating facilities in the community. Staff has been actively seeking new opportunities, and in some cases are furthering discussions with developers who are interested in expanding their existing generation capacity in Lancaster. IES is an example of these opportunities and a Memorandum of Understanding between the LPA and IES was signed April 26, 2011.

Instream Energy Systems, in collaboration with British Aerospace Systems, is a developing renewable energy company focused on developing and installing hydrokinetic power generation systems. The turbines are designed to be deployed in the discharge channels of existing hydro electric facilities and in freshwater canal systems, such as the California Aqueduct. Unlike other renewable energies, the water flow in canals is continuous and allows for the constant production of power.

Staff has been working closely with IES to develop an energy partnership that will allow for the further development and construction of renewable energy facilities. The partnership consists of the LPA working with IES to develop these projects with the intent to sell the power on a wholesale basis to other utilities. A Master Agreement between the LPA and IES will allow the LPA to implement a strategy for up to 50MW of power and further the LPA's goals of selling locally-generated renewable electricity to municipal utilities throughout the state of California. IES has been making substantial progress in developing a relationship with California Department of Water Resources in order to access the CA Aqueduct. This agreement will help further that relationship and aid in accessing the aqueduct throughout the state.

The attached agreement provides a framework for that partnership, with an Implementation Agreement to follow as more details, and potential energy purchasers are identified. Any future agreements or projects, including the pending implementation agreement between the LPA and IES will be presented to the Council for consideration.

Attachment:

Master Solar Power Purchase and Sale Agreement

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