

STAFF REPORT
Lancaster Power Authority

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Date: February 26, 2013

To: Chairman Parris and Authority Members

From: Mark V. Bozigian, City Manager
Jason Caudle, Deputy City Manager

Subject: **Amendment to Ground Lease with US Topco Energy, Inc. for the Construction of Photovoltaic Solar Generation Facilities**

Recommendation:

Authorize the Executive Director to execute all documents necessary to amend the previously executed ground sub-lease agreement (Sublease) with US Topco to remove contingency clauses requiring approval of a Property Management Plan by the State Department of Finance (DOF) and to rename the agreement.

Fiscal Impact:

This action would not change the financial impact of the previously executed Sublease. The Sublease still would not obligate the Lancaster Power Authority (LPA) to financial outlay. Once the generation facility is constructed, US Topco would still pay the LPA \$1,552.25 an acre (\$40,700 annually) or approximately \$814,000 over the twenty (20) year term of the Ground Lease.

Background:

Pursuant to the previously executed Master Solar Power Purchase and Sale Agreement (PPA) with US Topco Energy, Inc. (US Topco) on June 28, 2011, the Lancaster Power Authority approved a ground sublease with US Topco at the Power Authority meeting of February 12, 2013. The sublease would allow both the Power Authority and US Topco to work cooperatively to design and construct a 5.5-megawatt photovoltaic solar generation facility on two sites of approximately twenty-five (25) acres of land cumulative near the old fairgrounds (APN 3176-005-914) and adjacent to the Antelope Valley High School District Building (APN 3142-010-901).

Staff has been working closely with US Topco to develop an energy partnership that will allow for the further development and construction of solar facilities. On June 28, 2011, the Lancaster Power Authority (LPA) approved a Master Solar Power Purchase and Sale Agreement with US Topco for the initial construction of a 7.5-megawatt solar generation facility on approximately twenty-five (25) acres of land cumulative near the old fairgrounds (APN 3176-005-914) and adjacent to the Antelope Valley High School District Building (APN 3142-010-901).

On December 13, 2011, the LPA approved a Ground Lease with Topco to work cooperatively to design and construct a 7.5-megawatt photovoltaic solar generation facility on the above mentioned property. However, during the application/design process with SCE, the overall size and scope of the facility was reduced to 5.5-megawatts and a ground lease was not executed in anticipation for final sizing and implementation instructions.

The original sublease approved by the Power Authority on February 12, 2013 contained contingency clauses requiring approval of a Property Management Plan by the State Department of Finance (DOF). The amended Lease Agreement becomes effective at such time as LPA acquires title to the property either through acquisition or a lease. As a result the inclusion of the DOF approval contingency is unnecessary and has been removed.