

**STAFF REPORT**  
**City of Lancaster**  
**Lancaster Power Authority**

JNB 1
12/10/13
MVB

DATE: December 10, 2013

TO: Mayor/Chairman Parris and City Council/Authority Members

FROM: Jason Caudle, Deputy City Manager/Executive Director

SUBJECT: **Amendment No. 3 to the Option Agreement, Acknowledgment and Consent Agreement with PsomasFMG, LLC**

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**City Council Recommendation:**

Approve Amendment No. 3 to the Option Agreement, Acknowledgment and Consent Agreement with Psomas FMG, LLC (PsomasFMG) acknowledging terms of the Sublease with PsomasFMG, Lancaster Solar Crest, LLC, a Delaware limited liability company. Authorize the City Manager to execute all documents necessary to complete the transaction and modify the Agreement, if necessary, with concurrence of legal counsel to complete the transaction.

**Lancaster Power Authority Recommendation:**

Approve Amendment No. 3 to the Option Agreement, Acknowledgment and Consent Agreement with Psomas FMG, LLC (PsomasFMG) consenting to the assignment of the Option Agreement to PsomasFMG Lancaster Solar Crest, LLC, a Delaware limited liability company. Authorize the Executive Director to execute all documents necessary to complete the transaction and modify the Agreement, if necessary, with concurrence of legal counsel to complete the transaction.

**Fiscal Impact:**

This agreement does not obligate the City of Lancaster or the Lancaster Power Authority (LPA) to financial outlay. PsomasFMG will continue to reimburse LPA \$400.00 an acre each year, payable in 6-month increments from the date of the Option to Lease Agreement. Once the generation facility is constructed and has achieved commercial operation, LPA will receive \$2,150.00 per acre per year (\$75,250.00 annually) or approximately \$1.5 million over the twenty (20) year term of the Ground Lease.

**Background:**

On October 11, 2011, the LPA approved a Master Solar Power Purchase and Sale Agreement with PsomasFMG for the construction of a 6 MW solar generation facility on thirty (30) acres of City owned land west of the Lancaster National Soccer Center (LNSC).

On December 13, 2011, the LPA approved a two (2) year Option to Lease Agreement and a twenty (20) year Ground Lease with PsomasFMG to reserve approximately thirty-five (35) acres of land west of the LNSC to work cooperatively to design and construct a 6 MW photovoltaic solar generation facility.

On February 12, 2013, the LPA approved a revised twenty (20) year Ground Lease with PsomasFMG to reserve thirty-five (35) acres of land west of the LNSC to work cooperatively to design and construct a 3 MW photovoltaic solar generation facility. Due to changes in the California Renewable Energy Small Tariff (CREST) program, the solar system size was reduced from 6 MW to 3 MW, and the price of the solar electricity SCE agreed to pay was reduced from \$0.1427/kWh to \$0.126/kWh. Based on these significant changes to the project, the lease payment was established at \$2,150 per acre annually upon completion of the proposed generation facility construction.

On October 31, 2013, the Option Agreement, as amended, was assigned by PsomasFMG, LLC to PsomasFMG Lancaster Solar Crest, LLC, a Delaware limited liability company as successor-in-interest to PsomasFMG.

This Amendment No. 3 to the Option Agreement clarifies three points of action:

1. Extension of Option Agreement by an additional six (6) months
2. Ground lease payments shall commence once commercial operation is achieved
3. LPA consents to the assignment

JC/kw

**Attachment:**  
Amendment No. 3