

MEMORANDUM

DATE: September 29, 2016

TO: SITLA Board of Trustees

FROM: Lou Brown, Assistant Deputy Director
Kim Christy, Deputy Director

SUBJECT: OBA with Tera Renewable Resources, LLC

SCHOOL FUND

This item was reviewed and recommended for consideration by the Board's Surface/Water Rights Committee.

On August 10, 2015, SULA 1806 to Tera Renewable Resources, LLC (TRR), was pre-approved for a commercial scale wind development on a portion of the Pintura Block in Washington County. Pre-approval simply means the terms of the lease were approved and that we would work with TRR to get final documentation and the lease agreement in place for final approval by the Director. We have been working with the TRR on this for over a year. TRR has invested \$250,000.00 in engineering work, surveys, and entitlement work with Toquerville City to acquire a Conditional Use Permit for the project.

TRR has been attempting to finalize the agreement but has encountered several obstacles that have prevented them from moving forward. These include power transmission constraints including an interconnection agreement with PacifiCorp which will take up to 27 months, and an Eagle, Raptor, Bird, Bat, and Migration study for the U.S. Fish and Wildlife Service that will take 3 years to complete. These obstacles, along with some additional wind studies, are projected to cost another \$200,000.00.

Because of these expensive studies and time involved, TRR has requested we consider a lease option on this property which will lessen the financial burden and allow them the time necessary to complete the studies. These studies will determine if this land is suitable for renewable energy development and will be a benefit to the property for future development and use. TRR is willing to spend the necessary money to complete the studies and make them available to the Agency if they can have an option to lease the property should the studies support a project.

There has been no other interest expressed in this property for any form of development and we feel that an option based on the following terms would be in the best interest of the Trust:

OPTION TERMS:

Term: Three (3) year option term.

Fees: \$5,000.00 option fee for the 1st year with a \$5,000.00 execution fee. Year two (2) will have a \$15,000.00 option fee, and year three (3) will have a \$20,000.00 option fee.

Acceleration Clause: The option will have a 30 day acceleration clause in the event another party has interest or files an application on the property the applicant will have 30 days to exercise this option and execute a lease on the property.

Studies: All studies, evaluations, reports, and surveys completed on the property will be submitted to the Agency for future reference and use at no cost to the Agency.

The Agency recommends this OBA be approved as a means to secure valuable data and information on this property and produce revenue from a parcel that is currently producing minimal revenue with no apparent demand for other uses at this time. A map of the parcel is attached for reference.

