

China Lake Solar Electricity Utility Services Contract Project Summary

Description of Proposed Transaction

Naval Facilities Engineering Command proposes to execute a 20-year fixed-price contract with SunPower Corporation, Systems (SunPower) to purchase power from a 13.78 megawatt photovoltaic (PV) system to serve the electrical requirements of NAWS China Lake.

Contract Details:

- The contract term is 20 years (from start of Commercial Operation Date)
- The total minimum contract value is approximately \$80 million; maximum is \$100M.
- Should the contract be terminated early, the Department of the Navy will be responsible to cover termination costs for unrecovered capital investment and potentially unrecovered allowable costs.

Benefits and Risks – No operational impacts due to this project

Economic Benefit:

- Estimated cost savings of approximately \$13M (2010 dollars) over the 20-year contract

Energy Independence and Security:

- Reduces reliance of electricity generated from fossil fuel (natural gas)
- Provides up to 70% of the summer peak daytime electricity requirement
- Project is wholly located within NAWS China Lake installation

Risks:

- In the event the electrical load requirements fall below the minimum guaranteed amount, Navy must still pay the minimum guaranteed amount.
 - Risk is considered low due to projected growth in China Lake missions.
- NAWS China Lake must pay Southern California Edison (SCE) to have standby power available in the event the PV system cannot provide the power.
 - The cost for this standby power, plus the cost for the renewable power under this contract, is still less than the costs of all power as now being supplied by SCE.

Notional Timeline

Finalize Task Order (T.O.) with contractor	29 April 2011
DoD Approval to sign T.O.	August 2011
SunPower arrange financing, sign T.O.	September 2011
Design of Photovoltaic system	Sep-Dec 2011
Start Construction of photovoltaic system	Dec 2011*
Power Delivery to NAWS China Lake	Summer 2012

* Must start continuous construction by 31 Dec 2011 to be eligible for the federal cash grant available under American Recovery and Reinvestment Act (ARRA).