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Friday, May 29, 2009

Vermaland LLC owner offers five parcels for new plants

Phoenix Business Journal - by Patrick O'Grady

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A private landowner in western Maricopa County is hoping to spur more development of solar power plants by putting five parcels up for grabs in a June 6 auction.

Kuldip Verma, CEO of **Vermaland** LLC, is putting more than 1,900 acres up for bid in an effort to lure solar companies off the fence to start building. The parcels are spread from the Harquahala Valley through Hyder.

"We have found that they're always waiting on something or another," he said.

The land rush for solar companies looking for sites has been going on for several years. U.S. and international companies have put thousands of acres in escrow with private owners and filed applications to use state and federal lands.

So far, nothing has been built along what some state officials hope to develop into one of the largest solar power corridors in the world. Tight financing has bogged down projects, but recently it has begun to loosen. Potential federal loan guarantees, part of the American Recovery and Reinvestment Act of 2009, also may aid projects.

This may be the first time, however, that a private landowner will try to auction parcels to

KULDIP VERMA



solar companies. And potential buyers need to be aware of several issues before purchasing that land.

“There really is a relatively narrow band of land available for solar development,” said Roger Ferland, an attorney who heads Phoenix law firm Quarles & Brady LLP’s clean energy, climate change and sustainability team.



Water rights and access to the power grid are a few challenges solar companies must deal with when hunting for a site, Ferland said. Vermaland’s acreage, currently used for cantaloupe farming, has water rights and access to the grid.

Buyers will have to deal with size issues, however. Utility-scale solar power plants typically require about 1,900 acres to provide 200 to 300 megawatts of power. Vermaland’s parcels range from about 80 acres to about 800. Still, Verma said he believes they could be used for smaller projects or combined with neighboring parcels. Ownership of that land runs the gamut from private holders to state and federal governments.

Vermaland bought the parcels about three years ago, when the company was looking for an area specifically for investments in solar technologies. Prices have come off their peak, and Verma said he’s more interested in getting solar companies to come to the table than turning a quick profit.

The parcels are priced below comparable properties, ranging from \$1,600 to about \$7,000 per acre, he said.

The company already has sold some of its more than 10,000 acres to solar developers with agreements to produce power for California-based utilities. About 40 people from various solar companies are interested in the parcels to be auctioned, said Anita Verma-Lallian, the company’s marketing director.

“A lot of companies are wanting to come here and export power to California,” she said.

Public land auctions still may be a year away. The Arizona State Land Department has cooperated with the U.S. Bureau of Land Management and a private landowner on the Dry Lake Wind Project in northeastern Arizona, but it won’t be ready until next year to auction long-term ground leases to solar companies, said Jamie Hogue, interim state land commissioner.

“We’re hoping to get our land to market so we can be competitive with the private owners,” she said.

With financing issues temporarily shelving plans for many developers, the State Land Department wants to make sure it issues leases to viable projects that could last 50 years or more, Hogue said.

The BLM has numerous applications from a wide range of solar developers, with a heavy concentration of Arizona projects along Interstate 10 east of the California border, according to BLM records.

Solar development companies have been submitting applications since 2007 for the

parcels, and the combined development could yield more than 24 gigawatts of power — about 40 percent more power than Arizona Public Service Co. and Salt River Project combined are capable of producing or can buy on contract.

One of the challenges for BLM in granting right-of-way easements for the projects is making sure the companies are capable of moving forward before the 20- to 30-year options on the land are granted, said Julie Decker, the Arizona branch chief for land and recreation.

“You have to use (the land),” she said. “You can’t just sit there.”

Both BLM and the State Land Department said applications have decreased as the recession has gripped the credit markets, but there have been signs of increasing interest as the credit markets loosen.

Vermaland hopes the auction will increase interest by solar companies and get parcels moving closer to development, Verma-Lallian said.

“I think we’re trying to be a lot more proactive about getting solar companies to come to Phoenix,” she said.

SOLAR LAND AUCTION

What: Vermaland LLC is auctioning five parcels of land totaling about 1,900 acres in western Maricopa County

When: June 6, 1 p.m.

Where: Sheraton Crescent Hotel,
2620 W. Dunlap Ave., Phoenix

Web: www.vermaland.com



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