

FOR CONSIDERATION

May 23, 2018

TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Authorization to Execute: (i) Amendment No. 5 to the Hawkeye Energy Greenport, LLC Power Purchase Agreement; and (ii) Amendment No. 4 to the Jamaica Bay Peaking Facility, LLC Power Purchase Agreement

Requested Action

The Trustees are requested to adopt resolutions authorizing the Chief Executive Officer or his designee to execute (i) Amendment No. 5 to the Power Purchase Agreement (“HEG PPA”) between the Long Island Power Authority (the “Authority”) and Hawkeye Energy Greenport, LLC (“HEG”) and a wholly owned subsidiary of Haugland Energy Group, to extend the term of the HEG PPA at more favorable terms for the purchase of capacity, energy, and ancillary services from the electric generating facility located in Greenport, New York; and (ii) Amendment No. 4 to the Power Purchase Agreement (“JBPF PPA”) between the Authority and Jamaica Bay Peaking Facility, LLC (“JBPF”), a wholly owned subsidiary of NextEra Energy, to extend the term of the JBPF PPA at more favorable terms for the purchase of capacity, energy, and ancillary services from the electric generating facility located in Far Rockaway, New York, as summarized below.

A. Amendment No. 5 to the Hawkeye Energy Greenport, LLC Power Purchase Agreement

Background

Since 2003, the Authority has purchased capacity, energy, and ancillary Services from HEG under the HEG PPA that expires on July 1, 2018. The electric generating facility consists of one oil-fired simple cycle FT 8 gas turbine with a capacity of 54MW, that is used to meet peak loads and to support the reliability of the eastern part of the Authority’s system. Continued operation of the HEG facility is especially important while system improvements are being made on the South Fork.

Discussion

In anticipation of the HEG PPA’s approaching expiration, PSEG Long Island and HEG have negotiated an amendment to the HEG PPA (“Amendment No. 5”) that provides an initial five-year extension of the agreement’s term at a reduced price, after which either party may elect to extend for an additional five years at specified prices. Both the initial five-year extension and the elective five-year extension provide for a significant reduction in the Authority’s capacity payments to HEG. Amendment No. 5 also provides for remote start capability, which will facilitate increased

participation in the real-time energy market and help prepare the system for increased levels of intermittent renewable energy resources.

Certain provisions of the HEG PPA would also be updated by Amendment No. 5, but the other material terms and conditions would continue without substantive modification.

The total cost, if LIPA elects to exercise its option to extend the term for the full 10 years, is estimated to be approximately \$79 million. The terms of the proposed amendment compare favorably to alternative means to support system reliability, including construction of transmission reinforcements. The need for the facility and the economics of any further extension will be examined prior to the end of the extended term.

B. Amendment No. 4 to the Jamaica Bay Peaking Facility, LLC Power Purchase Agreement

Background

Since 2003, LIPA has purchased capacity, energy, and ancillary services from Jamaica Bay Peaking Facility under the JBPF PPA that expires on July 1, 2018. The JBPF consists of two Pratt & Whitney FT8 oil-fired simple cycle combustion turbines with combined capacity of 54MW. The Facility is used to meet peak loads and to support the reliability of the western part of the LIPA system. The JBPF is adjacent to and shares some common facilities with the Bayswater Facility, which is also owned by NextEra Energy. The Bayswater Facility is under contract with LIPA through June 27, 2020.

Discussion

In recognition of the approaching expiration of the JBPF PPA, PSEG Long Island and NextEra negotiated a two-year term extension at a reduced price, which would align the termination date for the JBPF with that of the Bayswater Facility.

The total cost of the term extension is estimated to be approximately \$13 million. The terms of the proposed amendment are consistent with other recent contracts and compare favorably with the cost of alternative means to support reliability in the western part of the LIPA system, including the construction of transmission reinforcements.

Certain provisions of the JBPF PPA would also be updated by Amendment No. 4, but the other material terms and conditions would continue without substantive modification.

The continued need for the JBPF and the economics of any further extension beyond 2020 will be examined prior to the end of the term.

Recommendations

Based on the foregoing, I recommend that the Trustees approve the above-requested action by adoption of the resolutions in the form attached.

Attachments

Exhibit A – Resolution Authorizing the Execution of Amendment No. 5 to the Hawkeye Energy Greenport, LLC Power Purchase Agreement

Exhibit B – Resolution Authorizing the Execution of Amendment No. 4 to the Jamaica Bay Peaking Facility, LLC Power Purchase Agreement

RESOLUTION AUTHORIZING THE EXECUTION OF AMENDMENT NO. 5 TO THE HAWKEYE ENERGY GREENPORT, LLC POWER PURCHASE AGREEMENT

WHEREAS, the Long Island Power Authority (“Authority”) has been purchasing capacity, energy and ancillary services under the Power Purchase Agreement (“PPA”) that it entered into with Hawkeye Energy Greenport, LLC (“HEG”), dated February 6, 2003, as amended;

WHEREAS, the PPA will expire on July 1, 2018; and

WHEREAS, PSEG Long Island has negotiated an extension of the PPA (“Amendment No. 5”) under favorable terms and conditions which will enable the Authority to continue to purchase capacity, energy and ancillary services, and support the reliability of the Authority’s system;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees authorizes the Chief Executive Officer or his designee(s) to execute Amendment No. 5 to the PPA and to take any other actions and execute any other documents as may be necessary or appropriate.

Exhibit B

**RESOLUTION AUTHORIZING THE EXECUTION OF AMENDMENT NO. 4 TO THE
POWER PURCHASE AGREEMENT WITH JAMAICA BAY PEAKING FACILITY, LLC**

WHEREAS, the Long Island Power Authority (“Authority”) has been purchasing capacity, energy and ancillary services under the Power Purchase Agreement (“PPA”) that it entered into with Jamaica Bay Peaking Facility, LLC (“JBPF”), dated January 14, 2003, as amended;

WHEREAS, the PPA will expire on July 1, 2018; and

WHEREAS, PSEG Long Island has negotiated an extension of the PPA (“Amendment No. 4”) under favorable terms and conditions which will enable the Authority to continue to purchase capacity, energy and ancillary services, and support the reliability of the Authority’s system;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees authorizes the Chief Executive Officer or his designee(s) to execute Amendment No. 4 to the PPA and to take any other actions and execute any other documents as may be necessary or appropriate.