

BOARD AGENDA SUMMARY SHEET

Committee or Board: Board	Date: July 10, 2020	Board Meeting Date: July 22, 2020
-------------------------------------	-------------------------------	---

For All Board Voting Items:

Title of Agenda Item: Approval of the Authorization to Execute Amendments to the Power Purchase Agreement and Property Lease with Shoreham Energy, LLC

Consent Agenda: Yes No

Accompanying Presentation: Yes No

Recommendation from Committee: N/A F&A; GP&P; Oversight & Clean Energy

LIPA Presenter: Rick Shansky

PSEG Long Island Presenter: N/A

For Contract Approvals Only:

RFP: Yes No

Term: 3 years

Requested Action:	The Board is requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute: (i) an amendment to the Power Purchase Agreement (“PPA”) between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Shoreham Energy, LLC, a wholly-owned subsidiary of J-Power USA, to extend the term of the PPA with no material modifications to contract terms, and (ii) amendments to the related property lease.
Summary: (include proposed amendments to Board Policies, if applicable)	<p>Since 2002, LIPA has purchased power from Shoreham Energy under a PPA that expires on October 31, 2020. The Shoreham Energy facility consists of two oil fired-simple cycle LM6000 gas turbines with a combined capacity of 90 megawatts. The Shoreham Energy facility is used to meet peak loads and to support the reliability of the eastern part of the LIPA system.</p> <p>In anticipation of the approaching expiration of the PPA, PSEG Long Island and Shoreham Energy negotiated an amendment providing an extension that would begin on November 1, 2020 and terminate on October 31, 2023. This will be the second three-year extension for this contract. There are no material modifications to the terms of the previous extension.</p> <p>In addition to extending the PPA, the site lease will be extended to October 31, 2023 to match the PPA amendment term and then for up to three additional five-year extensions at Shoreham Energy’s option so that the plant could continue to operate on a merchant basis after the PPA expires.</p>

FOR CONSIDERATION

July 22, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Authorization to Execute Amendments to the Power Purchase Agreement and Property Lease with Shoreham Energy, LLC

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute: (i) an amendment to the Power Purchase Agreement (“PPA”) between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Shoreham Energy, LLC, a wholly-owned subsidiary of J-Power USA, to extend the term of the PPA with no material modifications to contract terms, and (ii) amendments to the related property lease, each as summarized below.

Background

Since 2002, LIPA has purchased power from Shoreham Energy under a PPA that expires on October 31, 2020. The Shoreham Energy facility consists of two oil fired-simple cycle LM6000 gas turbines with a combined capacity of 90 megawatts¹. The Shoreham Energy facility is used to meet peak loads and to support the reliability of the eastern part of the LIPA system. Unlike the older legacy combustion turbines nearby at Shoreham and Wading River, the Shoreham Energy facility is a modern design whose efficiency is comparable to baseload steam plants, but with lower emissions². Absent an agreement to extend the PPA, there is a risk that the facility would be retired, thus reducing the amount of local generating capacity available while several important system improvements are being made on the East End.

Discussion

In anticipation of the approaching expiration of the PPA, PSEG Long Island and Shoreham Energy negotiated an amendment providing an extension that would begin on November 1, 2020 and terminate on October 31, 2023. This will be the second three-year extension for this contract. There are no material modifications to the terms of the previous extension.

In addition to extending the PPA, the site lease will be extended to October 31, 2023 to match the PPA amendment term and then for up to three additional five-year extensions at Shoreham

¹ By order issued May 8, 2014, Case 14-E-0088, Petition of Shoreham Energy, LLC for Approval of an Amendment of its Certificate of Public Convenience and Necessity and Order Confirming Lightened Regulation, the New York State Public Service Commission removed the 79.9 megawatt limitation on the maximum capacity of the facility.

² Natural gas is not available in the area in volumes sufficient for power plant use.

Energy's option so that the plant could continue to operate on a merchant basis after the PPA expires.

The total cost of the extension term is estimated to be approximately \$25,000,000. The terms of the proposed amendment compare favorably to costs of alternative sources of power. The continued availability of power from the Shoreham Energy facility will help support system reliability and allow for more flexibility for retirement of legacy plants.

Recommendation

Based on the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Attachments

Exhibit A Resolution Authorizing Amendments to the Power Purchase Agreement and Property Lease with Shoreham Energy, LLC.

AUTHORIZATION TO EXECUTE AMENDMENTS TO THE POWER PURCHASE AGREEMENT AND PROPERTY LEASE WITH SHOREHAM ENERGY, LLC

WHEREAS, LIPA currently purchases power from Shoreham Energy, LLC under a Power Purchase Agreement (“PPA”) that expires on October 31, 2020; and

WHEREAS, LIPA currently leases the site to Shoreham Energy, LLC under a lease agreement; and

WHEREAS, it is in the best interest of LIPA to amend the PPA and lease agreement to extend the terms of the agreements to October 31, 2023 at the favorable terms outlined in the accompanying memo;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees (the “Board”) authorizes the Chief Executive Officer or his designee(s) to execute the amendment to the Power Purchase Agreement with Shoreham Energy, LLC, the related property lease and any other related agreements and arrangements, consistent with the terms of the accompanying memorandum, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer or his designee.

Dated: July 22, 2020