

FOR CONSIDERATION

September 22, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Authorization to Execute a Power Purchase Agreement with Riverhead Solar 2, LLC

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute a Power Purchase Agreement (“PPA”) with Riverhead Solar 2, LLC (“Riverhead Solar 2”), and to take such other actions as may be reasonably necessary to facilitate the purchase of energy, generation capacity and renewable attributes from the 36 MW solar generating facility being developed by Riverhead Solar 2, a limited liability company indirectly owned by the AES Corporation and Alberta Investment Management Company.

Background

On December 22, 2015, PSEG Long Island issued a Request for Proposals for New, Renewable Capacity and Energy (“2015 Renewable RFP”), which sought to expand LIPA’s portfolio of renewable resources. Responses to the 2015 Renewable RFP were received on June 22, 2016, and evaluation results were presented to the Board at the July 26, 2017 meeting with the recommendation for the selection of a 22.9 MW solar facility and a 36 MW solar facility, both to be constructed in Calverton, New York. The 22.9 MW PPA with LI Solar Generation, LLC is currently in effect.

Riverhead Solar 2 will develop a 36 MW solar photovoltaic electric generating facility (the “Project”) adjacent to the existing Riverhead Solar 1 facility in Calverton. Both projects will be interconnected with the LIPA Edwards Avenue Substation. As a generating project larger than 25 MW, Riverhead Solar 2 was required to undergo an environmental review pursuant to Article 10 of the Public Service Law. As a result of recent regulatory changes, Riverhead Solar 2 was eligible for an accelerated siting process. It received a “94-c” siting permit on June 25, 2021. Subsequently, PSEG Long Island and Riverhead Solar 2 completed negotiations for a PPA.

Under the terms of the proposed PPA, LIPA will purchase all the capacity, energy, and renewable attributes produced by the Project for a twenty (20) year term, at a total cost of approximately \$200 million. The target Commercial Operation Date (“COD”) is June 1, 2023. The PPA includes an option for LIPA to extend the term for an additional 10 years at a discounted price. The energy produced by the Project will contribute to meeting LIPA’s share of the State’s renewable energy

goals. Purchases from the Project are estimated to increase residential customer bills by 24 cents per month as compared to the alternative cost of NYISO market purchases.

The terms of the PPA are consistent with, if not more favorable than, the Riverhead Solar 2 proposal that was selected in 2017. The PPA requires Riverhead Solar 2 to obtain all required Federal, State, and local permits and reach a key Project construction milestone by a certain date. Riverhead Solar 2 would be subject to payment of specified liquidated damages for failure to meet the construction milestones. The PPA is a pay-for-performance contract, i.e., Riverhead Solar 2 gets paid only when it provides energy. Riverhead Solar 2 has committed to a performance guarantee so that LIPA will receive at least the guaranteed quantity of solar energy or be compensated by Riverhead Solar 2 for any shortfall. Moreover, LIPA has the right to terminate the PPA in the event of chronic underperformance.

Riverhead Solar 2 will be the largest solar project on Long Island and among the larger projects in New York to date.

Recommendation

For the foregoing reasons, I recommend that the Trustees authorize the Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the Riverhead Solar 2 PPA and all other related agreements to enable the Authority's purchase of renewable power from the Riverhead Solar 2 Project described above.

Attachment

Exhibit "A" Resolution

AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT WITH RIVERHEAD SOLAR 2, LLC FOR THE PURCHASE OF ELECTRICITY AND RENEWABLE ATTRIBUTES

WHEREAS, pursuant to the December 22, 2015 Request for Proposals for New, Renewable Capacity and Energy issued and administered by PSEG Long Island, LIPA staff selected a proposal by Riverhead Solar 2, LLC (“Riverhead Solar 2”) to develop a 36 MW solar generating facility (“Project”) in Calverton; and

WHEREAS, the Project represents a source of clean renewable energy that will contribute to LIPA meeting the renewable energy goal established by the Trustees and LIPA’s renewable energy obligations under the Renewable Energy Standard and the Climate Leadership and Community Protection Act; and

WHEREAS, LIPA and Riverhead Solar 2 have negotiated the major terms and conditions of a Power Purchase Agreement (“PPA”) under which Riverhead Solar 2 will construct, own, operate and maintain the Project and sell the capacity, energy and renewable attributes produced by the Project to LIPA for a term of 20 years, with an option for LIPA to extend the term for an additional 10 years.

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer and his designee be and hereby are authorized to execute and effect a PPA and 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, to implement LIPA’s purchase of electricity and renewable attributes from Riverhead Solar.

Dated: September 22, 2021