

FOR CONSIDERATION

February 15, 2023

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Authorization to Execute a Capacity Purchase Agreement with Calpine Energy Services, L.P.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution authorizing the Chief Executive Officer or his designee to execute a Capacity Purchase Agreement (“CPA”) with Calpine Energy Services, L.P. (“Calpine”) for the purchase of generating capacity from the Bethpage Power Plant combined cycle plant (“Plant”).

Background

Calpine’s Bethpage facility is comprised of two combined-cycle plants and a combustion turbine peaker. The peaker had been under contract to LIPA between 2002 and 2006, while a 2005 vintage combined-cycle plant (known as Bethpage Energy Center 3) remains under a 20-year contract to LIPA today. Calpine sells its non-contract generation to the wholesale market.

The Plant is comprised of two 1989 vintage GE LM2500 gas turbines rated at 22 MW each, two heat recovery steam generators (HRSGs) and one GE steam turbine rated at 11 MW (“2x1 combined cycle configuration”), for a total design output of 55 MW. During an outage event that occurred on April 15, 2021, one of the two HRSGs was damaged and is inoperable. The Plant is presently derated and is operating in a 1x1 mode with a maximum output of 27 MW using the second LM2500 and steam turbine generator operating at partial loading.

The damaged HRSG can be refurbished and will need some replacement parts. Repair, commissioning and startup will take approximately 27 weeks. The capacity contract is needed by Calpine to support the investment needed to repair the Plant, which would otherwise continue to operate at the 27 MW derated output.

The proposed Capacity Purchase Agreement has a four (4) year delivery term beginning May 1, 2024 and ending April 30, 2028. Calpine will restore the Plant to its full design capacity and LIPA will purchase all of the capacity provided by the Plant that qualifies for participation in the NYISO capacity market. Calpine has proposed a fixed price and a schedule of guaranteed minimum monthly capacity sales to LIPA over the delivery term. Should the Plant fail to produce the minimum monthly capacity, Calpine would be required to compensate LIPA for the shortfall, with such payments secured by a letter of credit. The estimated total cost of the contract to LIPA is approximately \$7.0 million.

Discussion

The Plant uses more modern emission control technology than the National Grid-owned LILCO-era combustion turbines that are still in service, which are also less efficient. The contract will support the reliability of the Long Island grid during the transition to clean energy, while protecting LIPA customers from potential increases in market prices over the next several years. The proposed fixed price is also reasonable compared to forecasted capacity market prices.

Recommendation

For the foregoing reasons, I recommend that the Board authorize the Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the CPA, and all other related arrangements and agreements, as may be necessary or convenient.

Attachment

Exhibit “A” Resolution

Exhibit “A”

AUTHORIZATION TO ENTER INTO CAPACITY PURCHASE AGREEMENT WITH CALPINE ENERGY SERVICES, L.P. FOR THE PURCHASE OF GENERATING CAPACITY

WHEREAS, Calpine Energy Services (Calpine) has offered capacity for sale from its Bethpage Combined Cycle Plant (Plant); and

WHEREAS, the Plant provides needed generating capability that contributes to system reliability; and

WHEREAS, PSEG Long Island and Calpine have negotiated a Capacity Purchase Agreement (“CPA”) under which Calpine will sell the generating capacity produced by the Plant to LIPA for a term ending April 30, 2028;

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer and/or his designee are hereby authorized to execute and effect a CPA and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer and/or his designee, to implement LIPA’s purchase of generating capacity from Calpine.

Dated: February 15, 2023