

FOR CONSIDERATION

March 29, 2023

TO: The Oversight and Clean Energy Committee

FROM: Thomas Falcone

SUBJECT: Recommendation to Authorize the Execution of Amendment No. 6 to Power Purchase Agreement between Hawkeye Energy Greenport, LLC and LIPA

Requested Action

The Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending that the Board authorize the Chief Executive Officer or his designee to execute Amendment No. 6 to the Power Purchase Agreement (“PPA”) between Hawkeye Energy Greenport, LLC and LIPA.

Background

Since 2003, LIPA has been purchasing power from a 55 MW combustion turbine generator located in Greenport, New York owned by Hawkeye Energy Greenport (the “Greenport Plant”). The original PPA was set to expire in 2018, but its term was extended to June 30, 2023 with updated pricing. Similar to other plants of its vintage, the Greenport Plant is fueled by kerosene that LIPA supplies to enable electricity to be produced.

Discussion

The Greenport Plant is one of several peaking generators that serve peak loads and support system reliability on the east end of Long Island. In recognition of the need to achieve a zero-carbon electric grid by 2040, PSEG Long Island has been planning and implementing transmission projects to eliminate the need for fossil-fueled generation along the South Fork and North Fork. Until such projects are completed, the Greenport Plant and other peaking units will continue to be needed to meet peak loads and to accommodate the intermittency of renewable generation. It should be noted that the 2018 PPA amendment contemplated that the Greenport Plant site could be considered for the installation of energy storage, among other technologies. Such options continue to be evaluated by PSEG Long Island, though the recent Bulk Energy Storage RFP did not yield proposals suitable for replacing the Greenport Plant.

The proposed Amendment No. 6 would establish pricing and procedures to enable the continued operation of this 20-year-old plant during the transition to clean energy resources. The term would

be extended by 7 years until June 30, 2030, while LIPA and Hawkeye would have the ability to determine if significant capital repairs might be needed or whether the Greenport Plant should be closed prior to 2030. Amendment No. 6 would continue the current pricing formula in recognition of the ongoing cost to maintain the facility. With regard to fuel, the amendment would enable switching to alternative grades of distillate oil, such as ultra-low sulfur diesel fuel, which is more readily available from LIPA's fuel suppliers.

The projected contract payments over the extended term are approximately \$67 Million.

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 Amendment No. 6, and all other related arrangements and agreements, as may be necessary or convenient.

Attachment

Exhibit "A" Resolution

RECOMMENDATION TO AUTHORIZE THE EXECUTION OF AMENDMENT NO. 6 TO POWER PURCHASE AGREEMENT BETWEEN HAWKEYE ENERGY GREENPORT, LLC AND LONG ISLAND POWER AUTHORITY

WHEREAS, on February 6, 2003, Buyer and Seller entered into that certain Power Purchase Agreement (“PPA”) pursuant to which Buyer agreed to purchase from Seller, and Seller agreed to sell to Buyer, all of the Contract Capacity, Energy and Ancillary Services (as hereinafter defined) from the Facility, which PPA was amended by a letter agreement dated March 25, 2003 (“Amendment No. 1”), and by a letter agreement dated April 5, 2004 (“Amendment No. 2”), and by a letter agreement dated as of October 18, 2004 (“Amendment No. 3”), and by amendment dated as of January 27, 2010 (“Amendment No. 4”), and by amendment dated as of May 23, 2018 (“Amendment No. 5”); and

WHEREAS, pursuant to the PPA, as amended, the term currently is scheduled to expire on June 30, 2023; and

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

WHEREAS, the Parties wish to extend the Term (as defined in the PPA) by seven years to expire on June 30, 2030, and to modify certain payment and operational provisions of the PPA, as previously amended;

NOW, THEREFORE, BE IT RESOLVED, that the Oversight and Clean Energy Committee of the Board of Trustees hereby recommends that the Board authorize the Chief Executive Officer and/or his designee be to execute Amendment No. 6 to the PPA 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 extension of the Greenport Purchase Power Agreement.

Dated: March 29, 2023