

## **FOR CONSIDERATION**

September 27, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration to Approve the Authorization to Execute an Amendment to the FitzPatrick Power Purchase Agreement

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### **Requested Action**

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to approve a resolution authorizing the Chief Executive Officer or his designee to execute an amendment to the Power Purchase Agreement (“PPA”) between the Long Island Lighting Company d/b/a LIPA, a wholly owned subsidiary of the Long Island Power Authority (collectively “LIPA”) and Constellation Energy for the continued purchase of nuclear energy from the FitzPatrick Nuclear Power Plant (the “FitzPatrick Plant”), which resolution is attached hereto as **Exhibit “A”**.

### **Background**

LIPA has purchased power from the FitzPatrick Plant under a legacy contract dating back to 1975 (“Contract”). The FitzPatrick Plant supplies approximately six percent of Long Island’s energy requirements. In March 2017, Exelon Generation purchased the FitzPatrick Plant and took assignment of the Contract from Entergy. Following separation from Exelon in 2022, Constellation Energy assumed ownership and operation of Fitzpatrick. The energy provided under the Contract is associated with legacy transmission service agreements with Niagara Mohawk and Con Edison that have been used since 1975 to deliver the energy from the FitzPatrick Plant to Long Island.

In recognition of these transmission service agreements, the New York Independent System Operator (“NYISO”) awarded LIPA “grandfathered” transmission congestion contracts (“TCCs”) which are valuable financial instruments that provide the financial equivalent of delivering the FitzPatrick energy to Long Island by compensating LIPA for the “congestion” (essentially, the difference in electricity price between the plant’s location in Scriba, New York and Long Island). To maintain the full benefits of the grandfathered transmission agreements, the NYISO requires that LIPA have a corresponding purchase agreement in place for power produced by the FitzPatrick Plant. The PPA, which was last extended in 2020, is scheduled to expire on December 31, 2023.

### **Discussion**

In recognition of the impending expiration of the PPA, and potential loss of the associated TCCs, PSEG Long Island and Constellation Energy have negotiated an amendment providing for another three-year extension, which will begin on January 1, 2024 and provide for the purchase by LIPA of annual energy volumes generally equivalent to those set forth in the current Agreement, i.e. 160 MW of unit contingent baseload energy in the summer and 124 MW in the winter, amounting to approximately 1.25 million MWh/yr (the “FitzPatrick PPA Amendment No. 7”). The energy will be scheduled by Constellation Energy on a day-ahead basis in accordance with NYISO rules.

In addition to extending the term from January 1, 2024 through December 31, 2026, the proposed amendment changes the pricing from a fixed price to an indexed price tied to the hourly price at the Fitzpatrick Plant delivery point. The indexed price maintains the economic benefits of the associated TCCs. LIPA estimates FitzPatrick PPA Amendment No. 7 will provide net savings of approximately \$16.6 million over the three-year term, based on a typical annual purchase of 1.25 million MWh. LIPA further estimates the total payments to Constellation during the term of the FitzPatrick PPA Amendment No. 7 to be approximately \$97 million.

The other terms and conditions of the Contract remain substantially the same.

### **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

**RESOLUTION APPROVING THE AUTHORIZATION TO EXECUTE AMENDMENT NO. 7 TO THE POWER PURCHASE AGREEMENT WITH CONSTELLATION ENERGY**

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**WHEREAS**, LIPA and its predecessor LILCO have been purchasing power from the Fitzpatrick nuclear plant since 1975 and the current power purchase agreement between LILCO and the current plant owner Constellation Energy is set to expire on December 31, 2023 (“FitzPatrick PPA”); and

**WHEREAS**, PSEG Long Island has negotiated an extension of the FitzPatrick PPA under favorable terms and conditions which enable the Authority to continue to purchase carbon-free energy to supply approximately six percent of its annual energy requirements (“FitzPatrick PPA Amendment No. 7”).

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board of Trustees hereby authorizes the Chief Executive Officer or his designee to execute the FitzPatrick PPA Amendment No. 7 and such other documents as may be necessary or appropriate to effectuate it.

Dated: September 27, 2023