

FOR CONSIDERATION

June 26, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Authorization to Execute Capacity Purchase Agreement with Millennium Power Company, LLC

Requested Action

The Board of Trustees are requested to approve a resolution authorizing the Acting Chief Executive Officer or his designee to execute a Capacity Purchase Agreement (“CPA”) with Millennium Power Company, LLC (“Millennium”) and to take such other actions as may be reasonably necessary to implement arrangements for LIPA to purchase a total of 300 MW of installed capacity supplied from a combined-cycle natural gas-fired power plant located in Charlton, Massachusetts.

Background

LIPA has a long-term contract (Firm Transmission Capacity Purchase Agreement or “FTCPA”) under which LIPA purchases 330 MW of firm transmission rights on the Cross Sound Cable (“CSC”), a high-voltage direct current undersea transmission cable that interconnects the LIPA transmission system at Shoreham, NY with the ISO-New England transmission system at New Haven, CT. The New York Independent System Operator (“NYISO”) allows holders of such firm transmission rights to use generating capacity purchased outside of New York (e.g., New England) to meet NYISO’s in-State and locational (i.e., Long Island) capacity requirements. Previously, to meet its on-Island capacity requirements, LIPA used capacity purchased from (i) Bear Swamp Power Company LLC (Massachusetts) under a 15-year Power Purchase Agreement that expired in 2021, and, more recently, from (ii) Dighton Power, LLC, Manchester Street, LLC, and Calpine Energy Services, L.P. (“Calpine”) under one-year capacity purchase agreements (“CPAs”) that expired April 30, 2024.

In January 2024, PSEG Long Island issued an RFP to procure up to 345 MW of installed capacity in ISO-New England that could be used to meet LIPA’s locational capacity requirements for the 2025-26 and 2026-27 NYISO capability years¹. The RFP allowed LIPA to assemble a portfolio of generating plants from one or more respondents to meet the maximum capacity of 345 MW. Proposals were received on April 5, 2024 from two RFP respondents, (i) Gate City Power – Northeast Generation LLC (“Gate City”), on behalf of its subsidiary Millennium and (ii) Calpine. Gate City offered up to 300 MW from the Millennium project, which is combined-cycle natural

¹ On account of transmission losses, 345 MW of ISO-New England capacity can provide the equivalent of 330 MW of Long Island capacity. NYISO capability years run from May 1 through the following April 30.

gas-fired power plant, for both NYISO capability years. Calpine offered up to 43 MW of installed capacity from a combined-cycle natural gas generating facility located in North Weymouth, Massachusetts solely for the 2025-26 capability year. The Selection Committee ultimately determined that a CPA with Millennium for 300 MW for both NYISO capability years represented the best proposition for LIPA ratepayers' interest from reliability, resource margin, and economic perspectives.

Based on the foregoing, the Selection Committee negotiated the subject CPA with Gate City. Note that LIPA's counter-party, i.e., the Seller, in the CPA is Millennium. The capacity pricing incorporated in the CPA is favorable when evaluated against LIPA's forecast of NYISO capacity market clearing prices, which represents LIPA's alternative for securing same amount of installed capacity. Specifically, savings to LIPA for the full 300 MW contract capacity purchased under this CPA are projected to be \$4.3M in the first capability period, and \$5.4M for the second capability period after accounting for the contract cost.

As required by the RFP, Millennium is responsible under the CPA for compliance with ISO-New England and NYISO rules for selling New England capacity into the New York market. The CPA terms and conditions require Millennium to meet stringent availability targets or be subject to a reduction in Contract Capacity payments from LIPA. Moreover, the CPA provides that Millennium will be responsible for indemnifying LIPA for any penalties assessed by NYISO for failure to perform its contractual obligations, which include, among other things, generating energy in response to a NYISO Supplemental Resource Evaluation request. In support of its obligations under the CPA, Millennium will be required to post Seller Security in the amount of \$15 million when the CPA becomes effective.

Recommendation

Based on the foregoing, I recommend that the Trustees authorize the Acting Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the Capacity Purchase Agreement with Millennium and all other related agreements to enable the Authority's purchase of installed capacity as described above. It should be noted that once executed by both parties, the CPA is subject to the approval of the New York State Attorney General (as to form) and the Office of the New York State Comptroller.

Attachment **Exhibit "A"** Resolution

AUTHORIZATION TO ENTER INTO AN INDIVIDUAL CAPACITY PURCHASE AGREEMENT WITH MILLENNIUM POWER COMPANY, LLC FOR THE PURCHASE OF INSTALLED CAPACITY

WHEREAS, pursuant to the January 16, 2024 Request for Proposals for Off Island Capacity (New England Control Area) administered by PSEG Long Island, LIPA staff selected the proposal by the Gate City Power – Northeast Generation LLC (on behalf of its subsidiary Millennium Power Company, LLC) to provide a total of 300 MW of installed capacity; and

WHEREAS, LIPA seeks to enter into a Capacity Purchase Agreement (“CPA”) with Millennium Power Company, LLC, under which this entity will provide 300 MW of installed capacity measured at the New Haven interconnection point of the Cross Sound Cable for the 2025 to 2026 and the 2026 to 2027 NYISO Capability Years.

NOW, THEREFORE, BE IT RESOLVED, that the Acting Chief Executive Officer and his designee be and hereby are authorized to execute and effect the CPA 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 Acting Chief Executive Officer or his designee, to implement LIPA’s purchase of installed capacity from Millennium Power Company, LLC.

Dated: June 26, 2024