

FOR CONSIDERATION

May 22, 2025

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Authorization to Execute a Capacity Purchase Agreement with Calpine Energy Services, L.P. and an Amended and Restated Agreement of Lease with Bethpage Energy Center 3, LLC

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve a resolution authorizing the Acting Chief Executive Officer or his designee to execute (i) the Capacity Purchase Agreement (“CPA”) with Calpine Energy Services, L.P. (“CES”) providing for the purchase of at least 70 MW of Contract Capacity from the Bethpage Energy Center 3 (“BEC3” or the “Plant”) combined cycle power plant located in Bethpage, New York and (ii) the Amended and Restated Agreement of Lease (“Lease”) with Bethpage Energy Center 3, LLC, (“Bethpage”), which is the owner of BEC3; and (iii) an extension of the current payment-in-lieu-of-taxes (“PILOT”) agreement for the Lease site with the County of Nassau. It should be noted that CES and Bethpage are both subsidiaries of Calpine Corporation (“Calpine”), a major developer of power plants throughout the country.

Background

Calpine’s Bethpage facility is comprised of a combustion turbine peaker and two combined-cycle plants. The peaker sells its power output in the NYISO wholesale market. The two combined cycle plants are under contract to LIPA.

Completed in 2005, BEC3 is comprised of one GE LM6000 Gas Turbine, one Steam Generator manufactured by Innovative Steam Turbines and one Siemens Steam Turbine, with a total nominal rating of 78 MW. LIPA currently purchases the full output of BEC3 under a July 8, 2004 Power Purchase Agreement (“PPA”) expiring July 31, 2025. Pursuant to the PPA, LIPA purchases all of the Capacity, Energy and Ancillary Services from BEC3. LIPA (i) provides the fossil fuel (natural gas is the primary fuel and oil is the backup fuel) required by BEC3 and (ii) bids the related Capacity, Energy and Ancillary Services into markets administered by the New York Independent System Operator (“NYISO”). As the NYISO market participant for BEC3, LIPA receives all revenues for products bid into NYISO markets.

BEC3 was constructed on a site owned by LIPA that it acquired following NYPA condemning the property from third parties and then selling the property to LIPA. LIPA in turn leases the property to Bethpage which constructed the Plant on the site. The Lease requires Bethpage to pay rent

monthly at a specified rate and provides Bethpage the ability to purchase the site at the expiration of the PPA, with the purchase price declining to \$1 by the end of the term.

Discussion of the CPA

LIPA and Calpine have negotiated a CPA to replace the expiring PPA. The CPA requires CES to provide 70 MW of “Guaranteed Deliverable Capacity” from BEC3 and/or from Replacement Capacity for the five-year CPA term ending October 31, 2030. All revenue from the sale of BEC3 Capacity into NYISO administered markets will be to LIPA’s account. If in any month, CES provides less than the Guaranteed Deliverable Capacity, CES will make a Shortfall Payment to LIPA based on the applicable NYISO Capacity Spot Market Auction Market Clearing Price, with such payment secured by a letter of credit.

LIPA decided to change the contract structure from the current PPA to a CPA because there are additional customer benefits and lower market-related risks with the CPA. Unlike the PPA whereby LIPA purchases all the products produced by BEC3 and provides the fuel and schedules all transactions with the NYISO, the CPA provides that LIPA will purchase only the Capacity from BEC3. CES will be responsible for providing the fuel and for all interactions with the NYISO, and will assume energy market price risks.

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 pricing is reasonable compared to forecasted capacity market prices. Since BEC3 is a combined cycle plant, it is much more efficient and uses more modern emission control technology than the National Grid-owned LILCO-era combustion turbines that are still in service.

The estimated total cost of the contract to LIPA is approximately \$17.6 million.

Discussion of the Lease

LIPA will continue to lease the site to Bethpage under a five-year lease agreement that will have identical terms to the existing lease with appropriate modifications to the rent and purchase price provisions that extend the arrangement that existed under the PPA. . Under the new lease, Bethpage will pay an appropriately increased rent while the purchase price of \$1 will carry over from the previous lease.

Discussion of the PILOT agreement extension

Under the proposed extension, LIPA will continue to pay PILOTs to Nassau County on the leased property under a five-year extension of the current PILOT agreement on the same terms as the expiring PILOT agreement.

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

AUTHORIZATION TO ENTER INTO CAPACITY PURCHASE AGREEMENT WITH CALPINE ENERGY SERVICES, L.P. FOR THE PURCHASE OF GENERATING CAPACITY AND AMENDED AND RESTATED AGREEMENT OF LEASE WITH BETHPAGE ENERGY CENTER 3, LLC

WHEREAS, Calpine Energy Services, L.P. (“CES”) has offered capacity for sale from the Bethpage Combined Cycle Plant (“BEC3”); and

WHEREAS, BEC3 provides needed generating capability that contributes to system reliability; and

WHEREAS, PSEG Long Island and CES have negotiated a Capacity Purchase Agreement (“CPA”) under which CES will sell the generating capacity produced by the BEC3 to LIPA for a five-year term; and

WHEREAS, PSEG Long Island and Bethpage Energy Center 3, LLC (“Bethpage”) have negotiated an Amended and Restated Agreement of Lease (“Lease”) under which Bethpage will lease the site on which the BEC3 generating facility is located for the term of the CPA and will have the ability to purchase the site at the end of the CPA at a purchase price that extends, with appropriate modifications, including increased rent, the arrangements that existed between LIPA and Bethpage in connection with the existing power purchase agreement that is set to expire on July 31, 2025.

WHEREAS, LIPA and the County of Nassau have negotiated a five-year extension of the Payments-In-Lieu-of Taxes (“PILOT”) agreement for the site to be leased to Bethpage pursuant to the Lease on the same terms and conditions as the current PILOT agreement that is set to expire on July 31, 2025.

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

Dated: May 22, 2025