

LONG ISLAND POWER AUTHORITY

MINUTES OF THE CONTRACT OVERSIGHT COMMITTEE MEETING

HELD ON MAY 18, 2016

The Contract Oversight Committee of the Long Island Power Authority (the "Authority") was convened at 10:21 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on May 13, 2016; and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

**Elkan Abramowitz, Committee Chair
Sheldon Cohen, Committee Member
Matthew Cordaro, Committee Member
Thomas McAteer
Jeffrey Greenfield
Suzette Smookler**

Representing the Authority were Thomas Falcone, Chief Executive Officer; Jon Mostel; General Counsel, Bobbi O'Connor, Deputy General Counsel & Assistant Secretary to the Board of Trustees; Rick Shansky, Managing Director of Contract Oversight; Marilyn Gilbert, Director of Operations Services Oversight; Michael Deering, Director of Customer Service and Program Oversight.

Representing PSEG were John O'Connell, Vice President of T&D; Courtney McCormick, Vice President of Renewables and Energy Solutions; Michael Voltz, Director of Energy Efficiency & Renewables; James Parmelee, Senior Manager of Power Markets; and Paul Napoli, Vice President of Power Markets.

Committee Chair Abramowitz noted the committee quorum and welcomed everyone to the Contract Oversight Committee meeting of the Long Island Power Authority Board of Trustees and stated that the first item on the agenda is the adoption of the minutes from the March 21, 2016 Committee meeting.

The Chair made a motion to accept the minutes of the March 21, 2016 meeting. Upon motion duly made and seconded, the minutes were approved unanimously.

The Chair then stated that the next item on the agenda is consideration of recommendation to approve Power Purchase Agreements related to 280MW Renewables RFP which would be presented by Mr. Parmelee.

Mr. Parmelee presented the following item and then took questions from the Trustees:

Requested Action

The Contract Oversight Committee (the “Committee”) of the Board of Trustees (the “Board”) is requested to approve and adopt a resolution recommending that the Board authorize the Chief Executive Officer or his designee to execute a contract for the purchase of renewable energy, related capacity, and renewable attributes (“PPA”) and other related agreements with Shoreham Solar Commons, LLC (“Shoreham Solar”), a wholly owned subsidiary of the proposer, Invenergy, LLC, and to take other actions to implement arrangements for the Long Island Power Authority (the “Authority”) to purchase power from the proposed Shoreham Solar Commons Project (“Shoreham Solar Project” or “Project”).

Background

In December 2014, the Trustees approved the selection of eleven proposals in response to the Authority’s October 18, 2013 Request For Proposals for 280 MW of New, On-Island, Renewable Capacity and Energy (“280 MW Renewable RFP”). Subsequent to approval, the project sponsors initiated appropriate environmental review with local municipal officials and began negotiating the power purchase agreement with PSEG Long Island, which acted on behalf of the Authority. The Shoreham Solar Project represents one of the eleven selected proposals.¹

Shoreham Solar proposes to redevelop into a solar energy production facility the existing Tallgrass golf course, located in the hamlet of Shoreham in the Town of Brookhaven, on the south side of Cooper Street, approximately 3,300 feet south of North County Road (a/k/a Route 25A). The Shoreham Solar Project would: (1) include approximately 150 acres in an A-1 Residential District with a Planned Conservation Overlay District; (2) consist of a ground-mounted stationary/non-tracking solar array installed on racks; (3) have seven inverters to collect the electric output from the array and transform the current from DC to a maximum of 24.9 MW AC; (4) transmit the power via a new 69 kV switchyard to be connected by underground lines to the Authority’s 69 kV overhead

¹ At the time of selection, this project was known as Tallgrass Solar Energy Center.

transmission line along Randall Road, and then to the Authority's Wildwood substation in Shoreham, approximately 3.2 miles to the northeast of the facility; (5) include construction of an eight foot (8') tall fence around the perimeter of the property along with substantial landscaping for screening purposes.

As a result of the Project, the site will stop using fertilizer, consuming potable water and producing sanitary waste water. All storm water will be stored and recharged on site via the proposed drainage reserve areas and grading will occur on less than 53% of the overall site in order to create a stable grade for installation of panels. The Pine Barrens Joint Policy and Planning Commission has confirmed that the proposed facility meets all applicable Pine Barrens regulations. All existing trees within the perimeter of the site will be preserved.

Discussion

Under the proposed PPA, the Authority will purchase all renewable energy, related capacity and renewable attributes from the Project during a term of twenty (20) years, at a total cost of approximately \$167,000,000. The PPA requires Shoreham Solar to obtain all required Federal, State and local permits, enter into necessary contracts to construct the Project, obtain equity and debt financing, and reach key Project construction milestones by dates certain. Shoreham Solar would be subject to payment of specified liquidated damages for failure to meet the construction milestones and capacity requirements.

The terms of the PPA are consistent with, if not more favorable than, the original Shoreham Solar proposal. There have been certain improvements in the contract relative to the original proposal, most notable that Shoreham Solar has committed to a performance guarantee so that the Authority will receive at least the guaranteed quantity of solar energy or be compensated by Shoreham Solar for any shortfall. In addition, Shoreham Solar may purchase an extension of the planned September 1, 2017 commercial operation date, if needed to assure the project completion.

The Town of Brookhaven Planning Board served as the Lead Agency for purposes of the coordinated review of the Shoreham Solar Project's environmental impacts in accordance with the State Environmental Quality Review Act ("SEQRA"). On March 7, 2016, the Planning Board made a determination of non-significance ("Negative Declaration") for the reasons stated in the attached memorandum, SEQRA Negative Declaration--Notice of Determination of Significance, File Number 15SP0030. In addition, the Planning Board voted 6-0 to conditionally approve Invenergy's application for a Site Plan and Special Use Permit as set forth in the attached Findings and Conclusions dated March 7, 2016. In accordance with SEQRA, the Authority is bound by the Planning Board's Negative Declaration.

Recommendation

For the foregoing reasons, I recommend that the Committee recommend that the Board authorize the Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the Shoreham Solar Project PPA and all other related agreements to enable the Authority's purchase of renewable power from the Shoreham Project described above.

A motion was made and seconded, and the Trustees unanimously adopted the

following resolution:

RECOMMENDATION FOR AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT WITH SHOREHAM SOLAR COMMONS, LLC FOR THE PURCHASE OF RENEWABLE ENERGY, RELATED CAPACITY, AND RENEWABLE ATTRIBUTES FROM SHOREHAM SOLAR COMMONS SOLAR ENERGY PROJECT

WHEREAS, on October 18, 2013, the Long Island Power Authority (the “Authority”) issued the Request For Proposals for up to 280 MW of New, On-Island, Renewable Capacity and Energy (“280 MW RFP”) for the addition of up to 280 MW of renewable energy, including all associated capacity and environmental attributes; and

WHEREAS, after analyzing all responses to the 280 MW RFP, Trustees approved negotiations of 20-year power purchase agreements (“PPA”) with 11 selected proposers, including the proposer of the Shoreham Solar Project (“Project”), known at the time as Tallgrass Solar Energy Center, proposed by Invenergy, LLC, the parent company to Shoreham Solar Commons, LLC; and

WHEREAS, the Town of Brookhaven Planning Board (“Planning Board”) acted as the Lead Agency for the purpose of a coordinated environmental review of the Project pursuant to the State Environmental Quality Review Act (“SEQRA”); and

WHEREAS, the Brookhaven Town Board, on March 7, 2016, made a determination of non-significance (a Negative Declaration) and concluded an Environmental Impact Study was unnecessary.

WHEREAS, the Brookhaven Town Board, on March 7, 2016, voted 6-0 to conditionally approve Invenergy’s application for a Site Plan and Special Use Permit for the Project; and WHEREAS, the Authority’s renewable energy goals will be supported by entering into a PPA and other related agreements regarding the Shoreham Solar Project;

NOW, THEREFORE, BE IT RESOLVED, that the Contract Oversight Committee of the Board of Trustees (the “Board”) recommends that the Board authorize the Chief Executive Officer or his designee to execute and effect a PPA 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 Chief Executive Officer or his designee, to implement the Authority’s purchase of renewable energy, related capacity, and renewable attributes from Shoreham Solar Commons, LLC.

Mr. Parmelee presented the following item and then took questions from the

Trustees:

Requested Action

The Contract Oversight Committee (the “Committee”) of the Board of Trustees (the “Board”) is requested to approve and adopt a resolution recommending that the Board authorize the Chief Executive Officer or his designee to execute two substantially identical contracts for the purchase of renewable energy, related capacity and renewable attributes (“PPA”) and other related agreements with Kings Park Solar LLC (“KPS”), a wholly owned subsidiary of the proposer, BQ Energy Development, LLC, and to take other actions to implement arrangements for the Long Island Power Authority (the “Authority”) to purchase power from the proposed Kings Park Solar 1 and Kings Park Solar 2 solar generating facilities (“KPS 1” and “KPS 2”, respectively, and collectively, the “KPS Project”).

Background

In December 2014, the Trustees approved the selection of eleven proposals submitted in response to the Authority’s October 18, 2013 Request For Proposals for 280 MW of New, On-Island, Renewable Capacity and Energy (“280 MW Renewable RFP”). Subsequent to approval, the project sponsors initiated appropriate environmental review with local municipal officials and began negotiating power purchase agreements with PSEG Long Island, which acted on behalf of the Authority. KPS 1 and KPS 2 represent two of the eleven selected proposals².

KPS proposes to construct, own, operate and maintain two (2) adjacent renewable energy generating facilities each with a nominal rating of 2.0 megawatts (“MW”). The two facilities will share a controlled 27.4 acre site in the hamlet of Kings Park in the town of Smithtown at the intersection of Old Northport Road and Indian Head Road, together consisting of approximately 18,000 ground-mounted fixed-angle solar panels. Each 2.0 MW facility will be connected to two existing 13.2 kV distribution feeders, which in turn connect to the Authority’s Indian Head substation.

Discussion

Each of the substantially identical proposed PPAs relates to one of the two facilities. Under each PPA, the Authority will purchase all renewable energy, related capacity and renewable attributes from the facility during a term of twenty (20) years, at total cost of approximately \$13.4 million per PPA. Each PPA requires KPS to obtain all required Federal, State and local permits, enter into necessary contracts to construct the relevant facility, obtain equity and debt financing, and reach key construction milestones by dates certain. KPS would be subject to payment of specified liquidated damages for failure to meet the construction milestones and capacity requirements.

The terms of each PPA are consistent with, if not more favorable, than the original KPS proposals. Each PPA contains the same energy rate, which would escalate annually at a

² At the time of selection, these projects were known as Indian Head Solar I and II.

fixed rate that is less than the projected rate of inflation. There have been certain improvements in the contract relative to the original proposals, most notably that KPS has committed to a performance guarantee so that the Authority will receive at least the guaranteed quantity of solar energy or be compensated by KPS for any shortfall. In addition, KPS may purchase an extension of the planned September 1, 2017 commercial operation date, if needed to assure project completion.

The town of Smithtown acted as Lead Agency for the purposes of a coordinated review of the KPS Project's environmental impacts in accordance with the State Environmental Quality Review Act ("SEQRA"). On March 1, 2016, the Smithtown Town Board made a determination of non-significance ("Negative Declaration") for the reasons stated in the attached memorandum – "Recommended SEQRA Determination for Special Exception Petition #2015-10 by Kings Park Solar LLC, February 24, 2016". The Smithtown Town Board concluded that an Environmental Impact Study was unnecessary. In accordance with SEQRA, the Authority is bound by the Town's Negative Declaration.

Recommendation

For the foregoing reasons, I recommend that the Committee recommend that the Board authorize the Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the KPS 1 & KPS 2 PPAs and all other related agreements to enable the Authority's purchase of renewable power from the KPS Project described above.

A motion was made and seconded, and the Trustees unanimously adopted the

following resolution:

RECOMMENDATION FOR AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT WITH KINGS PARK SOLAR LLC FOR THE PURCHASE OF RENEWABLE ENERGY, RELATED CAPACITY, AND RENEWABLE ATTRIBUTES FROM THE KINGS PARK SOLAR 1 GENERATING FACILITY

WHEREAS, on October 18, 2013, the Long Island Power Authority (the "Authority") issued the Request For Proposals for up to 280 MW of New, On-Island, Renewable Capacity and Energy ("280 MW RFP") for the addition of up to 280 MW of renewable energy, including all associated capacity and environmental attributes; and

WHEREAS, after analyzing all responses to the 280 MW RFP, Trustees approved negotiations of 20-year power purchase agreements ("PPA") with 11 selected proposers, including the proposer of the Kings Park Solar 1 facility ("KPS 1"), known at the time as Indian Head Solar I, proposed by BQ Energy Development, LLC, the parent company of Kings Park Solar LLC ("KPS"); and

WHEREAS, the Town of Smithtown acted as the Lead Agency for the purposes of a coordinated environmental review pursuant to the State Environmental Quality Review Act ("SEQRA") of the proposed KPS Project (as defined in the accompanying

memorandum) that consists of the KPS 1 and a similar adjacent facility (KPS 2) that is subject to a separate proposed PPA with the Authority; and

WHEREAS, the Smithtown Town Board, on March 1, 2016, made a determination of non-significance (a Negative Declaration) with respect to the proposed KPS Project and concluded that an Environmental Impact Study was unnecessary; and

WHEREAS, the Authority's renewable energy goals will be supported by entering into a PPA and other related agreements regarding the KPS 1;

NOW, THEREFORE, BE IT RESOLVED, that the Contract Oversight Committee of the Board of Trustees (the "Board") recommends that the Board authorize the Chief Executive Officer or his designee to execute and effect a PPA 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 Chief Executive Officer or his designee, to implement the Authority's purchase of renewable energy, related capacity, and renewable attributes from Kings Park Solar LLC's KPS 1 facility.

A motion was made and seconded, and the Trustees unanimously adopted the

following resolution:

AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT WITH KINGS PARK SOLAR LLC FOR THE PURCHASE OF RENEWABLE ENERGY, RELATED CAPACITY AND RENEWABLE ATTRIBUTES FROM THE KINGS PARK SOLAR 2 GENERATING FACILITY

WHEREAS, on October 18, 2013, the Long Island Power Authority (the "Authority") issued the Request For Proposals for up to 280 MW of New, On-Island, Renewable Capacity and Energy ("280 MW RFP") for the addition of up to 280 MW of renewable energy, including all associated capacity and environmental attributes; and

WHEREAS, after analyzing all responses to the 280 MW RFP, Trustees approved negotiations of 20-year power purchase agreements ("PPA") with 11 selected proposers, including the proposer of the Kings Park Solar 2 facility ("KPS 2"), known at the time as Indian Head Solar II, proposed by BQ Energy Development, LLC, the parent company of Kings Park Solar LLC ("KPS"); and

WHEREAS, the Town of Smithtown acted as the Lead Agency for the purposes of a coordinated environmental review pursuant to the State Environmental Quality Review Act ("SEQRA") of the proposed KPS Project (as defined in the accompanying memorandum) that consists of the KPS 2 and a similar adjacent facility (KPS 1) that is subject to a separate proposed PPA with the Authority; and

WHEREAS, the Smithtown Town Board, on March 1, 2016, made a determination of non-significance (a Negative Declaration) with respect to the proposed KPS Project and concluded that an Environmental Impact Study was unnecessary; and

WHEREAS, the Authority's renewable energy goals will be supported by entering into a PPA and other related agreements regarding the KPS 2;

NOW, THEREFORE, BE IT RESOLVED, that the Contract Oversight Committee of the Board of Trustees (the "Board") recommends that the Board authorize the Chief Executive Officer or his designee to execute and effect a PPA 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 Chief Executive Officer or his designee, to implement the Authority's purchase of renewable energy, related capacity, and renewable attributes from Kings Park Solar LLC's KPS 2 facility.

Chair Abramowitz stated that the next item on the agenda is a discussion of Summer Preparedness which would be presented by Mr. O'Connell and Mr. Napoli.

Mr. O'Connell and Mr. Napoli discussed the Summer Preparedness and then took questions from the Trustees.

Chair Abramowitz then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 10:47 a.m.