



LIPA/NYPA 15 MW Hydro Agreement for Resale to Brookhaven National Laboratory

LIPA Board of Trustees Meeting

September 25, 2024



Background

Existing New York Power Authority (NYPA) service to the Brookhaven National Lab (BNL)

- NYPA has been serving BNL's load since 1982 and NYPA provides full requirements power to BNL, including:
 - 15 MW of low-cost power from NYPA's upstate hydroelectric facilities.
 - Power purchased from the NYISO at upstate market rates for the balance of BNL's requirements.
- NYPA uses grandfathered transmission rights to deliver the hydropower from upstate to LIPA.

Renewed NYPA-LIPA-BNL transaction structure

- NYPA sells 15 megawatts (MW) of hydropower to LIPA for resale to BNL.
- NYPA continues to serve BNL's remaining load requirements net of the 15 MW hydropower allocation.
- LIPA resells NYPA hydropower to BNL at cost.
- LIPA provides transmission service to NYPA at wholesale rates to deliver full requirements power to BNL.

LIPA-NYPA and LIPA-BNL Agreements

Two separate contracts

- NYPA-LIPA Agreement – LIPA purchases 15 MW of hydropower from NYPA for resale to BNL.
- LIPA-BNL Negotiated Contract – LIPA resells power purchased from NYPA to BNL at cost (as authorized by the LIPA tariff under SC-13).
 - If NYPA does not pay the transmission charges that apply to the 15 MW transaction, BNL is ultimately responsible.

Reason for the separate agreements

- NYPA is precluded from selling low-cost hydropower directly to BNL (Section 1005 of NY PAL).
- LIPA is authorized to purchase and resell unallocated hydropower to customers such as BNL (Sections 1020-f and 1020-dd of NY PAL).

Key contract milestones

- LIPA-NYPA Sale-for-Resale Agreement was originally authorized by the Board on 6/25/09.
- LIPA-NYPA and NYPA-BNL contracts expire 2/28/25 and are now up for renewal.

Proposed Extension of the Sale-for Resale Agreement – Key Terms

Services provided by NYPA include:

- 15 MW of capacity and associated energy from the St. Lawrence hydropower project delivered to BNL.
- Substitute energy during unplanned hydropower outages.

Term – 7 years with a 7-year extension by mutual agreement

Charges to LIPA are based on NYPA's tariff, and LIPA passes through the charges to BNL

Continuing NYPA responsibilities

- NYISO charges related to BNL's retail load.
- NYISO and LIPA transmission charges.

Thank you!

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FOR CONSIDERATION

September 25, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Authorization to Execute an Agreement with the New York Power Authority to Provide Hydropower to the Brookhaven National Laboratory

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution authorizing the Acting Chief Executive Officer or his designee to execute a contract for the sale of firm hydroelectric power and energy for resale to Brookhaven National Laboratory (“BNL”) (the “Sale for Resale Agreement” or “Agreement”) with the New York Power Authority (“NYPA”) for a 7-year term with a potential 7-year extension.

Background

NYPA provides firm power supply to BNL using a mix of low-cost state-owned hydroelectric power and market purchases. To facilitate the sale of hydroelectric power, NYPA, LIPA, and BNL executed two related long-term agreements: a Sale for Resale Agreement between LIPA and NYPA that allows NYPA to provide 15 MW of firm, unallocated hydroelectric power from its facilities to LIPA for resale to BNL on a cost pass-through basis; and a negotiated, SC-13 agreement between LIPA and BNL, which provides the resale of power purchased by LIPA from NYPA to BNL. The current Sale for Resale Agreement and SC-13 agreement both went into effect in 2011 and are set to expire on February 28, 2025. The SC-13 agreement is a tariff-based agreement to be executed by PSEG Long Island.

In a continuing effort to facilitate the supply of low-cost energy to support BNL’s continued operations and employment of hundreds of Long Islanders, BNL, LIPA and NYPA have agreed to extend the arrangement with a renewed long-term Sale for Resale Agreement between NYPA and LIPA and the associated SC-13 agreement between LIPA and BNL, allowing for NYPA to provide BNL with the hydroelectric power sourced from its St. Lawrence facility.

LIPA will play the same role under the renewed contract as it currently does, acting as the facilitator to bring NYPA’s Firm Hydroelectric Power to BNL. The transactions underlined by the Sale for Resale Agreement and the SC-13 agreement have no financial impact to LIPA, as NYPA will reimburse LIPA for all costs incurred to fulfill its responsibilities.

Discussion

The proposed Sale for Resale Agreement sets forth the specific terms and conditions related to NYPA's sale of power to LIPA and LIPA's resale of that power to BNL at cost. LIPA would pass through to BNL the costs incurred for purchasing the power, without any mark-up. Through the Agreement, the Parties renew the existing contract based on substantially similar terms and conditions. The Sale for Resale Agreement shall be valid for a period of seven (7) years from March 1, 2025 through February 29, 2032, but may be extended for up to an additional seven (7) years by mutual agreement of the parties.

Under the Agreement, NYPA would retain full responsibility for all charges assessed by the New York Independent System Operator ("NYISO") with respect to BNL's power needs and LIPA would continue to collect its transmission service charges from NYPA or BNL, as applicable.

The Sale for Resale Agreement has been approved by the NYPA Board of Trustees and the Governor (as required by statute). Concurrently, PSEG Long Island, on behalf of LIPA, and BNL negotiated the associated SC-13 agreement that will be executed by the parties upon the effective date of the NYPA/LIPA contract.

The negotiated rates contemplated under the anticipated SC-13 agreement would consist of the contract price included in the Sale for Resale Agreement with NYPA, plus applicable tariff charges, including a charge equivalent to the wholesale transmission rate for the delivery of power, if and to the extent not otherwise recovered from NYPA.

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.

Attachment

Exhibit "A" Resolution

AUTHORIZATION TO EXECUTE AN AGREEMENT WITH THE NEW YORK POWER AUTHORITY FOR THE SALE OF FIRM HYDROELECTRIC POWER AND ENERGY FOR RESALE TO THE BROOKHAVEN NATIONAL LABORATORY

WHEREAS, the Long Island Power Authority (“LIPA”) has the statutory authority to enter arrangements to purchase power from New York Power Authority (“NYPA”) at negotiated prices provided that the power is not hydroelectric power produced by NYPA that is designated as preference power; and

WHEREAS, as part of that authority, LIPA has worked with NYPA to offer low-cost power to certain entities in LIPA’s service territory for economic development purposes, including Brookhaven National Laboratory (“BNL”), in support of which LIPA provides wholesale transmission service to NYPA; and

WHEREAS, in an effort to continue to facilitate the long-term supply of low-cost power to BNL, NYPA and LIPA have negotiated a proposed Contract for the Sale of Firm Hydroelectric Power and Energy for Resale to BNL (“Sale for Resale Agreement”) for a 7-year term which can be extended for an additional 7-year term by mutual agreement of the parties with no financial impact to LIPA; and

WHEREAS, the Sale for Resale Agreement provides that NYPA shall sell 15 MW of unallocated, firm hydropower from its St. Lawrence facility and arrange for delivery to LIPA, and LIPA shall purchase such hydroelectric power at the rates and charges set forth in the Sale for Resale Agreement for exclusive resale to BNL at cost.

NOW, THEREFORE, BE IT RESOLVED, that the Acting Chief Executive Officer or his designee be and hereby is authorized to execute and effect a Sale for Resale Agreement and other related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient and appropriate, in the judgment of the President and Chief Executive Officer or his designee, to implement LIPA’s purchase of 15 MW of unallocated, firm hydroelectric power from NYPA for exclusive resale to BNL, to be in effect for 7 years, with the ability to extend for an additional 7 years.

Dated: September 25, 2024