LIPA
Long Island Power Authority

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March 26, 2014

Honorable Kenneth P. LaValle
Legislative Office Bldg., Room 806
Albany, New York 12247

Honorable Steven Englebright
Legislative Office Bldg., Room 621
Albany, New York 11248

Dear Senator LaValle and Assemblyman Englebright,

Thank you for taking the time to talk about the Long Island Power Authority's (LIPA) electric resource planning process as it relates to the Port Jefferson power plant. As requested, I have attached a table that provides a summary of LIPA's projected power supply needs and its supply plan to ensure reliability of the electric system on Long Island. I hope it conveys to you in summary form the complexity and balance implicit in LIPA's planning goals and objectives.

LIPA's electric resource plan is a result of efforts to provide electric customers on Long Island with reliable, efficient, reasonably priced and environmentally-responsible power supply. The plan takes into account LILCO-legacy resources, its unique geographic setting and its environmental values. Electric resource planning as you know is dynamic and must take into account a myriad of factors including periodically updated load growth and economic data, regulatory requirements and plans, technological innovations, and infrastructure investments that are continually made throughout the region. LIPA's resource planning is equally dynamic and designed to balance these challenging factors against the need to provide reliable electricity supply to 1.1 million customers at a reasonable price.

The attached table, which is based on the most current information available to LIPA, reflects a multi-year projection of how to secure the electric resources Long Island needs through 2022. Significantly, LIPA's planning:

- allows Long Island to take advantage of long-established power plant sites for repowering, including the Barrett plant and the Port Jefferson plant, assuming acceptable economics;
- provides for acquisition of competitively-priced, based load additions to secure long-term system adequacy and reliability (and the flexibility to repower aging base load facilities like the Port Jefferson plant which needs to be taken off-line before being repowered);

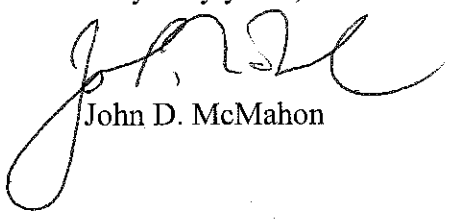
- endorses an energy efficiency program with the goal of a 524 megawatt reduction in load;
- establishes one of the most aggressive renewable energy programs in the US through a combination of: rebate programs (encouraging customer-sited renewables); feed-in tariffs (encouraging small-scale competitive solar and non-solar intermediate-sized renewable projects); and a 280-megawatt renewables request for proposals (encouraging large, utility-scale projects);
- recognizes long-term electric system needs through a program to replace aging peaking power plants with modern storage, demand response and/or new, more efficient peaking facilities;
- relies on continued access to power from adjoining electricity market areas (PJM, New England and upstate New York), as well as access to adequate fuel supplies; and
- looks to the future through the development of a Utility 2.0 Plan to identify and implement forward-looking initiatives that take advantage of emerging technology and innovation in the electricity space.

Many of these initiatives will also require substantial investment in electric and/or natural gas transmission infrastructure, which must be completed prior to the planned in-service dates for new resources.

As indicated in the attachment, the Port Jefferson power plant is expected to be repowered in time to supply needed resources in 2022. The plant would be shut down in 2018 and demolished and rebuilt in place. This is based on the currently projected demand growth and supply situation, all of which is dynamic and subject to change, and assuming that the plant can be repowered with acceptable economics. For example, if the currently projected in-service date for Port Jefferson were delayed from 2022, the expectation is that, based on plan assumptions being maintained, the Port Jefferson plant would continue to operate until demolition is carried out. Repowering options for the Northport plant are expected to be considered for completion after 2022, in light of its original completion in the late 1970's and its continued importance to the operation of the electric system.

I hope that this adequately addresses your concerns and reinforces the fact that the Port Jefferson plant remains an important part of LIPA's resource planning process in the years to come. And as always, I remain available to discuss this matter further at your convenience.

Very truly yours,



John D. McMahon

March 2014

## Need for Resources and Current Supply Plan (Values in MW of Load or Capacity)

| | Notes | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Forecasted Peak Load before DSM and Renewables | | 5,743 | 5,890 | 6,012 | 6,130 | 6,233 | 6,339 | 6,460 | 6,577 | 6,695 |
| ELI Demand Reductions | 1, 2 | 217 | 276 | 327 | 382 | 436 | 474 | 521 | 560 | 597 |
| Customer Side Renewable | 3 | 30 | 33 | 36 | 39 | 42 | 45 | 48 | 51 | 54 |
| **Net Peak Load Forecast** | | **5,496** | **5,581** | **5,649** | **5,710** | **5,755** | **5,821** | **5,892** | **5,965** | **6,044** |
| NYISO Capacity Requirement (107%) | | 5,880 | 5,971 | 6,044 | 6,109 | 6,158 | 6,228 | 6,304 | 6,383 | 6,467 |
| Allowance for Uncertainties | 4 | 129 | 260 | 410 | 446 | 476 | 514 | 549 | 551 | 585 |
| **Total Required Capacity** | | **6,009** | **6,231** | **6,454** | **6,556** | **6,634** | **6,742** | **6,853** | **6,934** | **7,052** |
| **Total Existing Capacity** | | **6,024** | **6,024** | **6,024** | **6,024** | **6,024** | **6,024** | **6,024** | **5,928** | **5,928** |
| **Surplus/(Deficiency)** | | **14** | **(207)** | **(431)** | **(532)** | **(611)** | **(719)** | **(830)** | **(1,007)** | **(1,125)** |
| **Supply Plan** | | | | | | | | | | |
| Near Term Capacity Actions | 6 | 0 | 143 | 143 | 143 | 143 | 143 | 143 | 7 | 7 |
| Barrett Repowering Additions | 7 | 0 | 0 | 0 | 268 | 268 | 837 | 837 | 837 | 837 |
| Barrett Repowering Retirements | | 0 | 0 | 0 | (199) | (199) | (672) | (672) | (672) | (672) |
| Port Jefferson Repowering Retirements | | 0 | 0 | 0 | 0 | (405) | (405) | (405) | (405) | (405) |
| Port Jefferson Repowering Addition | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 346 |
| Caithness II Addition | | 0 | 0 | 0 | 0 | 716 | 716 | 716 | 716 | 716 |
| Planned Renewable Additions | 7, 8 | 8 | 42 | 91 | 91 | 90 | 174 | 174 | 173 | 285 |
| Peaking Additions | 7, 9 | 0 | 0 | 0 | 0 | 0 | 1,056 | 1,056 | 1,056 | 1,056 |
| Peaking Retirements | 7, 9 | 0 | 0 | 0 | 0 | 0 | (1,056) | (1,056) | (1,056) | (1,056) |
| **Net Surplus/(Deficiency)** | 10 | **22** | **(22)** | **(196)** | **(229)** | **3** | **75** | **(37)** | **(350)** | **(11)** |

1 ELI Program demand reductions since program inception

2 Does not include demand reduction programs prior to ELI includes Clean Energy Program, ReCap program and effects of codes and standards. These programs in aggregate provide the following reductions:

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Prior DSM Demand Reductions | 233 | 222 | 210 | 205 | 203 | 199 | 191 | 180 | 169 |

3 Peak demand reductions caused by LIPA renewable energy programs since inception. Since most renewables do not produce full output at the time of system peak, the installed capacity base is higher than values shown. A total of about 124 MW of customer side renewables is projected to be installed by 2022.

4 Based on a probabilistic analysis to account for uncertainties in resource and load data. Probabilistic modeling in planning to meet resource requirements is a standard industry tool.

5 Since LIPA's existing supply side renewables do not produce full output at the time of system peak, the installed capacity base is higher than values shown. Existing supply side renewables are rated at about 45 MW.

6 Consists of off-Island capacity purchases and reratings of existing plants.

7 Potential results which are subject to receipt of acceptable proposals from project sponsors.

8 Since most renewables do not produce full output at the time of system peak, the assumed installed capacity base is higher than values shown. If current and planned renewable procurments are fully subscribed, a total of 650 MW of additional supply side renewables are projected to be installed by 2022.

9 Assumes replacement in kind.

10 Remaining deficiencies may be addressed through additional capacity to be selected in current RFPs, new RFPs and/or programs to be developed as part of the Utility 2.0 initiative.