Energy Guide:

2017 Long Island Integrated Resource Plan and Repowering Studies
The electric utility industry is evolving with changing customer expectations, advances in technology, lower natural gas prices, and New York’s own goals for a cleaner and more efficient energy future.

The following pages demonstrate this evolution in several ways, including the effect of more efficient appliances and technology on future electric demand and the impact of a growing base of renewables on the amount and types of resources needed to balance Long Island’s electric grid.

The Energy Guide reflects the preliminary findings of a comprehensive study to identify the needs for Long Island’s future energy grid.

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### Table of Contents

- Sources of Electricity: 4
- Peak Load Forecast: 5
- Expanding Clean Energy: 6
- NY’s Off-Shore Wind Goals: 7
- Generation Outlook: 8
- Cables to Regional Power Markets: 9
- Impact of Renewables on Generation: 10
- Forecast Steam Plant Use: 11
- Natural Gas Prices: 12
- Economics of Steam Plant Modernization: 13
- Cost Comparisons: 14
- Condition of PSA Steam Units: 15
- Alternatives to Modernize Generation: 16
- Independent Second Opinion: 17
- LIPA Staff Recommendation: 18
- Supporting Documents: 19

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### Acknowledgements

Valuable contributions were provided by:

- PSEG Long Island
- Long Island Power Authority
- The Brattle Group
- RCM Technologies
- National Grid
- Department Of Public Service
- NYSERDA
Sources Of Electricity

Three large legacy generation plants (PSA steam units) represent 40% of LIPA’s maximum electric production capability while only generating 21% of its energy.

An independent third party, called the NYISO, determines which generation units run to provide the lowest cost to consumers.

PSA refers to National Grid Power Supply Agreement.

Peak Load Forecast

Recent peak load forecasts show dramatic reductions driven by greater adoption of energy efficiency and rooftop solar. The decline is consistent with state and national trends.

The forecasted need for power plants in 2030 on Long Island has declined by ~1,700 megawatts (MW) since 2013, the equivalent of 3-5 large baseload central station power plants.

Peak load is the highest demand for electricity in a year.

Long Island’s Peak Load Forecast has Declined Since 2010

The Zone K peak load forecast for 2030 has declined by over 24% (i.e., 1,699 MWs) when comparing the 2013 forecast to the 2017 forecast.
Expanding Clean Energy

NY’s 50 percent renewable by 2030 (50x30) Clean Energy Standard requires LIPA to add 800MW of new renewable generation, enough to power 350,000 more homes.

Load is expected to be reduced by 950MW through 2030 as a result of energy efficiency, rooftop solar, and other ‘behind the meter’ initiatives.

NY’s Off-Shore Wind Goals

NY set a 2,400MW Off-Shore Wind (OSW) goal for 2030. There are a large number of potential OSW sites off of Long Island’s coast.

A significant portion of the State’s offshore wind goal may connect to Long Island’s electric grid, potentially in excess of the amount needed to meet LIPA’s own CES needs.

NYSERDA will issue an Off-Shore Wind Master Plan for the State by the end of 2017.

Note: The proportion of OSW and solar reflected in the graphic represents a planning assumption. Actual project selection will be based on competitive solicitations.
Key Findings

Generation Outlook

With flat load growth and the addition of renewable generation to meet CES, LIPA has excess generation capacity through 2035.

Ninety nine percent (99%) of LIPA’s generation contracts are up for renewal by 2030 providing flexibility to reposition LIPA’s generation fleet in response to changing conditions.

Excess generation provides reliability, redundancy and resiliency to meet the needs of the electric grid and our customers.

Cables to Regional Power Markets

LIPA’s annual purchases of approximately 10,500 GWh of energy across five transmission cables to the New York, New England, and PJM power markets provides diverse and robust supply, redundancy, and lower cost. LIPA’s purchases are a fraction of the energy produced in those markets.

Transmission: Cables to Regional Power Markets

LIPA Has Surplus Generation Through 2035

The current peak load forecast shows a capacity need date of 2035 or later.

NYISO Total Energy Production: 142,346 GWh
LIPA Purchases from NYISO: 4,334 GWh (3%)

ISO-NE Total Energy Production: 107,916 GWh
LIPA Purchases from ISO-NE: 1,908 GWh (2%)

NYISO Cable:
- Neptune Cable (660 MW)
- NY-NJ Cable (200 MW)
- Y-49/50 (385 MW, net)

ISO-NE Cable:
- SAC Cable (380 MW)
- Cross Sound Cable (380 MW)

PJM Cable:
- Neponset Cable (380 MW)
- Woodbridge Cable (380 MW)
- Southside Cable (380 MW)
- Glastonbury Cable (380 MW)

2015 PJM Total Energy Production: 786,698 GWh
2015 LIPA Purchases from PJM: 4,265 GWh (1%)
**Key Findings**

The capacity factor of the PSA steam units has declined significantly since the 1990’s.

Renewables and other forecast changes to the electric grid dramatically reduce usage and emissions of the PSA steam plants by 2030.

**Forecast Steam Plant Use**

The capacity factor is the amount a power plant is used during a year relative to its maximum potential output.

**Impact Of Renewables On Generation**

The addition of OSW and other renewable resources into LIPA’s system significantly reduces the run time of the PSA steam plants and increases the need for peaking units, batteries, demand response and other more flexible resources.

Three scenarios for OSW on Long Island are shown below. The first is meeting LIPA’s CES goals while the second and third meets LIPA’s CES goals plus additional megawatts of OSW procured by other New York utilities to meet the State’s 2,400MW OSW goal.

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**Key Findings**

**Natural Gas Prices**

Natural gas prices have declined 72% since 2008 and are back to late 1990 levels.

Lower natural gas prices reduce the value of the fuel savings from newer plants.

**Economics of Steam Plant Modernization**

The construction of proposed combined cycle plants to replace existing steam plants is technically feasible, but not required for reliability and will raise the net cost to customers by up to $5 billion or $2,210 for the average residential customer through 2030.

The capacity factors of the proposed plants are lower than typical for new plants mainly due to the addition of renewable energy to the electric grid.

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**Natural Gas Prices are Back to 1990 Levels**

![Natural Gas Prices are Back to 1990 Levels](chart)

- **Natural Gas Prices** are back to 1990 levels.
- Natural gas prices have declined 72% since 2008.

**Proposed Combined Cycle Plants Have a Net Cost of Up To $5 Billion through 2030**

- The construction of proposed combined cycle plants to replace existing steam plants is technically feasible, but not required for reliability and will raise the net cost to customers by up to $5 billion or $2,210 for the average residential customer through 2030.
- Lower natural gas prices reduce the value of the fuel savings from newer plants.

**Graphs**

- **Capacity Factor**
- **Increase in Average Residential Customer Bill Through 2030**

**Table**

<table>
<thead>
<tr>
<th></th>
<th>Barrett</th>
<th>Port Jefferson</th>
<th>Caithness II</th>
<th>All Three</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cost Through 2030</td>
<td>$12 billion</td>
<td>$0.9 billion</td>
<td>$2.9 billion</td>
<td>$5 billion</td>
</tr>
<tr>
<td>Increase in Average Residential Customer Bill Through 2030</td>
<td>$536</td>
<td>$378</td>
<td>$1,297</td>
<td>$2,210</td>
</tr>
</tbody>
</table>
Cost Comparisons

Due to lower than typical run time (capacity factor), the cost per kWh of the new repowered steam plants would be similar to today’s costs for renewable energy.

Advancing technology and economies of scale are expected to result in a decline in renewable energy costs.

Condition of PSA Steam Units

The PSA steam units operate reliably with equivalent availability (summer) averaging well above 90%, in line with contractual guarantees for new combined cycle facilities.

An independent condition assessment by RCM Technologies concluded that with reasonable capital and O&M expenditures the steam units should operate reliably through the study period.

### Plant

<table>
<thead>
<tr>
<th>Plant</th>
<th>Equivalent Availability: Summer (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrett Steam Units</td>
<td>92</td>
</tr>
<tr>
<td>Northport Steam Units</td>
<td>94</td>
</tr>
<tr>
<td>Port Jefferson Steam Units</td>
<td>98</td>
</tr>
<tr>
<td>New Combined Cycle Plant Contractual Guarantee (typical)</td>
<td>95 - 97</td>
</tr>
</tbody>
</table>
Alternatives to Modernize Generation

The proposed combined cycle plants are more fuel efficient and have operating characteristics that are more flexible than the PSA steam units but less flexible than peaking units.

New peaking units, batteries, demand response, or other distributed energy resources may better support renewable resources than existing steam units or new combined cycle plants.

Independent Second Opinion

LIPA retained the Brattle Group to provide an independent second opinion on PSEG Long Island's reliability planning criteria and analyses of proposals for Caithness II and the repowered steam plants.

"We do not find a compelling reason for LIPA to proceed with Caithness II or the repowering projects. None of the plants are needed for reliability or economic purposes. For all the options the plant costs exceed their benefits for at least the next decade."

— The Brattle Group

The Brattle Group is an independent economic and financial consulting firm that provides evaluations and researched-based answers to complex challenges facing the energy, financial and government sectors around the world.

The Department of Public Service staff also participated in the Brattle Group’s review.

"The DPS reviewed the Brattle Report and concludes that adoption of NYSRC/NYISO planning criteria in 2014 and the analysis with respect to the need for Caithness II are reasonable."

— Department of Public Service

The mission of the New York State Department of Public Service is to ensure affordable, safe, secure and reliable access to electric and gas service for New York State’s residential and business consumers.

Steam Plant Modernization: Operating Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Existing PSA Units</th>
<th>New Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Steam Units</td>
<td>Combustion Turbines</td>
</tr>
<tr>
<td>Cold Start Time (hours)</td>
<td>26 – 30 hours</td>
<td>10-30 minutes</td>
</tr>
<tr>
<td>Time (hours)</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Ramp Rate (MWs/min)</td>
<td>2 - 4</td>
<td>NA</td>
</tr>
<tr>
<td>Heat rate (Btu/kWh)</td>
<td>10,000 – 11,300</td>
<td>13,000-16,500</td>
</tr>
</tbody>
</table>
LIPA Staff Recommendation

Monitor
• Long Island energy and peak demand growth each year
• The operating performance and budgets of generation plants relative to expectations

Evaluate
• Opportunities for economies of scale in offshore wind by partnering with NYSERDA and other local utilities in procurement and interconnection to the electric grid

Maintain
• Energy efficiency programs to reduce load by 950 megawatts through 2030
• Efforts for fair property tax reductions on existing plants that reflect their past and forecasted decline in use

Study
• The peaking generation fleet and its ability to accommodate the flexible operating profile required by greater amounts of renewable generation
• Selected retirements and modernization of peaking units

Cancel
• The 2010 Generation RFP with no award
• Further study of the combined cycle repowering proposals for the Barrett and Port Jefferson steam plants

Conduct
• Technology neutral competitive procurements (e.g. peaking plants, batteries, demand response, etc.) to meet future identified needs, including utilizing rights to the National Grid brownfield power plant sites to obtain bids by multiple developers
• A repowering study of the Northport steam plant commencing October 2018, as required by law

Supporting Documents

* 2017 Integrated Resource Plan: PSEG Long Island Summary Analysis
* LIPA Generation Planning Review of Caithness Long Island II, and E.F. Barrett and Port Jefferson Repowering by the Brattle Group
* Letter from New York State Department of Public Service regarding Brattle Group review
* Repowering Feasibility Study of Port Jefferson Power Station
* Repowering Feasibility Study of E.F. Barrett Power Station
* Condition Assessment of National Grid Electric Generation Assets by RCM Technologies

For more information, visit PSEGLINY.com or LIPOWER.org