

June 8, 2018

Honorable Peter Van Scoyoc, Supervisor
Town of East Hampton
159 Pantigo Road
East Hampton, New York 11937

Dear Supervisor Van Scoyoc,

Thank you for taking time to speak with me about the South Fork Offshore Wind Farm.

LIPA leads New York in deploying programs for energy efficiency and clean energy technology and will add 800 megawatts of clean energy to Long Island's electric grid by 2030 – enough to power 300,000 homes. To name a few recent accomplishments, Long Island is home to New York's most aggressive energy efficiency programs, New York's three largest utility-scale solar projects, New York's most vibrant rooftop solar market, New York's first utility-scale battery project, New York's largest deployment of clean fuel cell technology, and now New York's first offshore wind farm – the 90-megawatt South Fork Wind Farm, which will be in service by the end of 2022.

While these initiatives reduce demand for electricity throughout Long Island by one to two percent per year, the South Fork continues to experience electric use growth, despite these efforts, with high levels of both residential and commercial development. The electric infrastructure on the South Fork was built for fewer and smaller homes and less commercial activity and needs to be upgraded to meet the future needs of the local residents. We estimate those future needs will cause the existing infrastructure to be insufficient by approximately 170 megawatts of peak capacity by 2030. This will be an expensive investment for all of our customers and one we do not make lightly.

The South Fork Wind Farm helps to solve this problem by bringing clean energy into the part of the electric grid – on the South Fork – where it is needed. Doing so reduces, but does not eliminate, the need for electric grid reinforcements on the South Fork. Obviously, a 170-megawatt peak load problem cannot be solved by a 90-megawatt offshore wind farm.

The transmission reinforcements being planned and constructed on the South Fork over the next decade will have little-to-no-visual impact, as they are located underground (for technical reasons), within existing substations, or involve replacement of overhead components using existing poles. A Wainscott substation is part of a planned underground transmission project and has an in-service date of 2026. Its need, timing, and location are subject to review, as the project's need date is eight years away. Should electric load on the South Fork come in less than forecast, the timing of the

substation would be delayed. LIPA is a not-for-profit utility, with an interest in minimizing electric rates for its customers, not in building projects.

Importantly, these transmission upgrades on the South Fork are required to meet the needs of the South Fork, not the needs of the rest of Long Island. These needs were established before LIPA selected the South Fork Wind Farm Project, as part of a competitive request for proposals issued to developers on June 24, 2015. For more information on the history of the selection of South Fork Wind Project, please see PSEG Long Island's South Fork website.¹

In our conversation, you raised concerns regarding LIPA's transparency on power purchase agreements, including the contract with Deepwater Wind. Confidentiality provisions for certain commercial terms, which are standard for all LIPA power purchase agreements, are for the benefit of our customers. Long Island has 32 power plant sites, as well as a growing number of renewable energy generating plants, of which the South Fork Wind Farm is only one.

LIPA runs competitive solicitations among multiple developers and technologies to meet identified needs, like the competitive solicitation that was conducted for the needs identified on the South Fork. Imagine a shopper buying a car. The shopper will get a better price by having many dealers provide a quote for various car models, and by negotiating among the dealers and car makes. The shopper would not benefit, however, from the dealers sharing their quotes. LIPA is like the car shopper, only we are routinely in the market for power purchase agreements, and a project not selected in one competitive solicitation may be selected on more attractive terms in another.

All aspects of LIPA's power purchase agreements have been reviewed and approved by the LIPA Board of Trustees, the New York State Attorney General, and the Office of the New York State Comptroller. The Comptroller's Office reviewed extensive analysis related to how the project was selected, and the comparative economics and feasibility of alternative solutions.

The portfolio of projects selected in the South Fork RFP, which included the South Fork Wind Farm, two battery projects, a demand response contract, and certain transmission upgrades, was the least cost solution for all of our customers on Long Island. All critical economics of this portfolio, including bill impacts, were disclosed to the public before the South Fork Wind Farm contract was approved.

I have enclosed a redacted copy of the power purchase agreement for the South Fork Wind Farm. It has also been made available to all those who have requested it through the Freedom of Information process.

¹ South Fork Project Website:
<https://www.psegliny.com/aboutpseglongisland/proposalsandbids/2015southforkrfp>



Thomas Falcone
Chief Executive Officer
(516) 222-7700

Again, thank you for your interest and I look forward to meeting you soon. If there is more information that I can provide, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Thomas Falcone". The signature is written in a cursive style with a horizontal line extending from the start of the name.

Thomas Falcone

cc: Michael Deering, LIPA

Enclosure: South Fork Wind Farm Power Purchase Agreement