

A powerful price RECORDS SHOW LIPA CUSTOMERS WOULD BE HARD HIT BY HIGHER ENERGY COSTS IF PLANS TO BUILD A WIND FARM OFF THE SOUTH SHORE GET THE GO-AHEAD

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Energy from the proposed South Shore wind farm will cost Long Island ratepayers as much as double the wholesale cost of energy from other sources, according to previously confidential bidding documents obtained by Newsday.

The wholesale cost that the Long Island Power Authority would have to pay for power from the wind farm would be \$94.97 a megawatt hour, well above the \$20 to \$60 that LIPA, the project's sponsor, now pays for power from other sources, including existing KeySpan plants. The \$94.97 cost would increase to more than \$150/mwh over the 20-year life of the project because of a stipulated 2.75 percent annual increase.

The winning bid to build the 40-turbine wind farm in waters off the South Shore had an initial price tag of \$356 million, a cost that has since increased to an undisclosed amount, according to the documents, and will be borne by the bidder. In addition, LIPA will pay about \$100 million to build an interconnecting cable and offshore substation.

The cost, obtained by Newsday through Freedom of Information

Law filings with LIPA starting earlier this year, puts the controversial project roughly in line with previous, unconfirmed estimates that it would cost upwards of \$500 million. The winning bidder, FPL Energy, a division of Florida Power & Light, amended its bid at a meeting with LIPA March 1, 2005, but the amount of the new bid and corresponding energy cost increases have not been disclosed, and LIPA declined to provide them. LIPA and FPL Energy are still negotiating a final contract, even as federal regulators prepare a draft environmental impact statement to study its impact on the region. While the documents provided to Newsday redact the estimated average power the wind farm will produce, LIPA officials said yesterday the average annual generation of the plant is likely to be around 49 megawatts, well below the peak capacity of 140 megawatts.

While opponents of the wind farm said the costs confirmed their worst-case scenario, a wind industry analyst said they are in line given the scope of the project and rising energy costs. "One or two years ago, I would have said it was on the pricey side, but now I'd

say it's in the ballpark," said Bruce Biewald, president of Synapse Energy Economics Inc., a Boston-based consulting firm.

However, Babylon supervisor Steve Bellone countered, "This is an extraordinarily expensive project that's going to be borne by LIPA ratepayers, who are already paying the highest rates in the nation." He and others say alternatives such as upgrading existing plants are more viable. LIPA chairman Richard Kessel acknowledged "there's a huge cost" for such projects, but said given the prospect of rising fuel costs, the price is worth it. "In the end, on a cost basis, this wind project will be competitive with any other new project you have to build," he said, noting, "Wind is free."

Matthew Cordaro, dean of Long Island University's College of Management and a former utility executive, said the costs are off the chart. Pointing to the proportionate cost and the estimated 49-megawatt average capacity, he said, "That's many times what a nuclear plant would cost."

The documents mention the nature of wind and its possible impact on LIPA's operating agreements. "Due to the intermittent nature

of a wind resource, the project will be unable to generate on-demand to meet specific schedules between LIPA and the New York Independent System Operator," said one memo.

LIPA Wholesale Power Prices

\$20-\$40/MWH
Non peak Off-LI Sources

\$50-\$60/MWH Existing local power plants

\$70-\$90/MWH Proposed combined cycle plant

\$94.97-\$150/MWH Initial Wind-Farm Bid

Source: LIPA

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