



Consolidated Edison Company  
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July 14, 2014

Honorable Kathleen H. Burgess  
Secretary  
New York State Department  
of Public Service  
3 Empire State Plaza, 19th Floor  
Albany, New York 12223

**RE: Electric Tariff Changes Related to Purchase and  
Sale of SO<sub>2</sub> and NO<sub>x</sub> Emissions Allowances**

Dear Secretary Burgess:

Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”) is filing with the Public Service Commission (the “Commission”) amendments to its Schedule for Electricity Service, P.S.C. No. 10 – Electricity (the “Tariff”), applicable to its customers in the City of New York and the County of Westchester.

The revised Tariff Leaves, which are identified below, have an effective date of January 1, 2015:

<u>Leaf No.</u>	<u>Revision No.</u>	<u>Superseding No.</u>
343	5	4
343.1	0	

**Background**

Page 13, Section B.1.f, of the Joint Proposal (“JP”) adopted by the Commission’s Order Approving Electric, Gas and Steam Rate Plans in Accord With Joint Proposal, issued and effective February 21, 2014, in Case 13-E-0030 et al. states that the Signatory Parties to the JP agree that whenever the Company is or will be subject to governmental or regional transmission organization transmission and/or generation-related charges, costs or credits (e.g., Environmental Protection Agency (“EPA”)) not already listed in or otherwise covered by the then-effective Monthly Adjustment Clause/Market Supply Charge (“MAC”/“MSC”) tariff language, the Company may make a tariff filing with the Commission providing for recovery of such charges/costs, or application of these credits, through the MAC/MSC mechanism and/or comparable adjustment mechanism.

This filing is being made to provide for the recovery of costs incurred to purchase emissions allowances for the Company's generating facilities and credit customers for revenues received from the sale of emissions allowances pursuant to EPA's final rule on interstate transport of fine particulate matter and ozone, as the same may be modified from time to time (the "Transport Rule" or "Rule").<sup>1</sup> The Transport Rule, which is applicable to several states in the eastern part of the United States, including New York, is designed to reduce emissions of sulfur dioxide ("SO<sub>2</sub>") (annual) and nitrogen oxides ("NO<sub>x</sub>") (both annual and ozone season) from fossil-fuel fired electric generating units with a nameplate capacity greater than 25 MW. The Transport Rule establishes cap and trade programs for SO<sub>2</sub> (annual) and NO<sub>x</sub> (both annual and ozone season), and requires each covered unit to hold the respective SO<sub>2</sub> or NO<sub>x</sub> allowance for each ton of SO<sub>2</sub> or NO<sub>x</sub> emitted during the relevant periods.

### **Reason for Filing**

Compliance with EPA's Transport Rule was to begin on January 1, 2012. However, on December 30, 2011, the Court of Appeals for the District of Columbia Circuit ("DC Circuit") stayed the Transport Rule, and, on August 12, 2012, the DC Circuit vacated the Rule.<sup>2</sup> On April 29, 2014, the United States Supreme Court reversed and remanded the DC Circuit's decision.<sup>3</sup> On June 26, 2014, the EPA moved to lift the stay previously entered by the DC Circuit and indicated that it will commence implementation of the Transport Rule on January 1, 2015, if the stay is lifted.

The Company is making this filing so that it can start complying with the Transport Rule at the commencement of its implementation. The Transport Rule will apply to Units 10, 20, 60 and 70 at Con Edison's East River plant. It appears that, at least in the near term, Con Edison will have excess SO<sub>2</sub> allowances and will need to purchase NO<sub>x</sub> allowances.

### **Tariff Changes**

Con Edison's rates for electric service include a Monthly Adjustment Clause ("MAC") applicable to its full-service and retail access customers. Certain costs associated with Company-owned generating facilities are currently recovered through the MAC to the extent such costs are not recoverable through the market prices reflected in the Market Supply Charge ("MSC").

The Company proposes to add tariff provisions to the MAC/MSC mechanism to permit the recovery of costs incurred and the crediting of revenues received pursuant to

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<sup>1</sup> Federal Implementation Plans: Interstate Transport of Fine Particulate Matter and Ozone and Correction of SIP Approvals; Final Rule, 76 Fed. Reg. 48207 (August 8, 2011).

<sup>2</sup> EME Homer City Generation, L.P. v. Environmental Protection Agency, 696 F3d 7.

<sup>3</sup> Environmental Protection Agency v. EME Homer City Generation, L.P., 134 S. Ct. 1584.

the Transport Rule, as the same may be modified from time to time. Specifically, the Company proposes to add the following MAC components:<sup>4</sup>

- (41) costs, as incurred, related to the purchase of emissions allowances for Company-owned generating facilities pursuant to the Environmental Protection Agency's final rule on interstate transport of fine particulate matter and ozone, dated August 8, 2011, as the same may be modified from time to time, to the extent such costs are not recoverable through the market prices reflected in the Market Supply Charge;
- (42) revenues received from the sale of emissions allowances pursuant to the Environmental Protection Agency's final rule on interstate transport of fine particulate matter and ozone, dated August 8, 2011, as the same may be modified from time to time;

### **Conclusion and Notice**

This filing is proposed to become effective on January 1, 2015, the date on which the EPA is expected to commence implementation of the Transport Rule if the stay is lifted. If the EPA's implementation date is delayed beyond January 1, 2015, the Company will request to postpone the effective date of this filing.

The Company will publish notice of the proposed tariff changes on July 28 and August 4, 11, and 18, 2014. Copies of this filing are being sent electronically to the active party list in Case 13-E-0030.

Very truly yours,  
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

/s/ William A. Atzl, Jr.  
Director  
Rate Engineering

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<sup>4</sup> Current component 41 of the MAC will become new component 43.