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September 10, 2015

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

RE: Recovery of Certain NYISO Tariff Charges

Dear Secretary Burgess:

Orange and Rockland Utilities, Inc. ("O&R" or the "Company") hereby submits for electronic filing with the Public Service Commission (the "Commission") the following tariff leaves reflecting revisions to its Schedule for Electric Service, P.S.C. No. 3 – Electricity (the "Tariff").

2nd Revised Leaf No. 215
5th Revised Leaf No. 219
2nd Revised Leaf No. 220

These leaves are issued September 10, 2015, to become effective December 27, 2015.

Reason for Filing

A number of transmission projects that are approved and/or may be approved by the Commission are expected to result in charges by the New York Independent System Operator ("NYISO") to the load serving entities in New York State, including O&R. The charges associated with certain of these projects are currently being considered by the Federal Energy Regulatory Commission ("FERC") in Docket No. ER15-572. Certain other projects are still under consideration by the Commission in Case 13-E-0488, *Alternating Current Transmission Upgrades – Comparative Proceeding*, and the projects selected by the Commission in that case are then expected to be subject to a rate proceeding(s) before FERC to establish charges to be billed by the NYISO. By this filing, the Company proposes to amend its Tariff in order to provide for the recovery of these NYISO charges from the Company's full service customers.

Background

On November 30, 2012, the Commission commenced two new proceedings aimed at adding transmission infrastructure in New York State. These are Case 12-T-0502, *Proceeding on Motion to Examine Alternating Current Transmission Upgrades* ("AC Proceeding")¹, and Case 12-E-0503, *Proceeding on Motion of the Commission to Review Generation Retirement*

¹ This docket was given a new case number, Case 13-E-0488, on October 25, 2013.

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Contingency Plan ("IP Proceeding"). In its November 30, 2012 Order in the IP Proceeding, the Commission ordered Consolidated Edison Company of New York, Inc. ("Con Edison"), with the assistance of the New York Power Authority ("NYPA"), to develop a contingency plan in the event that Indian Point shuts down at the end of its license term. On January 30, 2012, Con Edison and NYPA submitted a proposal in response to that Order, which, among other things, called for the construction of Con Edison's second Ramapo to Rock Tavern ("RRT") transmission line, Con Edison's Staten Island Unbottling ("SIU") project, and the joint NYPA/NYSEG Marcy South Series Compensation Fraser to Coopers Corner Reconductoring ("MSSC") project (collectively, the Transmission Owner Transmission Solutions or "TOTS"). In an order issued on November 4, 2013 in the IP Proceeding, the Commission stated that "[w]e agree with DPS Staff's recommendation and accept the inclusion of the three TOTS projects in the portfolio for the IPEC Reliability Contingency Plan."² The Commission also stated that:

Con Edison and New York State Electric and Gas Corporation (NYSEG) shall, and NYPA and NYSERDA are expected, to use their best efforts to undertake and timely complete their projects being undertaken as part of the IPEC Reliability Contingency Plan, as set forth in the body of this order.³

Also on November 30, 2012, the Commission issued an order in the AC Proceeding requesting proposals for new transmission projects to relieve transmission congestion in certain parts of the State. On January 25, 2013, in response to that Order, the New York Transmission Owners ("NYTOs")⁴ submitted a Statement of Intent to construct new AC transmission projects. This proceeding is ongoing. One of the projects submitted by the NYTOs, Edic to Pleasant Valley ("EPV"), is under active consideration by the Commission along with projects submitted by other parties.

On December 4, 2014, Con Edison/O&R, National Grid, NYSEG/RG&E, Central Hudson and the New York Transco, LLC ("NY Transco") made a filing with the FERC in Docket No. ER15-572 to establish a transmission formula rate for the NY Transco. The formula rate is designed to include the costs for the RRT and SIU projects, the NYSEG portion of the MSSC project, and the EPV project. Upon FERC approval of the rate, the NYISO is expected to bill charges related to these projects to load serving entities ("LSEs") in the NYISO's control area, including O&R. After NYPA's rate is approved by FERC, the NYISO is expected to separately bill charges to all LSEs in the NYISO's control area, including O&R, for the costs associated with NYPA's share of the MSSC project. Further, if any non-NY Transco projects are selected by the Commission in the AC Proceeding, it is expected that the NYISO will bill charges relating to those projects to all LSEs in the NYISO's control area, including O&R, once the rate(s) for such transmission provider(s) is approved by FERC.

² Case 12-E-0503, *Proceeding on Motion of the Commission to Review Generation Retirement Contingency Plans, Order Accepting IPEC Reliability Contingency Plans, Establishing Cost Allocation and Recovery, and Denying Requests for Rehearing* (issued November 4, 2013) ("November 2013 Order"), p.25.

³ November 2013 Order, p. 47.

⁴ For purposes of the January 25, 2013 filing, the NYTOs consist of Con Edison, O&R, NYSEG, Rochester Gas and Electric ("RG&E"), Niagara Mohawk, Central Hudson, NYPA and the Long Island Power Authority ("LIPA").

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Since the costs of transmission projects that were and will be selected by the Commission in its IP and AC proceedings will be billed to O&R as an LSE by the NYISO, the Company is amending its Market Supply Charge as indicated herein so that the costs of these Commission-approved transmission projects that will be allocated to O&R as an LSE through FERC-approved NYISO charges can be billed to and collected from the Company's full service retail customers.

It is currently estimated that the amount related to TOTS projects that will be payable in 2016 by LSEs in the NYISO's control area is approximately \$33 million. As originally filed by the NY Transco with FERC, the Con Edison/O&R allocation of TOTS costs is 41.7%. The resulting \$13.8 million is proposed to be charged to Con Edison's full service customers, O&R's full service customers, and the energy service companies providing supply to Con Edison's and O&R's retail access customers. O&R's full service customers' estimated share of the \$33 million would be \$400,000, based on 2014 full service sales for its customers served under the Tariff.⁵

Proposed Tariff Changes

To provide for the recovery of charges associated with the IP and AC projects discussed above, the Company proposes the following changes to General Information Section No. 15 – Market Supply Charge ("MSC") of the Tariff:

- Leaf No. 215 has been revised to change the Forecast MSC Component. Currently, the Forecast MSC Component consists of charges for energy, Ancillary Services, the NYPA Transmission Adjustment Charge ("NTAC"), capacity, and hedging. The proposed charges to be added to the Forecast MSC Component include charges incurred under the NYISO tariff for: (a) NY Transco Charges; (b) projects approved by the Commission in Case No. 12-E-0503 ("TOTS Charges"); and (c) projects approved by the Commission in Case No. 13-E-0488 ("AC Transmission Charges").
- Leaf No. 219 has been revised to add the NY Transco Charges, TOTS Charges, and AC Transmission Charges to the list of charges applicable to Day Ahead Hourly Pricing ("DAHP") customers.
- Leaf No. 220 has been revised to include the NY Transco Charges, TOTS Charges, and AC Transmission Charges to those charges that will be added to the hourly energy charges that are posted on the Company's website for DAHP customers. In addition, these charges will also be shown on the Statement of Market Supply Charge ("MSC Statement"). The NY Transco Charges, TOTS Charges, and AC Transmission Charges will be added to the Ancillary Services/NTAC Charges and shown as one line on the MSC Statement.

The proposed tariff provisions are designed to recognize that how the costs of the TOTS and AC projects will be billed to LSEs, including O&R, depends upon the outcome of the FERC proceedings that are considering, or will consider, the development of charges to recover the

⁵ The potential cost impacts and cost allocations are based on the NY Transco proposal in Docket No. ER15-572. The specific elements of that proposal are subject to change as part of the ongoing FERC regulatory process. In addition, the amount to be paid by O&R's full service customers will be based on the NYISO's calculated rate for O&R.

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costs of these projects. Since the proposed tariff provisions are designed to recover only FERC-approved NYISO charges allocated to O&R, these tariff provisions will not result in any double- or over-recovery from O&R's full service customers.

Conclusion and Notice

The Company will provide for public notice of the tariff changes in this filing by means of newspaper publication once a week of four consecutive weeks prior to the effective date for the proposed tariff changes. Enclosed is a proposed form of Notice of Proposed Rule Making for publications in the State Register pursuant to the State Administrative Procedures Act.

Any questions regarding this filing can be directed to Cheryl Ruggiero at (212) 460-3189.

Very truly yours,

/s/

William A. Atzl, Jr.
Director – Rate Engineering