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State Senators Oppose New Power Line

Several Republican State Senators, including Senate Energy Committee Chairman George Maziarz (Niagara), recently wrote to Governor Cuomo criticizing the Champlain Hudson Power Express, a proposed transmission line that would deliver electricity from Canada to the New York City area. Governor Cuomo announced the Energy Highway Initiative in his 2012 State of the State address which is intended to include upgrades to the state's infrastructure and increase the state's generating capacity.

In the letter the Senators argue that the new 1,000 megawatt power line from Quebec would damage New York's power industry by costing local jobs without generating cost savings to consumers. In the

letter to Governor Cuomo, the Senators wrote: "Our state's resources should be used to create jobs in New York, rather than export them to a foreign country."

Senator Maziarz is hosting a public hearing in western New York later this month to consider and analyze the long-term base load energy generation and transmission needs of the state.

Court Overturns MTA Payroll Tax

The State Supreme Court overturned a state tax imposed on businesses in the downstate area that is used to fund the Metropolitan Transportation Authority. Nassau, Suffolk and Westchester counties joined together to challenge the constitutionality of the tax, enacted in 2009.

The tax is imposed on employers in New York City, as well as Nassau, Suffolk, Westchester, Orange, Rockland and Dutchess Counties. Employers in those areas are required to pay the MTA \$.34 for every \$100 in payroll costs. Suburban legislators and businesses have strongly opposed the tax since its enactment arguing that they should not be forced to subsidize city transportation since they do not benefit from it.

The MTA intends to appeal the ruling. If the decision is upheld, the MTA claims it will result in service cuts, fare increases and force them to stop working on capital projects that are currently underway. New York will continue to collect the tax while the case is on appeal.

State Energy Board Releases Analysis of the State's Transmission System

Last week, the state's Energy Planning Board ("Board") approved the final draft of a report on the state's energy transmission system. The Board, which includes representatives from various state agencies and appointments from the Governor and Legislature, is responsible for preparing a comprehensive state energy plan by March 2013.

The report identifies projects under consideration by the state's Independent Systems Operator (ISO) that could bring up to 2,000 megawatts of power by 2015, as well as transmission lines that could bring an additional 3,000. It also discusses Gov. Cuomo's Energy Highway project, which attracted 85 proposals.

The report also expresses confidence in the state's ability to replace the 2,000-megawatt capacity of Indian Point if the licenses for its nuclear reactors are not renewed. "The State is actively involved in the (Nuclear Regulatory Commission) relicensing proceedings and has mechanisms in place to address reliability impacts and implement solutions in the event the units do not receive their operating license renewals," the report reads.

Assembly Energy Committee Chairman Kevin Cahill made several comments throughout the meeting regarding the final state energy plan. He argued that the plan should address workforce issues and

further commented that utility workers should not be outsourced or replaced by management. In making this point, he criticized Con Edison's practices during this summer's work stoppage.

Cahill also focused on the financial component of planning. He commented that planning is difficult because of the limited notice provided for power plant closures and suggested financial profiling of power plants should be conducted for a more thorough analysis. Cahill also commented that utility interconnection costs are prohibitive and should be addressed. Garry Brown responded by pointing to anaerobic digester interconnection costs and suggesting that socialization of such costs should be considered from a policy perspective.

Frank Murray, President & CEO of NYSERDA, concluded the meeting by advising the Board that it would be unable to meet the September 1, 2012 date for the draft energy plan because they are awaiting the Governor's Energy Highway Task recommendations which are also behind schedule. The Task Force's recommendations are expected this fall which will push the release of the draft plan back to late fall. Kevin Cahill indicated that he was not pleased because the deadline was a statutory requirement and if a delay was appropriate, a legislative change to the date should have been sought.

Governor Cuomo Announces Partnership Between U.S. Photovoltaic Consortium and Ceres Technologies

The U.S. Photovoltaic Consortium (PVMC) and Ceres Technologies, a Hudson Valley-based nanotechnology manufacturer, have launched a \$20 million partnership in which Ceres will become one of the first official suppliers of manufacturing equipment to the PVMC. The PVMC is a consortium for cooperative research and development among industry, university, and government partners to accelerate the development, commercialization, and manufacturing of next-generation solar PV systems. The collaboration is expected to generate more than 250 green energy jobs over the next 5 years throughout the state, including research and development jobs and facilities and manufacturing jobs.

Ceres will serve as a key partner in establishing an advanced manufacturing development facility to enable rapid prototyping of innovative solar devices. In so doing, PVMC is leading the national effort to reduce the cost of installed solar energy systems from \$5 per watt to less than \$1 per watt over the next 10 years. Ceres will provide to PVMC two vacuum thin-film deposition tools that are critical for manufacturing advanced solar cell devices on flexible substrates using copper indium gallium selenide, known as CIGS-based PV technologies. These CIGS-based solar cells represent the next generation of solar photovoltaics, offering improved performance at a reduced cost to manufacture and install.

Federal

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FY13 Appropriations Continuing Resolution Summary

Both the House and Senate reconvened this week, Monday, September 10 after a month long break. In late July, Senate Majority Leader Harry Reid (D-NV) and House Speaker John Boehner (R-OH) announced a bipartisan deal on a continuing resolution (CR) to avoid a government shutdown. The six-month plan would keep the government funded at the current level of \$1.047 trillion through March 2013.

Last night the compromise deal for a 6-month extension was released and is likely to be voted on by the House on Thursday. Following passage, the Senate could vote on the House measure. Alternatively, the Senate could add new language, which would then require additional action by the House.

Section 146 of the CR keeps the LIHEAP formula in place. The CR appropriates \$100 million for USEC's uranium enrichment research, development and demonstration project. Other information on the CR is included below from the House Appropriations Committee. The text of H.J. Res. 117 is available at: <http://www.rules.house.gov/Legislation/legislationDetails.aspx?NewsID=945>.

Continuing Resolution Summary:

Rate of Operations – The CR continues funding at the current rate of operations for federal agencies, programs and services. To meet the bipartisan agreement between the House, Senate and White House that ensured a total rate of operations at \$1.047 trillion, a government-wide, across-the-board increase of 0.6 percent over the base rate is also included. In total, including all discretionary spending, the annual rate of the CR is \$26.6 billion below last year's level.

Disaster and War Spending – The bill continues funding for the FEMA Disaster Relief Fund (DRF) at last year's level of \$6.4 billion. This funding is used to provide relief and recovery efforts following disasters, such as the recent Hurricane Isaac. The bill also provides \$88.5 billion in war-related funding for Department of Defense (DOD) Overseas Contingency Operations (OCO), the amount requested by the Administration.

General Items – Virtually all policy and funding provisions included in currently enacted Appropriations legislation will carry forward in the CR. However, some changes to current law are needed to prevent catastrophic, irreversible, or detrimental changes to government programs, or to ensure good government and program oversight. Some of these provisions include:

- A provision allowing DOD to acquire supplies in other countries for use in Afghanistan.
- A provision allowing additional funding for nuclear weapons modernization efforts, to ensure the safety, security, and reliability of the nation's nuclear stockpile.
- A provision allowing flexibility for the Customs and Border Patrol to maintain current staffing levels.

- A provision allowing additional funding and flexibility to sustain Homeland Security cybersecurity efforts.
- A provision allowing additional funding for the Interior Department and the Forest Service for wildfire suppression efforts.
- A provision allowing additional funding for the Veterans Administration to meet an increase in the disability claims workload.
- A provision extending the current pay freeze for federal employees, which includes Members of Congress and Senators.
- A provision allowing the launch schedule of new weather satellites to move forward, ensuring the continuation of critical weather information, especially in the event of weather-related natural disasters.
- A provision requiring every federal agency to provide spending plans to Congress to ensure transparency and the proper use of taxpayer dollars.

Dividend Tax Proposals Review

In July, both Congressional chambers voted on several Democratic and Republican sponsored tax plans, which aimed to address each parties' stance on how to tackle the expiring Bush-era tax cuts and several tax extenders.

The Republican-led House passed the Republican proposals ([H.R. 6169](#)) and the Democratically controlled Senate passed the Democratic proposal([S.3412](#)). However, as expected, neither bill was passed by both chambers. Additionally resolution on this issue is not likely before the lame duck session.

On August 2, the Senate Finance Committee passed [S.3521](#), the Family and Business Tax Cut Certainty Act of 2012 on a 19-5 vote. The lengthy markup focused on bipartisan legislation that extends dozens of expired and expiring tax provisions for individuals and business through 2013.

Congress is not expected to further address the tax extenders package until the lame duck session.

Obama Signs Executive Order Promoting Industrial Energy Efficiency

Late last month, President Obama signed an [Executive Order](#) promoting industrial energy efficiency and setting a goal of *"40 gigawatts of new, cost effective industrial CHP in the United States by the end of 2020."*

In July, House Energy and Commerce held a [Subcommittee hearing on the Smart Energy Act](#) (aka the Bass-Matheson bill) with a revised Section 201 that called for a study of "the legal, regulatory and economic barriers to the deployment of industrial energy efficiency." The industry has expressed

concerns with the Bass-Matheson bill. Attached, please find the memo sent around in July detailing those concerns.

While the Executive Order has some similarities to Bass-Matheson, it has not attracted the same opposition thus far. Importantly, and unlike Bass-Matheson, the Executive Order calls for broad stakeholder input, and specifically mentions utilities, whereas Bass-Matheson's study was to be conducted *"in coordination with the industrial sector."*

Some other points of interest:

- Like Bass-Matheson, the Executive Order assumes that there are *"numerous barriers"* to investment in industrial energy efficiency and CHP. However, unlike Bass-Matheson, the Executive Order does not list the fundamental design elements of electricity markets as barriers (Section 201 specifically mentioned things like net metering, calculation of avoided cost rates, energy market structures and power purchase agreements).
- the Executive Order states: *"efforts to support investment in industrial energy efficiency and CHP should involve coordinated engagement with a broad set of stakeholders, including States, manufacturers, **utilities**, and others."*
- the Executive Order calls on Federal agencies (DOE included) to **"consult with the Federal Energy Regulatory Commission, as appropriate."** This is a critical change from Bass-Matheson.
- The Obama Executive Order calls for *"a variety of approaches, including **encouraging private sector investment** by setting goals and highlighting the benefits of investment, improving coordination at the Federal level, partnering with and supporting States, and identifying investment models beneficial to the multiple stakeholders involved."*

EPA Finalizes Corporate CAFÉ Standards

On August 28, the EPA and Dept of Transportation finalized a rule on Corporate Average Fuel Economy (CAFÉ) and Greenhouse Gas Standards (CHG) for vehicle model years 2017-2025 (White House/EPA/DOT release [here](#); link to final rule, fact sheets, etc. [here](#)).

The rule applies to light-duty vehicles including passenger cars, light-duty trucks and medium-duty passenger vehicles. EPA's GHG standards include incentives for auto manufacturers that produce and sell alternative-fueled vehicles including electric vehicles (EVs), plug-in hybrid electric vehicles (PHEVs), fuel cell vehicles (FCVs) and compressed natural gas (CNG) vehicles.

According to the EPA, "the final standards are projected to result in an average industry fleetwide level of 163 grams/mile of carbon dioxide (CO₂) in model year 2025, which is equivalent to 54.5 miles per gallon (mpg) if achieved exclusively through fuel economy improvements."

While EPA did finalize a more limited set of incentives for CNG vehicles, the Agency explicitly states that CNGs do not have the same emissions benefits as EVs. This is the first time that EPA has made such a statement. Moreover, in the context of the discussion of CNG vehicle emissions, EPA recognized for the

first time the value of EVs in reducing emissions today – and not just as a technology that could have emissions reduction benefits in the future because of the expected transition of the generating fleet to cleaner, less emitting sources.

City

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New York City Report Finds that Natural Gas is Critical

Mayor Bloomberg announced the release of a [study](#) which finds that more natural gas is critical for improving the city's air quality. The study found that the metropolitan region's natural gas system is operating near its limits and expansion is needed to meet rising demand. The report comes as the Cuomo administration is weighing whether to allow shale gas drilling using hydraulic fracturing. The state's Department of Environmental Conservation is nearing the conclusion of a lengthy environmental review.

Mayor Bloomberg recently directed city buildings to phase out heavy heating oil to reduce soot pollution and greenhouse gas emissions. He also recently co-authored an editorial in the Washington Post expressing support for expanded natural gas development. He wrote "The production of shale gas through fracking is the most significant development in the U.S. energy sector in generations," citing lower energy costs, economic benefits, reduced dependence on coal and allowing more renewable energy to be integrated into the electric grid. The Mayor's press release announcing the study follows.

MAYOR BLOOMBERG RELEASES NEW STUDY THAT FINDS MORE NATURAL GAS CRITICAL FOR NEW YORK CITY'S SUSTAINABLE FUTURE

Increased Natural Gas Service Needed as City Phases Out Heavy Heating Oil

More Conversions to Natural Gas Will Improve Air Quality and Public Health – Key PlaNYC Goals

Mayor Michael R. Bloomberg today released a new study that finds upgrades to natural gas services are critical for New York City to improve air quality and public health – key components of the City's comprehensive, long-term sustainability program, *PlaNYC*. The findings result from a year-long examination conducted by ICF International, which reviewed the region's natural gas infrastructure and whether it could accommodate growing demand. The study determined that the current natural gas system operates near its limits during peak periods. Additional gas supply and infrastructure upgrades are needed to meet rising demands – particularly as city buildings make mandatory conversions from heavy heating oil to cleaner fuels. The study also found that the production, transport and use of natural gas are estimated to result in 20 percent fewer greenhouse gas emissions than heavy heating oil. Last week, Mayor Bloomberg expressed support for stronger regulations to ensure the safe development of domestic natural gas resources in an op-ed coauthored with George P. Mitchell, who helped lead the development of fracking technologies. Increasing New York City's natural gas infrastructure will help

reduce greenhouse gas emissions by 30 percent by 2030 – a *PlaNYC* target – and will help make New York City’s air quality the best of any major U.S. city.

“Natural gas is a low-cost, low-emissions fuel that makes good economic and environmental sense,” said Mayor Bloomberg. “This study confirms its importance to New York City’s reliable, clean energy future and demonstrates that with responsible, well-regulated development, we can make the investments that both improve our air quality and save lives.”

“New York City has benefitted from increased domestic gas supplies over the past few years in the form of cleaner air, fewer greenhouse gas emissions, and lower energy costs,” said Sergej Mahnovski, Director of Energy Policy in the Mayor’s Office. “Gas has displaced more polluting fuels in the power sector and many building owners are converting boilers from heavy fuel oil to natural gas. Modernizing regional gas infrastructure – if done responsibly – will help achieve our public health goals while improving reliability and promoting economic growth.”

Last year, Mayor Bloomberg announced that city buildings would be required to phase out the use of heavy heating oils. Though approximately 10,000 buildings – or just 1 percent of the city’s building stock – burn these types of fuels, they produce more annual soot pollution than all the cars and trucks on the road. In addition to the regulations to eliminate the use of No. 6 and No. 4 heating oils by 2015 and 2030 respectively, Mayor Bloomberg – working with the Environmental Defense Fund – launched the NYC Clean Heat program to accelerate the adoption of the cleanest fuels such as natural gas, ultra-low sulfur No.2 oil, and biodiesel. Achieving the NYC Clean Heat goal of reducing fine particulate matter (PM 2.5) emissions from heavy oil use by 50 percent by 2013 is expected to save 120 lives and prevent 300 hospital visits annually. Since the regulations were announced, more than 700 buildings have converted from heavy oil and utilities have experienced an unprecedented growth in requests for natural gas service for oil conversions.

The ICF International study examined natural gas market and infrastructure conditions to determine if action is needed to accommodate the city’s growing gas demand and to ensure its reliability. According to the study, the phase-out of heavy oil could lead to an increase in peak day gas loads by an average of 30 percent. Additional gas supply and distribution infrastructure improvements will be needed to meet rising demand from fuel conversions and to improve the reliability and deliverability of the energy system. The study also reviewed changes to the North American gas market, finding that increased gas production in the northeast has reduced prices across the U.S. and is displacing pipeline imports to the Northeast from the Gulf Coast and Canada. The study found that approximately 30 percent of the gas supply reaching New York City today is derived from regional shale deposits, and that amount is expected to grow to 80 percent by 2025.

The Mayor and Mitchell highlighted in their op-ed the benefits of domestic natural gas through fracking as a low-cost resource with the potential to create jobs and reduce greenhouse gas emissions, and explained that “fracking for natural gas can be as good for our environment as it is for our economy and our wallets, but only if done responsibly.” Their list of key principles to jumpstart improved

regulation included: the disclosure of all chemicals used in the fracking process; protecting ground water and ensuring the proper disposal of wastewater; and improving air pollution controls. A full copy of the op-ed is available [here](#).

The environmental impacts of gas production have received significant attention from the scientific, policy, and environmental communities in recent years. The ICF International report specifically focused on greenhouse gas emissions from the entire “lifecycle” of natural gas—from extraction, transmission and distribution, to combustion in boilers. The study found that the use of natural gas leads to approximately 40 percent less greenhouse gas emissions than coal used in power plants and 20 percent less than conventional fuel oil used in boilers. Blending ultra-low sulfur No. 2 fuel oil with a 20 percent mixture of soy based biodiesel (B20) was also found to significantly reduce lifecycle emissions compared with heavy fuel oil. A copy of the full report is attached.