Credit Opinion: Consolidated Edison Company of New York, Inc.

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New York, New York, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Senior Unsecured	A3
Subordinate Shelf	(P)Baa1
Preferred Stock	Baa2
Commercial Paper	P-2
Parent: Consolidated Edison, Inc.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3
Commercial Paper	P-2

Contacts

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Key Indicators

[1]
Consolidated Edison Company of New York, Inc. (The)

	Q1 2009	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	**2.8x**	**3.2x**	**3.4x**	**3.2x**
(CFO Pre-W/C) / Debt	**10.9%**	**12.5%**	**14.0%**	**13.7%**
(CFO Pre-W/C - Dividends) / Debt	**6.0%**	**7.6%**	**7.3%**	**7.7%**
Debt / Book Capitalization	**48.5%**	**47.9%**	**40.5%**	**40.6%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Low-risk regulated electricity, gas and steam transmission and distribution (T&D) utility

Very attractive service territory in New York City area

Electricity and gas procurement costs are a effectively a straight pass-through to the customer

Steady weakening of financial profile since 2003 due to high levels of capital spending and declining allowed ROEs. Financial profile expected to strengthen modestly in the near-term

Corporate Profile

Consolidated Edison Company of New York, Inc. (CECONY) is a 100%-owned subsidiary of Consolidated Edison, Inc (CEI) which also owns 100% of Orange and Rockland Utilities, Inc. (O&R). CECONY had revenue of $10.4 billion in 2008 and is the largest North American T&D utility rated by Moody's. The company serves approximately 3.3 million electric customers, 1.1 million gas customers and 1,800 steam customers through its vast electric, gas and steam infrastructure primarily located in and around New York City and Westchester County. CECONY's electricity operations account for a little more than 76% of the company's operating income and assets, gas operations represent between 16% and 17% and the balance is comprised of the steam operations. CECONY's distribution activities are regulated at the state level by the New York Public Service Commission (PSC) while its transmission activities are regulated at the federal level by the Federal Energy Regulatory Commission (FERC). However, transmission is a small component of CECONY's operations and in practice the PSC sets CECONY's overall electrical rates including the embedded transmission component. Since the PSC regulates effectively all of CECONY's electric, gas and steam operations, the PSC is CECONY's most influential regulator.

SUMMARY RATING RATIONALE

CECONY is rated pursuant to Moody's Rating Methodology for Global Regulated Electric Utilities. The company's A3 senior unsecured rating and stable outlook reflect the stable and predictable cash flows generated by the company's regulated T&D operations. Moody's views CECONY as having a low business risk profile in light of regulatory mechanisms which provide for a pass-through of electricity and gas costs, revenue decoupling in the electric and gas segments and reconciliation mechanisms, or trackers, for pension costs, property taxes, long-term debt costs and other items.

CECONY's rating also reflects the company's financial profile which has weakened steadily since 2003 due to high capital spending and declining allowed ROEs. Moody's expects a modest improvement in CECONY's credit metrics relative to its 2008 metrics which reflect a spike in adjusted debt levels due to a jump in pension underfunding related to equity market declines in 2008. However, Moody's anticipates that CECONY's metrics will remain generally consistent with its current A3 rating in the context its low business risk profile but challenging regulatory and economic environments.

Moody's believes that CECONY's regulatory environment has become more challenging in recent years. Our view reflects the very low 9.1% allowed ROE utilized in the PSC's electric rate decision for the rate year ended March 31, 2009, the PSC's ongoing audit of approximately $1.6 billion of CECONY's capital spending, the PSC's pending investigative accounting examination of CECONY related to the arrest of certain of its employees and contractors and the PSC's requirement that CECONY implement a $60 million austerity program in connection with its electric rate decision for the rate year ending March 31, 2010. The ongoing nature of certain of these items combined with a weak economy and CECONY's large capital spending program, lead Moody's to believe that the company's operating environment will remain challenging in the near to medium-term.

DETAILED RATING CONSIDERATIONS

LOW-RISK REGULATED T&D UTILITY

CECONY is expected to generate stable and predictable cash flows from its regulated T&D operations. Moody's considers CECONY as having a low business risk profile since the cost of purchased power and gas is a flow-through to customers and CECONY benefits from revenue decoupling mechanisms which are designed to prevent differences between actual and forecast volumes from impacting the company's net income. In addition, CECONY benefits from the existence reconciliation mechanisms, or trackers, designed to mitigate the impact on net income of any differences between actual and forecast levels of certain costs including pension costs, property taxes, long-term debt costs and other items.

CHALLENGING REGULATORY AND ECONOMIC ENVIRONMENT EXPECTED TO PERSIST FOR SEVERAL YEARS

Moody's believes that CECONY's regulatory environment has become more challenging in recent years. Our view reflects the steady decline in allowed ROEs as evidenced by the decline in the allowed ROE in CECONY's electric business from the 11.1% that existed through most of the 1990s and the early part of this decade to the 9.1% authorized for the 2009 rate year. While CECONY's allowed electric ROE has increased to 10% for the 2010 rate year, the lower level relative to periods prior to the 2006 rate year, will have a negative impact on CECONY's cash flow generating abilities all else being equal.

Moody's views the PSC's ongoing audit of approximately $1.6 billion of CECONY's electricity capital spending during the 2006-2008 rate years as evidence of a potentially more challenging regulatory environment. Moody's notes that while the PSC has approved the collection of approximately $237 million of revenue for the rate year ended March 31, 2009 and $254 million for the current rate year in connection with these expenditures, those revenues are subject to refund in the event that the PSC concludes that all or a portion of the capital spending was imprudent. If any portion of these revenues is ultimately clawed back, CECONY's financial profile would be adversely impacted and, more importantly, Moody's would view this as further evidence of less constructive relations with the company's key regulator. Should this occur, Moody's expects that negative rating actions for CECONY, CEI and O&R could follow.

Moody's also notes that the PSC is currently conducting an investigative accounting examination of CECONY related to the arrest of certain CECONY employees and contractors in early 2009. While the timing and outcome of this process remains uncertain, Moody's believes that the best case outcome would be neutral for CECONY's credit quality and other outcomes would likely be credit negative.

Moody's also considers the PSC's requirement that CECONY implement a $60 million austerity program in connection its electric rate decision for the rate year ending March 31, 2010 to be symptomatic of a less constructive regulatory environment. Moody's believes that this is an attempt by the PSC to partially mitigate impact of higher costs on ratepayers in the context of a weak economic environment. While Moody's understands the motivation for these actions, we observe that the PSC's actions increase the risk that CECONY could suffer a degradation of either its financial profile or the reliability and safety of its systems or both. Moody's notes that CECONY has filed for a rehearing of the PSC's 2010 electric rate year decision on the basis that the austerity adjustment deprives CECONY's of its right to a reasonable opportunity to recover its costs and is therefore unlawful.

The ongoing nature of certain of the above items combined with a weak economy and CECONY's large capital spending program, lead Moody's to conclude that CECONY will continue to operate in a challenging environment for the foreseeable future.

CREDIT METRICS EXPECTED TO IMPROVE ONLY MODESTLY IN NEAR TERM

CECONY's rating also reflects the company's financial profile which has weakened steadily since 2003 due to rising capital spending and declining allowed ROEs. During the rate years commencing April 1, 2005 and ending March 31, 2008, CECONY's actual capital spending exceeded the amount included in rates by approximately $1.6 billion. This combined with declining allowed ROEs contributed to a steady deterioration in CECONY's credit metrics.

Commencing with the 2009 rate year, CECONY's electric rates reflected the approximately $1.6 billion of capital that had been spent during the 2006-2008 rate years but not previously reflected in rates. However, as noted above, revenue of approximately $237 million associated with these capital expenditures was collected on a refundable basis pending the completion of the PSC's audit of CECONY's capital spending, and an additional $254 million is being collected in the current rate year. Until such time as the PSC issues a decision on the prudence of those capital expenditures there will continue to be uncertainty about the long-term recovery of this capital and a reasonable return on it.

CECONY's ongoing recovery of the revenues described above combined with the higher allowed ROE for the 2010 electric rate year is expected to contribute to a modest improvement in CECONY's credit metrics relative to their 2007 and 2008 levels. The 2008 metrics were particularly weak due to both the low 9.1% electric allowed electric ROE as well a spike in debt and interest costs on a Moody's adjusted basis due to sharply higher pension underfunding related to equity market declines in 2008. However, Moody's anticipates that CECONY's metrics will remain generally consistent with its current A3 rating in the context its low business risk but challenging regulatory and economic environments.

While CECONY's future capital spending is expected to be substantial at approximately $2.4 billion in each of 2009 and 2010 and $2.3 billion in 2011, Moody's expects that CECONY will be very focused on ensuring that actual capital spending does not exceed the amounts approved for recovery in rates. That said, Moody's believes that CECONY will have relatively limited flexibility to cut back on capital expenditures as most of the planned capital spending is required to maintain the reliability of CECONY's aging and predominantly underground infrastructure and to meet forecasted growth in customer demand.

LARGE COMPANY OPERATING IN ATTRACTIVE FRANCHISE AREAS AND POSSESSING SUBSTANTIAL FLEXIBILITY TO MANAGE EXTERNAL SHOCKS

CECONY is the largest North American T&D utility rated by Moody's. It serves the New York City market which, according to the company, has demonstrated consistent growth in electrical demand since the late 1970s even during periods of economic and geopolitical stress. In light of CECONY's relatively large size and attractive franchise areas, Moody's believes that CECONY and its parent, CEI, have superior access to capital and better than average flexibility to manage through periods of stress.

Liquidity Profile

Moody's believes that CECONY has sufficient alternate liquidity resources to meet its anticipated funding needs for the four quarters ending June 30, 2010 under Moody's liquidity stress scenario. Moody's liquidity stress scenario, assumes that a company loses access to all new capital other than amounts available under its committed bank credit agreements.

Moody's anticipates that for the four quarters ending June 30, 2010, CECONY will generate approximately $1.8 billion funds from operations. Together with anticipated cash and equivalents, CECONY's resources should be roughly $2.1 billion. After forecast dividends in the range of $670 million and capital expenditures and working capital requirements of approximately $2.4 billion, Moody's expects CECONY to be free cash flow negative by roughly $970 million. Given scheduled debt maturities of $525 million over this horizon, Moody's expects CECONY's funding requirement to be about $1.5 billion.

CEI and its subsidiaries maintain a single committed unsecured bank credit facility in the amount of $2.25 billion although management considers Lehman FSB's $100 million commitment to be unavailable reducing the effective size of the facility to $2.15 billion. Most billion of the facility ($2.2 billion) will expire in June 2012 while $45million will expire in June 2011. CECONY is entitled to access up to the full $2.25 billion while CEI and O&R have $1.0 billion and $200 million sub-limit access, respectively. The credit agreement does not have an ongoing material adverse change/litigation clause, nor any rating triggers that would cause an event of default or acceleration or put of obligations. It does, however, have a ratings-based pricing grid and a financial covenant which limits consolidated debt to consolidated capitalization (as defined in the agreement) to 65%. As of December 31, 2008, total debt to capitalization for each of CEI, CECONY, and O&R was comfortably below this level. The credit facility provides a backstop to CEI's $1 billion commercial paper (CP) program as well as the CP programs of CECONY and O&R which are FERC-authorized up to $2.25 billion and $200 million, respectively.

In the event that CECONY is unable to access the public debt prior to June 30, 2010, Moody's calculates that amounts available under CECONY's committed bank credit facility are sufficient to cover the forecast funding requirement. Moody's estimates availability under the credit facility of approximately $2 billion as of June 30, 2009 after outstanding CP and letters of credit.

Rating Outlook

CECONY's stable rating outlook reflects Moody's expectation that CECONY's financial metrics will strengthen modestly in the near-term but that its regulatory and economic environments will remain challenging for the foreseeable future.

What Could Change the Rating - Up

While Moody's does not consider it likely in the near-term, an upgrade in CECONY's rating would likely require evidence of a less challenging regulatory environment combined with a strengthening of CECONY's credit metrics for instance CFO pre-WC/debt and CFO pre-WC interest coverage in excess of 19% and 4x, respectively, on a sustainable basis.

What Could Change the Rating - Down

CECONY's ratings could be negatively pressured if there is more deterioration in its financial profile. To the extent that the PSC's ongoing audit of CECONY's electric capital expenditures and the PSC's pending investigative accounting examination of CECONY's procurement practices have an adverse impact on CECONY's future cash flows, negative rating actions for CEI, CECONY and O&R could follow. From a financial perspective, if CFO pre-WC interest coverage and CFO pre-WC/Debt fall below 3.3x and 13%, respectively, for a sustained period, then CECONY's rating could be downgraded.

Rating Factors

Consolidated Edison Company of New York, Inc. (The)

Select Key Ratios for Global Regulated Electric Utilities

Rating	**Aa**	**Aa**	**A**	**A**	**Baa**	**Baa**	**Ba**	**Ba**
Level of Business Risk	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-70	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items