SUSAN D. ABBOTT

143 Imperial Avenue, Westport, CT 06880
203-557-0766 (business) susandabbott@yahoo.com 203-226-8081 (home)

PROFESSIONAL EXPERIENCE

SUSAN ABBOTT CONSULTING LLC 2/2009 to present
PRESIDENT
Provide consultative services to regulated utility sector including expert witness testimony on credit matters, rating agency advisory, and independent research.

NEW HARBOR, INC. 2003 to 2/2009
MANAGING DIRECTOR
Source and execute strategic business assignments including strategic advisory, private placement financing, mergers and acquisitions and expert witness testimony.

MOODY'S INVESTORS SERVICE, INC.
MANAGING DIRECTOR, PROJECT AND INFRASTRUCTURE FINANCE 2001-2002
Managed a staff of 9 analysts specializing in project and infrastructure finance including toll roads, power projects, oil and gas projects and airports

MANAGING DIRECTOR, POWER GROUP 1992-2001
Managed a group of 15 analysts and support staff generating $20 million in rating revenues.

VICE PRESIDENT, ASSOCIATE DIRECTOR, INTERNATIONAL GROUP **(***LONDON & NY)* 1990-1992
Responsible for marketing, administration, human resources, intermediary relationships and ratings backup for London office that was at the time limited to 15 people.

VICE PRESIDENT, CORPORATE DEPARTMENT 1988-1990

ASSOCIATE DIRECTOR, FINANCIAL INSTITUTIONS GROUP 1986-1988

ASSOCIATE DIRECTOR, BASIC INDUSTRIES, CORPORATE FINANCE 1985-1986

1986-1990
Leading staffs of various sizes, was responsible for corporate functions, as well as ratings of financial institutions and companies in basic industries.

Senior Analyst, Electric Utilities Group 1982-1985
Followed electric and gas utilities in the Western half of the United States.

AETNA LIFE AND CASUALTY CO.
Senior Analyst, Private Placements 1977-1982

Responsible for analyzing and recommending private and public placement of investment funds

EDUCATION

MBA, Finance, University of Connecticut **BA**, Literature, Syracuse University

Expert Witness Testimony

Before the:

1) California Public Utilities Commission – SCE, rulemaking 01-10-024, November, 2002

2) Oklahoma Corporation Commission – OGE – Cause No. PUD200100455, September, 2002

3) Arizona Corporation Commission - TECO Power Services, January 2003

4) California Public Utilities Commission Application – SCE – No. R. 01-10-024, April, 2003

5) Missouri Public Service Commission – Aquila - Case No. ER-2004-0034 and HR-2003-0024, February, 2004

6) Kansas Corporation Commission – Aquila – Docket No. 04-AQLE-1065-RTS, November, 2004

7) Connecticut Department of Public Utility Control – Southern Connecticut Gas – Docket -5-03-17, April 2005

8) Oklahoma Corporation Commission – OGE-Cause No. PUD200500151, September, 2005

9) New York State Public Utilities Commission – NYSEG - Case No. 05-E-1222, April 2006

10) Paul Weiss on behalf of Citibank in re Enron Corporation Securities Litigation, MDL Docket No. 1446, Civil Action No. H-01-3624, October, 2006

11) Okalahoma Corporation Commission – PSO – Cause No. 200600285, May 2007

12) United States District Court, Southern District of New York - Parmalat Securities vs Bank of America Corporation – Master Docket 04 MD 1653 (LAK) – July, 2007

13) California Public Utilities Commission – The California Water Association, November, 2007

14) Illinois Commerce Commission – Commonwealth Edison – Case 07-0566, March, 2008

15) California Public Utilities Commission – California Water Service Company, (Application 08-05-002), California-American Water Company, (Application 08-095-003), and Golden State Water Company (Application A.08-05-004)

16) Vermont Public Utilities Board - Entergy Nuclear Vermont Yankee LLC, and Entergy Nuclear Operations, Inc., Docket No. 7404 – June, 2008

17) California Public Utilities Commission – Southern California Edison Reply Brief on Debt Equivalence Issues, July, 2008

18) Public Service Commission of Wisconsin – Wisconsin Electric as intervener in Wisconsin Power & Light Company Docket No. 6680-UR-116, September, 2008

19) Florida Public Service Commission – Tampa Electric Company, Docket #080317-EI, January, 2009

20) Alberta Utilities Commission – AltaLink Management Ltd, Application #1587092, Proceeding ID#102, General Tariff Application – April, 2009

21) Alberta Utilities Commission – AltaLink Management Ltd., Application #1578571, proceeding #85, Generic Cost of Capital Proceeding, May 2009

22) Federal Energy Regulatory Commission – Exelon Corporation, Docket No. EC09-32-000

23) Iowa State Utilities Board – MidAmerican Energy, Docket No. RPU-2009-0003

Exhibit __ (SDA-3)

Rating Symbols

Investment Grade		Non-Investment Grade	
Long Term	Short Term	Long Term	Short Term
AAA/Aaa	A-1/P-1	BB+/Ba1	Not Prime
AA+/Aa1		BB/Ba2	
AA/Aa2		BB-/Ba3	
AA-/Aa3		B+/B1	
A+/A1	A-2/P-2	B/B2	
A/A2		B-/B3	
A-/A3	A-3/P-3	CCC+/Caa1	
BBB+/Baa1		CCC/Caa2	
BBB/Baa2		CCC-/Caa3	
BBB-/Baa3		CC/Ca	
		C/C	
		D/na	

"A" rated obligations "are considered upper-medium grade and are subject to low credit risk." Baa obligations "are subject to moderate credit risk. They are considered medium-grade and as such "may possess certain speculative characteristics." [1]

[1] Moody's appends numerical modifiers 1,2 and 3 to each generic rating classification. S&P and Fitch append + or – to the highest and lowest ratings within a generic rating classification. A modifier of "1" from Moody's is equivalent to a modifier of "+" from S&P and Fitch. The above definitions are Moody's, but S&P's and Fitch's are substantially similar.

STANDARD &POOR'S

My Credit Profile

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New York State Electric & Gas Corp.

Publication date: 20-Apr-2009
Primary Credit Analyst: John Kennedy, New York (1) 212-438-7670; john_kennedy@standardandpoors.com

Strengths:

- Low-risk distribution business;
- Minimal competition;
- Limited unregulated business; and
- Generally supportive regulatory environment.

Corporate Credit Rating
BBB+/Stable/A-2
Ratings Detail >>

Weaknesses:

- Limited growth opportunities;
- Increased capital program; and
- High debt to capital ratio.

Rationale

The ratings on New York State Electric & Gas Corp. reflect its individual credit quality after the assumption of parent company Energy East's $1.3 billion of debt by its ultimate parent company Iberdrola SA.

With its action, Iberdrola will be directly responsible for servicing the $1.3 billion of debt and, in our view, has unequivocally expressed its full support for its U.S. subsidiary. For ratings purposes, the U.S. utilities are now regarded as effectively under Iberdrola's direct control, and none individually is a significant source of cash flow for the Madrid, Spain-based utility holding company. The ratings on the U.S. utilities are now based largely on each utility's stand-alone credit profile up to the existing 'A-' Iberdrola rating.

NYSEG's ratings reflect an excellent business profile. The profile is characterized by the low operating risk and a mostly residential and commercial customer base. The financial profile is considered aggressive and is hampered by the dragging economy, regulatory risk, increased costs, and sizable capital expenditures requiring external financing.

NYSEG's principal business consists of its regulated electricity T&D operations and its regulated natural gas transportation, storage, and distribution operations in upstate New York. NYSEG serves about 870,000 electricity and 255,000 natural gas customers in its service territory of about 20,000 square miles. The service territory, most of which is outside the limits of cities, is in the central, eastern, and western parts of the State of New York and has a population of about 2.5 million. The larger cities in which NYSEG serves both electricity and natural gas customers are Binghamton, Elmira, Auburn, Geneva, and Ithaca. Regulation is generally favorable for credit quality. NYSEG operates under regulatory agreements that provide for the recovery of electricity and gas costs, the recovery of stranded costs, and for returns that are in line with industry averages.

Despite the financial challenges and expected revenue declines, which are likely to exceed 5% in 2009, our forecasted financial metrics for NYSEG for adjusted FFO to interest coverage at 4x and adjusted FFO to total debt of 20% support the 'BBB+' corporate credit rating.

Short-term credit factors

The short-term rating on NYSEG reflects the short-term credit factors of Energy East which has a rating of 'A-2'. The company's consolidated liquidity is position is adequate. Each of the Energy East operating utilities has access to a portion of a $475 million utility-only credit facility based on the unit's size. Available liquidity could be pressured if collateral postings, increased working capital needs and/or higher capital expenditure requirements exceed expected cash flow generation.

Energy East has two committed bank facilities totaling $775 million, which mature in 2011. The $300 million facility is available to Energy East, and the $475 million facility is available to the utilities, with various limits. The agreements don't contain material adverse change clauses or rating triggers, but a default with respect to any other debt in excess of $50 million is considered a default under its revolving credit facility.

Outlook

The stable outlook indicates that credit quality will remain at current levels given the company's low-risk strategy to grow the regulated T&D business, its balanced capital approach, supportive regulatory outcomes and stable cash flow metrics. Given the expected capital expenditure program through 2012, higher ratings are unlikely. Moreover, delays in recovering cash outlays combined with less supportive regulatory outcomes that could hurt cash flow and coverage metrics could precipitate lower ratings.

Table 1. | Download Table

New York State Electric & Gas Corp. -- Peer Comparison*

Industry Sector: Combo

	New York State Electric & Gas Corp.	Rochester Gas & Electric Corp.	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of April 20, 2009	BBB+/Stable/A-2	BBB/Stable/--	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	2,022.6	1,135.7	12,946.7	1,174.3
Net income from cont. oper.	87.7	53.5	861.7	40.3
Funds from operations (FFO)	261.3	165.0	1,404.6	98.2
Capital expenditures	135.4	154.7	2,032.3	85.0
Debt	1,242.5	852.5	11,194.6	535.6
Equity	1,039.4	586.9	8,697.6	542.3
Adjusted ratios				
Oper. income (bef. D&A)/revenues (%)	16.1	19.7	18.0	11.6
EBIT interest coverage (x)	2.9	2.6	2.9	4.3
EBITDA interest coverage (x)	4.3	3.8	4.0	5.5
Return on capital (%)	7.8	9.4	7.4	8.9
FFO/debt (%)	21.0	19.4	12.5	18.3
Debt/EBITDA (x)	3.8	3.8	4.8	4.0

*Fully adjusted (including postretirement obligations).

Table 2. | Download Table

New York State Electric & Gas Corp. -- Financial Summary*

Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating history	BBB+/Stable/A-2	BBB+/Negative/A-2	BBB+/Negative/A-2	BBB+/Stable/A-2	BBB+/Negative/A-2
(Mil. $)					
Revenues	1,895.9	2,028.4	2,143.3	2,124.0	1,963.9
Net income from continuing operations	5.8	114.3	143.0	163.0	147.4
Funds from operations	241.2	295.2	247.4	347.3	274.8

(FFO)					
Capital expenditures	151.3	115.7	139.1	164.5	113.8
Cash and short-term investments	9.5	14.3	38.4	119.0	16.6
Debt	1,342.6	1,222.6	1,162.2	1,078.8	1,123.3
Preferred stock	10.2	10.2	10.2	10.2	10.2
Equity	992.0	1,070.8	1,055.4	975.5	1,174.4
Debt and equity	2,334.6	2,293.5	2,217.7	2,054.4	2,297.7
Adjusted ratios					
EBIT interest coverage (x)	2.4	2.9	3.2	4.0	1.6
FFO int. cov. (x)	4.1	5.2	3.4	5.0	4.5
FFO/debt (%)	18.0	24.1	21.3	32.2	24.5
Discretionary cash flow/debt (%)	2.9	(0.8)	(11.2)	15.4	(2.4)
Net Cash Flow / Capex (%)	119.5	168.4	94.9	150.1	126.9
Debt/debt and equity (%)	57.5	53.3	52.4	52.5	48.9
Return on common equity (%)	0.3	10.6	12.8	15.3	15.3
Common dividend payout ratio (un-adj.) (%)	1,101.3	87.8	80.6	61.5	88.4

*Fully adjusted (including postretirement obligations).

Table 3. | Download Table

Reconciliation Of New York State Electric & Gas Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2008--							
New York State Electric & Gas Corp. reported amounts								
	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	1,237.1	332.6	332.6	225.2	72.1	173.2	173.2	152.3
Standard & Poor's adjustments								
Postretirement benefit obligations	86.7	(50.2)	(50.2)	(50.2)	--	78.0	78.0	--

Accrued interest not included in reported debt	7.6	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	1.0	(1.0)	(1.0)	(1.0)
Asset retirement obligations	11.3	--	--	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	3.3	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	(9.1)	--
Total adjustments	105.5	(50.2)	(50.2)	(46.9)	1.0	77.0	68.0	(1.0)

Standard & Poor's adjusted amounts

	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	1,342.6	282.4	282.4	178.3	73.1	250.2	241.2	151.3

*New York State Electric & Gas Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 20-Apr-2009)*	
New York State Electric & Gas Corp.	
Corporate Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB-
Senior Unsecured (5 Issues)	AA-/Watch Dev
Senior Unsecured (5 Issues)	BBB+
Corporate Credit Ratings History	
09-Apr-2009	BBB+/Stable/A-2
29-Jan-2009	BBB+/Watch Neg/A-2
11-Sep-2008	BBB+/Stable/A-2
25-Aug-2006	BBB+/Negative/A-2
17-Jun-2005	BBB+/Stable/A-2
Related Entities	
Central Maine Power Co.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured (10 Issues)	BBB+
Energy East Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (4 Issues)	A-
Rochester Gas & Electric Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Secured (8 Issues)	A-
Senior Secured (1 Issue)	A/Negative
Senior Secured (5 Issues)	AA-/Watch Dev
Senior Unsecured (1 Issue)	AA-/Watch Dev
Southern Connecticut Gas Co.	
Issuer Credit Rating	A-/Stable/NR
Senior Secured (9 Issues)	A
The Berkshire Gas Co.	
Issuer Credit Rating	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

My Credit Profile

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Rochester Gas & Electric Corp.

Publication date: 20-Apr-2009
Primary Credit Analyst: John Kennedy, New York (1) 212-438-7670; john_kennedy@standardandpoors.com

Major Rating Factors

Corporate Credit Rating
BBB/Stable/--
Ratings Detail >>

Strengths:

- Low-risk distribution business;
- Minimal competition;
- Limited unregulated business; and
- Somewhat supportive regulatory regimes.

Weaknesses:

- Limited growth opportunities;
- Large capital program; and
- High debt to capital ratio.

Rationale

The ratings on Rochester Gas & Electric Corp. (RG&E) reflect its individual credit quality after the assumption of parent company Energy East's $1.3 billion of debt by its ultimate parent company Iberdrola SA.

With its action, Iberdrola will be directly responsible for servicing the $1.3 billion of debt and, in our view, has unequivocally expressed its full support for its U.S. subsidiary. For ratings purposes, the U.S. utilities are now regarded as effectively under Iberdrola's direct control, and none individually is a significant source of cash flow for the Madrid, Spain-based utility holding company. The ratings on the U.S. utilities are now based largely on each utility's stand-alone credit profile up to the existing 'A-' Iberdrola rating.

RG&E's ratings reflect an excellent business profile. The profile is characterized by the low operating risk transmission and distribution (T&D) business strategy with some operational exposure to generation. The financial profile is considered aggressive and is hampered by the dragging economy, regulatory risk, increased costs, and sizable capital expenditures requiring external financing.

RG&E is primarily an integrated electric and gas T&D utility, and has approximately 360,000 electric and 296,000 natural gas customers centered in the Rochester, N.Y., area. RG&E's owned electric generation is limited to one 257 MW coal plant, three smaller gas turbines, and three hydroelectric facilities. RG&E is a subsidiary of Energy East Corp., a holding company that owns regulated electric and gas utilities in the northeastern U.S., serving nearly three million customers. Regulation is generally favorable for credit quality. RG&E operates under regulatory agreements that provide for the recovery of electricity and gas costs, the recovery of stranded costs, and for returns that are in line with industry averages.

RG&E satisfies the majority of its power requirements through purchases under long-term contracts with the New York Power Authority, Constellation Nuclear and others. Less than 20% of its power requirements are satisfied from its own generation facilities including coal, natural gas, hydroelectric and peaking.

A majority of the natural gas supply is acquired under long- and short-term supply contracts and the remainder is acquired on the spot market. Firm underground natural gas storage capacity is contracted for using long-term contracts. Firm transportation capacity is acquired under long-term contracts and is utilized to transport both natural gas supply purchased and gas withdrawn from storage to local distribution systems.

RG&E financial profile is aggressive, but its financial metrics are appropriate for the current ratings. Improvement in credit quality is hampered by limited growth opportunities in its service territory. Stretched available liquidity and weaker financial metrics are exacerbated by the current economic environment. Adjusted FFO to total debt and interest coverage numbers are likely to be at 10%

and 2.5x for 2009 given our economic expectations for the region which indicate a heightened potential for a 5%-10% drop in electric sales. Debt balances below 60% of total capitalization and improved ratios are unlikely in the interim term, in our opinion.

Short-term credit factors

The short-term rating on RG&E reflects the short-term credit factors of Energy East which has a rating of 'A-2'. The company's consolidated liquidity is position is adequate. Each of the Energy East operating utilities has access to a portion of a $475 million utility-only credit facility based on the unit's size. Available liquidity could be pressured if collateral postings, increased working capital needs and/or higher capital expenditure requirements exceed expected cash flow generation.

Energy East has two committed bank facilities totaling $775 million, which mature in 2011. The $300 million facility is available to Energy East, and the $475 million facility is available to the utilities, with various limits. The agreements don't contain material adverse change clauses or rating triggers, but a default with respect to any other debt in excess of $50 million is considered a default under its revolving credit facility.

Outlook

The stable outlook indicates that credit quality will remain at current levels given the company's low-risk strategy to grow the regulated T&D business, its balanced capital approach, supportive regulatory outcomes and stable cash flow metrics. However, higher ratings are unlikely, given our view of the economic forefront, upcoming capital projects and stretched liquidity. Moreover, a steeper decline in economic conditions, delays in recovering cash outlays combined with less supportive regulatory outcomes that could hurt cash flow and coverage metrics could precipitate lower ratings.

Table 1. | Download Table

Rochester Gas & Electric Corp. -- Peer Comparison*

Industry Sector: Combo				
	Rochester Gas & Electric Corp.	New York State Electric & Gas Corp.	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of April 20, 2009	BBB/Stable/--	BBB+/Stable/A-2	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	1,135.7	2,022.6	12,946.7	1,174.3
Net income from cont. oper.	53.5	87.7	861.7	40.3
Funds from operations (FFO)	165.0	261.3	1,404.6	98.2
Capital expenditures	154.7	135.4	2,032.3	85.0
Debt	852.5	1,242.5	11,194.6	535.6
Equity	586.9	1,039.4	8,697.6	542.3
Adjusted ratios				
Oper. income (bef. D&A)/revenues (%)	19.7	16.1	18.0	11.6
EBIT interest coverage (x)	2.6	2.9	2.9	4.3
EBITDA interest coverage (x)	3.8	4.3	4.0	5.5
Return on capital (%)	9.4	7.8	7.4	8.9
FFO/debt (%)	19.4	21.0	12.5	18.3
Debt/EBITDA (x)	3.8	3.8	4.8	4.0

*Fully adjusted (including postretirement obligations).

Table 2. | Download Table

Rochester Gas & Electric Corp. -- Financial Summary*

Industry Sector: Combo					
	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating	BBB+/Stable/--	BBB+/Negative/--	BBB+/Negative/--	BBB+/Stable/--	BBB+/Negative/--

history					
(Mil. $)					
Revenues	1,119.1	1,171.8	1,116.3	1,105.5	1,034.1
Net income from continuing operations	4.0	74.3	82.3	79.0	68.5
Funds from operations (FFO)	138.9	190.5	165.5	224.5	237.5
Capital expenditures	139.8	136.6	187.8	56.1	88.0
Cash and short-term investments	7.1	4.6	5.9	82.1	71.3
Debt	1,018.9	739.1	799.5	753.9	751.3
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	525.5	632.6	602.6	570.9	576.1
Debt and equity	1,544.4	1,371.7	1,402.1	1,324.8	1,327.5
Adjusted ratios					
EBIT interest coverage (x)	2.4	2.5	2.9	2.8	2.6
FFO int. cov. (x)	3.2	4.1	3.4	4.5	5.1
FFO/debt (%)	13.6	25.8	20.7	29.8	31.6
Discretionary cash flow/debt (%)	(6.9)	(0.2)	(17.3)	2.2	(36.5)
Net Cash Flow / Capex (%)	81.5	88.2	69.5	275.2	(10.5)
Debt/debt and equity (%)	66.0	53.9	57.0	56.9	56.6
Return on common equity (%)	0.4	11.6	13.6	13.6	10.0
Common dividend payout ratio (un-adj.) (%)	621.0	94.3	42.5	88.6	369.8

*Fully adjusted (including postretirement obligations).

Table 3. | Download Table

Reconciliation Of Rochester Gas & Electric Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2008--

Rochester Gas & Electric Corp. reported amounts								
	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	922.1	219.4	219.4	152.8	54.8	86.8	86.8	141.7
Standard & Poor's adjustments								
Postretirement benefit obligations	87.3	(19.0)	(19.0)	(19.0)	--	9.8	9.8	--
Capitalized interest	--	--	--	--	1.9	(1.9)	(1.9)	(1.9)
Asset retirement obligations	9.4	0.7	0.7	0.7	0.7	0.0	0.0	--
Reclassification of nonoperating income (expenses)	--	--	--	4.0	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	44.3	--
Total adjustments	96.8	(18.3)	(18.3)	(14.3)	2.6	7.9	52.2	(1.9)
Standard & Poor's adjusted amounts								
	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	1,018.9	201.0	201.0	138.5	57.4	94.7	138.9	139.8

*Rochester Gas & Electric Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 20-Apr-2009)*	
Rochester Gas & Electric Corp.	
Corporate Credit Rating	BBB/Stable/--
Senior Secured (8 Issues)	A-
Senior Secured (1 Issue)	A/Negative
Senior Secured (5 Issues)	AA-/Watch Dev
Senior Unsecured (1 Issue)	AA-/Watch Dev
Corporate Credit Ratings History	
09-Apr-2009	BBB/Stable/--
29-Jan-2009	BBB+/Watch Neg/--
11-Sep-2008	BBB+/Stable/--
25-Aug-2006	BBB+/Negative/--
17-Jun-2005	BBB+/Stable/--
Related Entities	
Central Maine Power Co.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured (10 Issues)	BBB+
Energy East Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (4 Issues)	A-
New York State Electric & Gas Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB-

Senior Unsecured (5 Issues)	AA-/Watch Dev
Senior Unsecured (5 Issues)	BBB+
Southern Connecticut Gas Co.	
Issuer Credit Rating	A-/Stable/NR
Senior Secured (9 Issues)	A
The Berkshire Gas Co.	
Issuer Credit Rating	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

My Credit Profile

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? Major Rating Factors
? Rationale
? Outlook

Energy East Corp.

Publication date:	20-Apr-2009
Primary Credit Analyst:	John Kennedy, New York (1) 212-438-7670; john_kennedy@standardandpoors.com

Major Rating Factors

Corporate Credit Rating
A-/Stable/A-2
Ratings Detail >>

Strengths:

- Low-risk distribution business;
- Minimal competition;
- Limited unregulated business;
- Somewhat supportive regulatory regimes; and
- Parental support of holding company debt.

Weaknesses:

- Limited growth opportunities;
- Large capital program; and
- High debt to capital ratio.

Rationale

The April 9 upgrade of Energy East Corp. to 'A-' from 'BBB+' followed announcement by its parent company, Iberdrola SA (A-/Stable/A-2), that it is assuming Energy East's debt. We also raised the ratings on Energy East subsidiaries Connecticut Natural Gas (CNG) and Southern Connecticut Gas (SCG) to 'A-' from 'BBB+'. At the same time, we affirmed the ratings on New York State Gas & Electric (NYSEG), Central Maine Power (CMP), and The Berkshire Gas Company (BGC). In addition, we lowered the ratings on Rochester Gas & Electric Corp. (RGE) to 'BBB' from 'BBB+'. We removed the ratings on all companies from CreditWatch with negative implications, where they were placed on Jan. 29, 2009. The outlooks are stable for all entities. New Gloucester, Me.-based Energy East has about $1.3 billion of debt outstanding.

Iberdrola has provided an unconditional and irrevocable guarantee on the debt at Energy East, and Standard & Poor's has raised ratings on the $1.3 billion of U.S. holding company debt equal to the Iberdrola rating. With its action, Iberdrola will be directly responsible for servicing the $1.3 billion of debt and, in our view, has unequivocally expressed its full support for its U.S. subsidiary. For ratings purposes, the U.S. utilities are now regarded as effectively under Iberdrola's direct control, and none individually is a significant source of cash flow for the Madrid, Spain-based utility holding company. The ratings on the U.S. utilities are now based largely on each utility's stand-alone credit profile up to the existing 'A-' Iberdrola rating. The European company's U.S. guarantee does not extend down to the utility level. Despite being relieved of the burden, from a ratings perspective, of servicing the holding company debt, some of the separate utility credit profiles do not warrant an upgrade or, in the case of RGE, an affirmation. Both it and NYSEG were recently denied expedited rate relief in New York.

The upgrades of CNG and SCG reflect ratings more appropriate for the business and financial profiles of these companies. We expect CNG and SCG to continue to be supported by a continuation of a low operating risk business strategy with relatively stable, densely populated, affluent markets and supportive regulation. Both companies have excellent business profile and intermediate financial positions. Financial metrics for CNG are expected to be strong for the ratings with FFO interest coverage at above 5x and FFO to debt over 25%. SCG's metrics are slightly weaker although appropriate for the rating with FFO interest coverage at about 4x and FFO to debt over 20%.

The downgrade of RGE reflects its financial metrics more appropriate for the 'BBB' rating and greater regulatory risk than some of the other Energy East utilities. Improvement in credit quality is hampered by limited growth opportunities in its service territory. Stretched available liquidity and weaker financial metrics are exacerbated by the current economic environment. Adjusted FFO to total debt and interest coverage numbers are likel to be at 10% and 2.5x for 2009 given our economic expectations for the region which indicate a heightened potential for a 5%-10% drop in electric sales. Debt balances below 60% of total capitalization and improved ratios are unlikely in the interim term, in our opinion.

The affirmation of NYSEG's ratings reflects an excellent business profile. The profile is characterized by the low operating risk and an aggressive financial profile hampered by the dragging economy, regulatory risk, increased costs, and sizable capital expenditures requiring external financing. Despite the financial challenges and expected revenue declines, which are likely to exceed 5% in 2009, our forecasted financial metrics for NYSEG for adjusted FFO to interest coverage at 4x and adjusted FFO to total debt of 20% support the 'BBB+' corporate credit rating.

The affirmation at CMP reflects the company's low risk business strategy and excellent business profile tempered by an aggressive financial position, which reflects the buildout of its transmission system and short-term financing needs. We expect near-term financial metrics to be pressured by two large transmission projects but should trend toward FFO interest coverage at above 4.5x and FFO to debt more than 15%.

The affirmation for Berkshire Gas reflects its excellent business profile and aggressive financial metrics. The company's relatively small size detracts from credit quality. The metrics should be appropriate for the ratings with FFO interest coverage at above 4.5x and FFO to debt over 17%.

Short-term credit factors

The short-term rating on Energy East is 'A-2'. The company's consolidated liquidity position is adequate. Each of the Energy East operating utilities has access to a portion of a $475 million utility-only credit facility based on the unit's size. Available liquidity could be pressured if collateral postings increased working capital needs, and/or higher capital expenditure requirements exceed expected cash flow generation.

Energy East has two committed bank facilities totaling $775 million, which mature in 2011. The $300 million facility is available to Energy East, and the $475 million facility is available to the utilities, with various limits. The agreements don't contain material adverse change clauses or rating triggers, but a default with respect to any other debt in excess of $50 million is considered a default under its revolving credit facility.

Outlook

The stable outlook on Energy East reflects the credit quality of the new obligor Iberdrola; our expectations are that Energy East's ratings and outloo would move in lock-step with Iberdrola given the guarantee of outstanding debt. Iberdrola's stable outlook reflects its strong business profile and financial policies geared toward its 'A-' corporate credit rating. At the same time, we consider the group's credit ratios to be tight for the rating level and exposed to downside in the current macroeconomic environment. Hence, we will follow the performance of the group in the first half of 2009 and the developments surrounding the tariff deficit. If these issues are not addressed favorably in 2009, the ratings could come under pressure in the absence of mitigating actions. Upward momentum for Energy East is not contemplated at this time. The outlook for each of the Energy East subsidiaries is based on the stand-alone characteristics of the units, reflecting individual business conditions and financial position.

Table 1. | Download Table

Energy East Corp. -- Peer Comparison*			
Industry Sector: Combo			
	Energy East Corp.	**Consolidated Edison Inc.**	**Northeast Utilities**
Rating as of April 20, 2009	A-/Stable/A-2	A-/Stable/A-2	BBB/Stable/NR
		--Average of past three fiscal years--	
(Mil. $)			
Revenues	5,159.3	12,946.7	5,908.8
Net income from cont. oper.	185.4	861.7	214.7
Funds from operations (FFO)	586.9	1,404.6	392.8
Capital expenditures	477.8	2,032.3	1,077.3
Debt	4,569.6	11,194.6	4,214.5
Equity	3,017.9	8,697.6	2,988.2
Adjusted ratios			
Oper. income (bef. D&A)/revenues (%)	17.0	18.0	13.3
EBIT interest coverage (x)	2.0	2.9	2.2
EBITDA interest coverage (x)	2.9	4.0	3.5
Return on capital (%)	7.2	7.4	6.0
FFO/debt (%)	12.8	12.5	9.3
Debt/EBITDA (x)	5.2	4.8	5.5

*Fully adjusted (including postretirement obligations).

Table 2. | Download Table

Energy East Corp. -- Financial Summary*
Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating history	BBB+/Stable/A-2	BBB+/Negative/A-2	BBB+/Negative/A-2	BBB+/Stable/A-2	BBB+/Negative/A-2
(Mil. $)					
Revenues	5,069.0	5,178.1	5,230.7	5,298.5	4,756.7
Net income from continuing operations	45.2	251.3	259.8	256.8	237.6
Funds from operations (FFO)	510.7	648.9	601.1	653.4	617.5
Capital expenditures	535.3	443.2	454.9	329.7	324.8
Cash and short-term investments	71.9	274.1	113.4	312.9	247.1
Debt	5,048.4	4,339.3	4,321.2	4,465.3	4,454.5
Preferred stock	12.3	12.3	24.6	24.6	46.7
Equity	2,945.5	3,219.4	2,888.9	2,623.0	2,427.9
Debt and equity	7,993.9	7,558.7	7,210.1	7,088.3	6,882.4
Adjusted ratios					
EBIT interest coverage (x)	1.8	2.1	2.2	2.3	2.2
FFO int. cov. (x)	2.6	3.0	2.6	3.0	3.0
FFO/debt (%)	10.1	15.0	13.9	14.6	13.9
Discretionary cash flow/debt (%)	(7.9)	(0.8)	(5.1)	1.7	(1.6)
Net Cash Flow / Capex (%)	62.6	106.3	95.4	152.6	148.2
Debt/debt and equity (%)	63.2	57.4	59.9	63.0	64.7
Return on common equity (%)	1.1	7.9	9.0	9.3	9.1
Common dividend payout ratio (un-adj.) (%)	390.4	70.9	64.4	58.5	57.4

*Fully adjusted (including postretirement obligations).

Table 3. | Download Table

Reconciliation Of Energy East Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2008--									
Energy East Corp. reported amounts										
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	4,531.9	2,957.7	848.8	848.8	577.1	282.5	243.0	243.0	176.3	531.4
Standard & Poor's adjustments										
Operating leases	61.4	--	12.9	4.1	4.1	4.1	8.9	8.9	--	9.2
Intermediate hybrids reported as equity	12.3	(12.3)	--	--	--	0.6	(0.6)	(0.6)	(0.6)	--
Postretirement benefit obligations	409.8	--	(65.1)	(65.1)	(65.1)	--	68.7	68.7	--	--
Capitalized interest	--	--	--	--	--	5.3	(5.3)	(5.3)	--	(5.3)
Share-based compensation expense	--	--	--	16.9	--	--	--	--	--	--
Asset retirement obligations	33.0	--	2.5	2.5	2.5	2.5	(0.1)	(0.1)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	25.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	196.1	--	--
Total adjustments	516.5	(12.3)	(49.7)	(41.6)	(32.7)	12.4	71.6	267.7	(0.6)	4.0
Standard & Poor's adjusted amounts										
	Debt	**Equity**	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Dividends paid**	**Capital expenditures**
Adjusted	5,048.4	2,945.5	799.1	807.2	544.4	294.9	314.6	510.7	175.8	535.3

*Energy East Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 20-Apr-2009)*	
Energy East Corp.	
Corporate Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (4 Issues)	A-
Corporate Credit Ratings History	
09-Apr-2009	A-/Stable/A-2
29-Jan-2009	BBB+/Watch Neg/A-2
11-Sep-2008	BBB+/Stable/A-2
25-Aug-2006	BBB+/Negative/A-2
17-Jun-2005	BBB+/Stable/A-2
Related Entities	
Central Maine Power Co.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured (10 Issues)	BBB+

New York State Electric & Gas Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB-
Senior Unsecured (5 Issues)	AA-/Watch Dev
Senior Unsecured (5 Issues)	BBB+
Rochester Gas & Electric Corp.	
Issuer Credit Rating	BBB/Stable/--
Senior Secured (8 Issues)	A-
Senior Secured (1 Issue)	A/Negative
Senior Secured (5 Issues)	AA-/Watch Dev
Senior Unsecured (1 Issue)	AA-/Watch Dev
Southern Connecticut Gas Co.	
Issuer Credit Rating	A-/Stable/NR
Senior Secured (9 Issues)	A
The Berkshire Gas Co.	
Issuer Credit Rating	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

My Credit Profile
Energy East Corp., NY - 'A-/Stable/A-2'

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Research Update: Energy East Corp. Upgraded To 'A-' From 'BBB+' And Removed From CreditWatch, Outlook Stable

Publication date:	09-Apr-2009
Primary Credit Analyst:	John Kennedy, New York (1) 212-438-7670; john_kennedy@standardandpoors.com
Secondary Credit Analyst:	Todd A Shipman, CFA, New York (1) 212-438-7676; todd_shipman@standardandpoors.com

Rationale

On April 9, 2009, Standard & Poor's Ratings Service raised the ratings on Energy East Corp. to 'A-' from 'BBB+' upon announcement by its parent company, Iberdrola SA (A-/Stable/A-2), that it is assuming Energy East's debt. We also raised the ratings on Energy East subsidiaries Connecticut Natural Gas (CNG) and Southern Connecticut Gas (SCG) to 'A-' from 'BBB+'. At the same time, we affirmed the ratings on New York State Gas & Electric (NYSEG), Central Maine Power (CMP), and The Berkshire Gas Company (BGC). In addition, we lowered the ratings on Rochester Gas & Electric Corp. (RGE) to 'BBB' from 'BBB+'. We removed the ratings on all companies from CreditWatch with negative implications, where they were placed on Jan. 29, 2009. The outlooks are stable for all entities. New Gloucester, Me.-based Energy East has about $1.3 billion of debt outstanding.

Iberdrola has provided an unconditional and irrevocable guarantee on the debt at Energy East, and Standard & Poor's has raised ratings on the $1.3 billion of U.S. holding company debt equal to the Iberdrola rating. With its action, Iberdrola will be directly responsible for servicing the $1.3 billion of debt and, in our view, has unequivocally expressed its full support for its U.S. subsidiary. For ratings purposes, the U.S. utilities are now regarded as effectively under Iberdrola's direct control, and none individually is a significant source of cash flow for the Madrid, Spain-based utility holding company. The ratings on the U.S. utilities are now based largely on each utility's stand-alone credit profile up to the existing 'A-' Iberdrola rating. The European company's U.S. guarantee does not extend down to the utility level. Despite being relieved of the burden, from a ratings perspective, of servicing the holding company debt, some of the separate utility credit profiles do not warrant an upgrade or, in the case of RGE, an affirmation. Both it and NYSEG were recently denied expedited rate relief in New York.

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The downgrade of RGE reflects its financial metrics more appropriate for the 'BBB' rating and greater regulatory risk than some of the other Energy East utilities. Improvement in credit quality is hampered by limited growth opportunities in its service territory. Stretched available liquidity and weaker financial metrics are exacerbated by the current economic environment. Adjusted FFO to total debt and interest coverage numbers are likely to be at 10% and 2.5x for 2009 given our economic expectations for the region which indicate a heightened potential for a 5%-10% drop in electric sales. Debt balances below 60% of total capitalization and improved ratios are unlikely in the interim term, in our opinion.

The affirmation of NYSEG's ratings reflects an excellent business profile. The profile is characterized by the low operating risk and an aggressive financial profile hampered by the dragging economy, regulatory risk, increased costs, and sizable capital expenditures requiring external financing. Despite the financial challenges and expected revenue declines, which are likely to exceed 5% in 2009, our forecasted financial metrics for NYSEG for adjusted FFO to interest coverage at 4x and adjusted FFO to total debt of 20% support the 'BBB+' corporate credit rating.

The affirmation at CMP reflects the company's low risk business strategy and excellent business profile tempered by an aggressive financial position, which reflects the buildout of its transmission system and short-term financing needs. We expect near-term financial metrics to be pressured by two large transmission projects but should trend toward FFO interest coverage at above 4.5x and FFO to debt more than 15%.

The affirmation for Berkshire Gas reflects its excellent business profile and aggressive financial metrics. The company's relatively small size detracts from credit quality. The metrics should be appropriate for the ratings with FFO interest coverage at above 4.5x and FFO to debt over 17%.

Short-term credit factors

The short-term rating on Energy East is 'A-2'. The company's consolidated liquidity position is adequate. Each of the Energy East operating utilities has access to a portion of a $475 million utility-only credit facility based on the unit's size. Available liquidity could be pressured if collateral postings, increased working capital needs, and/or higher capital expenditure requirements exceed expected cash flow generation.

Energy East has two committed bank facilities totaling $775 million, which mature in 2011. The $300 million facility is available to Energy East, and the $475 million facility is available to the utilities, with various limits. The agreements don't contain material adverse change clauses or rating triggers, but a default with respect to any other debt in excess of $50 million is considered a default under its revolving credit facility.

Outlook

The stable outlook on Energy East reflects the credit quality of the new obligor Iberdrola; our expectations are that Energy East's ratings and outlook would move in lock-step with Iberdrola given the guarantee of outstanding debt. Iberdrola's stable outlook reflects its strong business profile and financial policies geared toward its 'A-' corporate credit rating. At the same time, we consider the group's credit ratios to be tight for the rating level and exposed to downside in the current macroeconomic environment. Hence, we will follow the performance of the group in the first half of 2009 and the developments surrounding the tariff deficit. If these issues are not addressed favorably in 2009, the ratings could come under pressure in the absence of mitigating actions. Upward momentum for Energy East is not contemplated at this time. The outlook for each of the Energy East subsidiaries is based on the stand-alone characteristics of the units, reflecting individual business conditions and financial position.

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
Energy East Corp.		
Corporate Credit Rating	A-/Stable/A-2	BBB+/Watch Neg/A-2
Senior Unsecured	A-	BBB/Watch Neg
Connecticut Natural Gas Corp.		
Corporate Credit Rating	A-/Stable/--	BBB+/Watch Neg/--
Senior Unsecured	A-	BBB+/Watch Neg
Southern Connecticut Gas Co.		
Corporate Credit Rating	A-/Stable/NR	BBB+/Watch Neg/NR

Downgraded

	To	From
Rochester Gas & Electric Corp.		
Senior Secured	A-	A

Downgraded; CreditWatch/Outlook Action

	To	From
Rochester Gas & Electric Corp.		
Corporate Credit Rating	BBB/Stable/--	BBB+/Watch Neg/--
Rochester Gas & Electric Corp.		
Senior Secured	A-	A/Watch Neg

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Central Maine Power Co.		
Corporate Credit Rating	BBB+/Stable/NR	BBB+/Watch Neg/NR
New York State Electric & Gas Corp.		
Corporate Credit Rating	BBB+/Stable/A-2	BBB+/Watch Neg/A-2
The Berkshire Gas Co.		
Corporate Credit Rating	BBB+/Stable/--	BBB+/Watch Neg/--
Central Maine Power Co.		
Senior Unsecured	BBB+	BBB+/Watch Neg
New York State Electric & Gas Corp.		
Senior Unsecured	BBB+	BBB+/Watch Neg
Preferred Stock	BBB-	BBB-/Watch Neg
Southern Connecticut Gas Co.		
Senior Secured	A	A/Watch Neg

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating.

Moody's Investors Service

Global Credit Research
Rating Action
8 APR 2009

Rating Action: New York State Electric and Gas Corporation

Moody's downgrades Energy East's issuer rating and ratings of subs

Approximately US$4.0 billion of debt affected

New York, April 08, 2009 -- Moody's Investors Service downgraded the Issuer and Bank Credit Facility Ratings and short-term rating of Energy East Corporation (EEC; Issuer and Bank Credit Facility Ratings to Baa3 from Baa2 and short-term rating for commercial paper to Prime-3 from Prime-2). Moody's also downgraded the long-term ratings of each of EEC's rated utility subsidiaries, which include New York State Electric & Gas Corporation (NYSEG; senior unsecured to Baa2 from Baa1); Rochester Gas & Electric Corporation (RG&E; senior unsecured to Baa2 from Baa1); Central Maine Power Company (CMP; senior unsecured to Baa1 from A3); Connecticut Natural Gas Company (CNG; senior unsecured to Baa1 from A3); Southern Connecticut Gas Company (SCG; senior secured to Baa1 from A3); and Berkshire Gas Company (BGC; Issuer Rating to Baa2 from Baa1). This concludes the review for possible downgrade that was initiated on September 16, 2008.

At the same time, Moody's upgraded the ratings of four series of EEC notes (specific series noted below) to A3 from Baa2 given the added support of an Iberdrola S.A. guarantee. Concurrent with these rating actions, the short-term rating for NYSEG's commercial paper program is affirmed at Prime-2. The rating outlooks for all the companies are stable.

The rating downgrades primarily reflect EEC's currently tight liquidity on a consolidated basis and continued weakness in the levels of key financial metrics for EEC and its subsidiaries based on recently completed audits of FYE 2008 financial statements for all the companies. "The tight liquidity stems from increased reliance on bank credit to fund short-term working capital needs and to serve as a bridge to addressing other long-term financing needs" said Moody's Vice President and Senior Analyst, Kevin Rose. Moody's currently expects the weakness in key metrics to persist over the medium term as the utility companies face ongoing cost pressures due to the currently difficult economic climate and financing required to fund significant capital expenditures over the next several years. "The degree to which weakness in financial performance persists will also be influenced by how supportive state regulators are of these investments, especially in the New York, Connecticut, and Maine jurisdictions", Rose added.

The upgrade of ratings for EEC's four series of notes, aggregating US$1.3 billion, places the ratings on par with the current senior unsecured credit rating of Iberdrola S.A (A3 senior unsecured; stable outlook). Although the ratings for these four series of notes were previously under review for possible downgrade as announced September 16, 2008, the upgrade action follows public disclosure of a series of steps taken, as permitted under the terms of the notes, to substitute an Iberdrola affiliate as obligor in place of EEC and to have Iberdrola S.A. provide an unconditional guarantee of the obligations under the notes. The net effect of these steps replaces EEC's third party obligation with a US$1.05 billion inter-company note. Despite the rating downgrades, Moody's views the Iberdrola common equity infusion, the guarantee it is now providing for the notes, along with management's willingness to replace third party debt with inter-company debt and to delay receipt of dividends from EEC, if necessary, as signs of financial support by Iberdrola S.A., EEC's parent since September 2008. Such support is generally viewed as a strong credit positive and tempers some of Moody's lingering concerns that formed the primary basis for the rating downgrades.

The New York Public Service Commission's (NYPSC) refusal to hear the January 2009 rate case filings made by NYSEG and RG&E will make it difficult for the two utilities to proceed with minimum required capital expenditures as mandated in the September 2008 order approving Iberdrola's acquisition of EEC, and will also necessitate other cost reductions pending decisions in subsequent cases likely to be filed in October. The outcome of those filings, which would likely be decided in September 2010, would then also clarify the disposition of some $275 million of pre-tax positive benefit adjustments to retail customers of NYSEG and RG&E. The future financial performance of CNG and SCG will be significantly influenced by the expected July 2009 outcomes of rate increases requested through filings with the Connecticut Department of Public Utility Control made in January 2009. The extent to which regulators are supportive of various utility capital spending projects, which could reach US$4.0 billion over the next five years will have a significant bearing on the ultimate level and timing of spending. This would be especially so as it relates to CMP's potential investments in new transmission infrastructure, which could comprise up to half of EEC's consolidated utility capital budget over the next several years.

Moody's notes that the stable rating outlooks established for all the companies as part of today's rating actions assume that management will fund about half of the capital expenditure projects with internally generated funds, while meeting the remainder with a combination of debt and further equity infusions from

Iberdrola. Moreover, the stable outlooks assume that management will remain flexible with regard to dividend policies to help maintain equity levels consistent with amounts the state regulators provide an opportunity for the company to earn a return on. We also note in the case of the New York utilities, fixed income investors are afforded additional protections, including ring-fencing mechanisms that limit dividends paid by the NY utilities under certain circumstances.

Ratings downgraded include the following:

Energy East Corp.

Sr. Unsecured Bank Facility and Issuer Rating to Baa3 from Baa2

Short-term rating for Commercial Paper to Prime-3 from Prime-2

New York State Electric & Gas Corp.

Sr. Unsecured Debt and Issuer Ratings to Baa2 from Baa1

Preferred Stock to Ba1 from Baa3

Rochester Gas & Electric Corp.

Sr. Secured Debt to Baa1 from A3

Issuer Rating to Baa2 from Baa1

Central Maine Power Company

Sr. Unsecured Debt & Issuer Ratings to Baa1 from A3

Preferred Stock to Baa3 from Baa2

Connecticut Natural Gas Corp.

Sr. Unsecured Debt to Baa1 from A3

Southern Connecticut Gas Company

Sr. Secured Debt to Baa1 from A3

Berkshire Gas Company

Issuer Rating to Baa2 from Baa1

Ratings upgraded include:

Energy East Corporation

8.05% Notes due 11/15/2010 to A3 from Baa2

6.75% Notes due 6/15/2012 to A3 from Baa2

6.75% Notes due 9/15/2033 to A3 from Baa2

6.75% Notes due 7/15/2036 to A3 from Baa2

Ratings affirmed include the following:

New York State Electric & Gas Corp.

Short-term rating for Commercial Paper: Prime-2

The principal methodology used in rating Energy East Corporation, New York State Electric and Gas

Corporation, Rochester Gas & Electric Corporation and Central Maine Power Company was Rating Methodology: Global Regulated Electric Utilities, which can be found at www.moodys.com in the Credit Policies & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy and Methodologies directory.

The principal methodology used in rating Connecticut Natural Gas Company, Southern Connecticut Gas Company, and Berkshire Gas Company was North American Regulated Gas Distribution Industry (Local Distribution Companies), which can be found at www.moodys.com in the Credit Policies & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy and Methodologies directory.

Moody's last action was September 16, 2008 when we placed under review for possible downgrade the long-term and short-term ratings of Energy East Corporation and the long-term ratings of each of its rated utility subsidiaries, which include New York State Electric & Gas Corporation; Rochester Gas & Electric Corporation; Central Maine Power Company; Connecticut Natural Gas Company; Southern Connecticut Gas Company; and Berkshire Gas Company. At the same time, the short-term rating for New York State Electric and Gas Corporation's commercial paper program was affirmed at Prime-2.

Energy East Corporation, a wholly owned subsidiary of Iberdrola, is an intermediate holding company and serves as the intermediate level parent for six regulated utility energy distribution subsidiaries in the New York/New England region of the United States. It also has modest investments in energy-related, non-regulated businesses. Its headquarters are in Portland, Maine.

New York
Kevin G. Rose
Vice President - Senior Analyst
Global Infrastructure Finance
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
William L. Hess
Managing Director
Global Infrastructure Finance
Moody's Investors Service
JOURNALISTS: 212-553-0376
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Corporates

Global Power
U.S. and Canada
Credit Analysis

New York State Electric & Gas Corporation

Ratings

Security Class	Current Rating
Long-Term Issuer Default Rating	BBB
Short-Term Issuer Default Rating	F2
Senior Unsecured Debt	BBB+
Preferred Stock	BBB
Commercial Paper	F2

Outlook

Negative

Financial Data

New York State Electric & Gas Corporation

($ Mil.)	LTM 3/31/09	Year-End 12/31/07
Revenues	1,870	2,028
Gross Margin	797	797
Cash Flow from Operations	153	132
Operating EBITDA	327	339
Total Debt	1,226	1,205
Total Capitalization	2,232	2,274
ROE (%)	0.00	10.8
Capex/Depreciation (%)	138.9	111.4

Analysts

Jill Schmidt
+1 212 908-0644
jill.schmidt@fitchratings.com

Robert Hornick
+1 212 908-0523
robert.hornick@fitchratings.com

Related Research

- *Energy East Corporation, July 29, 2009*
- *Rochester Gas & Electric Company, July 29, 2009*
- *Central Maine Power Company, July 29, 2009*
- *Connecticut Natural Gas Company, July 29, 2009*
- *Berkshire Gas Company, July 29, 2009*
- *Iberdrola, S.A., June 11, 2009*
- *Southern Connecticut Gas Company, Aug. 22, 2006*

Rating Rationale

- Fitch's ratings of New York State Electric & Gas (NYSEG) are based on reasonably stable cash flows derived from the company's regulated electric and gas transmission and distribution business.
- NYSEG's limited commodity exposure is expected to be eliminated in January 2010 with the termination of the fixed pricing option for standard offer service.
- Liquidity has recently improved with a reduction in bank facility borrowings to approximately $65 million from $159 million as of March 10, 2009, under the $190 million available revolving credit facility capacity. NYSEG is expected to further increase facility borrowing availability, assuming a successful remarketing of its $94.5 million of auction rate securities in the second half of 2009.
- Capital expenditure commitments and the positive benefit adjustments (PBA) required under the merger agreement (see Recent Events below) will continue to exert pressure on credit quality measures in the absence of adequate and timely regulatory relief. NYSEG is required to credit customers approximately $164 million in PBA over a time period to be determined in its next rate case and to fund a substantial capital expenditure program. NYSEG's attempt to seek interim rate relief was rejected by the NYPSC in April 2009. Fitch expects the company to submit a new rate filing in mid-September 2009, and the outcome is a key credit rating consideration.

What Could Trigger a Downgrade?

- Maintaining current ratings will largely depend on the outcome of the next distribution rate filing, which is expected to be submitted in September 2009. New York Public Service Commission's (NYPSC) rate decision will be a primary determinant of future credit quality.
- Continued interim support from its parent, Energy East Corporation (EAS), and ultimately Energy East's parent, Iberdrola S.A., during this period of regulatory uncertainty will serve to support current and future credit quality.
- Successful remarketing of auction rate securities will free up additional short-term borrowing capacity.

Recent Events

NYPSC Approves EAS Acquisition with Conditions

In September 2008, upon the conditioned approval of the NYPSC, Iberdrola S.A. (issuer default rating [IDR] 'A–') completed the $4.6 billion cash acquisition of EAS's (IDR 'BBB+') stock, which is the parent company of NYSEG. The sale was conditioned on Iberdrola's acceptance of certain terms proposed by the NYPSC. The primary conditions for EAS' New York utility operating companies, NYSEG and Rochester Gas and Electric (RG&E) include:

- The total payment of $275 million in PBA — a reduction in electricity and natural gas delivery rates to customers, which will occur over a time period to be determined as part of the upcoming rate filings. (NYSEG, $164 million; RG&E, $111 million).

- A commitment by Iberdrola to spend $200 million on new wind power facilities in New York within roughly two years, which would add about 100 megawatts (MW) of renewable generating capacity.
- Iberdrola is barred from owning any New York power plants that are powered by fossil fuels such as natural gas, coal or oil. Iberdrola is allowed to continue owning EAS's hydroelectric plants. Plans for asset divestiture have been filed with the NYPSC.
- NY utilities will not file a rate case before Sept. 17, 2009, unless the company can prove that delayed filings will result in deterioration of financial performance to levels that would jeopardize the company's ability to provide safe and reliable service.
- NY utilities have to file an electric and gas rating filing with the NYPSC by Oct. 15, 2009, or be subject to an earnings sharing mechanism (ESM). Under the ESM, shareholders would retain 20% of any earnings in excess of the cost of equity, which is set at 10.1%, and the remaining would be preserved for ratepayers.
- Minimum capital expenditure levels of an average $140 million per year in 2009 and 2010 for NYSEG's electric system and $90 million for RG&E's and $20 million/year for each gas system. After 2010, annual spending must be at least 90% of those amounts unless the utilities justify lesser amounts to the NYPSC's satisfaction.

Iberdrola accepted the conditions imposed by the NYPSC, and the merger was completed on Sept. 30, 2008.

Iberdrola Assumes Energy East Corporation's (EAS) Long-Term Debt

Iberdrola assumed EAS's $1.3 billion of stand-alone, long-term debt in April 2009, with an unconditional and irrevocable guarantee, in exchange for an intercompany loan equal to $1.05 billion, or approximately 80% of its original long-term debt balance. The remaining $250 million is considered an equity contribution. Fitch views the acquisition of EAS by a strong parent and the tangible support provided by Iberdrola through the assumption of EAS's debt and the decision to extract no dividends from EAS since the acquisition date as credit positives and also believes that the support provided to EAS indirectly benefits its subsidiaries.

Rate Case

NYSEG filed for a $178 million delivery rate increase in January 2009, claiming financial hardship in meeting capital spending obligations resulting from the conditional merger approval. On April 7, 2009, the NYPSC dismissed the rate case on the grounds that Iberdrola, and ultimately NYSEG, agreed not to seek a rate increase until September 2009. Fitch expects the company to submit a new rate filing in mid-September 2009, and the result could have a meaningful impact on credit quality.

Auction Rate Securities

NYSEG's short-term borrowings increased substantially over the past 12 months due in large to the temporary purchase of $94.5 million of its outstanding auction-rate, tax-exempt securities. NYSEG has $190 million of borrowing capacity under its credit facility, of which $65 million is outstanding to date. Management plans to restructure and remarket the auction-rate securities in the second half of 2009 and use a portion of the proceeds to repay all outstanding short-term borrowings. Additionally, NYSEG has $100 million of auction rate securities for which the rate is fixed through January 2010 and will need to be restructured at that time. The company converted its remaining $187 million in outstanding auction rate securities to variable rate demand notes (VRDN), which are currently backed by a letter of credit (LOC) expiring in June 2010. The market requires the VRDNs to have a liquidity guarantee provided by a bank; therefore, in the event that the LOC is not extended beyond the 2010 maturity date, the company could have to remarket the bonds in a different interest rate mode or draw on its available liquidity to purchase the bonds.

Liquidity

EAS's operating utilities (NYSEG, RG&E [IDR 'BBB–'], Central Maine Power [CMP, IDR 'BBB+'], Southern Connecticut Gas [SCG, IDR 'BBB'], Connecticut Natural Gas [CNG, IDR 'BBB+'], and Berkshire Gas Company [BGC, IDR 'BBB+']) are joint borrowers in a revolving credit facility providing aggregate capacity of up to $475 million. The operating companies currently have $390 million available under the joint credit facility. Sublimits can be adjusted between regulated utilities to meet the respective company's immediate working capital needs. In addition, the parent, EAS, is the sole borrower in a $300 million revolving credit facility and currently has $195 million of availability under this facility. The regulated utilities also have the ability to borrow from the holding company to meet short-term working capital requirements. Covenants under the credit facility prohibit each borrower from exceeding a 65% total-debt-to-total-capital ratio. All borrowers are currently in compliance with this covenant. Both credit facilities expire in 2012. To date, NYSEG has $65 million of outstanding borrowings under the joint facility and no outstanding borrowings from EAS.

Long-Term Debt Due
($ Mil., As of Dec. 31, 2008)

2009	2010	2011	2012	2013
—	—	—	100	—

Source: Energy East Corporation.

Capital Spending

Capital expenditure commitments required by the NYPSC in its approval of Iberdrola's acquisition of EAS will continue to exert pressure on credit quality measures in the absence of adequate and timely regulatory relief. As noted above, NYSEG is required to meet minimum capital expenditure levels averaging $160 million in 2009 and 2010. After 2010, annual spending must be equal to at least 90% of the previously stated amounts unless a reduction in capital spending is approved by the NYPSC. NYSEG's recent attempt to seek interim rate relief was rejected by the NYPSC. Fitch expects the companies to submit new rate filings in October 2009, and the outcome is key to future credit quality.

Financial Overview

NYSEG's credit metrics have weakened since the year ended Dec. 31, 2007. For the latest 12 months (LTM) ended March 31, 2009, the ratios of funds from operations (FFO) to interest and adjusted debt to FFO were 3.2x and 7.4x, respectively, down from 4.3x and 5.5x at year-end 2007. The company has been operating under an expired five-year rate plan since January 2008. The inability to fully recover rising operating costs through customer rates and the repurchase of auction rate securities led to increased short-term borrowings and weakened credit metrics. Liquidity ratios are projected to improve going forward with the recent reduction in short-term borrowings and assuming the remarketing of the company's auction rate debt. However, the maintenance of overall credit quality primarily depends on a favorable resolution to the upcoming distribution rate case.

Regulation

NYSEG is expected to eliminate the fixed price option currently available to customers beginning in January 2010, eliminating associated commodity risk. NYSEG currently offers their retail customers choice in their electricity supply including a fixed price option, a variable price option — under which rates vary monthly based on the actual cost of electricity purchases — and an option to purchase electricity supply from an energy service company (ESCO). NYSEG's customers make their supply choice annually. For those customers that do not make a choice, the default option is now variable rate option.

Under the current fixed price option, NYSEG is allowed recovery of any price differential between fixed price option tariff, which is established during a set measurement period, and the actual price paid to fixed price option suppliers. However, NYSEG maintains the financial exposure related to any potential mismatches between the actual fixed price option load and the company's committed fixed price option purchases by having to purchase fixed price load shortfalls or sell excess power. As noted above, this volumetric risk exposure is expected to be eliminated in January 2010 with the termination of the fixed price option.

NYSEG's estimated power supply needed to meet the fixed price option, variable rate option and ESCO requirements through 2009 approximates 1200 MW annually. About 65% of the power supply needed to serve variable rate option and fixed price option customers and customers provided through PPA contracts with various suppliers. The largest suppliers are Saranac (37%) and several subcontracts comprising NYPA (55%). The majority of these contracts expire in 2009 and, with the exception of Saranac, will most likely be renewed. If contract renewal does not occur, the contracts will be replaced with financial hedges. The remaining 35% of power supply is purchased on the day ahead spot market.

Company Profile

New York State Electric & Gas

NYSEG is a regulated utility engaged primarily in the transmission and distribution of electricity and natural gas in upstate New York. The company also owns 60 MW of hydroelectric generation and has long-term power purchase agreements with the New York Power Authority (NYPA) and the Nine Mile 2 and Saranac Power Partners for the supply of energy. These contracts are supplemented through contracts with several small non-utility generators (NUG) and with spot market purchases. NYSEG serves approximately 872,000 electricity and 256,000 natural gas customers in its service territory of approximately 20,000 square miles, which is located in central, eastern and western parts of New York State. The larger cities in which NYSEG serves electricity and natural gas customers are Binghamton, Elmira, Auburn, Geneva, Ithaca and Lockport.

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Financial Summary — New York State Electric & Gas Corp.

($ Mil., Years Ended Dec. 31)

	LTM 3/30/09	2008	2007	2006	2005
Fundamental Ratios (x)					
Funds from Operations (FFO)/Interest Expense	3.2	3.2	4.3	3.6	5.1
Cash Flow from Operations (CFO)/Interest Expense	3.0	3.3	2.9	2.2	6.1
Debt/FFO	7.4	7.6	5.5	5.1	3.3
Operating EBIT/Interest Expense	2.9	3.0	3.4	3.6	4.3
Operating EBITDA/Interest Expense	4.4	4.5	5.0	4.9	5.6
Debt/Operating EBITDA	3.7	3.7	3.6	2.6	2.4
Common Dividend Payout (%)	NM	1,200.0	—	—	—
Internal Cash/Capital Expenditures (%)	82.0	73.7	27.4	(8.6)	188.4
Capital Expenditures/Depreciation (%)	138.9	142.1	111.4	121.7	156.2
Profitability					
Adjusted Revenues	1,870	1,895	2,028	2,143	2,124
Net Revenues	797	793	797	917	892
Operating and Maintenance Expense	81	78	79	114	99
Operating EBITDA	327	331	339	435	446
Depreciation and Amortization Expense	108	107	105	115	105
Operating EBIT	**219**	**224**	**234**	**320**	**341**
Gross Interest Expense	75	74	68	88	80
Net Income for Common	—	5	114	143	163
Operating Maintenance Expense % of Net Revenues	10.2	9.8	9.9	12.4	11.1
Operating EBIT % of Net Revenues	27.5	28.2	29.4	34.9	38.2
Cash Flow					
Cash Flow from Operations	153	172	132	103	409
Change in Working Capital	(12)	9	(89)	(123)	84
Funds from Operations	165	163	221	226	325
Dividends	(30)	(60)	(100)	(115)	(100)
Capital Expenditures	(150)	(152)	(117)	(140)	(164)
Free Cash Flow	(27)	(40)	(85)	(152)	145
Net Other Investment Cash Flow	—	—	—	1	14
Net Change in Debt	36	35	61	74	(59)
Net Change in Equity	—	—	—	—	—
Capital Structure					
Short-Term Debt	130	136	12	—	—
Long-Term Debt	1,096	1,105	1,193	1,144	1,070
Total Debt	**1,226**	**1,241**	**1,205**	**1,144**	**1,070**
Total Hybrid Equity and Minority Interest	—	8	8	8	8
Common Equity	1,006	982	1,061	1,045	1,148
Total Capital	**2,232**	**2,231**	**2,274**	**2,197**	**2,226**
Total Debt/Total Capital (%)	54.9	55.6	53.0	52.1	48.1
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	0.4	0.4	0.4	0.4
Common Equity/Total Capital (%)	45.1	44.0	46.7	47.6	51.6

LTM – Latest 12 months. NM – Not meaningful. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

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Corporates

Global Power
U.S. and Canada
Credit Analysis

Rochester Gas & Electric Corporation

Ratings

Security Class	Current Rating
Long-Term Issuer Default Rating	BBB–
Senior Secured Debt	BBB+
Senior Unsecured Debt	BBB

Outlook

Stable

Financial Data

Rochester Gas & Electric Corporation ($ Mil.)

	3/31/09	12/31/07
Revenues	1,080	1,172
Gross Margin	511	545
Cash Flow from Operations	69	198
Operating EBITDA	202	233
Total Debt	885	730
Total Capitalization	1,435	1,363
ROE (%)	0.0	11.97
Capex/Depreciation (%)	201.5	187.8

Analysts

Jill Schmidt
+1 212 908-0644
jill.schmidt@fitchratings.com

Robert Hornick
+1 212 908-0523
robert.hornick@fitchratings.com

Related Research

- *Energy East Corporation, July 29, 2009*
- *New York State Electric & Gas Corporation, July 29, 2009*
- *Central Maine Power Company, July 29, 2009*
- *Connecticut Natural Gas Company, July 29, 2009*
- *Berkshire Gas Company, July 29, 2009*
- *Iberdrola, S.A., June 11, 2009*
- *Southern Connecticut Gas Company, Aug. 22, 2006*

Rating Rationale

- Fitch's ratings of Rochester Gas & Electric (RG&E) reflect the company's marginally investment grade credit profile, consistent with the 'BBB–' issuer default rating (IDR), and low business risk of the company's regulated electric and gas transmission and distribution business.
- RG&E's limited commodity exposure is expected to be eliminated in January 2010 with the termination of the fixed pricing option for standard offer service.
- Formerly constrained liquidity has been improved with the company's issuance of long-term debt. RG&E had drawn down its entire $100 million of capacity under its credit facility and was required to borrow from its parent, EAS, to fund liquidity needs as of Dec. 31, 2008. In June 2009, the company issued $150 million of senior secured bonds and used the majority of proceeds to repay all short-term borrowings.
- Capital expenditure commitments and the positive benefit adjustments (PBA) required under the merger agreement (see Recent Events below) will continue to exert pressure on credit quality measures in the absence of adequate and timely regulatory relief. RG&E is required to credit customers approximately $111 million in PBA over a time period to be determined in its next rate filing and to fund a substantial capital expenditure program.
- RG&E's attempt to seek interim rate relief was rejected by the New York Public Service Commission (NYPSC) in April 2009. Fitch expects the company to submit a new rate filing in mid-September 2009.

Key Rating Drivers

- Regulatory decision regarding the timing and amount of recovery of increased operating costs and mandated capital expenditures by the NYPSC will be a primary determinant of future credit quality.
- In the absence of adequate regulatory relief, liquidity support from EAS, and ultimately EAS's parent, Iberdrola, S.A., will be key to the maintenance of the company's credit quality.

Recent Events

NYPSC Approves Iberdrola's Energy East Corp. (EAS) Acquisition with Conditions

In September 2008, upon the conditioned approval of the NYPSC, Iberdrola S.A. (IDR 'A') completed the $4.6 billion cash acquisition of EAS's (IDR 'BBB+') stock. The sale was conditioned on Iberdrola's acceptance of certain terms proposed by the NYPSC. The primary conditions for EAS' New York operating companies include:

- The total payment of $275 million in PBA — a reduction in electricity and natural gas delivery rates to customers, which will occur over a time period to be determined in its next rating filing. (NYSEG, $164 million; Rochester Gas & Electric [RG&E], $111 million).

- A commitment by Iberdrola to spend $200 million on new wind power facilities in New York within approximately two years, which would add about 100 megawatts (MW) of renewable generating capacity.
- Iberdrola is barred from owning any New York power plants that are powered by fossil fuels such as natural gas, coal or oil. Iberdrola is allowed to continue owning EAS's hydroelectric plants. Plans for asset divestiture have been filed with the NYPSC.
- EAS's New York utilities will not file a rate case before Sept. 17, 2009, unless the company can prove that delayed filings will result in deterioration of financial performance to levels that would jeopardize the company's ability to provide safe and reliable service.
- New York utilities have to file an electric and gas rating filing with the NYPSC by Oct. 15, 2009, or be subject to an earnings sharing mechanism (ESM). Under the ESM, shareholders would retain 20% of any earnings in excess of the cost of equity, which is set at 10.1%, and the remaining would be preserved for ratepayers.
- Minimum capital expenditure levels of an average $140 million/year in 2009 and 2010 for NYSEG's electric system and $90 million for RG&E's, and $20 million/year for each gas system. After 2010, annual spending must be at least 90% of those amounts, unless the utilities justify lesser amounts to the NYPSC's satisfaction.

Iberdrola accepted the conditions imposed by the NYPSC, and the sale was completed on Sept. 30, 2008.

Iberdrola Assumes Energy East Corporation's (EAS) Long-Term Debt

Iberdrola assumed EAS's $1.3 billion of stand-alone, long-term debt in April 2009, with an unconditional and irrevocable guarantee, in exchange for an intercompany loan equal to $1.05 billion, or approximately 80% of its original long-term debt balance. The remaining $250 million is considered an equity contribution. Fitch views the acquisition of EAS by a strong parent and the tangible support provided by Iberdrola through the assumption of EAS debt and the decision to extract no dividends from EAS since the acquisition date as credit positives and also believes that the support provided to EAS indirectly benefits its subsidiaries.

Rate Case

As noted above, RG&E is required to meet minimum capital expenditures averaging $110 million per year in both 2009 and 2010 and at least 90% of this amount in the years beyond 2010 unless a lower amount is otherwise authorized by the NYPSC. The company, claiming financial hardship in meeting future capital spending obligations, filed for a $100 million delivery rate increase in January 2009. The NYPSC dismissed the rate case on the grounds that Iberdrola, and ultimately RG&E, agreed not to seek a rate increase until mid-September on April 7, 2009. Fitch expects the company to submit a new rate filing on Sept. 17, 2009. The outcome of this rate filing is important to RG&E's credit profile.

Auction Rate Securities

RG&E's repurchase of $39.5 million of its outstanding auction-rate, tax-exempt securities in the first quarter of 2008, which it plans to remarket in a medium-term interest rate mode in July 2009. RG&E has exposure to an additional $68 million in auction rate securities, which are currently in a 35-day remarketing mode.

Liquidity

EAS's operating utilities (RG&E, New York State Electric & Gas [NYSEG, IDR 'BBB'], Central Maine Power [CMP, IDR 'BBB+'], Southern Connecticut Gas [SCG, IDR 'BBB'], Connecticut Natural Gas [CNG, IDR 'BBB+'] and Berkshire Gas Company [BGC, IDR 'BBB+']) are joint borrowers in a revolving credit facility providing aggregate capacity of up to $475 million. The operating companies currently have $390 million available under the joint credit facility. Sublimits can be adjusted between regulated utilities to meet the respective company's immediate working capital needs. In addition, the parent, EAS, is the sole borrower in a $300 million revolving credit facility and currently has $195 million of availability under this facility. The regulated utilities also have the ability to borrow from the holding company to meet short-term working capital requirements. Covenants under the credit facility prohibit each borrower from exceeding a 65% total debt to total capital ratio. All borrowers are currently in compliance with this covenant. Both credit facilities expire in 2012. To date, RG&E has no outstanding borrowings under the joint facility or any outstanding borrowings from EAS.

Long-Term Debt Due

($ Mil., As of Dec. 31, 2008)

2009	2010	2011	2012	2013
100	—	161	—	—

Source: Energy East Corporation.

Capital Spending

External capital raised to supplement internal cash flows to fund capital expenditure commitments required by the NYPSC in its approval of Iberdrola's acquisition of EAS will continue to exert pressure on credit quality measures in the absence of adequate and timely regulatory relief. As noted above, RG&E is required to meet minimum capital expenditure levels averaging $110 million in 2009 and 2010. After 2010, annual spending must be equal to at least 90% of the previously stated amounts unless a reduction in capital spending is approved by the NYPSC. As noted above, RG&E's recent attempt to seek interim rate relief was rejected by the NYPSC. Fitch expects the companies to submit new rate filings in mid-September 2009.

Financial Overview

RG&E's financial performance has deteriorated over the past several years. While credit metrics remain in line with the current rating category, there is limited cushion against further deterioration. Distribution rates have been frozen for the past five years in accordance with the 2004 rate order. The inability to recover rising operating costs and earn a return on new investments as well as increased short-term borrowings has adversely affected credit measures. The ratios of FFO to interest and adjusted debt to FFO declined to 3.9x and 7.6x in the year ended Dec. 31, 2008, from 4.2x and 4.0x in the year ended Dec. 31, 2007, respectively. The absence of balanced regulatory treatment by the NYPSC and/or continued liquidity support from the parent, EAS, could result in downward pressure on the company's credit ratings.

Regulation

RG&E is expected to remove the fixed price option currently available to customers beginning in January 2010, eliminating associated commodity risk. RG&E currently offers retail customers choice in their electricity supply, including a fixed price option, a variable price option — under which rates vary monthly based on the actual cost of electricity purchases — and an option to purchase electricity supply from an energy service company (ESCO). RG&E's customers make their supply choice annually. For those customers that do not make a choice, the default option is now the variable rate option.

Under the current fixed price option, RG&E is allowed recovery of any price differential between the fixed price option tariff, which is established during a set measurement period, and the actual price paid to fixed price option suppliers. However, RG&E maintains the financial exposure related to any potential mismatches between the actual fixed price option load and the company's committed fixed price option purchases by having to purchase fixed price load shortfalls or sell excess power. As noted above, this volumetric risk exposure is expected to be eliminated in January 2010, with the termination of the fixed price option.

RG&E's estimated power supply needed to meet the fixed price option, variable price option, and ESCO requirements approximate 1400 MW annually. About 60% of the power supply needed to serve variable price option customers and 100% of the power supply needed to serve the fixed price option customers is provided through power purchase contracts with the New York Power Authority (NYPA) (9% of 2009's power supply needs), Nine Mile 2 (15.4%) and Ginna (54.4%). These contracts expire in 2009, 2011 and 2014, respectively. The remaining 40% of variable price option power supply is purchased on the day ahead spot market.

Company Profile

Rochester Gas & Electric

RG&E is a regulated utility engaged primarily in the transmission and distribution of electricity and natural gas in western New York. The company also owns 50 MW of hydroelectric generation and has long-term power purchase agreements with the New York Power Authority (NYPA), the Nine Mile 2 and R.E. Ginna Nuclear Plants for the supply of energy. These contracts are supplemented with spot market purchases. RG&E serves approximately 360,000 electricity and 297,000 natural gas customers in its service territory. The service territory contains a substantial suburban area and a large agricultural area in parts of nine counties including and surrounding the city of Rochester, New York with a population of approximately 1 million people.

Financial Summary — Rochester Gas & Electric Corporation

($ Mil., Years Ended Dec. 31)

	2008	2007	2006	2005	2004
Fundamental Ratios (x)					
Funds from Operations (FFO)/Interest Expense	3.3	4.2	3.9	4.4	4.6
Cash Flow from Operations (CFO)/Interest Expense	2.5	4.4	2.4	3.4	2.1
Debt/FFO	7.0	4.0	4.5	3.7	3.5
Operating EBIT/Interest Expense	2.6	2.7	3.4	3.0	2.8
Operating EBITDA/Interest Expense	3.8	4.0	4.6	4.3	4.4
Debt/Operating EBITDA	4.2	3.1	2.8	2.9	2.9
Common Dividend Payout (%)	625.0	94.6	—	—	—
Internal Cash/Capital Expenditures (%)	43.7	92.1	31.9	118.2	(807.1)
Capital Expenditures/Depreciation (%)	211.9	187.8	198.6	75.3	15.6
Profitability					
Adjusted Revenues	1,119	1,172	1,116	1,106	1,034
Net Revenues	529	545	550	539	579
Operating and Maintenance Expense	36	41	49	50	58
Operating EBITDA	218	233	259	242	244
Depreciation and Amortization Expense	67	74	71	73	90
Operating EBIT	**151**	**159**	**188**	**169**	**154**
Gross Interest Expense	57	58	56	56	55
Net Income for Common	4	74	82	79	69
Operating Maintenance Expense % of Net Revenues	6.8	7.5	8.9	9.3	10.0
Operating EBIT % of Net Revenues	28.5	29.2	34.2	31.4	26.6
Cash Flow					
Cash Flow from Operations	87	198	80	135	59
Change in Working Capital	(44)	14	(80)	(56)	(141)
Funds from Operations	131	184	160	191	200
Dividends	(25)	(70)	(35)	(70)	(172)
Capital Expenditures	(142)	(139)	(141)	(55)	(14)
Free Cash Flow	(80)	(11)	(96)	10	(127)
Net Other Investment Cash Flow	(9)	(1)	—	—	—
Net Change in Debt	192	11	21	—	(201)
Net Change in Equity	—	—	—	—	—
Capital Structure					
Short-Term Debt	189	57	21	—	—
Long-Term Debt	734	673	698	698	697
Total Debt	**923**	**730**	**719**	**698**	**697**
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Common Equity	**525**	**633**	**603**	**583**	**578**
Total Capital	1,448	1,363	1,322	1,281	1,275
Total Debt/Total Capital (%)	63.7	53.6	54.4	54.5	54.7
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	—	—	—	—
Common Equity/Total Capital (%)	36.3	46.4	45.6	45.5	45.3

LTM – Latest 12 months. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

Fitch Ratings
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Global Power
U.S. and Canada
Credit Analysis

Energy East Corporation

Ratings

Security Class	Current Rating
Long-Term Issuer Default Rating	BBB+

Outlook

Stable

Financial Data

Energy East Corporation
($ Mil.)

	LTM 3/31/09	Year-End 12/31/07
Revenues	4,923	5,178
Gross Margin	2,103	2,166
Cash Flow from Operations	160	512
Operating EBITDA	795	892
Total Debt	4,441	4,115
Total Capitalization	7,491	7,322
ROE (%)	0.3	5.82
Capex/Depreciation (%)	183.4	161.4

Analysts

Jill Schmidt
+1 212 908-0644
jill.schmidt@fitchratings.com

Robert Hornick
+1 212 908-0523
robert.hornick@fitchratings.com

Related Research

- *New York State Electric & Gas Company, July 29, 2009*
- *Rochester Gas & Electric Company, July 29, 2009*
- *Central Maine Power Company, July 29, 2009*
- *Connecticut Natural Gas Company, July 29, 2009*
- *Berkshire Gas Company, July 29, 2009*
- *Iberdrola, S.A., June 11, 2009*
- *Southern Connecticut Gas Company, Aug. 22, 2006*

Rating Rationale

- Energy East Corporation's (EAS) issuer default rating (IDR) was upgraded to 'BBB+' from 'BBB' on July 9, 2009. The upgrade reflects Fitch Ratings' revised opinion regarding the rating linkage between its parent company, Iberdrola, S.A. (Iberdrola, IDR 'A–'), and EAS resulting from the demonstrated parent support. The narrowing of the rating differential between EAS and Iberdrola reflects Iberdrola's sizeable investment in EAS, the tangible support provided to EAS to date and the relatively small amount of remaining EAS debt.
- Iberdrola invested $4.6 billion of cash in EAS stock to fund the acquisition and, shortly thereafter, guaranteed and became the obligor on $1.3 billion of EAS debt in exchange for a $1.05 billion intercompany loan, with the remaining $250 million considered an equity contribution. This investment represents approximately 14% of Iberdrola's total market capitalization.
- Additionally, Iberdrola also has provided tangible credit support to EAS by the decision to extract no dividends since the September 2008 acquisition date.
- EAS's only remaining non-guaranteed debt obligation is a $300 million unsecured credit facility, which expires in 2012. Fitch believes that dividends upstreamed by EAS's regulated operations will be sufficient to cover all costs associated with the credit facility and EAS's operating expenses and that Iberdrola would provide necessary credit support in the event that EAS could not meet its intercompany loan and/or bank obligations.

Key Rating Drivers

- Continued credit support by Iberdrola in the event that dividends upstreamed from EAS's operating companies are not sufficient to satisfy debt or operating obligations.
- In the event that EAS issues additional long-term debt without a parental guarantee, the rating linkage between Iberdrola and EAS could be reduced, potentially resulting in a lower stand-alone EAS debt rating.

Recent Events

Iberdrola, S.A.'s Purchase of EAS and Assumption of EAS Debt

Iberdrola completed the $4.6 billion acquisition of EAS in September 2008. Additionally, in April 2009, Iberdrola International B.V., a Dutch company whose sole shareholder is Iberdrola, S.A, assumed EAS's $1.3 billion in stand-alone, long-term debt, with an unconditional and irrevocable guarantee, in exchange for an intercompany loan equal to $1.05 billion, or approximately 80% of its original long-term debt balance. The remaining $250 million is considered an equity contribution. Iberdrola has replaced EAS as the obligor on four series of EAS senior unsecured debt. Each series now carries a rating equivalent to Iberdrola's senior unsecured debt rating, which is currently 'A' rated. The individual series are listed as follows:

- 8.05% senior unsecured notes due Nov. 15, 2010.
- 6.75% senior unsecured notes due June 15, 2012.

- 6.75% senior unsecured notes due Sept. 15, 2033.
- 6.75% senior unsecured notes due July 15, 2036.

For additional information, please see the credit analysis on Iberdrola dated June 11, 2009, on www.fitchratings.com.

Subsidiary Distribution Regulatory Developments

In Fitch's view, state regulatory decisions are key to the credit profiles of EAS's operating utilities.

New York State Electric & Gas (NYSEG, IDR 'BBB') and Rochester Gas & Electric (RG&E, IDR 'BBB–'), claiming financial hardship in meeting future capital spending obligations, filed for delivery rate increases of $178 million and $100 million, respectively, in January 2009. The New York Public Service Commission (NYPSC) dismissed the rate case on April 7, 2009, on the grounds that Iberdrola, and ultimately NYSEG and RG&E, agreed not to seek a rate increase until mid-September 2009. Fitch expects that the companies will submit new rate filings on Sept. 17, 2009. Management has stated that without adequate and timely regulatory relief the company will be forced to reduce capital spending to levels failing to comply with mandated capital spending under the merger agreement.

In August 2008, Central Maine Power (CMP) was mandated to decrease delivery rates by $20.2 million, returning a portion of the EAS/CMP merger saving to customers. CMP operates under an alternative rate plan (ARP), which adjusts CMP's delivery rates annually based on changes in the consumer price index less a 1% productivity offset and leaves the utility exposed to under-recovery of cost increases in excess of the inflation rate. The current ARP extends through 2013.

Connecticut Natural Gas (CNG) and Southern Connecticut Gas (SCG) were each ordered by the Connecticut Department of Public Utility Control (CDPUC) to decrease delivery rates by $15 million, reflecting over earning violations, beginning August 2008 and October 2008, respectively. In January 2009, CNG filed for a $7.4 million rate increase (1.9%) and a return of $15 million of previous rate credits attributable to the over earnings mentioned above, with new rates to be effective July 1, 2009. The CDPUC returned a decision in June 2009 requiring CNG to reduce rates by $16.2 million (4.2%) and for the recovery of $1.37 million of rate credits. Additionally, the CDPUC reduced the company's allowed ROE to 9.3% from 10.1% on a 52.5% equity ratio.

SCG has filed for a $34.2 million (9.6%) rate increase and a return of $15 million of previous rate credits, with new rates to be effective in mid-August 2009. The CDPUC has not returned a final decision.

Liquidity

EAS, which is the sole borrower in a $300 million revolving credit facility, currently has $195 million in available borrowing capacity under the facility. EAS's operating utilities (NYSEG, RG&E, CMP, SCG, CNG and Berkshire Gas Company [BGC]) are joint borrowers in a revolving credit facility providing maximum borrowings of up to $475 million in aggregate. The operating companies have $390 million available under the joint credit facility. Sublimits can be adjusted between regulated utilities to meet the respective company's immediate working capital needs. Covenants under the credit facility prohibit each borrower from exceeding a 65% total-debt-to-total-capital ratio. All borrowers are currently in compliance with this covenant. Both credit facilities expire in 2012. The regulated utilities also have the ability to borrow from the holding company to meet short-term working capital requirements.

Capital Spending

Capital expenditures at EAS's three largest operating subsidiaries, NYSEG, RG&E and CMP, are projected to be approximately two times the 2008 level annually in years 2010–2012. NYSEG and RG&E's increased capital spending is mandated by the NYPSC under the merger approval terms of the Iberdrola acquisition (see the NYSEG and RG&E credit analysis reports dated July 29, 2009, for greater detail). NYSEG and RG&E are expecting to file for rate increases in September 2009 and address recovery of these capital expenditures in that rate filing.

CMP is in the process of beginning construction on a $1.55 billion transmission project (see the CMP credit analysis report, dated July 29, 2009, for project details) scheduled for completion in 2012. Fitch is expecting these expenditures to be financed in a balanced manner to support existing ratings, including equity capital from parent, EAS.

Cash flow from operations will need to be supplemented by equity infusions from Iberdrola to EAS that are downstreamed to the operating companies and/or debt issuances at the subsidiaries.

Financial Overview

Consolidated credit metrics have weakened since Dec. 31, 2007. The decline in credit metrics is primarily due to the delayed rate cases at NYSEG and RG&E, the $20.2 million rate reduction at CMP, prior liquidity constraints and additional short-term borrowings at these three largest subsidiaries. However, these ratios remain consistent for the ratings category given the diversity of cash flows available from its six utility subsidiaries and explicit financial support from its parent, Iberdrola, S.A. For the latest 12 months (LTM) ended March 31, 2009, the ratios of consolidated funds from operations (FFO) to interest and debt to EBITDA were 2.4x and 5.6x, respectively, down from 3.1x and 4.6x as of Dec. 31, 2007. Historically, NYSEG and RG&E have contributed a combined 65% to EAS's consolidated net income and provided approximately 70% of total dividends to EAS.

Company Profile

EAS, which was recently acquired by Iberdrola, S.A., is a utility holding company with six operating subsidiaries, primarily engaged in the delivery of electricity and natural gas. The regulated electricity operations are located in upstate New York and Maine. Its regulated gas operations are in upstate New York, Connecticut, Maine and Massachusetts. On a consolidated basis, the company serves 1.8 million electricity customers and 900,000 natural gas customers. Its regulated utility subsidiaries include New York State Electric & Gas Corporation, Rochester Gas & Electric, Central Maine Power, The Southern Connecticut Gas Company, Connecticut Natural Gas Corporation and The Berkshire Gas Company (see utility business summaries below).

New York State Electric & Gas

NYSEG is a regulated utility engaged primarily in the transmission and distribution of electricity and natural gas in upstate New York. The company also owns 60 megawatts (MW) of hydroelectric generation and has long-term power purchase agreements with the New York Power Authority (NYPA) and the Nine Mile 2 and Saranac Power Partners for the supply of energy. These contracts are supplemented through contracts with several small non-utility generators (NUG) and with spot market purchases. NYSEG serves approximately 872,000 electricity and 256,000 natural gas customers in its service territory of approximately 20,000 square miles, which is located in central, eastern and western parts of New York State. The larger cities in which NYSEG serves electricity and natural gas customers are Binghamton, Elmira, Auburn, Geneva, Ithaca and Lockport.

Rochester Gas & Electric

RG&E is a regulated utility engaged primarily in the transmission and distribution of electricity and natural gas in western New York. The company also owns 50 MW of hydroelectric generation and has long-term power purchase agreements with the New York Power Authority (NYPA) and the Nine Mile 2 and R.E. Ginna Nuclear Plants for the supply of energy. These contracts are supplemented with spot market purchases. RG&E serves approximately 360,000 electricity and 297,000 natural gas customers in its service territory. The service territory contains a substantial suburban area and a large agricultural area in parts of nine counties including and surrounding the city of Rochester, New York with a population of approximately 1 million people.

Central Maine Power

CMP conducts regulated transmission and distribution operations in Maine, serving approximately 600,000 customers in its service territory of approximately 11,000 square miles with a population of around 1 million. The service territory is located in southern and central areas of Maine and contains most of Maine’s industrial and commercial centers, including the city of Portland and the Lewiston-Auburn, Augusta-Waterville, Saco-Biddeford and Bath-Brunswick areas.

Southern Connecticut Gas

SCG conducts natural gas transportation and distribution operations in Connecticut, serving approximately 175,000 customers in its service territory of approximately 560 square miles with a population of about 808,000. SCG’s service territory extends along the southern Connecticut coast from Westport to Old Saybrook and includes the communities of Bridgeport and New Haven.

Connecticut Natural Gas

CNG conducts natural gas transportation and distribution operations in Connecticut, serving approximately 155,000 customers in its service territory of around 575 square miles with a population of 706,000, principally in the greater Hartford-New Britain and Greenwich areas.

Berkshire Gas Company

BGC engages in the distribution and sale of natural gas for residential, commercial and industrial use, as well as the transportation of natural gas for larger commercial and industrial users. BGC serves just over 36,000 customers in 20 western Massachusetts communities and is regulated by the Massachusetts Department of Public Utilities (DPU). BGC’s service territory covers approximately 520 square miles and serves a population of 220,000.

Financial Summary — Energy East Corp.

($ Mil., Years Ended Dec. 31)

	2008	2007	2006	2005	2004
Fundamental Ratios (x)					
Funds from Operations (FFO)/Interest Expense	2.5	3.1	2.9	3.1	2.7
Cash Flow from Operations (CFO)/Interest Expense	1.9	2.9	2.2	2.7	2.2
Debt/FFO	10.3	7.2	7.1	6.9	8.9
Operating EBIT/Interest Expense	2.0	2.2	2.3	2.4	2.3
Operating EBITDA/Interest Expense	3.0	3.2	3.2	3.4	3.4
Debt/Operating EBITDA	5.3	4.6	4.1	4.2	4.4
Common Dividend Payout (%)	391.1	70.9	64.2	58.4	59.4
Internal Cash/Capital Expenditures (%)	12.6	74.5	51.5	104.8	88.6
Capital Expenditures/Depreciation (%)	195.2	161.4	145.6	120.6	78.1
Profitability					
Adjusted Revenues	5,069	5,178	5,231	5,299	4,756
Net Revenues	2,142	2,166	2,252	2,212	2,156
Operating and Maintenance Expense	180	176	218	198	182
Operating EBITDA	849	892	988	970	929
Depreciation and Amortization Expense	272	277	283	277	292
Operating EBIT	**577**	**615**	**705**	**693**	**637**
Gross Interest Expense	286	276	309	289	277
Net Income for Common	45	251	260	257	229
Operating Maintenance Expense % of Net Revenues	8.4	8.1	9.7	9.0	8.4
Operating EBIT % of Net Revenues	26.9	28.4	31.3	31.3	29.5
Cash Flow					
Cash Flow from Operations	244	512	380	501	342
Change in Working Capital	(196)	(62)	(198)	(98)	(116)
Funds from Operations	440	574	578	599	458
Dividends	(177)	(179)	(168)	(151)	(140)
Capital Expenditures	(531)	(447)	(412)	(334)	(228)
Free Cash Flow	(464)	(114)	(200)	16	(26)
Net Other Investment Cash Flow	(44)	2	11	(3)	1
Net Change in Debt	414	46	(27)	27	(339)
Net Change in Equity	(7)	227	(6)	(4)	(3)
Capital Structure					
Short-Term Debt	624	138	109	121	206
Long-Term Debt	3,914	3,977	3,988	3,994	3,856
Total Debt	**4,538**	**4,115**	**4,097**	**4,115**	**4,062**
Total Hybrid Equity and Minority Interest	19	—	—	—	—
Common Equity	2,933	3,207	2,864	2,873	2,631
Total Capital	**7,490**	**7,322**	**6,961**	**6,988**	**6,693**
Total Debt/Total Capital (%)	60.6	56.2	58.9	58.9	60.7
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.3	—	—	—	—
Common Equity/Total Capital (%)	39.2	43.8	41.1	41.1	39.3

LTM – Latest 12 months. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

Exhibit __ (SDA-7)

Regulatory Research Associates Scale

Above Average/1	Average/1	Below Average/1
Above Average/2	Average/2	Below Average/2
Above Average/3	Average/3	Below Average/3

Below is the ranking by jurisdiction as of August 19, 2009:

Alabama	Above Average/2	Nebraska	Average/2
Arizona	Average/3	Nevada	Average/2
Arkansas	Below Average/1	New Hampshire	Average/3
California	Average/1	New Jersey	Average/2
Colorado	Average/2	New Mexico	Below Average/1
Connecticut	Below Average/3	New York	Average/3
Delaware	Average/1	North Carolina	Above Average/2
District of Columbia	Average/2	North Dakota	Average/1
Florida	Above Average/2	Ohio	Average/2
Georgia	Average/1	Oklahoma	Average/3
Hawaii	Average/2	Oregon	Average/3
Idaho	Average/3	Pennsylvania	Average/3
Illinois	Below Average.2	Rhode Island	Average/2
Indiana	Above Average/1	South Carolina	Average/1
Iowa	Above Average/3	South Dakota	Average/2
Kansas	Average/2	Tennessee	Average/1
Kentucky	Average/2	Texas	Below Average/1
Louisiana	Average/2	Utah	Average/3
Maine	Average/2	Vermont	Average/3
Massachusetts	Average/2	Virginia	Above Average/3
Maryland	Below Average/2	Washington	Average/2
Michigan	Average/1	West Virginia	Average/3

Minnesota	Average/2	Wisconsin	Above Average/2
Mississippi	Above Average/2	Wyoming	Average/2
Missouri	Average/2		
Montana	Below Average/1		

Moody's Investors Service

Rating Action: Moody's downgrades Consolidated Edison, Inc. and utility subs two notches, outlooks stable.

Global Credit Research - 29 Jun 2009

Approximately $9.6 billion of securities affected

Toronto, June 29, 2009 -- Moody's Investors Service announced today that it has downgraded the ratingsof Consolidated Edison, Inc. (CEI) and its regulated utility subsidiaries, Consolidated Edison Company of New York, Inc. (CECONY) and Orange and Rockland Utilities, Inc. (O&R) by two notches. The senior unsecured and issuer ratings of CEI, CECONY and O&R were downgraded to Baa1, A3 and Baa1, respectively, from A2, A1 and A2, respectively. In addition, the Prime-1 short-term ratings for CEI, CECONY and O&R were downgraded to Prime-2 from Prime-1. A complete listing of the ratings impacted by this rating action is included below. This concludes the review for possible downgrade initiatedon March 17, 2009. The rating outlooks for all companies are stable.

"The two notch downgrade reflects the financial profiles of CEI, CECONY and O&R which are considered weak for their previous ratings and Moody's expectation that the companies are unlikely to be ableto significantly strengthen their financial metrics in the near to medium term." said Allan McLean, Moody's Vice President / Senior Credit Officer. The downgrade also reflects Moody's belief that CECONY and O&R will continue to operate in challengingregulatory and operating environments for the foreseeable future. Moody's believes that there will be significant upward pressureon customers' utility bills due to high levels of capital spending by the utilities and rising costs of procuring electricity and gas in a carbon constrained world. In the context of a weak economy, Moody's believes that recent and future regulatory decisions are unlikely to permit any significant improvement in the companies' financial metrics as regulators attempt to limit the impact of rising cost pressures on ratepayers.

Moody's last rating action for CEI, CECONY and O&R occurredon March 17, 2009, when the ratings were placed under review for possible downgrade from a negative outlook.

The principal methodology used in rating CEI, CECONY and O&Rwas the Rating Methodology: Global Regulated Electric Utilities. It can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the processof rating this issuer can also be found in the Credit Policy & Methodologies directory.

Ratings downgraded include the following:

Consolidated Edison, Inc.

Issuer Rating: to Baa1 from A2

Sr. Unsecured Shelf: to (P)Baa1 from (P)A2

Subordinated Debt Shelf: to (P)Baa2 from (P)A3

Preferred Stock Shelf: to (P)Baa3 from (P)Baa1

Short-term rating for Commercial Paper: to Prime-2 from Prime-1

Consolidated Edison Company of New York, Inc.

Sr. Unsecured Debt and Issuer Ratings: to A3 from A1

Preferred Stock: to Baa2 from A3

Sr. Unsecured Shelf: to (P)A3 from (P)A1

Subordinated Debt Shelf: to (P)Baa1 from (P)A2

Short-term rating for Commercial Paper: to Prime-2 from Prime-1

Orange and Rockland Utilities, Inc.

Sr. Unsecured Debt and Issuer Ratings: to Baa1 from A2

Sr. Unsecured Shelf: to (P)Baa1 from (P)A2

Subordinated Debt Shelf: to (P)Baa2 from (P)A3

Short-term rating for Commercial Paper: to Prime-2 from Prime-1

Consolidated Edison, Inc. is the parent holding company for utilities, Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc., and also has modest investments in energy-related unregulated businesses. It maintains headquarters in New York, New York.

New York
William L. Hess
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Toronto
Allan McLean
VP - Senior Credit Officer
Corporate Finance Group
Moody's Canada Inc.
(416) 214-1635

Moody's Investors Service

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Moody's Investors Service

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

Global Credit Research - 30 Jun 2009

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

Analyst	Phone
Allan McLean/Toronto	416.214.3852
William L. Hess/New York	212.553.3837

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 accompanyingUser'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

Regulatory environment has become more challenging since 2005

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 PSCs 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

Moody's Investors Service

maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

Transmission & Distribution World

S&P: Utility Regulation Determines Its Ratings

Standard & Poor's

Online Exclusive, Feb 3 2004

Standard & Poor's Ratings Services has been tracking the ups and downs of utility regulation for years, and in the past year or so has noted the recent upswing in the amount of attention that regulators and their activities are attracting (see, for instance, "State Utility Regulation Coming Back In Vogue," published Oct. 3, 2002, and "U.S. Electricity Regulation Evolves as Transition to Competition Continues," published Sept. 25, 2003). With the renewed and increasing influence that regulators are asserting on the creditworthiness of utilities, especially as many managements scramble back under the protective umbrella of comprehensive regulation, Standard & Poor's offers this primer on how we analyze the effect of regulation on utility credit ratings. The entire range of regulatory actions and inactions is examined, but inevitably it is the analysis of rate case decisions that provides the key indicator of the level of support.

First, however, it is useful to remember the legal status of utility regulatory bodies when developing the basic analytical approach to their activities and decisions. Most utility commissions are, in a legal sense, "creatures of the legislature"; that is, the role they play is essentially legislative and not judicial. The responsibility for setting utility rates and for other various functions is actually that of legislators, but has been delegated to regulators for practical reasons. Thus, despite the trappings of a court (testimony, rules of evidence, administrative law "judges") and a long history of accumulated case law governing their activities, the decision-making process of utility commissioners more often resembles that of legislators, with its emphasis on compromise and political considerations, than that of jurists who weigh evidence, construe the law, follow legal precepts, and the like.

The implication for the analyst is that the behavior of regulators can more often be explained by looking to political factors than to analyzing legal precedents or assessing the arguments of opposing parties. That's why

Standard & Poor's analysts spend considerable time meeting with regulators and staff members and accumulating knowledge about the local and regional political climate and its effect on a utility, in addition to analyzing the impact of a particular rate decision or other commission pronouncements. Nevertheless, rate cases, once thought to be obsolete as competition spread across the country, appear to be returning to the forefront again.

For major rate cases that can directly affect ratings, the analyst will follow the developments in a rate proceeding from the initial filing. The company's request for rate relief, the local public reaction to the filing, the rebuttals of important parties and intervenors, and the conduct of the hearings are all monitored, assessed, and commented upon, if necessary, as the case proceeds through its schedule. The ability of the commission to render a fair and balanced decision that appropriately considers the interests of all the participants in the process can sometimes be affected by incidents that occur while the case is developing. Standard & Poor's tracks whether the case is drawing a lot of attention, influential parties are staking out extreme positions, or outside events such as upcoming elections are affecting the chances of a rate decision that is consistent with the financial projections the ratings are based on.

Once a decision is reached, Standard & Poor's analyzes its effect on the financial forecast for the company, and also to assess whether the actions and precedents being set by the commission in its decision will have a long-term effect on Standard & Poor's opinion of the regulatory environment in that jurisdiction. The analysis of the rate case fundamentally explores a two-fold question: Are the new rates based on a rate of return consistent with the company's ratings, and is the utility being afforded a legitimate opportunity to actually earn that rate of return?

On the former question, the analyst looks to equity returns being authorized for other utilities of the same credit quality, as well as the capital structure employed to arrive at the overall rate of return being used to set rates. On the latter, the test year and all of the adjustments made to the company's filed data are inspected to arrive at the final conclusion. Generally, decisions that feature the most up-to-date information in determining rates, including current test years and all "known-and-measurable" changes, are viewed as providing companies with the best chance to earn a reasonable and cash-rich return.

Importantly, credit analysis also incorporates the cash-flow effect of a decision, especially if it is the result of a full or partial settlement between the parties. A common method to achieve the compromise often sought by the parties or the regulators is to defer cost recovery into the future, which can preserve earnings but weaken cash flow. Standard & Poor's places much emphasis on cash flow protection measures when assessing credit quality, and a rate decision that ostensibly looks favorable for investors can sometimes come at the expense of bondholders. Attention to the details is crucial in analyzing a rate decision because some that appear to be favorable on the surface can hide the "bite" that regulators took in the less conspicuous parts of the case, such as a change in the depreciation rate.

Finally, one of the most important issues affecting ratings may or may not be part of the rate-case process, but is constantly tracked by Standard & Poor's: the recovery of fuel and purchased-power and gas costs. The analysis concentrates on stability of cash flows and the relative certainty of full recovery of these items, the largest expenses for almost all utilities, in arriving at a consensus on the level of a utility's business risk.

The stability that leads to improved credit quality can be supported by legislators and regulators either through rate design or by carving out fuel and commodity expenses and treating them separately from the normal rate case process. Rate design is established as part of a rate-case decision, and can be used to promote stability by allocating a greater percentage of fixed costs for recovery through the standard monthly charge. The more common method is a separate clause in the tariff that fluctuates automatically or near-automatically as commodity costs rise and fall. The presence of a fuel and purchased-power or gas clause that helps a utility manage its exposure to commodity price moves is positive for credit ratings. Not all are created equal, however, and each mechanism is studied to determine how closely it allows for matching of customer rates with expenses.

Many other factors outside the scope of this commentary can play an important part in the overall assessment of the regulatory environment in which a utility operates. Incentive ratemaking, special rate riders to recover extraordinary costs (e.g., environmental compliance), deregulation developments, the degree to which regulation insulates a utility from its parent, legislative initiatives, and other non-ratemaking considerations can all affect Standard & Poor's opinion of the quality of regulation. The ability of management to control its regulatory risk and the historical attitude of regulators toward the interests of utility bondholders also enter into the analysis. In the end, the regulation of public utilities is the defining element of the industry and is often the determining factor in the ratings of a utility.

INDEX OF WORKPAPERS SUPPORTING DIRECT TESTIMONY OF SUSAN D. ABBOTT						
Exhibit Reference	**Description of Exhibit**	**No. WP**	**Title of Workpaper (or WP) File**	**Content of Workpaper**	**WP Format**	**Trade Secret**
SDA Direct Testimony, p. 36	SDA Direct Testimony	1	Moody's Guidelines	Calculations Using Moody's Guidelines	Excel	No
SDA-1	Curriculum Vitae	0				
SDA-2	List of Expert Witness Testimony	0				
SDA-3	Credit Ratings Symbols for Major Ratings Agencies	0				
SDA-4	April 20, 2009 Credit Analyses from Standard and Poor's April 9, 2009 Standard and Poor's Press Release	0				
SDA-5	April 8, 2009 Moody's Rating Action	0				
SDA-6	July 29, 2009 Fitch Credit Analyses	0				
SDA-7	Regulatory Research Associates Analysis of Regulatory Climate in Various Jurisdictions	0				
SDA-8	June 29, 2009 Moody's Report for Consolidated Edison, Inc.	0				
SDA-9	June 30, 2009 Moody's Credit Analysis for Consolidated Edison, Inc.	0				
SDA-10	February 2004 Article, "S&P: Utility Regulation Determines Its Ratings"	0				