

Con Edison, Inc.

November 10, 2011

Morningstar Management  
Behind the Moat Conference





## Forward-Looking Statements

This presentation contains certain forward-looking statements of future expectations and a financial measure, earnings from ongoing operations, not determined in accordance with Generally Accepted Accounting Principles (GAAP). Actual results might differ materially from those projected in the forward-looking statements because of factors such as those identified in reports the company has filed with the Securities and Exchange Commission. Earnings from ongoing operations should not be considered as an alternative to net income. Management uses this non-GAAP measure to facilitate the analysis of the company's ongoing performance and believes that this non-GAAP measure also is useful and meaningful to investors. A reconciliation of this non-GAAP measure to earnings determined in accordance with GAAP is included in the presentation.

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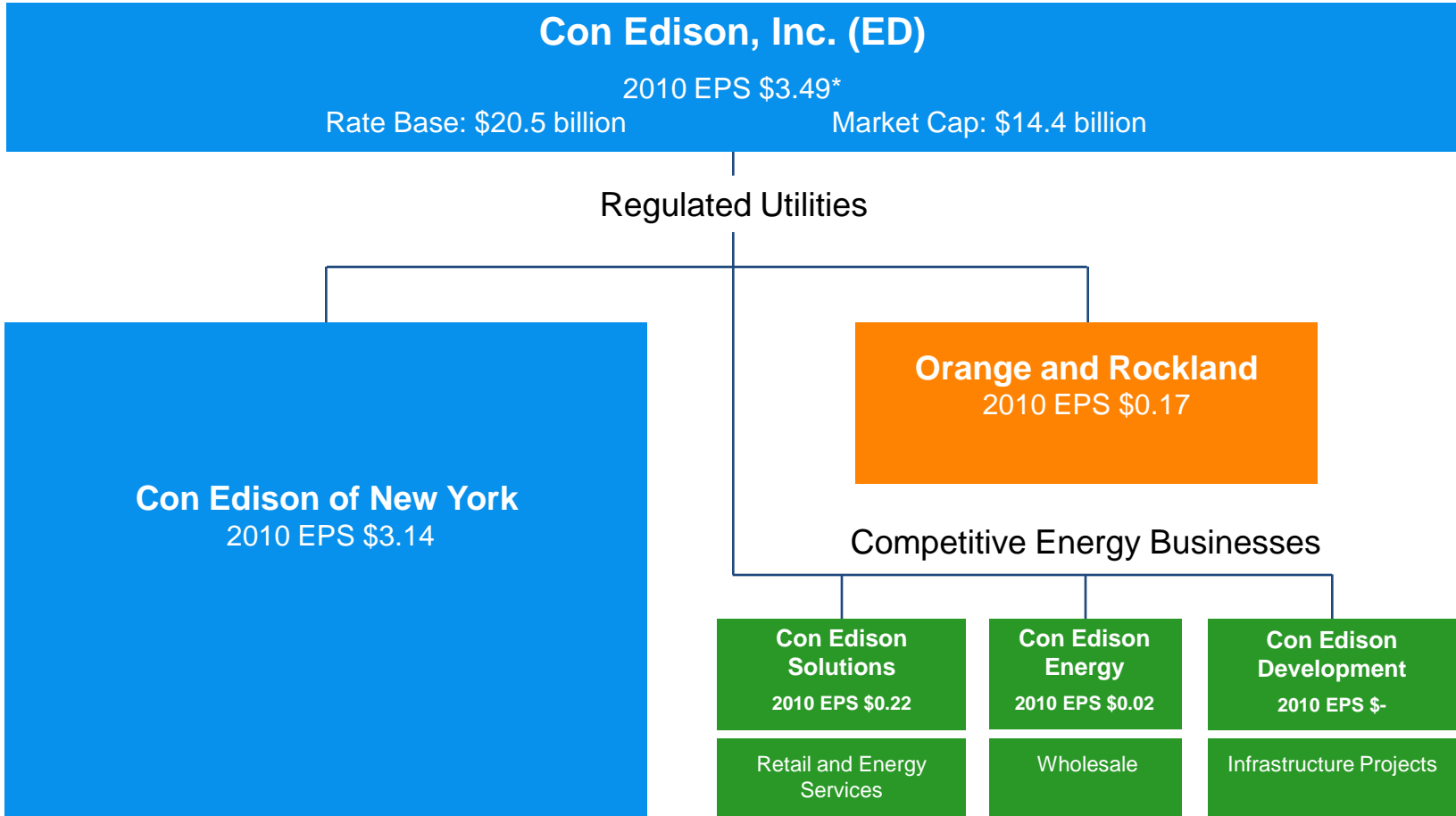
[www.conEdison.com](http://www.conEdison.com)



# Consolidated Edison, Inc. Investment Thesis

- The largest of the few U.S. publicly-traded, T&D-focused utility companies
  - Limited commodity exposure
- Earnings visibility
  - Multi-year rate plans in effect
  - Reduced regulatory lag:
    - forward-looking test years
    - timely commodity cost recovery
    - revenue decoupling mechanism in NY
    - adjustment mechanisms for several major uncontrollable expenses
- Significant dividend record
  - Thirty-seven years of dividend increases
  - 5<sup>th</sup> highest yield among S&P 500 Dividend Aristocrats
- Ability to invest for customer benefit
  - Provides a strong and stable balance sheet
  - Liquidity has been managed conservatively
- Highest electric reliability in the country

# Regulated Transmission and Distribution Focused

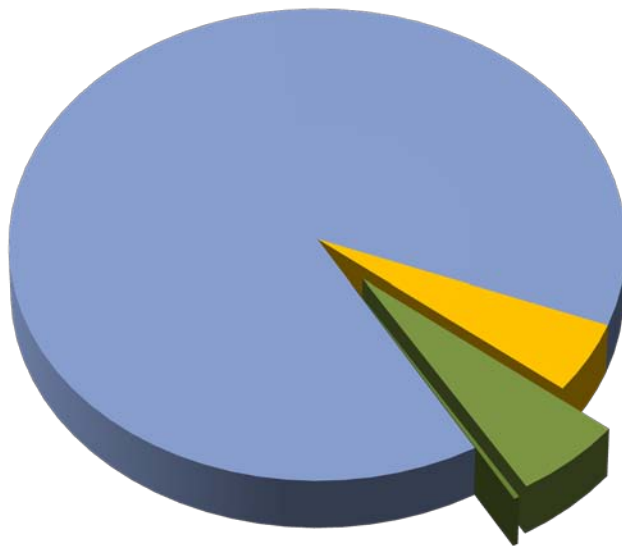


\*Total reflects parent company expenses and consolidation adjustments amounting to \$(0.06) per share.

# Con Edison's Focus is Energy Delivery

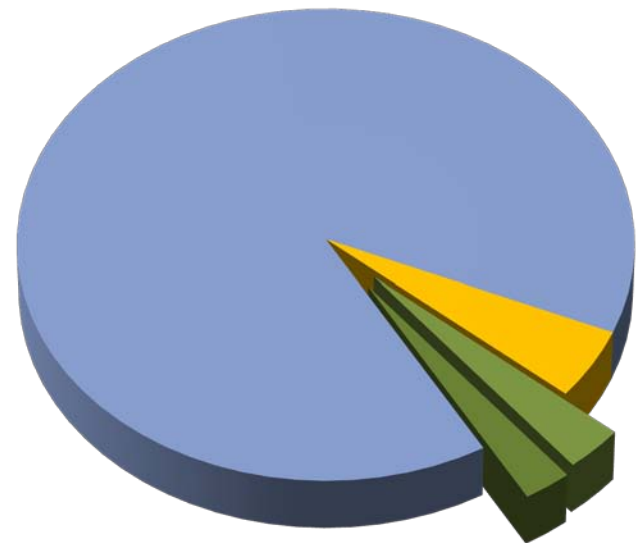
(for the twelve months ended December 31, 2010)

## Ongoing Earnings



- CECONY 91%
- O&R 5%
- Competitive Businesses 6%
- Parent (2)%

## Equity



- CECONY 90%
- O&R 5%
- Competitive Businesses 3%
- Parent 2%

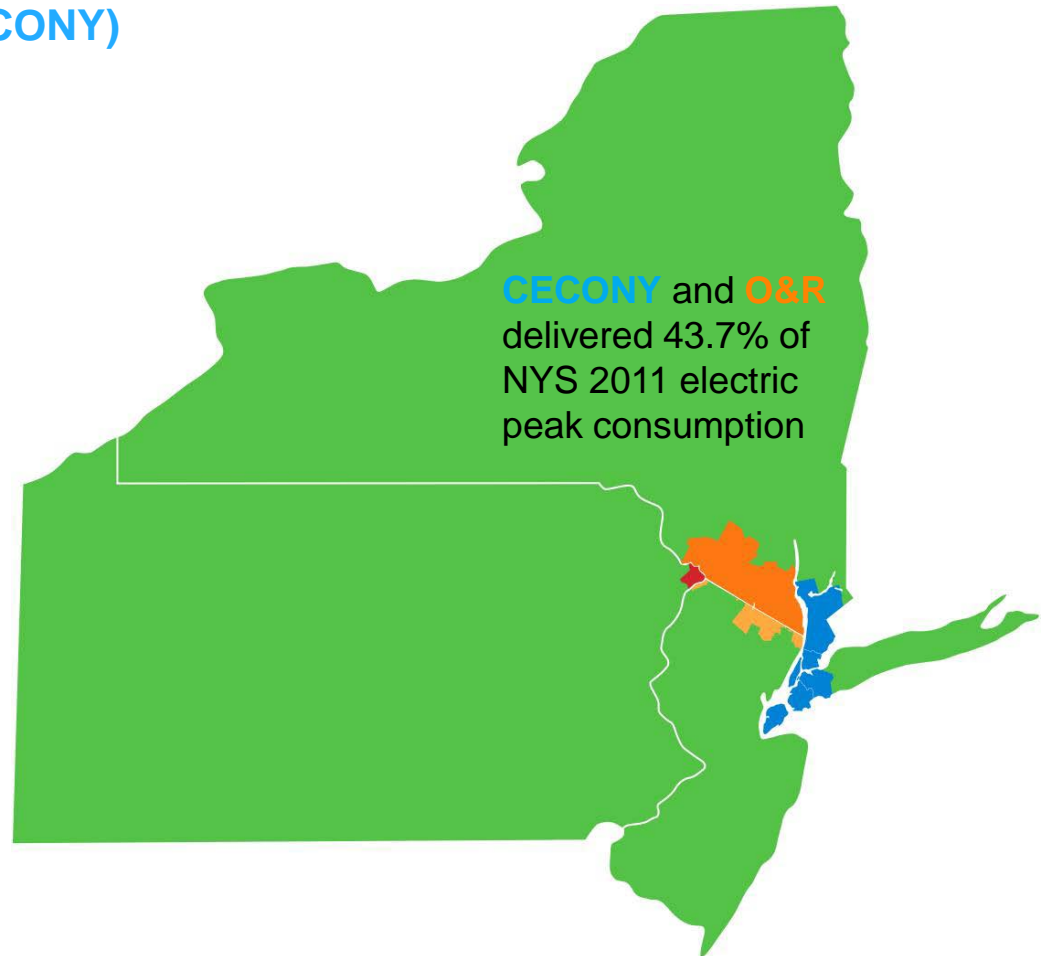
# Regulated Utilities are the Core of Con Edison, Inc.

## Con Edison of New York (CECONY)

- 3.3 million electric customers
- 1.1 million gas customers
- 1,760 steam customers
- 698 MW of regulated generation
- Delivered 39% of NYS 2011 electric peak consumption

## Orange and Rockland (O&R)

- 300,000 electric customers
- 129,000 gas customers
- Delivered 4.7% of NYS 2011 electric peak consumption



# Composition of Rate Base (as of September 30, 2011)

Rate Base (\$ millions)

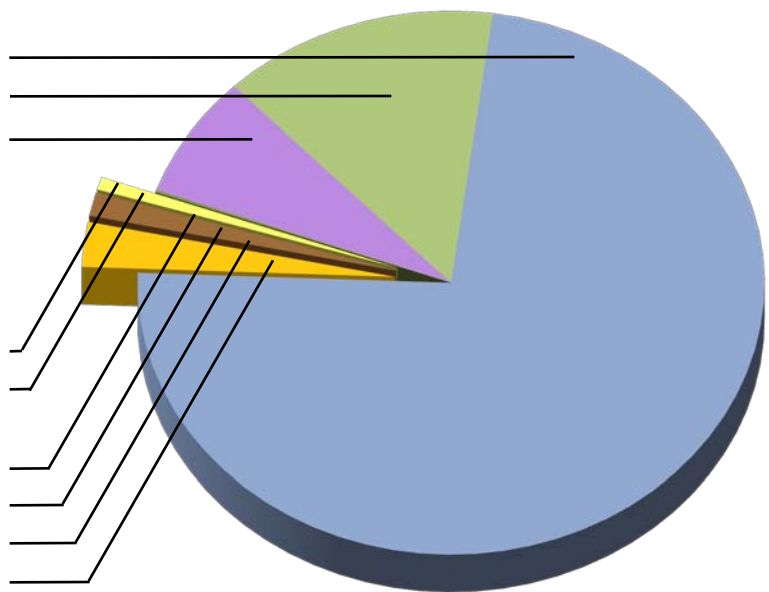
## Con Edison of New York

Electric	(NY)	\$ 15,548
Gas	(NY)	\$ 3,025
Steam	(NY)	\$ 1,542

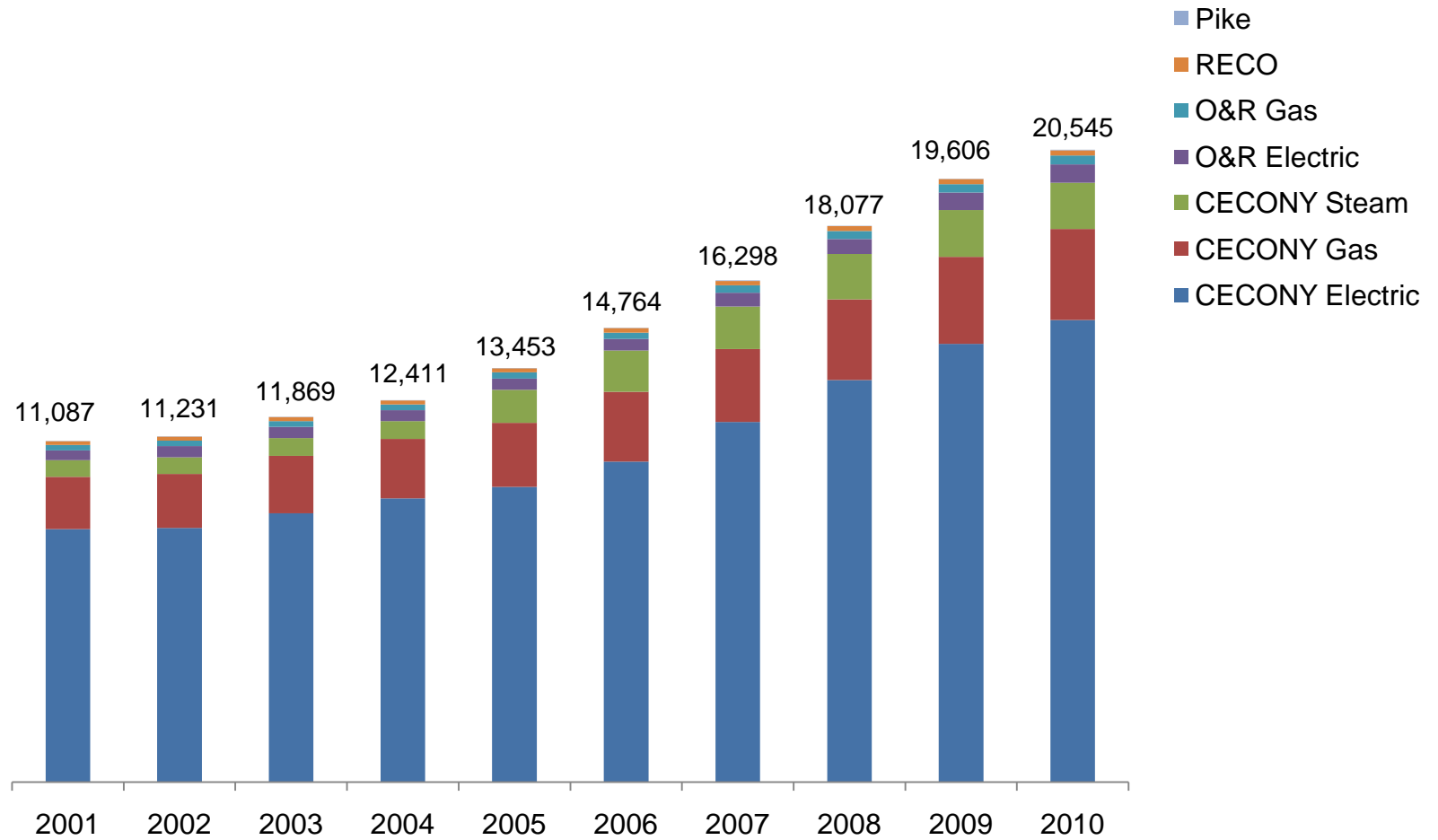
## Orange and Rockland

Pike Gas	(PA)	\$ 1
Pike Electric	(PA)	\$ 11
Rockland Electric	(NJ)	
(distribution)		\$ 159
(transmission)		\$ 20
O&R Gas	(NY)	\$ 296
O&R Electric	(NY)	\$ 565

**Total Rate Base           \$ 21,167**



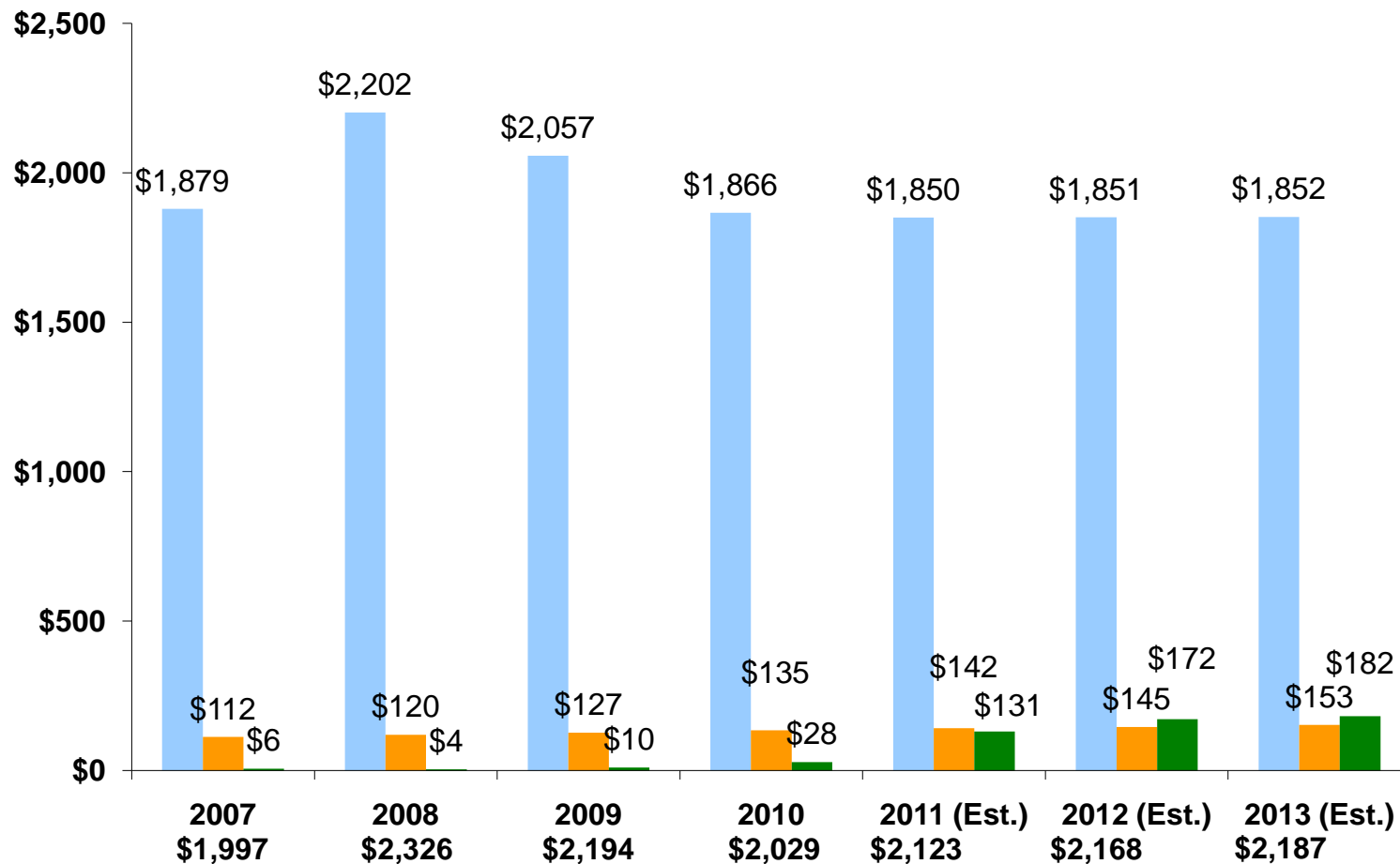
# Consolidated Edison, Inc. 10-Year Rate Base Growth (\$ millions)





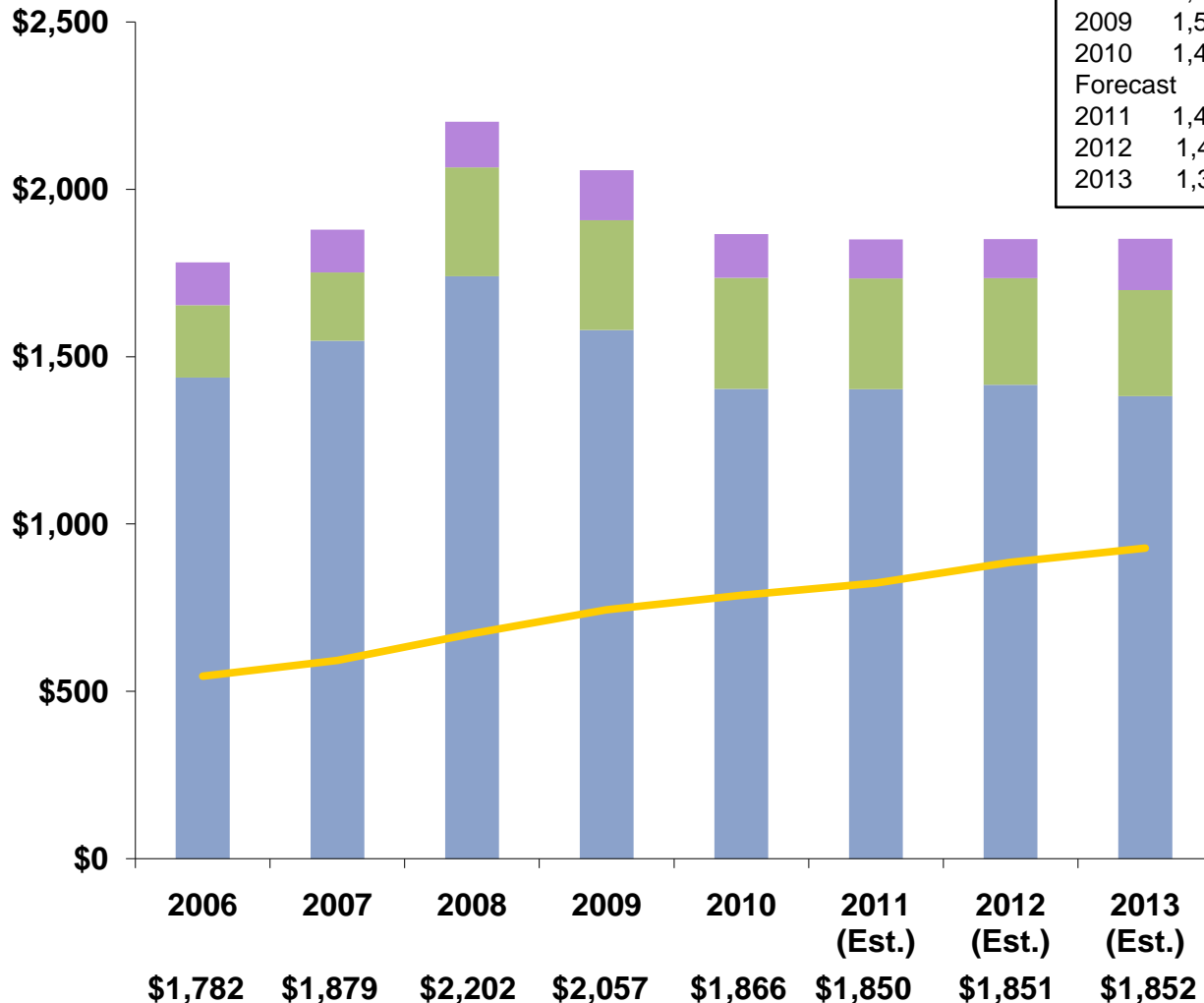
# Capital Expenditures (\$ millions)

■ Con Edison of New York    
 ■ Orange and Rockland    
 ■ Competitive Energy Businesses

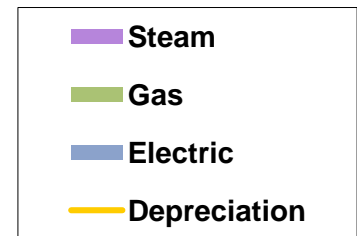


# Con Edison of New York

## Infrastructure Investment (\$ millions)

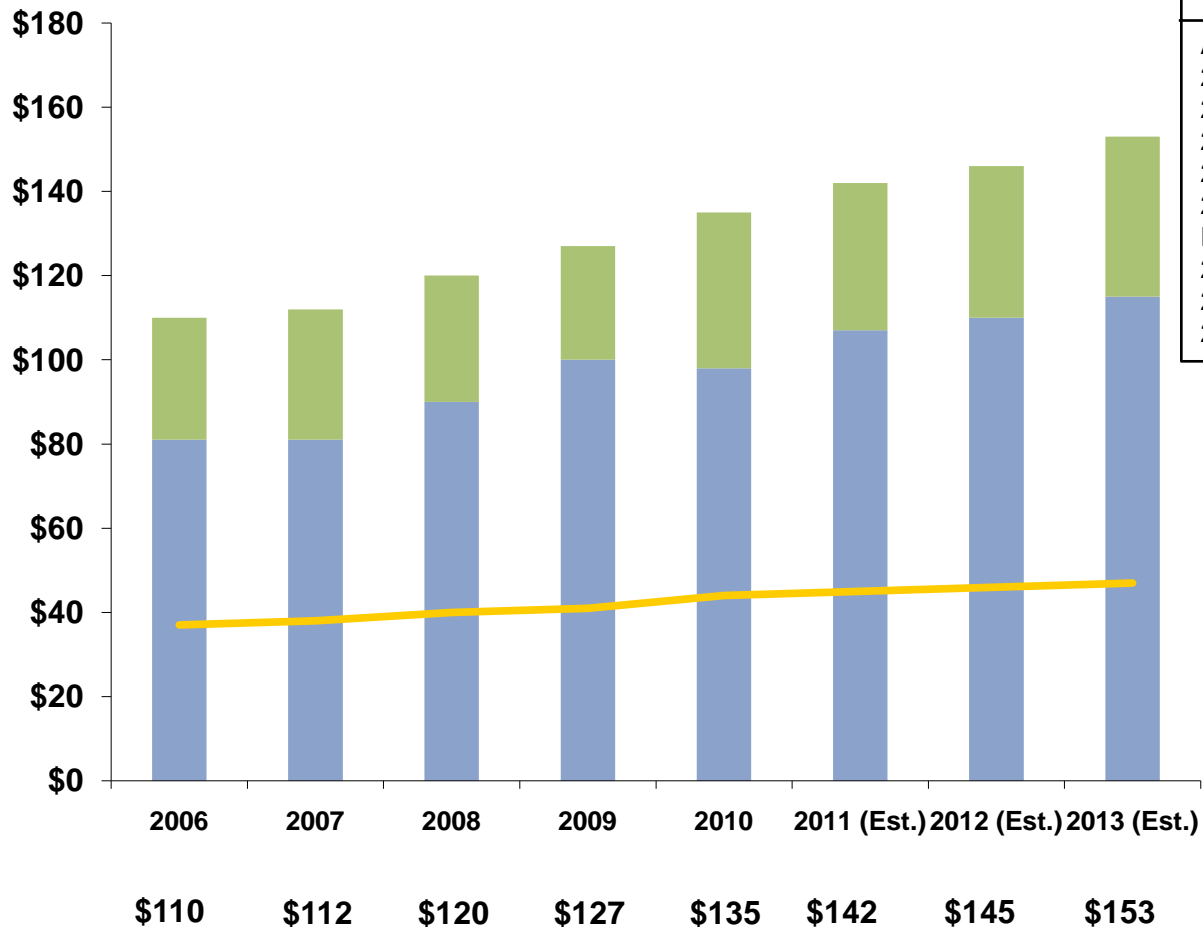


	Electric	Gas	Steam	Depreciation
<b>Actual</b>				
2006	1,462	219	101	545
2007	1,567	217	95	593
2008	1,743	338	121	672
2009	1,596	339	122	744
2010	1,421	334	111	787
<b>Forecast</b>				
2011	1,411	335	104	824
2012	1,422	324	105	886
2013	1,388	320	144	928

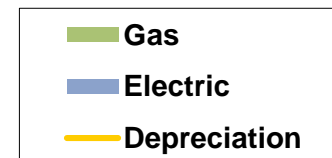


# Orange and Rockland

## Infrastructure Investment (\$ millions)



	Electric	Gas	Depreciation
Actual			
2006	84	26	35
2007	80	32	38
2008	88	32	40
2009	85	42	42
2010	99	36	44
Forecast			
2011	107	35	45
2012	107	38	46
2013	118	35	47

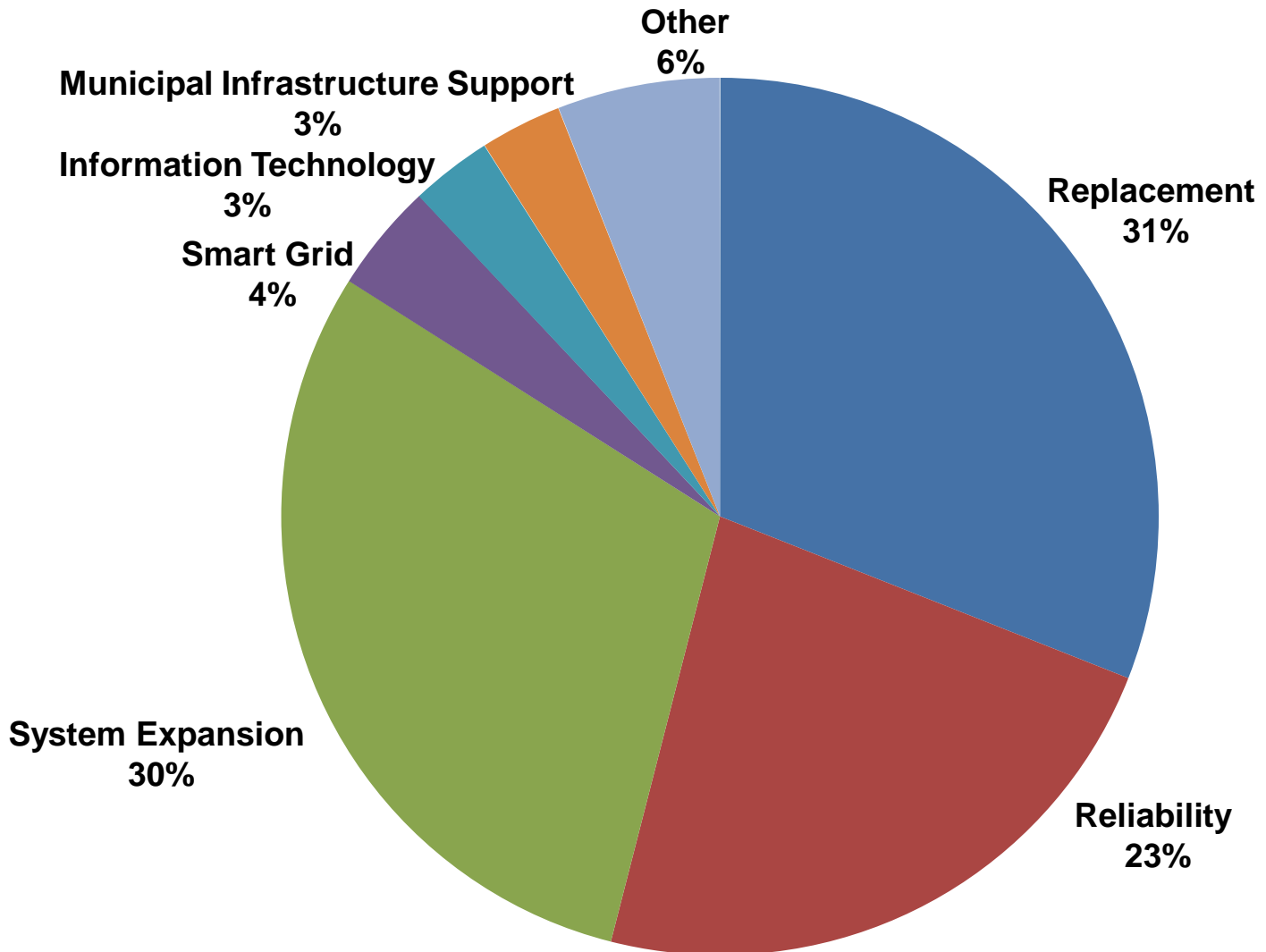




# Infrastructure Investment

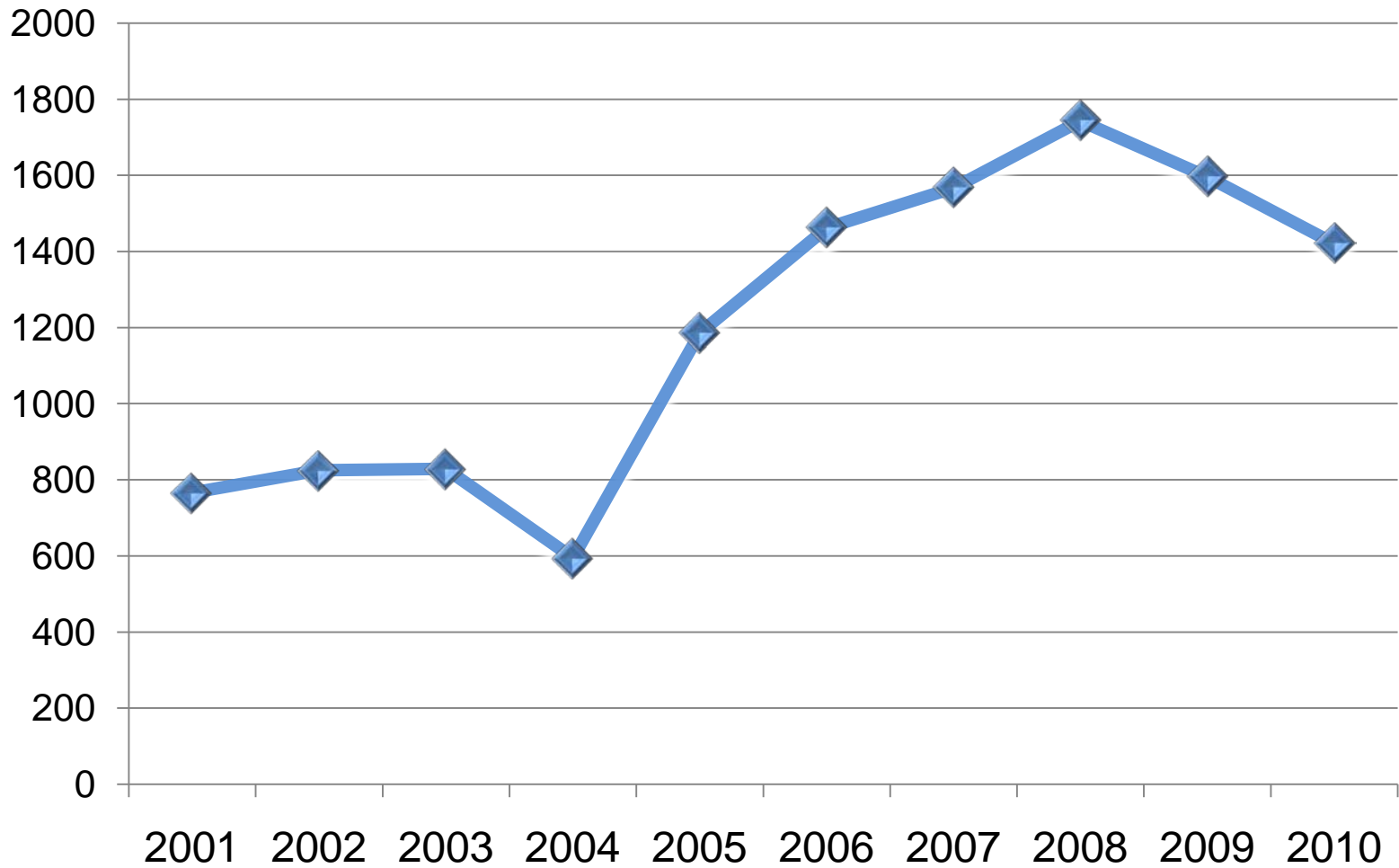
- What factors drive our infrastructure investment?
- Where is the investment being deployed?
- How do we finance that investment?
- How does the shareholder get compensated?

# Breakdown of 2011 Electric Delivery Capital Investment



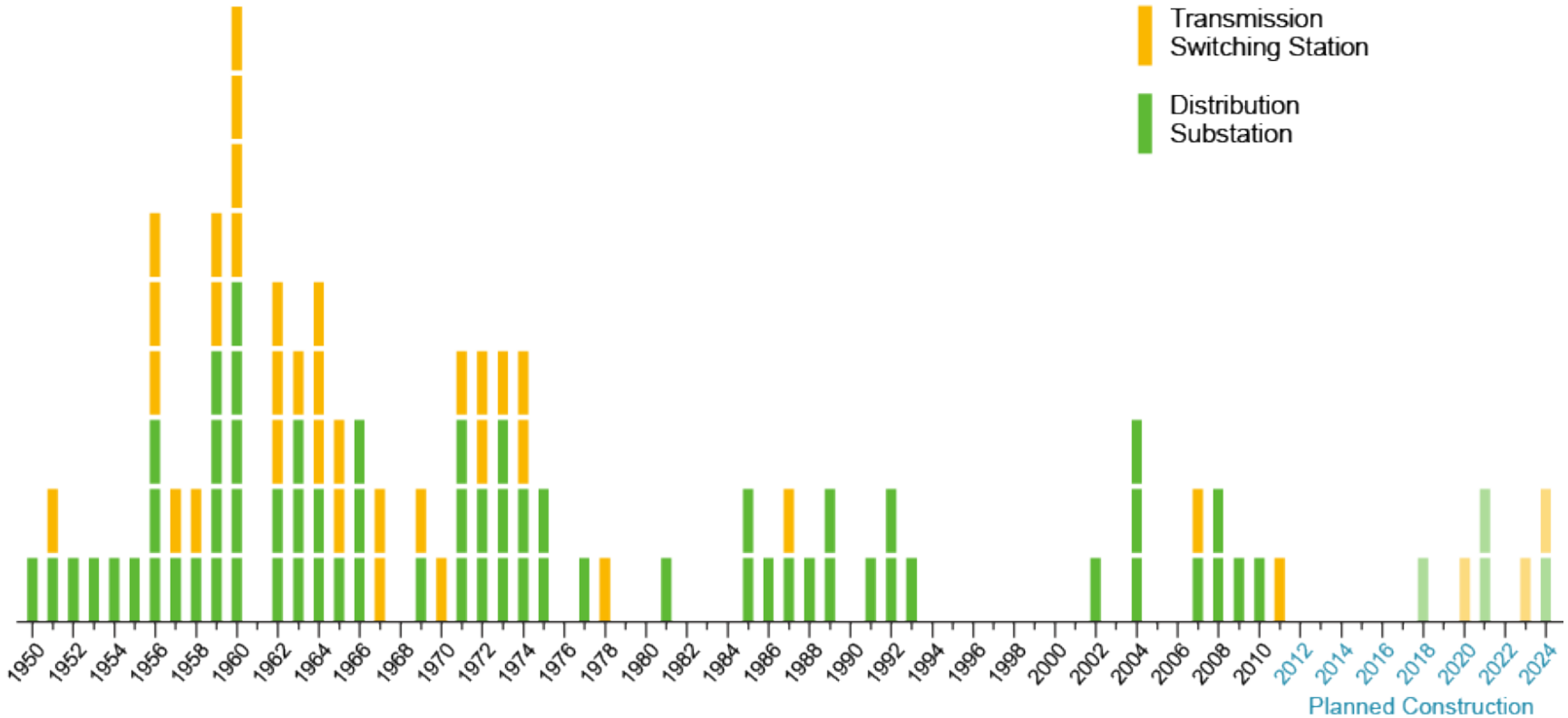
## Con Edison of New York

# Electric Delivery Infrastructure Annual Capital Investment (\$ millions)

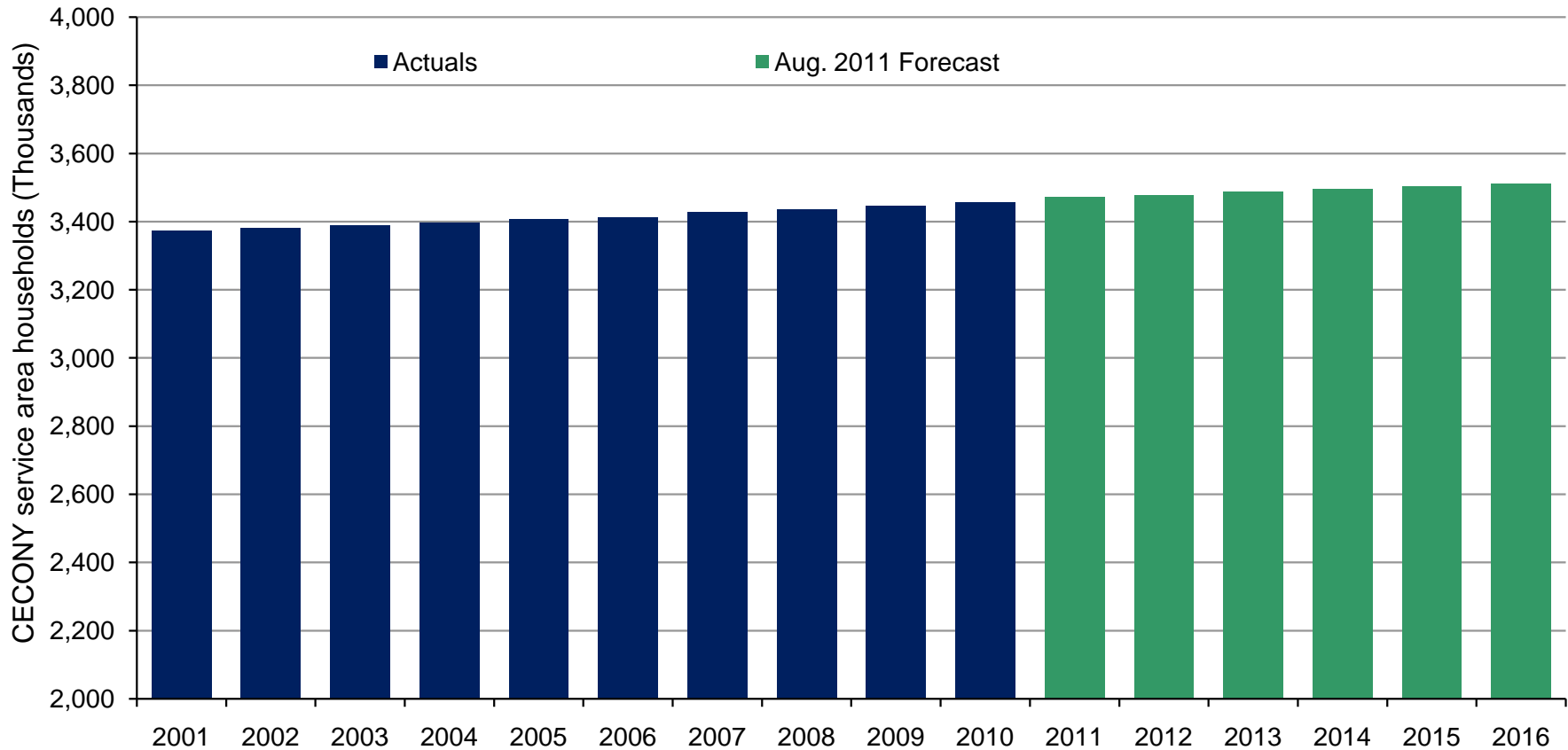


## Con Edison of New York

# Major Substation Construction Program (1950 – 2024) Based on April 2011 Forecast



# Household Formation Remains Healthy

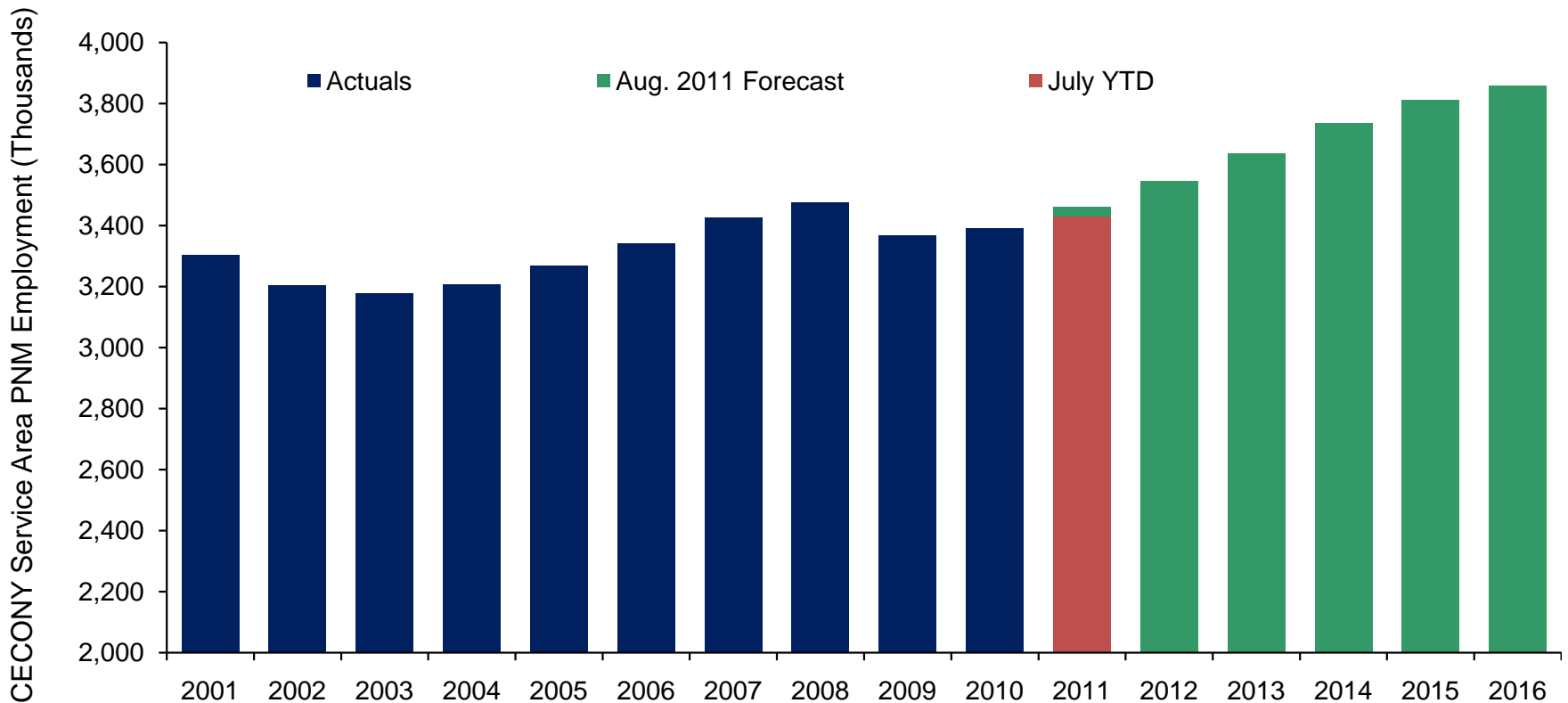


Source: US Dept of Census and Moody's Economy.com



## Con Edison of New York

# Employment Growth Began in Early 2010 and Continues in 2011



Source: NYS Dept of Labor (Bureau of Labor Statistics) and Moody's Economy.com



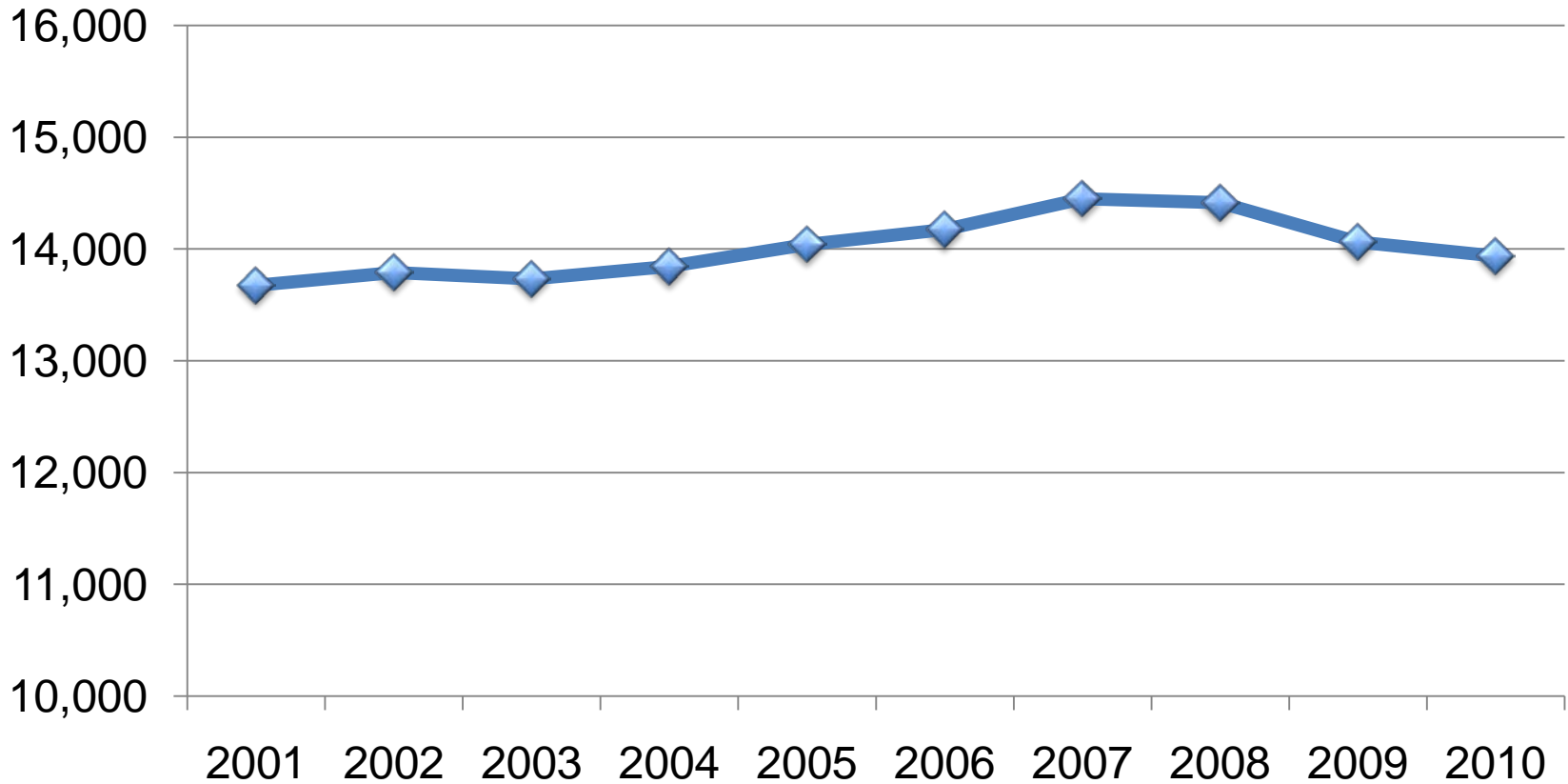
## Con Edison of New York Summer Experience

- New electric peak use record – July 22, 2011
  - 13,189 MW
- Previous electric peak use record – August 2, 2006
  - 13,141 MW
- New weekend day electric peak use record – July 23, 2011
  - 11,533 MW
- Previous weekend day electric peak use record – July 24, 2010
  - 11,209 MW

# Average Weather-Normalized Electricity Use

kWhrs

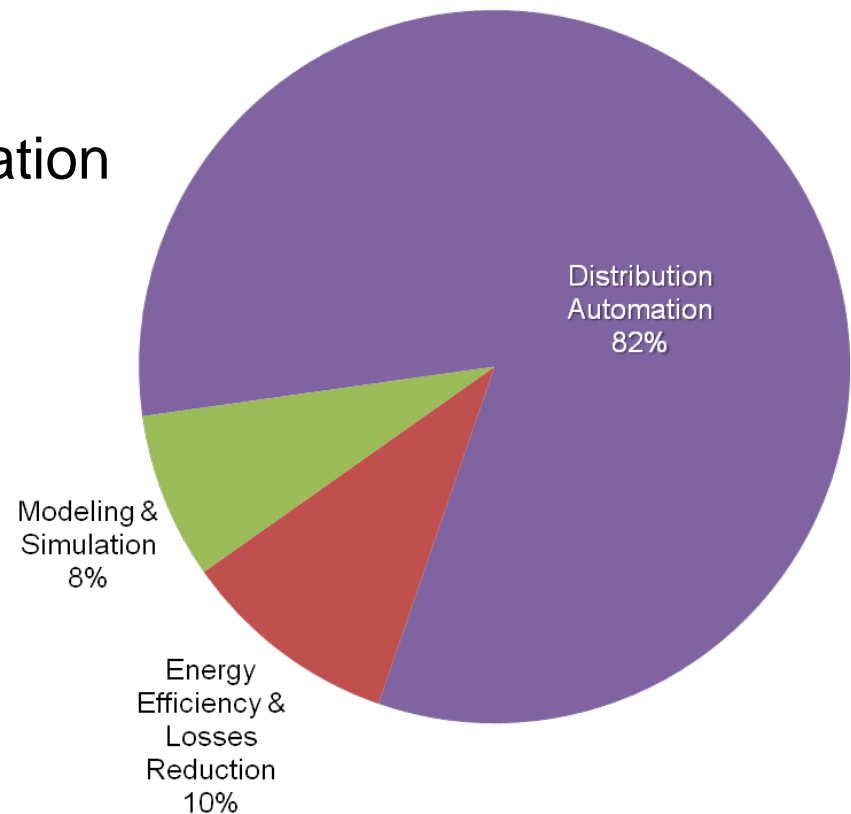
## Annual kWh per customer



# Smart Grid Investment Project Objectives

\$392 million investment includes Stimulus grant

- Increased Distribution Automation
- Improved energy efficiency
- Reduced system losses
- Enhanced modeling and simulation
- Integrate:
  - building management systems
  - electric vehicle charging stations
  - energy storage





# Climate Change Imperatives

## New York City Goals

- Reduce greenhouse gas emissions by 30% below 2005 levels by 2030
- Focused on building codes
- Phase out of #6 heating oil by 2015 and #4 heating oil by 2030

## New York State Plan

- 30% renewables by 2015
- 15% reduction in retail energy consumption from 2007 levels by 2015
- Member of Regional Greenhouse Gas Initiative
  - Cap and reduce CO2 emissions from power plants by 10% by 2018
- New York State Energy Research and Development Agency (NYSERDA) funded by utility customers to achieve renewable portfolio standards

## Con Edison of New York

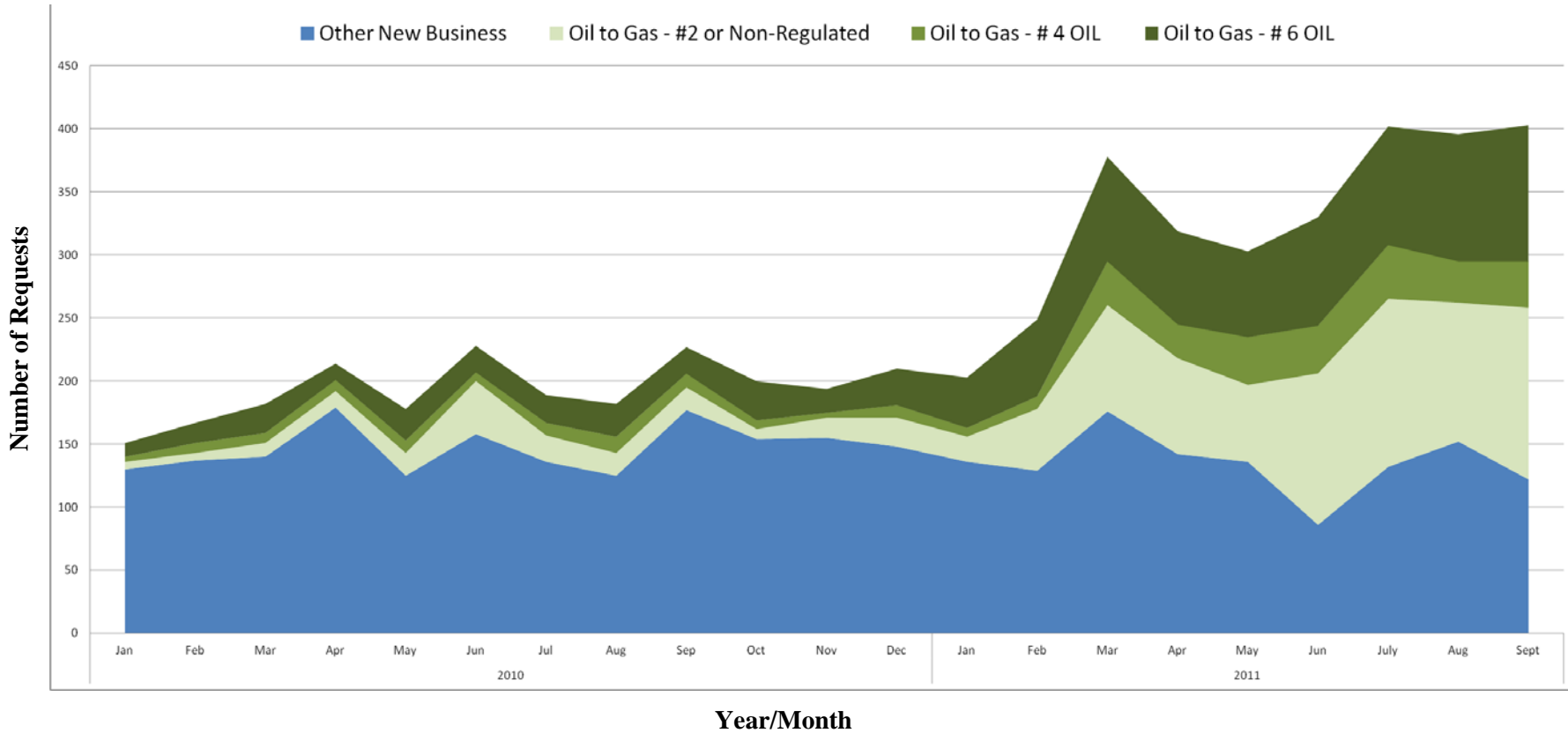
# Statistics & Breakdown of Potential Conversions

- There are 9,147 boilers burning #4 or #6 heating oil in NYC
- 7,039, or 77%, are located in the CECONY service area

Borough	Buildings
Manhattan	3,945
Bronx	2,373
Queens	721
<b>Grand Total</b>	<b>7,039</b>

# Con Edison of New York

## Monthly New Gas Business Service Requests January 2010 to September 2011



# Competitive Businesses: Solar Initiatives

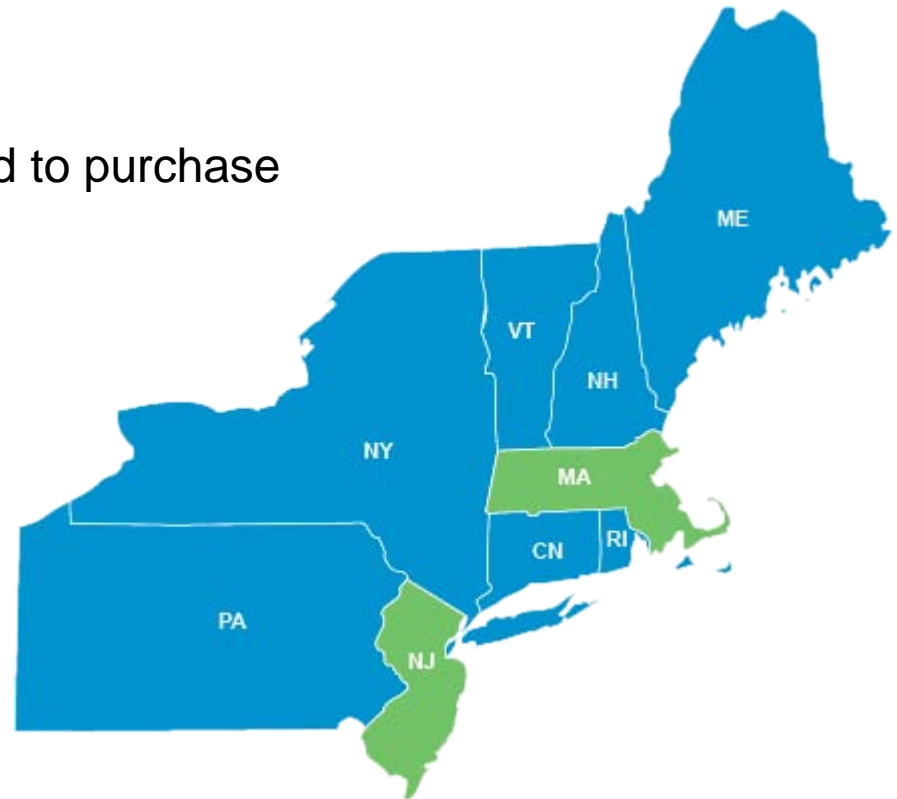
Focused on Northeast states with market for Renewable Energy Credits

- **New Jersey**

- Load serving entities required to purchase renewable energy credits

- **Massachusetts**

- Similar market as NJ
- Sets floor on renewable energy credits



15 MW owned and in-service

16 MW under construction

\$138 million total investment



# Capital Structure

September 30, 2011  
(\$ millions)

## Con Edison, Inc.

Debt	\$10,369	47%
Preferred	213	1
Equity	11,454	52
<b>Total</b>	<b>\$22,036</b>	<b>100%</b>

## Con Edison of New York

Debt	\$9,444	48%
Preferred	213	1
Equity	10,192	51
<b>Total</b>	<b>\$19,849</b>	<b>100%</b>

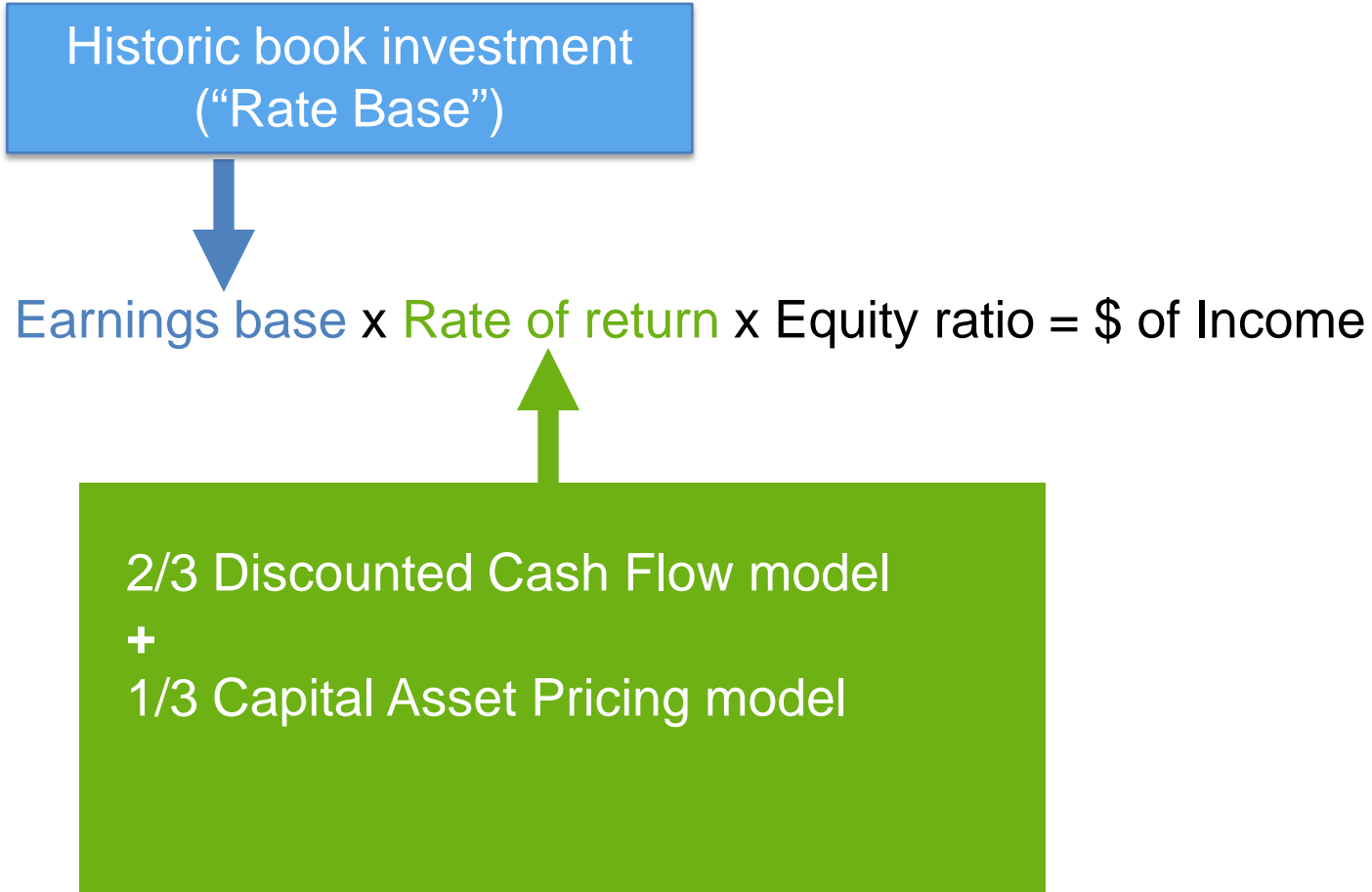
## Orange and Rockland

Debt	\$608	52%
Preferred	-	-
Equity	552	48
<b>Total</b>	<b>\$1,160</b>	<b>100%</b>

## Competitive and Parent

Debt	\$317	31%
Preferred	-	-
Equity	711	69
<b>Total</b>	<b>\$1,028</b>	<b>100%</b>

# New York PSC Methodology for Setting Equity Returns



# NY PSC Staff's Discounted Cash Flow Model

- The Staff employs a dividend discount model.

$$\text{Value} = \frac{D_1}{(1+R)} + \frac{D_2}{(1+R)^2} + \frac{D_3}{(1+R)^3} + \dots$$

- Solving for an equity return, R, where:
  - $D_1$  through  $D_4$  = Value Line estimates
  - $D_5$  through  $D_\infty$  = Value Line estimates based on future earnings retention and share growth
  - Value = average of prior three monthly high and low proxy group stock prices



# NY PSC Staff's Capital Asset Pricing Model

- Staff solves for an equity return, R

$$R = R_{UST} + (R_{MKT} - R_{UST}) * \beta$$

- Where:
  - $R_{UST}$  is the risk-free return: average of prior three monthly yields for 10-year and 30-year Treasuries
  - $R_{MKT}$  is the market rate of return: BOfA Merrill Lynch's monthly *Quantitative Profiles* report (three month average)
  - $\beta$  is the risk of the individual share relative to that of the market: Value Line estimate for peer group



# NY PSC Staff's Proxy Group for 2010-2011 O&R Proceeding

ALLETE  
Alliant Energy  
Ameren  
Avista  
Black Hills  
CH Energy  
Cleco  
Consolidated Edison  
DPL  
DTE Energy  
Duke Energy  
Edison International  
Empire District Electric  
Entergy  
Great Plains Energy

Hawaiian Electric Industries  
IDACORP  
MGE Energy  
NextEra Energy  
PG&E  
Pinnacle West Capital  
Portland General Electric  
Progress Energy  
SCANA  
Sempra Energy  
Southern Co.  
TECO Energy  
Vectren  
Westar Energy  
Xcel Energy

# Recent Rate Decisions in New York

Date	Company	ROE	Term	Date	Company	ROE	Term
07/06	Central Hudson	9.60%	3 years	03/10	CECONY Electric	10.15%	3 years
08/06	NYSEG	9.55%	1 year	06/10	Central Hudson	10.00%	3 years
09/06	CECONY Steam	9.80%	2 years	09/10	CECONY Gas	9.60%	3 years
10/06	O&R Gas	9.80%	3 years	09/10	CECONY Steam	9.60%	3 years
09/07	CECONY Gas	9.70%	3 years	10/11	Energy East (RGE/NYSEG)	10.00%	40 months
10/07	O&R Electric	9.10%	1 year	06/11	Niagara Mohawk	9.30%	2 years
12/07	National Fuel Gas	9.10%	1 year	06/11	O&R Electric	9.20%	1 year
03/08	CECONY Electric	9.10%	1 year				
06/08	O&R Electric	9.40%	3 years				
09/08	CECONY Steam	9.30%	2 years				
04/09	CECONY Electric	10.00%	1 year				
05/09	Niagara Mohawk	10.20%	2 years				
06/09	Central Hudson	10.00%	1 year				
09/09	Corning Gas	10.70%	2 years				
10/09	O&R Gas	10.40%	3 years				



## Features of New York Regulation

- Forward-looking test year for expenses and rate base
- True-ups for major expenses:
  - Commodity cost recovery
  - Pensions and Other Post-employment Benefits
  - Property taxes (partial)
  - Environmental clean-up costs
- Revenue decoupling
- Performance penalties
- Formulaic approach to setting ROE's

## Rate Plans Offer Investors Clarity

<b>Sub</b>	<b>Service</b>	<b>Terms</b>
CECONY	Electric	3-year plan effective Apr. 1, 2010; 10.15% ROE
CECONY	Gas	3-year plan effective Oct. 1, 2010; 9.6% ROE
CECONY	Steam	3-year plan effective Oct. 1, 2010; 9.6% ROE
O&R	Electric	1-year order effective July 1, 2011; 9.2% ROE
O&R	Gas	3-year plan effective Nov. 1, 2009; 10.4% ROE
RECO	Electric	1-year plan effective May 2010; 10.3% ROE



# Reconciliation of YTD 2011 and 2010 Earnings Per Share (9-months ending September 30)

<b>9 months ending September 30, 2011</b>	<b>CECONY</b>	<b>O&amp;R</b>	<b>Con Edison Development</b>	<b>Con Edison Energy</b>	<b>Con Edison Solutions</b>	<b>Parent</b>	<b>Total</b>
Reported EPS – GAAP basis	\$2.66	\$0.15	\$-	\$0.03	\$0.13	\$(0.03)	\$2.94
Mark-to-Market losses/(gains)	-	-	-	(0.03)	(0.02)	-	(0.05)
Ongoing operations	\$2.66	\$0.15	\$-	\$-	\$0.11	\$(0.03)	\$2.89
<b>9 months ending September 30, 2010</b>	<b>CECONY</b>	<b>O&amp;R</b>	<b>Con Edison Development</b>	<b>Con Edison Energy</b>	<b>Con Edison Solutions</b>	<b>Parent</b>	<b>Total</b>
Reported EPS – GAAP basis	\$2.51	\$0.15	\$-	\$0.03	\$0.03	\$(0.03)	\$2.69
Mark-to-Market losses/(gains)	-	-	-	(0.04)	0.12	-	0.08
Ongoing operations	\$2.51	\$0.15	\$-	\$(0.01)	\$0.15	\$(0.03)	\$2.77

# Rates of Return

(for twelve months ended September 30, 2011)

	REGULATED	SEC	
	Allowed	Earned	Basis
<b>CECONY</b>			
Electric	10.2%	9.8%	
Gas	9.6%	8.6%	
Steam	9.6%	10.5%	
<b>Overall - CECONY</b>	10.0%*	9.7%	9.7%
<b>O&amp;R - NY</b>			
Electric	9.2%	7.8%	
Gas	10.4%	12.5%	
Rockland Electric	10.3%	13.0%	
<b>Overall – O&amp;R</b>	9.7%*	10.1%	9.4%
<b>Competitive Energy Businesses</b>			12.6%

\* Weighted by rate base

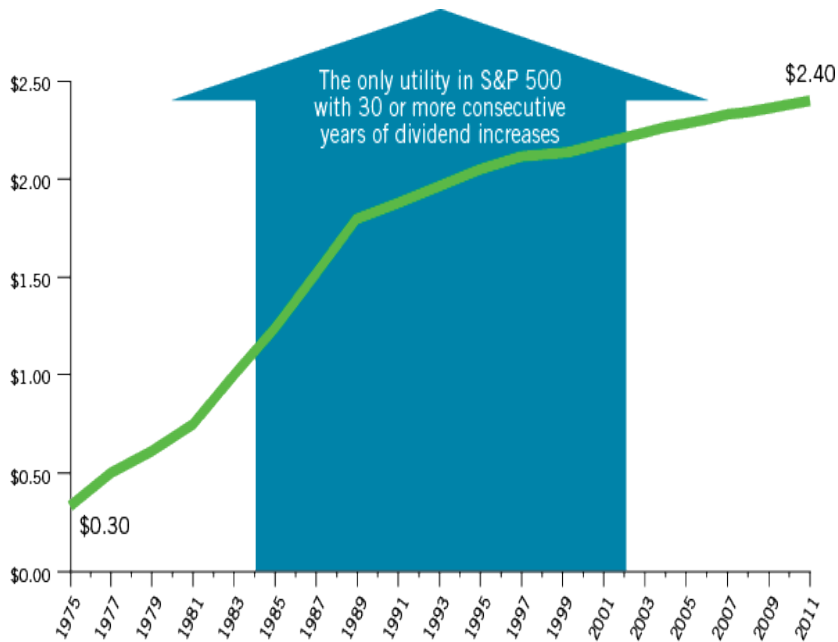
## Leader in Sustainability

- 1<sup>st</sup> among S&P 500 utilities in the 2011 worldwide Carbon Disclosure Project
- 1<sup>st</sup> among utilities in *Newsweek* 500 Green Rankings for environmental and social performance
- 2<sup>nd</sup> among utilities and 17<sup>th</sup> overall in *Corporate Responsibility Magazine's* “Best 100 Corporate Citizens” for 2011
- Member of the Dow Jones Sustainability North America Index

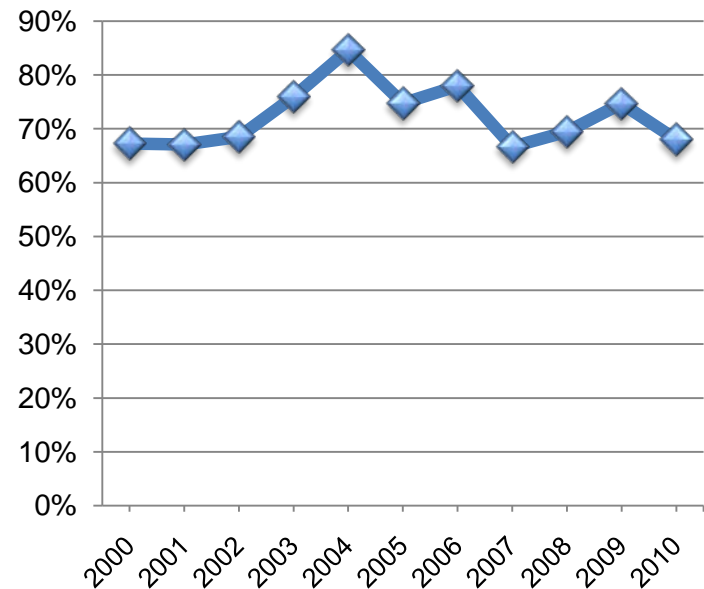


# A Compelling Dividend Record: 37 Consecutive Years of Dividend Increases

## Annualized Dividend 1975 - 2011



## Dividend Payout Ratio





**conEdison, inc.**

# Reconciliation of 3<sup>rd</sup> Quarter 2011 and 2010 Earnings Per Share

<b>3 months ending September 30, 2011</b>	<b>CECONY</b>	<b>O&amp;R</b>	<b>Con Edison Development</b>	<b>Con Edison Energy</b>	<b>Con Edison Solutions</b>	<b>Parent</b>	<b>Total</b>
Reported EPS – GAAP basis	\$1.21	\$0.07	\$-	\$0.02	\$0.01	\$-	\$1.31
Mark-to-Market losses/(gains)	-	-	-	(0.01)	0.03	-	0.02
Ongoing operations	\$1.21	\$0.07	\$-	\$0.01	\$0.04	\$-	\$1.33
<b>3 months ending September 30, 2010</b>	<b>CECONY</b>	<b>O&amp;R</b>	<b>Con Edison Development</b>	<b>Con Edison Energy</b>	<b>Con Edison Solutions</b>	<b>Parent</b>	<b>Total</b>
Reported EPS – GAAP basis	\$1.17	\$0.09	\$0.01	\$0.01	\$(0.02)	\$(0.02)	\$1.24
Mark-to-Market losses/(gains)	-	-	-	-	0.08	-	0.08
Ongoing operations	\$1.17	\$0.09	\$0.01	\$0.01	\$0.06	\$(0.02)	\$1.32

# Reconciliation of 2010 and 2009 Earnings Per Share

<b>2010</b>	<b>CECONY</b>	<b>O&amp;R</b>	<b>Con Edison Development</b>	<b>Con Edison Energy</b>	<b>Con Edison Solutions</b>	<b>Parent</b>	<b>Total</b>
Reported EPS – GAAP basis	\$3.14	\$0.17	\$-	\$0.02	\$0.22	\$(0.06)	\$3.49
Mark-to-Market losses/(gains)	-	-	-	(0.04)	-	-	(0.04)
Ongoing operations	\$3.14	\$0.17	\$-	\$(0.02)	\$0.22	\$(0.06)	\$3.45

<b>2009</b>	<b>CECONY</b>	<b>O&amp;R</b>	<b>Con Edison Development</b>	<b>Con Edison Energy</b>	<b>Con Edison Solutions</b>	<b>Parent</b>	<b>Total</b>
Reported EPS – GAAP basis	\$2.84	\$0.16	\$0.01	\$(0.06)	\$0.27	\$(0.06)	\$3.16
Mark-to-Market losses/(gains)	-	-	(0.01)	0.04	(0.10)	-	(0.07)
Ongoing operations	\$2.84	\$0.16	\$-	\$(0.02)	\$0.17	\$(0.06)	\$3.09



## Pensions: Defined Benefits Plans

- Limited short-term earnings impact
  - Current rate recovery under NY PSC Pension Policy
  - Deferred accounting for variances
  - 15-year amortization period for gains/losses
- Limited immediate cash flow impact
  - Not required to make contribution in 2011
  - Plan to make discretionary contribution of \$543 million in 2011
- Target asset allocation
  - Equity – 65%
  - Fixed income – 27%
  - Real estate – 8%
- Other Post-employment Benefit Plans
  - Plan to fund \$93 million in 2011



# Long-term Debt Maturities

(\$ millions)

	2009	2010	2011	2012	2013
Con Edison, Inc. – parent company	\$ 4	\$ 2	\$ 1	\$ 2	\$ 1
Con Edison of New York	475	625	-	300	700
Orange and Rockland	3	58	3	3	3
Competitive energy businesses	-	1	1	1	1
<b>Total</b>	<b>\$ 482</b>	<b>\$ 686</b>	<b>\$ 5</b>	<b>\$ 305</b>	<b>\$ 705</b>

## Maturities:

### 2009

- CECONY \$275 million debenture matured in June, 4.70%
- CECONY \$200 million debenture matured in December, 7.15%

### 2010

- CECONY \$325 million debenture matured in May, 8.125%
- CECONY \$300 million debenture matured in September, 7.50%
- O&R \$55 million debenture matured in June, 7.50%

### 2012

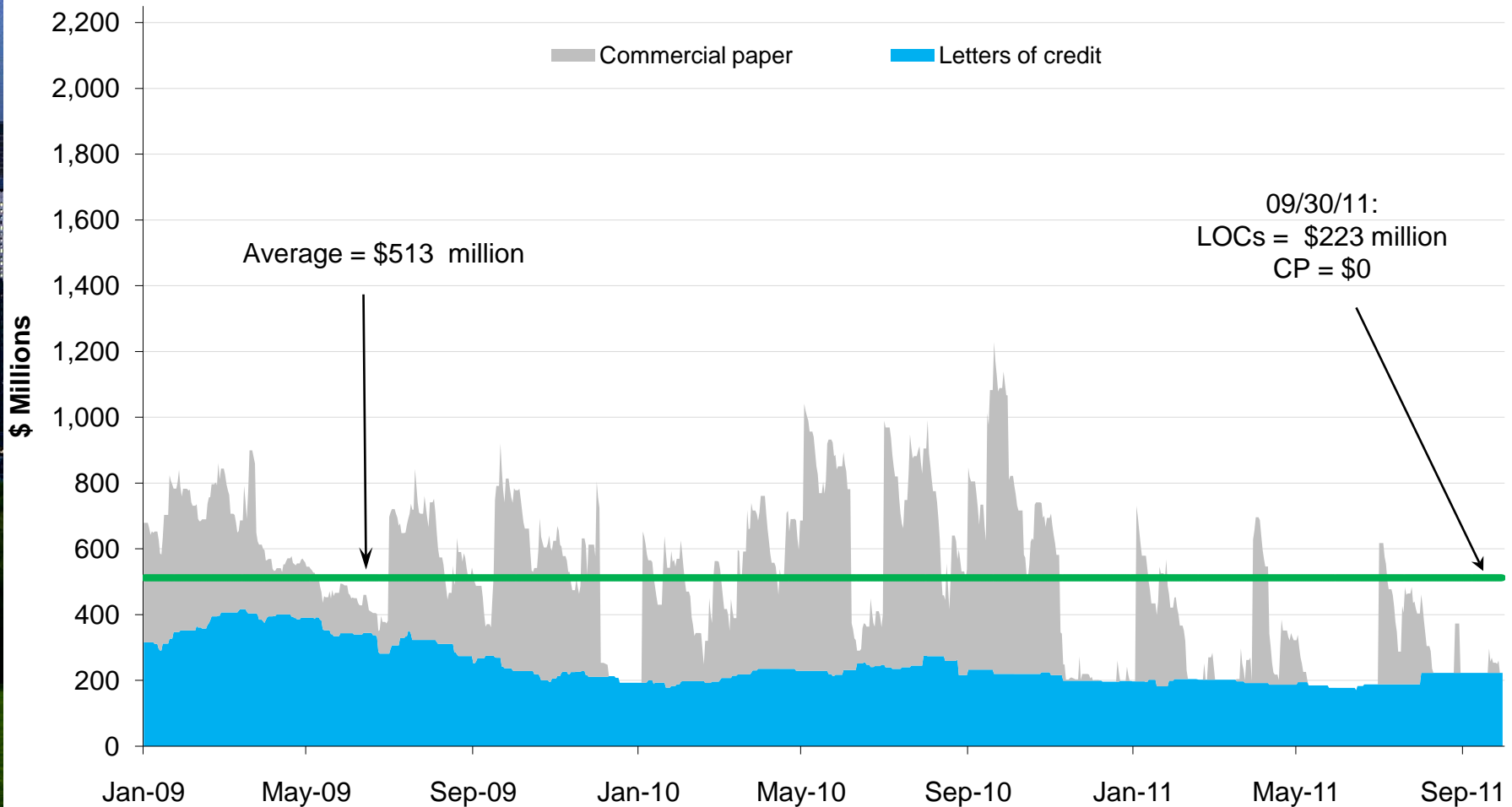
- CECONY \$300 million debenture maturing in July, 5.625%

### 2013

- CECONY \$500 million debenture maturing in February, 4.875%
- CECONY \$200 million debenture maturing in June, 3.85%

# Liquidity Adequacy

## \$2,205 million CEI Consolidated revolving credit facility



# Credit Ratings Summary

	Standard & Poor's	Moody's	Fitch
<b>Consolidated Edison, Inc.</b>			
Long-term credit rating	BBB+	Baa1	BBB+
Commercial paper	A-2	P-2	F2
<b>Consolidated Edison Co. of New York</b>			
Senior unsecured debt	A-	A 3	A-
Commercial paper	A-2	P-2	F2
<b>Orange and Rockland Utilities, Inc.</b>			
Senior unsecured debt	A-	Baa1	A-
Commercial paper	A-2	P-2	F2

All ratings carry a Stable Outlook.