

**United States
Securities And Exchange Commission
Washington, D.C. 20549**

FORM 10-K

Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For The Fiscal Year Ended December 31, 2010

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-14514

CONSOLIDATED EDISON, INC.

Exact name of registrant as specified in its charter

New York
(State of Incorporation)

13-3965100
(I.R.S. Employer
ID. Number)

4 Irving Place,
New York, New York 10003
(principal office address)
(212) 460-4600
(telephone number)

Commission File Number 1-1217

**CONSOLIDATED EDISON COMPANY OF NEW YORK,
INC.**

Exact name of registrant as specified in its charter

New York
(State of Incorporation)

13-5009340
(I.R.S. Employer
ID. Number)

4 Irving Place,
New York, New York 10003
(principal office address)
(212) 460-4600
(telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Consolidated Edison, Inc., Common Shares (\$.10 par value)	New York Stock Exchange
Consolidated Edison Company of New York, Inc., \$5 Cumulative Preferred Stock, without par value	New York Stock Exchange
Cumulative Preferred Stock, 4.65% Series C (\$100 par value)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

<u>Title of each class</u>
Consolidated Edison Company of New York, Inc. Cumulative Preferred Stock, 4.65% Series D (\$100 par value)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Con Edison, Inc. (Con Edison)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Consolidated Edison Company of New York, Inc. (CECONY)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Con Edison	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
CECONY	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Con Edison	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
CECONY	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Con Edison	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
CECONY	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Con Edison	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
CECONY	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Con Edison	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
CECONY	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2010, was approximately \$12.2 billion.

As of January 31, 2011, Con Edison had outstanding 291,968,911 Common Shares (\$.10 par value).

All of the outstanding common equity of CECONY is held by Con Edison.

Documents Incorporated By Reference

Portions of Con Edison's definitive proxy statement and CECONY's definitive information statement, for their respective Annual Meetings of Stockholders to be held on May 16, 2011, to be filed with the Commission pursuant to Regulation 14A and Regulation 14C, respectively, not later than 120 days after December 31, 2010, are incorporated in Part III of this report.

Filing Format

This Annual Report on Form 10-K is a combined report being filed separately by two different registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. As used in this report, the term the "Companies" refers to Con Edison and CECONY. However, CECONY makes no representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

Glossary of Terms

The following is a glossary of frequently used abbreviations or acronyms that are used in the Companies' SEC reports:

Con Edison Companies

Con Edison	Consolidated Edison, Inc.
CECONY	Consolidated Edison Company of New York, Inc.
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
O&R	Orange and Rockland Utilities, Inc.
Pike	Pike County Light & Power Company
RECO	Rockland Electric Company
The Companies	Con Edison and CECONY
The Utilities	CECONY and O&R

Regulatory Agencies, Government Agencies, and Quasi-governmental Not-for-Profits

EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO-NE	ISO New England Inc.
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NYAG	New York State Attorney General
NYISO	New York Independent System Operator
NYP&A	New York Power Authority
NYSDEC	New York State Department of Environmental Conservation
NYSERDA	New York State Energy Research and Development Authority
NYSPPSC	New York State Public Service Commission
NYSRC	New York State Reliability Council, LLC
PAPUC	Pennsylvania Public Utility Commission
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission

Accounting

ABO	Accumulated Benefit Obligation
ASU	Accounting Standards Update
FASB	Financial Accounting Standards Board
LIFO	Lease In/Lease Out
OCI	Other Comprehensive Income
SFAS	Statement of Financial Accounting Standards
SSCM	Simplified service cost method
VIE	Variable interest entity

Environmental

CO ₂	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
SO ₂	Sulfur dioxide
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

Glossary of Terms

continued

Units of Measure

dths	Dekatherms
kV	Kilovolts
kWh	Kilowatt-hour
mdths	Thousand dekatherms
MMlbs	Million pounds
MVA	Megavolt amperes
MW	Megawatts or thousand kilowatts
MWH	Megawatt hour

Other

AFDC	Allowance for funds used during construction
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EMF	Electric and magnetic fields
ERRP	East River Repowering Project
Fitch	Fitch Ratings
LTIP	Long Term Incentive Plan
Moody's	Moody's Investors Service
S&P	Standard & Poor's Rating Services
VaR	Value-at-Risk

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Introduction

This introduction contains certain information about Con Edison and its subsidiaries, including, CECONY, and is qualified in its entirety by reference to the more detailed information appearing elsewhere or incorporated by reference in this report.

Con Edison's mission is to provide energy services to our customers safely, reliably, efficiently, and in an environmentally sound manner; to provide a workplace that allows employees to realize their full potential; to provide a fair return to our investors; and to improve the quality of life in the communities we serve.

Con Edison is a holding company that owns:

- CECONY, which delivers electricity, natural gas and steam to customers in New York City and Westchester County;
- O&R (together with CECONY referred to as the Utilities), which delivers electricity and natural gas to customers primarily located in southeastern New York, and northern New Jersey and northeastern Pennsylvania; and
- Competitive energy businesses, which provide retail and wholesale electricity supply and energy services.

Con Edison anticipates that the Utilities, which are subject to extensive regulation, will continue to provide substantially all of its earnings over the next few years. The Utilities have approved rate plans that are generally designed to cover each company's cost of service, including the capital and other costs of the company's energy delivery systems. The Utilities recover from their full-service customers (generally, on a current basis) the cost the Utilities pay for the energy and charge all of their customers the cost of delivery service.

Selected Financial Data

Con Edison

(millions of dollars, except per share amounts)	For the Year Ended December 31,				
	2006	2007	2008	2009	2010
Operating revenues	\$11,962	\$13,120	\$13,583	\$13,032	\$13,325
Energy costs	6,611	7,225	7,584	6,242	5,732
Operating income	1,628	1,847	1,920	1,899	2,120
Income from continuing operations	751	936	933	879	1,003
Total assets	26,699	28,262	33,498(a)	33,844(a)	36,146(b)
Long-term debt	8,298	7,611	9,232	9,854	10,671
Shareholders' equity	8,217	9,289	9,911	10,462	11,274
Basic earnings per share					
Continuing operations	\$ 2.97	\$ 3.48	\$ 3.37	\$ 3.16	\$ 3.49
Diluted earnings per share					
Continuing operations	\$ 2.96	\$ 3.46	\$ 3.36	\$ 3.14	\$ 3.47
Cash dividends per common share	\$ 2.30	\$ 2.32	\$ 2.34	\$ 2.36	\$ 2.38
Book value per share	\$ 31.11	\$ 33.39	\$ 35.43	\$ 36.82	\$ 37.95
Average common shares outstanding (millions)	249	266	273	275	284
Stock price low	\$ 41.17	\$ 43.10	\$ 34.11	\$ 32.56	\$ 41.52
Stock price high	\$ 49.28	\$ 52.90	\$ 49.30	\$ 46.35	\$ 51.03

(a) Reflects a \$1,130 million decrease in 2009 and a \$3,519 million increase in 2008 in regulatory assets for unrecognized pension and other retirement costs. See Notes E and F to the financial statements in Item 8.

(b) Reflects a \$1,399 million increase in net plant, a \$303 million increase in regulatory assets – environmental remediation costs and a \$210 million increase in prepayments. See "Liquidity and Capital Resources – Other Changes in Assets and Liabilities" in Item 7.

CECONY

<i>(millions of dollars)</i>	For the Year Ended December 31,				
	2006	2007	2008	2009	2010
Operating revenues	\$ 9,288	\$ 9,885	\$10,424	\$10,036	\$10,573
Energy costs	4,479	4,580	4,844	3,904	3,693
Operating income	1,465	1,669	1,667	1,716	1,922
Net income for common stock	686	844	783	781	893
Total assets	22,816	24,504	30,415(a)	30,461(a)	32,435(b)
Long-term debt	6,925	7,172	8,494	9,038	9,743
Shareholder's equity	7,345	8,299	9,204	9,560	10,136

- (a) Reflects a \$1,076 million decrease in 2009 and a \$3,392 million increase in 2008 in regulatory assets for unrecognized pension and other retirement costs. See Notes E and F to the financial statements in Item 8.
- (b) Reflects a \$1,257 million increase in net plant, a \$241 million increase in regulatory assets – environmental remediation costs and a \$125 million increase in accounts receivable from affiliated companies. See "Liquidity and Capital Resources – Other Changes in Assets and Liabilities" in Item 7.

Significant 2010 Developments

- CECONY delivered 58,693 millions of kWhs of electricity (3.6 percent increase from prior year), 123,972 mdths of gas (0.7 percent decrease from prior year) and 23,030 MMlbs of steam to its customers (0.1 percent increase from prior year). The company's electric and gas rate plans include revenue decoupling mechanisms pursuant to which delivery revenues are not generally affected by changes in delivery volumes from levels assumed in the rate plans. See "Results of Operations" in Item 7.
- CECONY invested \$1,866 million to upgrade and reinforce its energy delivery systems. O&R invested \$135 million in its energy delivery systems. See "Capital Requirements and Resources" in Item 1.
- CECONY's electric, gas and steam rates increased (on an annual basis) \$420.4 million (April 2010), \$47.1 million (October 2010) and \$49.5 million (October 2010), respectively. O&R's electric and gas rates increased (on an annual basis) \$15.6 million and \$9.0 million, respectively (July and November 2010). See Note B to the financial statements in Item 8.
- Con Edison issued \$305 million of common stock, in addition to stock issued under its dividend reinvestment and employee stock plans. CECONY issued \$925 million of debentures. O&R issued \$170 million of debentures. See "Liquidity and Capital Resources – Cash Flows from Financing Activities" in Item 7.

Available Information

Con Edison and CECONY file annual, quarterly and current reports, proxy or information statements and other information with the Securities and Exchange Commission (SEC). The public may read and copy any materials that the Companies file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580 Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers (including Con Edison and CECONY) that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

This information the Companies file with the SEC is also available free of charge on or through the Investor Information section of their websites as soon as reasonably practicable after the reports are electronically filed with, or furnished to, the SEC. Con Edison's internet website is at: <http://www.conedison.com>; and CECONY's is at: <http://www.coned.com>.

The Investor Information section of Con Edison's website also includes the company's code of ethics (and amendments or waivers of the code for executive officers or directors), corporate governance guidelines and the

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charters of the following committees of the company's Board of Directors: Audit Committee, Management Development and Compensation Committee, and Corporate Governance and Nominating Committee. This information is available in print to any shareholder who requests it. Requests should be directed to: Corporate Secretary, Consolidated Edison, Inc., 4 Irving Place, New York, NY 10003.

Information on the Companies' websites is not incorporated herein.

Forward-Looking Statements

This report includes forward-looking statements intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectation and not facts. Words such as "expects," "estimates," "anticipates," "intends," "believes," "plans," "will" and similar expressions identify forward-looking statements. Forward-looking statements are based on information available at the time the statements are made, and accordingly speak only as of that time. Actual results or developments might differ materially from those included in the forward-looking statements because of various factors including, but not limited to, those discussed under "Risk Factors," in Item 1A.

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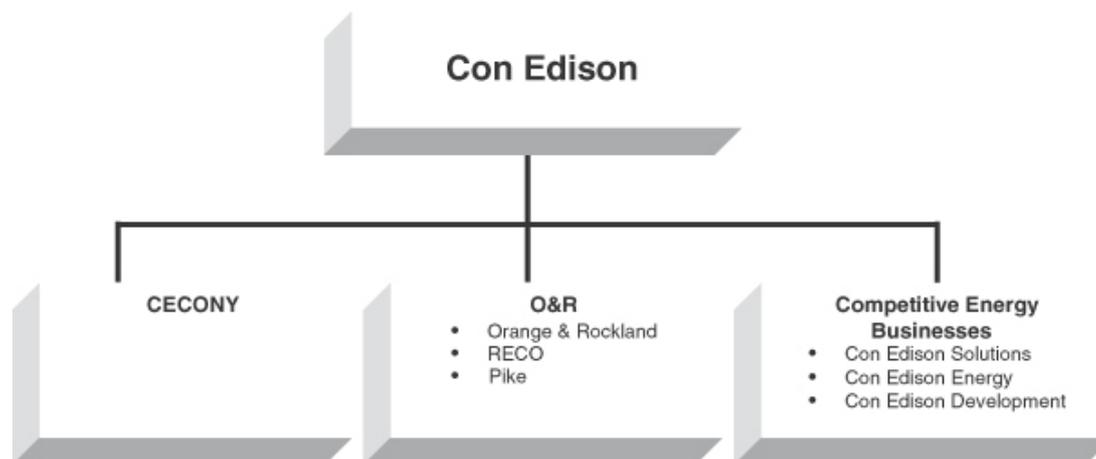
Incorporation By Reference

Information in any item of this report as to which reference is made in this Item 1 is hereby incorporated by reference in this Item 1. The use of terms such as “see” or “refer to” shall be deemed to incorporate into Item 1 at the place such term is used the information to which such reference is made.

Item 1: Business

Overview

Consolidated Edison, Inc. (Con Edison), incorporated in New York State in 1997, is a holding company which owns all of the outstanding common stock of Consolidated Edison Company of New York, Inc. (CECONY), Orange and Rockland Utilities, Inc. (O&R) and the competitive energy businesses. As used in this report, the term the “Companies” refers to Con Edison and CECONY.



CECONY’s principal business operations are its regulated electric, gas and steam delivery businesses. O&R’s principal business operations are its regulated electric and gas delivery businesses. The competitive energy businesses sell electricity to wholesale and retail customers, provide certain energy-related services, and participate in energy infrastructure projects. Con Edison is evaluating additional opportunities to invest in electric and gas-related businesses.

Con Edison’s strategy is to provide reliable energy services, maintain public and employee safety, promote energy efficiency, and develop cost-effective ways of performing its business. Con Edison seeks to be a responsible steward of the environment and enhance its relationships with customers, regulators and members of the communities it serves.

CECONY

Electric

CECONY provides electric service to approximately 3.3 million customers in all of New York City (except part of Queens) and most of Westchester County, an approximately 660 square mile service area with a population of more than nine million.

Gas

CECONY delivers gas to approximately 1.1 million customers in Manhattan, the Bronx and parts of Queens and Westchester County.

Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering more than 23,000 MMlbs of steam annually to approximately 1,760 customers in parts of Manhattan.

O&R

Electric

O&R and its utility subsidiaries, Rockland Electric Company (RECO) and Pike County Power & Light Company (Pike) (together referred to herein as O&R) provide electric service to approximately 0.3 million customers in southeastern New York and in adjacent areas of northern New Jersey and northeastern Pennsylvania, an approximately 1,350 square mile service area.

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Gas

O&R delivers gas to over 0.1 million customers in southeastern New York and adjacent areas of northeastern Pennsylvania.

Competitive Energy Businesses

Con Edison pursues competitive energy opportunities through three wholly-owned subsidiaries: Con Edison Solutions, Con Edison Energy and Con Edison Development. These businesses include the sales and related hedging of electricity to wholesale and retail customers, sales of certain energy-related products and services, and participation in energy infrastructure projects. At December 31, 2010, Con Edison's equity investment in its competitive energy businesses was \$337 million and their assets amounted to \$807 million.

In 2008, Con Edison Development and its subsidiary, CED/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants with an aggregate capacity of approximately 1,706 MW. See Note U to the financial statements in Item 8.

Utility Regulation

State Utility Regulation

Regulators

The Utilities are subject to regulation by the New York State Public Service Commission (NYSPSC), which under the New York Public Service Law, is authorized to set the terms of service and the rates the Utilities charge for providing service in New York. It also approves the issuance of the Utilities' securities. It exercises jurisdiction over the siting of the Utilities' electric transmission lines and approves mergers or other business combinations involving New York utilities. O&R's New Jersey subsidiary, RECO, is subject to similar regulation by the New Jersey Board of Public Utilities (NJBPU). O&R's Pennsylvania subsidiary, Pike, is subject to similar regulation by the Pennsylvania Public Utility Commission (PAPUC). The NYSPSC, together with the NJBPU and the PAPUC, are referred to herein as state utility regulators.

Utility Industry Restructuring In New York

In the 1990s, the NYSPSC restructured the electric utility industry in the state. In accordance with NYSPSC orders, the Utilities sold all of their electric generating facilities other than those that also produce steam for CECONY's steam business (see Electric Operations – Electric Facilities below) and provided all of their customers the choice to buy electricity or gas from the Utilities or other suppliers (see Electric Operations – Electric Sales and Deliveries and Gas Operations – Gas Sales and Deliveries below).

Following adoption of NYSPSC industry restructuring, there were several utility mergers as a result of which substantially all of the electric and gas delivery service in New York State is now provided by one of three investor-owned utility companies – Con Edison, National Grid plc and Iberdrola, S.A. – or one of two state authorities – New York Power Authority (NYPA) or Long Island Power Authority.

Rate Plans

Investor-owned utilities in the United States provide service to customers according to the terms of tariffs approved by the appropriate state utility regulator. The tariffs include schedules of rates for service that are designed to permit the utilities to recover from their customers the approved anticipated costs, including capital costs, of providing service to customers as defined by the tariff. The tariffs implement rate plans, that result from rate orders, settlements, or joint proposals developed during rate proceedings. The utilities' earnings depend on the rate levels authorized in the rate plans and their ability to operate their businesses in a manner consistent with their rate plans.

The utilities' rate plans each cover specified periods, but rates determined pursuant to a plan generally continue in effect until a new rate plan is approved by the state utility regulator. In New York, either the utility or the NYSPSC can commence a proceeding for a new rate plan, and a new rate plan filed by the utility will take effect automatically in 11 months unless prior to such time the NYSPSC approves a rate plan.

In each rate proceeding, rates are determined by the state utility regulator following the submission by the utility of testimony and supporting information, which are subject to review by the staff of the regulator. Other parties with an interest in the proceeding can

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also review the utility's proposal and become involved in the rate case. The review process is overseen by an Administrative Law Judge. After an Administrative Law Judge issues a decision, that generally considers the interests of the utility, the regulatory staff, other parties, and legal requisites, the regulator will issue a rate order. The utility and the regulator's staff and interested parties may enter into a settlement agreement or joint proposal prior to the completion of this administrative process, in which case the agreement would be subject to approval of the regulator.

For each rate plan, the revenues needed to provide the utility a return on invested capital is determined by multiplying the utilities' forecasted rate base by the utility's pre-tax weighted average cost of capital. In general, rate base is the amount of the utility's net plant, deferred taxes and working capital. The NYSPSC uses a forecast of rate base for the rate year. The weighted average cost of capital is determined based on the forecasted amounts and costs of long-term debt and preferred equity, the forecasted amount of common equity and an allowed return on common equity determined by the state utility regulator. The NYSPSC's current methodology for determining the allowed return on common equity assigns a one-third weight to an estimate determined from a capital asset pricing model applied to a peer group of utility companies and a two-thirds weight to an estimate determined from a dividend discount model using stock prices and dividend forecasts for a peer group of utility companies.

Pursuant to the Utilities' rate plans, there generally can be no change to the charges to customers during the respective terms of the rate plans other than for recovery of the costs incurred for energy supply and specified adjustments provided for in the rate plans.

Common provisions of the Utilities' rate plans may include:

"Recoverable energy cost clauses" that allow the Utilities to recover on a current basis the costs for the energy they supply with no mark-up to their full-service customers.

"Other cost reconciliations" that reconcile pension and other postretirement costs, environmental remediation costs, and certain other costs to amounts reflected in delivery rates for such costs. Utilities generally retain the right to petition for recovery or accounting deferral of extraordinary and material cost increases and provision is sometimes made for the utility to retain a share of cost reductions, for example, property tax refunds.

"Revenue decoupling mechanisms" under which actual energy delivery revenues will be compared, on a periodic basis, with the authorized delivery revenues. The difference is accrued with interest for refund to, or recovery from customers, as applicable.

"Earnings sharing provisions" require the Utilities to defer for customer benefit earnings over specified rates of return on common equity. There is no symmetric mechanism for earnings below specified rates of return on common equity.

"Negative earnings adjustments" for failure to meet certain performance standards relating to service reliability, safety and other matters.

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The following table should be read in conjunction with, and is subject to, the more detailed discussion of the Utilities' rate plans in Note B to the financial statements in Item 8 (which information is incorporated by reference herein).

Effective Period	Rate Increases <i>(millions of dollars, except percentages)</i>	Rate Base	Amortization To Income of Net Regulatory (Assets) and Liabilities	Authorized Return on Equity (ROE)	ROE Sharing Threshold Earnings Sharing Terms(a) (Shareholders/ Customers)
CECONY – Electric(b)					
April 2010 – March 2013	Yr. 1 – \$420.4 Yr. 2 – \$420.4 Yr. 3 – \$286.9(c)	Yr. 1 – \$14,887 Yr. 2 – \$15,987 Yr. 3 – \$16,826	\$(75) over 3 yrs.	10.15%	Yr. 1 – 11.15% - 12.149%: 50/50 12.15% - 13.149%: 25/75 > 13.149%: 10/90(d)
CECONY – Gas(b)					
October 2010 – September 2013	Yr. 1 – \$47.1 Yr. 2 – \$47.9 Yr. 3 – \$46.7	Yr. 1 – \$3,027 Yr. 2 – \$3,245 Yr. 3 – \$3,434	\$(53) over 3 yrs.	9.6%	Yr. 1 – 10.35% - 11.59%: 40/60 11.6% - 12.59%: 25/75 > 12.59%: 10/90(e)
CECONY – Steam(b)					
October 2010 – September 2013	Yr. 1 – \$49.5 Yr. 2 – \$49.5 Yr. 3 – \$17.8(f)	Yr. 1 – \$1,589 Yr. 2 – \$1,603 Yr. 3 – \$1,613	\$(20) over 3 yrs.	9.6%	Yr. 1 – 10.35% - 11.59%: 40/60 11.6% - 12.59%: 25/75 >12.59%:10/90(e)
O&R – Electric (NY)					
July 2008 – June 2011	Yr. 1 – \$15.6 Yr. 2 – \$15.6 Yr. 3 – \$ 5.7(g)	Yr. 1 – \$504 Yr. 2 – \$567 Yr. 3 – \$597	\$(34) over 3 yrs.	9.4%	10.2% - 11.2% - 50/50 >11.2% - 25/75
O&R – Gas (NY)					
November 2009 – October 2012	Yr. 1 – \$9.0 Yr. 2 – \$9.0 Yr. 3 – \$4.6(h)	Yr. 1 – \$280 Yr. 2 – \$296 Yr. 3 – \$309	\$(2) over 3 yrs.	10.4%	11.4% - 12.4% - 50/50 12.4% - 14% - 35/65 >14% - 10/90

(a) Subject to limitation for cost reconciliations described in Note B to the financial statements in Item 8.

(b) Pursuant to NYPSC orders, a portion of the company's revenues is being collected subject to refund. See "Other Regulatory Matters" in Note B to the financial statements in Item 8.

(c) The rate plan provides for a one-time surcharge of \$133.5 million in Year 3.

(d) In Yr. 2 and Yr. 3, 10.65% – 12.149%: 40/60, 12.15% – 13.149%: 25/75, and > 13.15%: 10/90.

(e) In Yr. 2 and Yr. 3, 10.10% – 11.59%: 40/60, 11.60% – 12.59%: 25/75, and >12.6%: 10/90.

(f) The rate plan provides for a one-time surcharge of \$31.7 million in Year 3.

(g) The rate plan provides for a one-time surcharge of \$9.9 million in Year 3.

(h) The rate plan provides for a one-time surcharge of \$4.3 million in Year 3.

Liability for Service Interruptions and Other Non-rate Conditions of Service

The tariff provisions under which CECONY provides electric, gas and steam service limit the company's liability to pay for damages resulting from service interruptions to circumstances resulting from its gross negligence or willful misconduct.

CECONY's tariff for electric service provides for reimbursement to electric customers for spoilage losses resulting from service interruptions in certain circumstances. In general, the company is obligated to reimburse affected residential and commercial customers for food spoilage of up to \$450 and \$9,000, respectively, and reimburse affected residential customers for prescription medicine spoilage losses without limitation on amount per claim. The company's maximum aggregate liability for such reimbursement for an incident is \$15 million. The company is not required to provide reimbursement to electric customers for outages attributable to generation or transmission system facilities or events beyond its control, such as storms, provided the company makes reasonable efforts to restore service as soon as practicable.

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Generic Proceedings

The NYSPSC from time to time conducts “generic” proceedings to consider issues relating to all electric and gas utilities operating in New York State. Pending proceedings have included those relating to utilities exiting the service of selling electric energy and gas at retail (including an examination of utilities’ provider of last resort responsibility, the utilities’ vision for the ‘smart grid’, the implementation of energy efficiency and renewable energy programs and consumer protections) and addressing any rate disincentives to the promotion of energy efficiency and distributed generation. The Utilities are typically active participants in such proceedings. The Utilities do not expect that these pending generic proceedings will have a material adverse effect on their financial positions, results of operation or liquidity. In February 2011, the NYSPSC initiated a proceeding to examine the existing mechanisms pursuant to which utilities recover site investigation and remediation costs and possible alternatives. See “Environmental Matters – CECONY” and “Environmental Matters – O&R,” below, and Note G to the financial statements in Item 8.

Federal Utility Regulation

The Federal Energy Regulatory Commission (FERC), among other things, regulates the transmission and wholesale sales of electricity in interstate commerce and the transmission and sale of natural gas for resale in interstate commerce. In addition, the FERC has the authority to impose penalties, which could be substantial, including penalties for the violation of reliability rules. Certain activities of the Utilities and the competitive energy businesses are subject to the jurisdiction of FERC. The Utilities are subject to regulation by the FERC with respect to electric transmission rates and to regulation by the NYSPSC with respect to electric and gas retail commodity sales and local delivery service. As a matter of practice, the NYSPSC has approved delivery service rates that include both distribution and transmission costs.

New York Independent System Operator (NYISO)

The NYISO is a not-for-profit organization that controls and operates most of the electric transmission facilities in New York State, including those of the Utilities, as an integrated system and administers wholesale markets for electricity in New York State. In addition to operating the state’s high voltage grid, the NYISO administers the energy, ancillary services and capacity markets. The New York State Reliability Council (NYSRC) promulgates reliability standards subject to FERC oversight. Pursuant to a requirement that is set annually by the NYSRC, the NYISO requires that entities supplying electricity to customers in New York State have generating capacity (either owned or contracted for) in an amount equal to the peak demand of their customers plus the applicable reserve margin. In addition, the NYISO has determined that entities that serve customers in New York City must have enough capacity that is electrically located in New York City to cover a substantial percentage (currently 80 percent; 81 percent effective May 2011) of the peak demands of their New York City customers. These requirements apply both to regulated utilities such as CECONY and O&R for the customers they supply under regulated tariffs and to companies such as Con Edison Solutions that supply customers on market terms. RECO, O&R’s New Jersey subsidiary, provides electric service in an area that has a different independent system operator – PJM Interconnection LLC (PJM).

Competition

Competition from suppliers of oil and other sources of energy, including distributed generation (such as solar, fuel cells and micro-turbines), may provide alternatives for the Utilities’ delivery customers. See “Rate Agreements” in Note B and “Recoverable Energy Costs” in Note A to the financial statements in Item 8.

The Utilities do not consider it reasonably likely that another company would be authorized to provide utility delivery service of electricity, natural gas or steam where the company already provides service. Any such other company would need to obtain NYSPSC consent, satisfy applicable local requirements, install facilities to provide the service, meet applicable services standards, and charge customers comparable taxes and other fees and costs imposed on the service.

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A new delivery company would also be subject to extensive ongoing regulation by the NYSPSC.

The competitive energy businesses participate in competitive energy supply and services businesses that are subject to different risks than those found in the businesses of the Utilities.

The Utilities

CECONY

CECONY, incorporated in New York State in 1884, is a subsidiary of Con Edison and has no significant subsidiaries of its own. Its principal business segments are its regulated electric, gas and steam businesses.

For a discussion of the company's operating revenues and operating income for each segment, see "Results of Operations" in Item 7. For additional information about the segments, see Note N to the financial statements in Item 8.

Electric Operations

Electric Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were \$12,549 million and \$11,824 million at December 31, 2010 and 2009, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were \$2,150 million and \$1,953 million at December 31, 2010 and 2009, respectively, and for its generation facilities, the costs for utility plant, net of accumulated depreciation, were \$396 million and \$392 million, at December 31, 2010 and 2009, respectively.

Distribution Facilities. CECONY owns 62 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2010, the company's distribution system had a transformer capacity of 28,997 MVA, with 36,781 miles of overhead distribution lines and 96,324 miles of underground distribution lines. The underground distribution lines represent the single longest underground electric delivery system in the United States. To continue its commitment to upgrade and reinforce its energy delivery infrastructure so that it can continue to safely and reliably meet electric demand, the company added one new substation, Newtown, in Queens in 2010.

Transmission Facilities. The company's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. At December 31, 2010, CECONY owned or jointly owned 438 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 740 miles of underground circuits operating at 69, 138 and 345 kV. The company's 38 transmission substations and 62 area stations are supplied by circuits operated at 69 kV and above. In 2011, the company expects to complete a 9 1/2 mile transmission line connecting its Sprainbrook substation in Westchester County with the new Academy substation being constructed in upper Manhattan.

CECONY's transmission facilities interconnect with those of National Grid, Central Hudson Gas & Electric Corporation, O&R, Iberdrola USA, Connecticut Light and Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

Generating Facilities. CECONY's electric generating facilities consist of plants located in Manhattan with an aggregate capacity of 698 MW. The company expects to have sufficient amounts of gas and fuel oil available in 2011 for use in these facilities.

Electric Sales and Deliveries

CECONY delivers electricity to its full service customers who purchase electricity from the company. The company also delivers electricity to its customers who purchase electricity from other suppliers through the company's retail access plan. In addition, the company delivers electricity to state and municipal customers of NYPA and economic development customers of municipal electric agencies.

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The company charges all customers in its service area for the delivery of electricity. The company generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. Effective April 2008, CECONY's electric revenues became subject to a revenue decoupling mechanism. As a result, its electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. CECONY's electric sales and deliveries, excluding off-system sales, for the last five years were:

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Electric Energy Delivered (millions of kWhs)					
CECONY full service customers	26,101	25,314	24,640	23,483	24,142
Delivery service for retail access customers	19,256	21,532	22,047	21,859	23,098
Delivery service to NYPA customers and others	10,227	10,692	10,918	10,650	10,834
Delivery service for municipal agencies	724	723	718	675	619
Total Deliveries in Franchise Area	56,308	58,261	58,323	56,667	58,693
Electric Energy Delivered (\$ in millions)					
CECONY full service customers	\$ 5,108	\$ 5,158	\$ 5,569	\$ 5,040	\$ 5,546
Delivery service for retail access customers	1,040	1,334	1,507	1,855	2,123
Delivery service to NYPA customers and others	276	309	378	423	516
Delivery service for municipal agencies	17	17	20	21	22
Other operating revenues	611	622	404	335	169
Total Deliveries in Franchise Area	\$ 7,052	\$ 7,440	\$ 7,878	\$ 7,674	\$ 8,376
Average Revenue per kWh Sold (Cents)(a)					
Residential	20.9	21.6	24.2	23.6	25.8
Commercial and Industrial	18.3	19.2	21.2	19.6	20.4

(a) Includes Municipal Agency sales.

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in CECONY's service area occurs during the summer air conditioning season. The 2010 service area peak demand, which occurred on July 6, 2010, was 12,963 MW. The 2010 peak demand included an estimated 5,815 MW for CECONY's full-service customers, 5,125 MW for customers participating in its electric retail access program and 2,023 MW for NYPA's customers and municipal electric agency customers. The NYISO invoked demand reduction programs on July 6, 2010, as it had on peak demand days in some previous years (most recently 2006). "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the majority of demand reduction programs are invoked only in specific circumstances, design conditions do not include these programs' potential impact. However, the CECONY forecasted peak demand at design conditions does include the impact of permanent demand reduction programs. The company estimates that, under design weather conditions, the 2011 service area peak demand will be 13,275 MW, including an estimated 5,735 MW for its full-service customers, 5,450 MW for its electric retail access customers and 2,090 MW for NYPA's customers and municipal electric agency customers. The company forecasts average annual growth of the peak electric demand in the company's service area over the next five years at design conditions to be approximately 0.7 percent per year. The company continues to monitor the potential impact on customer demand from the current economic conditions.

Electric Supply

Most of the electricity sold by CECONY to its customers in 2010 was purchased under firm power contracts or through the wholesale electricity market

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administered by the NYISO. Con Edison expects that these resources will again be adequate to meet the requirements of its customers in 2011. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts, purchased through the NYISO's wholesale electricity market, or generated from its electricity generating facilities. For information about the company's contracts for approximately 3,320 MW of electric generating capacity, see Notes I and O to the financial statements in Item 8. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases under these contracts and through the NYISO's wholesale electricity market.

CECONY owns generating stations in New York City associated primarily with its steam system. As of December 31, 2010, the generating stations had a combined electric capacity of approximately 698 MW, based on 2010 summer test ratings. For information about electric generating capacity owned by the company, see "Electric Operations – Electric Facilities – Generating Facilities", above.

In general, the Utilities recover their purchased power costs, including the cost of hedging purchase prices, pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction. See "Financial and Commodity Market Risks – Commodity Price Risk," in Item 7 and "Recoverable Energy Costs" in Note A to the financial statements in Item 8. From time to time, certain parties have petitioned the NYSPSC to review these provisions, the elimination of which could have a material adverse effect on the Companies' financial position, results of operations or liquidity.

In a July 1998 order, the NYSPSC indicated that it "agree(s) generally that CECONY need not plan on constructing new generation as the competitive market develops," but considers "overly broad" and did not adopt CECONY's request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity. CECONY monitors the adequacy of the electric capacity resources and related developments in its service area, and works with other parties on long-term resource adequacy issues within the framework of the NYISO. In addition, the NYISO has adopted reliability rules that include obligations on transmission owners (such as CECONY) to construct facilities that may be needed for system reliability if the market does not solve a reliability need identified by the NYISO.

In 2009, the then Governor of New York announced a new goal of meeting 45 percent of the State's electricity needs with energy efficiency or renewable resources by 2015. The goal is to be achieved by reducing electricity consumption by 15 percent, and having 30 percent of the electricity used in New York provided by renewable resources. Establishment of the renewable resources target began in September 2004, when the NYSPSC issued an order establishing a renewable portfolio standard (RPS) which provides that by 2013, 24 percent of the State's energy needs would come from large renewable facilities (such as wind, hydro, and biomass) and smaller customer-sited renewable generation (limited to solar, fuel cells, and wind farm less than 300 kW in size), and 1 percent would come from green marketing efforts. The NYSPSC agreed with the Utilities that the responsibility for procuring the new renewable resources would rest with the New York State Energy Research and Development Authority (NYSERDA), and not the Utilities. In implementing the RPS for large renewable resources, NYSPSC enters into long-term agreements with developers, and pays the developers renewable premiums based on the facilities' energy output. For customer-sited resources, NYSPSC provides rebates when customers install eligible renewable technologies. The renewable premiums, rebates, and NYSPSC's administrative fee are financed through a volumetric charge imposed on the delivery customers of each of the state's investor-owned utilities. Pursuant to the 2004 NYSPSC order, CECONY billed customers RPS surcharges of \$33 million and \$32 million in 2010 and 2009, respectively.

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These surcharges will increase as NYSERDA increases its renewables energy purchases. The NYSPSC issued an order in January 2010 formally increasing the RPS target to 30 percent by 2015 and requiring NYSPSC staff to develop a program to address the geographic balance of the RPS, setting-aside up to \$30 million per year to be spent in the downstate region (including in the Utilities' service territories) until 2015 for this purpose. Large renewable resources are grid-connected and sell their energy output in the wholesale energy market administered by the NYISO. As a result of the Utilities participation in the NYISO wholesale markets, a portion of the Utilities' NYISO energy purchases are sourced from renewable resources. The energy produced by customer-sited renewables offsets the energy which the Utilities would otherwise have procured, thereby reducing the overall level of non-renewable energy consumed. In 2008, the NYSPSC issued an order authorizing the Utilities to begin implementing energy efficiency programs. Costs of the programs will be recovered primarily through a separate non-bypassable charge.

Gas Operations

Gas Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for gas facilities, which are primarily distribution facilities, were \$3,153 million and \$2,892 million at December 31, 2010 and 2009, respectively.

Natural gas is delivered by pipeline to CECONY at various points in its service territory and is distributed to customers by the company through an estimated 4,340 miles of mains and 385,396 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store approximately 1,000 mdths of which a maximum of about 250 mdths can be withdrawn per day. The company has about 1,226 mdths of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 28.8 percent owned by CECONY and 71.2 percent owned by Con Edison Development.

Gas Sales and Deliveries

The company generally recovers the cost of the gas that it buys and then sells to its firm sales customers. It does not make any margin or profit on the gas it sells. CECONY's gas revenues are subject to a weather normalization clause and, effective October 2007, a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.

CECONY's gas sales and deliveries for the last five years were:

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Gas Delivered (mdth)					
Firm Sales					
Full service	71,858	73,734	68,943	67,994	63,592
Firm transportation	23,688	39,017	43,245	48,671	51,859
Total Firm Sales and Transportation	95,546	112,751	112,188	116,665	115,451
Interruptible Sales(a)	11,995	10,577	11,220	8,225	8,521
Total Gas Sold to CECONY Customers	107,541	123,328	123,408	124,890	123,972
Transportation of customer-owned gas					
NYPA	41,057	42,085	44,694	37,764	24,890
Other (mainly generating plants)	83,688	95,260	94,086	86,454	99,666
Off-System Sales	691	2,325	154	1	7
Total Sales and Transportation	232,977	262,998	262,342	249,109	248,535

(a) Includes 3,385, 2,851, 2,955, 2,043 and 462 mdths for 2010, 2009, 2008, 2007 and 2006 respectively, which are also reflected in firm transportation and other.

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	Year Ended December 31,				
	2006	2007	2008	2009	2010
Gas Delivered (\$ in millions)					
Firm Sales					
Full service	\$1,252	\$1,341	\$1,332	\$1,229	\$1,099
Firm transportation	105	168	202	266	347
Total Firm Sales and Transportation	1,357	1,509	1,534	1,495	1,446
Interruptible Sales	121	88	138	75	60
Total Gas Sold to CECONY Customers	1,478	1,597	1,672	1,570	1,506
Transportation of customer-owned gas					
NYPA	4	4	4	4	2
Other (mainly generating plants)	76	76	85	73	87
Off-System Sales	5	17	1	—	—
Other operating revenues (mainly regulatory amortizations)	50	65	77	54	(54)
Total Sales and Transportation	\$1,613	\$1,759	\$1,839	\$1,701	\$1,541
Average Revenue per dth Sold					
Residential	\$19.24	\$19.78	\$21.15	\$20.33	\$19.31
General	\$15.07	\$16.01	\$16.77	\$14.91	\$14.28

For further discussion of the company's gas operating revenues and its gas results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Gas Peak Demand

The gas peak demand for firm service customers in CECONY's service area occurs during the winter heating season. The daily peak day demand during the winter 2010/2011 (through January 25, 2011) occurred on January 23, 2011 when the demand reached 891 mdths. The 2010/2011 winter demand included an estimated 587 mdths for CECONY's full-service customers and 304 mdths for customers participating in its gas retail access program. "Design weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that under design weather conditions the 2011/2012 service area peak demand will be 1,151 mdths, including an estimated 675 mdths for its full-service customers and 475 mdths for its retail access customers. The company forecasts average annual growth of the peak gas demand over the next five years at design conditions to be approximately 1.1 percent in its service area. The forecasted peak demand at design conditions does not include gas used by interruptible gas customers or in generating stations (electricity and steam). The company continues to monitor the potential impact on customer demand from the current economic conditions.

Gas Supply

CECONY and O&R have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services are provided by, CECONY (for itself and as agent for O&R) and costs are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note S to the financial statements in Item 8.

Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The gas supply contracts are for various terms extending to 2014. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation from upstream points where gas has been purchased to the Utilities' distribution systems, and for upstream storage services. Charges under these transportation and storage contracts are approved by the FERC. Such contracts are for various terms extending to 2023. The Utilities are required to pay certain fixed charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately \$246 million in 2010, including \$205 million for CECONY. See "Contractual Obligations" below. In addition, the Utilities purchase gas on the spot market and contract for interruptible gas transportation. See "Recoverable Energy Costs" in Note A to the financial statements in Item 8.

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Steam Operations

Steam Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation for steam facilities were \$1,617 million and \$1,555 million at December 31, 2010 and 2009, respectively.

CECONY generates steam at one steam-electric generating station and five steam-only generating stations and distributes steam to its customers through approximately 106 miles of transmission, distribution, and service piping.

Steam Sales and Deliveries

CECONY's steam sales and deliveries for the last five years were:

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Steam Sold (MMlbs)					
General	515	589	785	786	257
Apartment house	6,774	7,519	6,614	5,962	5,870
Annual power	15,961	17,696	16,577	16,269	16,903
Total Steam Delivered to CECONY Customers	23,250	25,804	23,976	23,017	23,030
Steam Sold (\$ in millions)					
General	\$ 21	\$ 23	\$ 23	\$ 28	\$ 21
Apartment house	174	188	186	165	160
Annual power	405	443	468	446	459
Other operating revenues	23	32	30	22	16
Total Steam Delivered to CECONY Customers	\$ 623	\$ 686	\$ 707	\$ 661	\$ 656
Average Revenue per Mlb Sold	\$ 25.81	\$ 25.34	\$ 28.24	\$ 27.76	\$ 27.79

For further discussion of the company's steam operating revenues and its steam results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Steam Peak Demand and Capacity

Demand for steam in CECONY's service area peaks during the winter heating season. The one-hour peak demand during the winter of 2010/2011 (through January 25, 2011) occurred on January 24, 2011 when the demand reached 8,924 MMlbs per hour. The company's estimate for the winter of 2011/2012 peak demand of its steam customers is 9,780 MMlbs per hour under design criteria, which assumes severe weather.

On December 31, 2010, the steam system had the capability of delivering approximately 13.3 MMlbs of steam per hour, and CECONY estimates that the system will have the capability to deliver 11.8 MMlbs of steam per hour in the 2011/2012 winter.

Steam Supply

Forty-four percent of the steam produced by CECONY in 2010 was supplied by the company's steam-only generating assets; 41 percent was produced by the company's steam-electric generating assets, where steam and electricity are primarily cogenerated; and 15 percent was purchased under an agreement with Brooklyn Navy Yard Cogeneration Partners L.P.

O&R

Electric Operations

Electric Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were \$642 million and \$618 million at December 31, 2010 and 2009, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were \$134 million and \$137 million at December 31, 2010 and 2009, respectively.

O&R, RECO and Pike, own, in whole or in part, transmission and distribution facilities which include 554 circuit miles of transmission lines, 13 transmission substations, 61 distribution substations, 84,809 in-service line transformers, 3,774 pole miles of overhead distribution lines and 1,727 miles of underground distribution lines. O&R's transmission

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system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by the PJM.

Electric Sales and Deliveries

O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. Effective July 2008, O&R's New York electric revenues (which accounted for 66.7 percent of O&R's electric revenues in 2010) became subject to a revenue decoupling mechanism. As a result, O&R's New York electric delivery revenues are generally not affected by charges in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey and Pennsylvania are not subject to a decoupling mechanism. O&R's electric sales and deliveries, excluding off-system sales for the last five years were:

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Electric Energy Delivered (millions of kWhs)					
Total deliveries to O&R full service customers	4,010	4,224	4,093	3,673	3,498
Delivery service for retail access customers	1,766	1,688	1,814	1,901	2,330
Total Deliveries In Franchise Area	5,776	5,912	5,907	5,574	5,828
Electric Energy Delivered (\$ in millions)					
Total deliveries to O&R full service customers	\$ 503	\$ 596	\$ 650	\$ 551	\$ 570
Delivery service for retail access customers	76	73	80	95	132
Other operating revenues	3	2	3	2	(10)
Total Deliveries In Franchise Area	\$ 582	\$ 671	\$ 733	\$ 648	\$ 692
Average Revenue Per kWh Sold (Cents)					
Residential	14.0	15.6	17.4	17.2	18.3
Commercial and Industrial	11.3	12.9	14.6	13.3	14.1

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in O&R's service area occurs during the summer air conditioning season. The 2010 service area peak demand, which occurred on July 6, 2010, was 1,572 MW. The 2010 peak demand included an estimated 1,034 MW for O&R's full-service customers and 538 MW for customers participating in its electric retail access program. The NYISO did not invoke demand reduction programs. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the majority of demand reduction programs are invoked only in specific circumstances, design conditions do not include these programs' potential impact. However, the O&R forecasted peak demand at design conditions does include the impact of permanent demand reduction programs. The company estimates that, under design weather conditions, the 2011 service area peak demand will be 1,600 MW, including an estimated 1,046 MW for its full-service customers and 554 MW for its electric retail access customers. The company forecasts average annual growth of the peak electric demand in the company's service area over the next five years at design conditions to be approximately 1.7 percent per year. The company continues to monitor the potential impact on customer demand from the current economic conditions.

Electric Supply

The electricity O&R sold to its customers in 2010 was purchased under firm power contracts or through the wholesale electricity markets administered by the NYISO and PJM. The company expects that these resources will again be adequate to meet the requirements of its customers in 2011. O&R does not own any electric generating capacity.

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Gas Operations

Gas Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation for gas facilities, which are primarily distribution facilities, were \$382 million and \$334 million at December 31, 2010 and 2009, respectively. O&R and Pike own their gas distribution systems, which include 1,744 miles of mains. In addition, O&R owns a gas transmission system, which includes 81 miles of mains.

Gas Sales and Deliveries

O&R generally recovers the cost of the gas that it buys and then sells to its firm sales customers. It does not make any margin or profit on the gas it sells. O&R's gas revenues are subject to a weather normalization clause. Effective November 2009, O&R's New York gas revenues (which accounted for substantially all of O&R's gas revenues in 2009) became subject to a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's gas deliveries and sales for the last five years were:

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Gas delivered (mdth)					
Firm Sales					
Full service	9,650	10,835	9,884	9,561	8,772
Firm transportation	9,058	10,248	10,471	10,905	10,692
Total Firm Sales and Transportation	18,708	21,083	20,355	20,466	19,464
Interruptible Sales	2,600	2,652	2,567	2,390	675
Total Gas Sold To O&R Customers	21,308	23,735	22,922	22,856	20,139
Transportation of customer-owned gas					
Interruptible transportation	3,256	3,331	2,842	2,112	3,822
Sales for resale	939	1,044	1,007	953	840
Sales to electric generating stations	3,036	4,552	2,327	1,346	691
Off-System Sales	372	455	249	624	1
Total Sales and Transportation	28,911	33,117	29,347	27,891	25,493
Gas delivered (\$ in millions)					
Firm Sales					
Full service	\$ 166	\$ 186	\$ 172	\$ 159	\$ 131
Firm transportation	32	39	45	51	65
Total Firm Sales and Transportation	198	225	217	210	196
Interruptible Sales	28	25	27	21	9
Total Gas Sold To O&R Customers	226	250	244	231	205
Transportation of customer-owned gas					
Sales to electric generating stations	3	3	4	2	—
Other operating revenues	7	12	10	9	13
Total Sales and Transportation	\$ 236	\$ 265	\$ 258	\$ 242	\$ 218
Average Revenue Per dth Sold					
Residential	\$ 17.38	\$ 17.31	\$ 17.64	\$ 16.86	\$ 15.20
General	\$ 16.44	\$ 16.36	\$ 16.55	\$ 15.58	\$ 13.64

For further discussion of the company's gas operating revenues and its gas results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Gas Peak Demand

The gas peak demand for firm service customers in O&R's service area occurs during the winter heating season. The daily peak day demand during the winter 2010/2011 (through January 31, 2011) occurred on January 23, 2011 when the demand reached 176 mdths. The 2010/2011 winter demand included an estimated 87 mdths for O&R's full-service customers and 89 mdths for customers participating in its gas retail access program. "Design weather" for the gas system is a standard to which the actual peak demand is adjusted

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for evaluation and planning purposes. The company estimates that under design weather conditions the 2011/2012 service area peak demand will be 224 mdths, including an estimated 110 mdths for its full-service customers and 114 mdths for its retail access customers. The company forecasts average annual growth of the peak gas demand over the next five years at design conditions to be approximately 1.6 percent in the company's service area. The forecasted peak demand at design conditions does not include gas used by interruptible gas customers or in generating stations. The company continues to monitor the potential impact on customer demand from the current economic conditions.

Gas Supply

O&R and CECONY have combined their gas requirements and purchase contracts to meet those requirements into a single portfolio. See "CECONY – Gas Operations – Gas Supply" above.

Competitive Energy Businesses

Con Edison pursues competitive energy opportunities through three wholly-owned subsidiaries: Con Edison Solutions, Con Edison Energy and Con Edison Development. These businesses include the sales and related hedging of electricity to wholesale and retail customers, sales of certain energy-related products and services, and participation in energy infrastructure projects. At December 31, 2010, Con Edison's equity investment in its competitive energy businesses was \$337 million and their assets amounted to \$807 million.

The competitive energy businesses are pursuing opportunities to invest in renewable generation and energy-related infrastructure projects.

Con Edison Solutions

Con Edison Solutions primarily sells electricity to industrial, commercial and governmental customers in the northeastern United States and Texas. It also sells electricity to residential and small commercial customers in the northeastern United States. Con Edison Solutions does not sell electricity to the Utilities. Con Edison Solutions sells electricity to customers who are provided delivery service by the Utilities. It also provides energy efficiency services, procurement and management services to companies and governmental entities throughout most of the United States.

Con Edison Solutions was reported by KEMA, Inc. in September 2010 to be the 9th largest non-residential retail electricity provider in the United States. Most of the company's electricity sales volumes are to industrial, large commercial and government customers. The company also sells to two retail aggregation entities in Massachusetts and to individual residential and small commercial (mass market) customers in the northeastern United States. At December 31, 2010, it served approximately 115,000 customers, not including approximately 165,000 served under the two aggregation agreements. Con Edison Solutions sold 15,993 million kWhs of electricity in 2010, a 26 percent increase from 2009 volumes.

	2006	2007	2008	2009	2010
Retail electric volumes sold (millions of kWhs)	10,633	12,209	10,749	12,723	15,993
Number of retail customers accounts:(a)					
Industrial and large commercial	10,957	14,335	14,491	26,009	29,561
Mass market	31,725	33,979	39,976	49,094	85,191

(a) Excludes aggregation agreement customers

Con Edison Solutions seeks to serve customers in utility service territories that encourage retail competition through transparent pricing, purchase of receivables programs or utility-sponsored customer acquisition programs. The company currently sells electricity in the service territories of 43 utilities in the states of New York, Massachusetts, Connecticut, New Hampshire, Maine, New Jersey, Delaware, Maryland, Illinois, Pennsylvania and Texas, as well as the District of Columbia.

Total peak load at the end of 2010 was 5,300 MWs. Approximately 34 percent of the sales volumes were in New York, 27 percent in New England, 31 percent in PJM and the remainder in Texas.

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Con Edison Solutions offers the choice of green power to customers. In 2010, it sold approximately 233 million kWh of green power, ending the year with almost 24,000 customers. Green power is a term used by electricity suppliers to describe electricity produced from renewable energy sources, including wind, hydro and solar.

Con Edison Solutions also provides energy- efficiency services to government and commercial customers. The services include the design and installation of lighting retrofits, high-efficiency heating, ventilating and air conditioning equipment and other energy saving technologies. The company is compensated for their services based primarily on the increased energy efficiency of the installed equipment over a multi-year period. Con Edison Solutions has won competitive solicitations for energy savings contracts with the Department of Energy and the Department of Defense, and a shared energy savings contract with the United States Postal Service.

Con Edison Energy

Con Edison Energy manages the output and fuel requirements for over 7,700 MW of third-party generating plants in the northeastern United States. The company also provides wholesale hedging and risk management services to Con Edison Solutions and Con Edison Development. In addition, the company sells electricity to utilities in the northeastern United States, primarily under fixed price contracts, which they use to supply their full-service customers.

	2006	2007	2008	2009	2010
Wholesale electricity sales (millions of kWh)(a)	6,549	8,046	7,798	5,472	3,610

(a) Prior to 2008, wholesale electricity sales were reported as part of Con Edison Development.

Con Edison Development

Con Edison Development participates in energy infrastructure projects. The company's investments include ownership interests in solar energy projects being constructed with an aggregate capacity of 13 MW, a gas storage corporation (see "CECONY – Gas Operations – Gas Facilities," above), an investment in an affordable housing partnership and leasehold interests in a gas-fired plant and a gas distribution network in the Netherlands (see Note J to the financial statements in Item 8). Con Edison Development and its subsidiary, CSD/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants with an aggregate capacity of approximately 1,706 MW in the second quarter of 2008. See Note U to the financial statements in Item 8.

	2006	2007	2008	2009	2010
Generating capacity (MW)	1,668	1,739	21	21	—
Generation sold (millions of kWh)	3,155	3,558	1,422	—	—

Capital Requirements and Resources

Capital Requirements

The following table contains the Companies' capital requirements for the years 2008 through 2010 and their current estimate of amounts for 2011 through 2013.

(millions of dollars)	Actual			Estimate		
	2008	2009	2010	2011	2012	2013
Regulated utility construction expenditures(a)						
CECONY(b)	\$ 2,202	\$ 2,057	\$ 1,866	\$ 1,850	\$ 1,851	\$ 1,852
O&R	120	127	135	142	146	153
Total regulated utility construction expenditures	2,322	2,184	2,001	1,992	1,997	2,005
Competitive energy businesses capital expenditures	4	10	28	131	172	182
Sub-total	2,326	2,194	2,029	2,123	2,169	2,187
Retirement of long-term securities(c)						
Con Edison – parent company	204	4	3	1	1	2
CECONY	280	655	850	—	300	700
O&R	3	3	158	3	3	3
Competitive energy businesses	—	—	—	1	1	1
Total retirement of long-term securities	487	662	1,011	5	305	706
Total	\$ 2,813	\$ 2,856	\$ 3,040	\$ 2,128	\$ 2,474	\$ 2,893

(a) Estimates for 2011-2013 include an aggregate \$136 million for one-half of the costs of certain smart electric grid projects for which the company has been selected by the U.S. Department of Energy for negotiations to receive grants for the other half of the projects' costs under the American Recovery and Reinvestment Act of 2009.

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- (b) CECONY's capital expenditures for environmental protection facilities and related studies were \$133 million and \$148 million in 2010 and 2009, respectively, and are estimated to be \$167 million in 2011.
- (c) For 2008, 2009 and 2010, includes long-term securities redeemed in advance of maturity.

The Utilities have an ongoing need for substantial capital investment in order to meet the growth in demand for electricity, and electric, gas and steam reliability needs.

The estimated capital expenditures for the competitive energy businesses reflect potential investments in renewable generation and energy infrastructure projects and could significantly increase or decrease from the amounts estimated depending on market conditions and opportunities.

Contractual Obligations

The following table summarizes the Companies' material obligations at December 31, 2010 to make payments pursuant to contracts. Long-term debt, capital lease obligations and other long-term liabilities are included on their balance sheets. Operating leases and electricity purchase agreements (for which undiscounted future annual payments are shown) are described in the notes to the financial statements.

(millions of dollars)

	Total	Payments Due by Period			
		1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Long-term debt (Statement of Capitalization)					
CECONY	\$ 9,761	\$ —	\$ 1,000	\$ 825	\$ 7,936
O&R	613	3	6	146	458
Competitive energy businesses and parent	321	2	5	5	309
Interest on long-term debt(a)	9,119	572	1,091	996	6,460
Total long-term debt, including interest	19,814	577	2,102	1,972	15,163
Capital lease obligations (Note J)					
CECONY	16	8	6	—	2
Total capital lease obligations	16	8	6	—	2
Operating leases (Notes J and Q)					
CECONY	269	43	92	51	83
O&R	6	1	1	1	3
Competitive energy businesses	17	2	4	3	8
Total operating leases	292	46	97	55	94
Purchase obligations					
Electricity purchase power agreements – Utilities (Note I)					
CECONY					
Energy(b)	8,428	741	1,323	1,200	5,164
Capacity	3,247	480	960	636	1,171
Total CECONY	11,675	1,221	2,283	1,836	6,335
O&R					
Energy and Capacity(b)	159	99	60	—	—
Total electricity and purchase power agreements – Utilities	11,834	1,320	2,343	1,836	6,335
Natural gas supply, transportation, and storage contracts – Utilities(c)					
CECONY					
Natural gas supply	321	198	123	—	—
Transportation and storage	978	147	250	176	405
Total CECONY	1,299	345	373	176	405
O&R					
Natural gas supply	41	25	16	—	—
Transportation and storage	182	26	46	33	77
Total O&R	223	51	62	33	77
Total natural gas supply, transportation and storage contracts	1,522	396	435	209	482

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(millions of dollars)

	Payments Due by Period				
	Total	1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Other purchase obligations(d)					
CECONY	3,490	2,001	1,154	268	67
O&R	178	117	52	6	3
Total other purchase obligations	3,668	2,118	1,206	274	70
Competitive energy businesses commodity and service agreements(e)	146	116	23	2	5
Uncertain income taxes (Note L)					
CECONY	79	79	—	—	—
O&R	8	8	—	—	—
Competitive energy businesses and parent	(3)	(3)	—	—	—
Total uncertain income taxes	84	84	—	—	—
Total	\$37,376	\$ 4,665	\$ 6,212	\$ 4,348	\$ 22,151

(a) Includes interest on variable rate debt calculated at rates in effect at December 31, 2010.

(b) Included in these amounts is the cost of minimum quantities of energy that the company is obligated to purchase at both fixed and variable prices.

(c) Included in these amounts is the cost of minimum quantities of natural gas supply, transportation and storage that the Utilities are obligated to purchase at both fixed and variable prices.

(d) Amounts shown for other purchase obligations, which reflect capital and operations and maintenance costs incurred by the Utilities in running their day-to-day operations, were derived from the Utilities' purchasing systems as the difference between the amounts authorized and the amounts paid (or vouchered to be paid) for each obligation. For many of these obligations, the Utilities are committed to purchase less than the amount authorized. Payments for the "Other Purchase Obligations" are generally assumed to be made ratably over the term of the obligations. The Utilities believe that unreasonable effort and expense would be involved to modify their purchasing systems to enable them to report their "Other Purchase Obligations" in a different manner.

(e) Amounts represent commitments to purchase minimum quantities of electric energy and capacity, renewable energy certificates, natural gas, natural gas pipeline capacity, energy efficiency services and construction services entered into by Con Edison's competitive energy businesses.

The Companies' commitments to make payments in addition to these contractual commitments include their other liabilities reflected in their balance sheets, any funding obligations for their pension and other postretirement benefit plans, financial hedging activities, their collective bargaining agreements and Con Edison's guarantees of certain obligations of its businesses. See Notes E, F, O and "Guarantees" in Note H to the financial statements in Item 8.

Capital Resources

Con Edison is a holding company that operates only through its subsidiaries and has no material assets other than its interests in its subsidiaries. Con Edison expects to finance its capital requirements primarily through internally-generated funds and the sale of its securities, including meeting all of its common equity needs in 2011 by issuing shares under its dividend reinvestment and employee stock plans. Con Edison's ability to make payments on its external borrowings and dividends on its common shares is also dependent on its receipt of dividends from its subsidiaries or proceeds from the sale of its securities or its interests in its subsidiaries.

For information about restrictions on the payment of dividends by the Utilities and significant debt covenants, see Note C to the financial statements in Item 8.

For information on the Companies' commercial paper program and revolving credit agreements with banks, see Note D to the financial statements in Item 8.

The Utilities expect to finance their operations, capital requirements and payment of dividends to Con Edison from internally-generated funds (see "Liquidity and Capital Resources – Cash Flows from Operating Activities" in Item 7), contributions of equity capital from Con Edison and external borrowings, including the issuance in 2011 of long-term debt of up to \$600 million.

The Companies require access to the capital markets to fund capital requirements that are substantially in excess of available internally-generated funds. See "Capital Requirements," above. Each of the Companies believes that it will continue to be able to access capital, although capital market conditions may affect the timing of the Companies' financing activities. The Companies monitor the availability and costs of various forms of capital, and will seek to issue Con Edison common stock and other securities when it is necessary or advantageous to do so. For information about the Companies' long-term debt and short-term borrowing, see Notes C and D to the financial statements in Item 8.

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In 2009, the NYSPSC authorized CECONY and O&R to issue up to \$4,800 million and \$500 million of securities, respectively (of which up to \$550 million and \$100 million, respectively, may be preferred stock and up to the entire amount authorized may be debt securities). At December 31, 2010, CECONY and O&R had issued \$1,470 million and \$190 million, respectively, of debt securities pursuant to such authorization. In addition, the NYSPSC has authorized the Utilities' to refund outstanding debt securities and preferred stock should the Utilities determine that it is economic to do so.

Con Edison's competitive energy businesses have financed their operations and capital requirements primarily with capital contributions and borrowings from Con Edison, internally-generated funds and external borrowings.

For each of the Companies, the ratio of earnings to fixed charges (SEC basis) for the last five years was:

	Earnings to Fixed Charges (Times)				
	2006	2007	2008	2009	2010
Con Edison	3.0	3.4	3.4	3.0	3.3
CECONY	3.2	3.6	3.3	3.1	3.4

For each of the Companies, the common equity ratio for the last five years was:

	Common Equity Ratio (Percent of total capitalization)				
	2006	2007	2008	2009	2010
Con Edison	48.5	53.7	50.7	50.5	50.4
CECONY	50.0	52.3	50.8	50.3	49.9

The commercial paper of the Companies is rated P-2, A-2 and F2, respectively, by Moody's, S&P and Fitch. Con Edison's long-term credit rating is Baa1, BBB+ and BBB+, respectively, by Moody's, S&P and Fitch. The unsecured debt of CECONY is rated A3, A- and A-, respectively, by Moody's, S&P and Fitch. The unsecured debt of O&R is rated Baa1, A- and A-, respectively, by Moody's, S&P and Fitch. Securities ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities. A securities rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

CECONY has \$636 million of tax-exempt debt for which the interest rates are to be determined pursuant to periodic auctions. Of this amount, \$391 million is insured by Ambac Assurance Corporation and \$245 million is insured by Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.). Credit rating agencies have downgraded the ratings of these insurers from AAA to lower levels. Subsequently, there have not been sufficient bids to determine the interest rates pursuant to auctions, and interest rates have been determined by reference to a variable rate index. The weighted average annual interest rate on this tax-exempt debt was 0.54 percent on December 31, 2010. The weighted average interest rate was 0.45 percent, 0.80 percent and 3.94 percent for the years 2010, 2009 and 2008, respectively. Under CECONY's current gas and steam and (beginning in April 2011) electric rate orders, variations in auction rate debt interest expense are reconciled to the levels set in rates.

Environmental Matters

Climate Change

As indicated in 2007 by the Intergovernmental Panel on Climate Change, emissions of greenhouse gases, including carbon dioxide, are very likely changing the world's climate.

Climate change could affect customer demand for the Companies' energy services. The effects of climate change might also include physical damage to the Companies' facilities and disruption of their operations due to the impact of more extreme weather-related events.

Based on the most recent data (2008) published by the U.S. Environmental Protection Agency (EPA), Con Edison estimates that its greenhouse gas emissions constitute less than 0.1 percent of the nation's greenhouse gas emissions. Con Edison's emissions of greenhouse gases during the past five years (expressed in terms of millions of tons of carbon dioxide equivalent) were:

	2006	2007	2008	2009	2010
CO ₂ equivalent emissions	5.4	5.3	4.6	4.2	4.3

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The 35 percent decrease in Con Edison's greenhouse gas emissions since 2005 (6.6 million tons) reflects the emission reductions resulting from equipment and repair projects, including projects to reduce sulfur hexafluoride emissions, and increased use of natural gas at CECONY's steam production facilities. Emissions from electric generation at the Con Edison Development electric generating plants (which were sold in 2008 – see Note U to the financial statements in Item 8) have been removed from the above data for 2008 and prior years.

The Companies are working to further reduce greenhouse gas emissions. CECONY has participated for several years in voluntary initiatives with the EPA to reduce its methane and sulfur hexafluoride emissions. The Utilities reduce methane emissions from the operation of their gas distribution systems through pipe maintenance and replacement programs, by operating system components at lower pressure, and by introducing new technologies. The Utilities reduce emissions of sulfur hexafluoride, which is used for arc suppression in substation circuit breakers and switches, by using improved technologies to locate and repair leaks, and by replacing older equipment. The Utilities also promote energy efficiency programs for customers that help them reduce their greenhouse gas emissions.

Beginning in 2009, CECONY is subject to carbon dioxide emissions regulations established by New York State under the Regional Greenhouse Gas Initiative. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, establishes a decreasing cap on carbon dioxide emissions resulting from the generation of electricity to a level ten percent below the Initiative's baseline by 2018. Under the initiative, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market.

The EPA has started regulating greenhouse gas emissions from major sources. Also, New York State has announced a goal to reduce greenhouse gas emissions 80 percent below 1990 levels by 2050, and New York City plans to reduce greenhouse gas emissions within the City 30 percent below 2005 levels by 2030. The cost to comply with legislation, regulations or initiatives limiting the Companies' greenhouse gas emissions could be substantial.

Environmental Sustainability

Con Edison seeks to improve the environmental sustainability of its businesses. CECONY is piloting smart grid technologies to demonstrate the interoperability of distributed generation and the exchange of information between customers and utilities. The smart grid will give customers the tools to be smarter consumers of energy and will allow the utility to more quickly identify and isolate problems. The company recycles clean non-hazardous waste materials in more than a dozen categories and recycled more than 59,000 tons of waste in 2009. More than 40 percent of the company's vehicles are now using alternative-energy technology. New environmentally friendly white roofs are in place at the corporate headquarters and more than 20 other facilities, and others are underway. A white roof reflects sunlight, lowering indoor temperatures on hot days, which reduces the need to cool the building, resulting in fewer carbon dioxide emissions.

CECONY

Superfund

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation costs, remediation costs and environmental damages. The sites as to which CECONY has been asserted to have liability under Superfund include its and its predecessor companies' former manufactured gas sites, its multi-purpose Astoria site, its former Arthur Kill electric generation plant site, its former Flushing Service Center site, the Gowanus Canal site, and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that the Company has liability. For a further discussion of claims and possible claims against the Company under Superfund, estimated liability accrued for Superfund claims and recovery from customers of site

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investigation and remediation costs, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Manufactured Gas Sites

CECONY and its predecessors formerly manufactured gas and maintained storage holders for gas manufactured at sites in New York City and Westchester County (MGP Sites). Many of these sites are now owned by parties other than CECONY and have been redeveloped by them for other uses, including schools, residential and commercial developments and hospitals. The New York State Department of Environmental Conservation (NYSDEC) requires the company to investigate, and if necessary, develop and implement remediation programs for the sites, which include 34 manufactured gas plant sites and 17 storage holder sites and any neighboring areas to which contamination may have migrated.

The information available to CECONY for many of the MGP Sites is incomplete as to the extent of contamination and scope of the remediation likely to be required. Through the end of 2010, investigations have been started for all or portions of all 51 MGP Sites, and have been completed at 23 of the sites. Coal tar and/or other manufactured gas production/storage-related environmental contaminants have been detected at 36 MGP Sites, including locations within Manhattan and other parts of New York City, and in Westchester County. Remediation has been completed at six sites and portions of six other sites.

Astoria Site

CECONY is permitted by the NYSDEC to operate a hazardous waste storage facility on property the company owns in the Astoria section of Queens, New York. Portions of the property were formerly the location of a manufactured gas plant and also have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas, and the maintenance and storage of electric equipment. As a condition of its NYSDEC permit, the company is required to investigate the property and, where environmental contamination is found and action is necessary, to conduct corrective action to remediate the contamination. The company has investigated various sections of the property and is performing additional investigations. The company has submitted to the NYSDEC and the New York State Department of Health reports identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on the property will be at least \$38 million.

Arthur Kill Site

Following a September 1998 transformer fire at CECONY's former Arthur Kill Generating Station, it was determined that oil containing high levels of polychlorinated biphenyls (PCBs) was released to the environment during the incident. The company has completed NYSDEC-approved cleanup programs for the station's facilities and various soil and pavement areas of the site affected by the PCB release. Pursuant to a July 1999 NYSDEC consent order, the company completed a NYSDEC-approved assessment of the nature and extent of the contamination in the waterfront area of the station. The NYSDEC selected a remediation program for the waterfront area, and the company has implemented it pursuant to an additional consent order entered into during 2005. Field work associated with the waterfront remediation program has been completed and a final engineering report has been submitted to and approved by the NYSDEC. In 2010, the NYSDEC informed the company that additional remediation is required in upland areas. The company estimates that its undiscounted potential future liability for additional upland remediation, site monitoring, maintenance, and reporting to the NYSDEC will be approximately \$0.2 million.

Flushing Service Center Site

The owner of a former CECONY service center facility in Flushing, New York, informed the company that PCB contamination had been detected on a substantial portion of the property, which the owner remediated pursuant to the New York State Brownfield Cleanup Program administered by the

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NYSDEC and is redeveloping for residential and commercial use. The property owner's claim against the company for the cost of its environmental response costs for the site has been resolved. In September 2007, the NYSDEC demanded that the company investigate and remediate PCB contamination that may have migrated into the adjacent Flushing River from the site. In April 2008, the company and NYSDEC entered into a consent order under which the company has agreed to implement a NYSDEC-approved investigation program for the Flushing River and, if deemed necessary by the NYSDEC to protect human health and the environment from such contamination, to implement a NYSDEC-approved remediation program for any PCB contamination in the river attributable to the site. At this time, the company cannot estimate its liability for the investigation and cleanup of any PCB contamination that may have migrated to the Flushing River from the site, but such liability may be substantial.

Gowanus Canal

In August 2009, CECONY received a notice of potential liability and request for information from the EPA about the operations of the company and its predecessors at sites adjacent or near the 1.8 mile Gowanus Canal in Brooklyn, New York. The company understands that the EPA also has provided or will provide notices of potential liability and information requests to other parties. In March 2010, the EPA added the Gowanus Canal to its National Priorities List of Superfund sites. The canal's adjacent waterfront is primarily commercial and industrial, currently consisting of concrete plants, warehouses, and parking lots, and the canal is near several residential neighborhoods. In February 2011, the EPA released a report of its remedial investigation that confirmed there is significant contamination in the Gowanus Canal. The company expects that the cost of assessment and remediation of hazardous substances in and around the Gowanus Canal will be substantial. CECONY is unable to predict its exposure to liability with respect to the Gowanus Canal site.

Other Superfund Sites

CECONY is a potentially responsible party (PRP) with respect to other Superfund sites where there are other PRPs and where it is generally not responsible for managing the site investigation and remediation. Work at these sites is in various stages, with the company participating in PRP groups at some of the sites. Investigation, remediation and monitoring at some of these sites have been, and are expected to continue to be, conducted over extended periods of time. The company does not believe that it is reasonably likely that monetary sanctions, such as penalties, will be imposed upon it by any governmental authority with respect to these sites.

The following table lists each of CECONY's other Superfund sites for which the company anticipates it may have a liability. The table also shows for each such site, its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities with respect to the site (shown in the table under "Start"), the name of the court or agency in which proceedings with respect to the site are pending and CECONY's estimated percentage of total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages at each site is less than \$200,000, with the exception of the Cortese Landfill site, for which the estimate is \$1.2 million and the Curcio Scrap Metal site, for which the estimate is \$0.4 million. Superfund liability is joint and several. The company's estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company's actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Maxey Flats Nuclear	Morehead, KY	1986	EPA	0.8%
Curcio Scrap Metal	Saddle Brook, NJ	1987	EPA	100%
Metal Bank of America	Philadelphia, PA	1987	EPA	0.97%
Cortese Landfill	Narrowsburg, NY	1987	EPA	6.0%
Global Landfill	Old Bridge, NJ	1988	EPA	0.3%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	0.7%

O&R

Superfund

The sites at which O&R has been asserted to have liability under Superfund include its manufactured gas sites, its West Nyack site, the Newark Bay site, and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that O&R has liability. For a further discussion of claims and possible claims against O&R under Superfund, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Manufactured Gas Sites

O&R and its predecessors formerly owned and operated manufactured gas plants at seven sites (O&R MGP Sites) in Orange County and Rockland County, New York. Three of these sites are now owned by parties other than O&R, and have been redeveloped by them for residential, commercial or industrial uses. The NYSDEC is requiring O&R to develop and implement remediation programs for the O&R MGP Sites including any neighboring areas to which contamination may have migrated.

Through the end of 2010, O&R has completed remedial investigations at all seven O&R MGP Sites O&R has completed the remediation at one of its sites; has completed the NYSDEC-approved remediation program for the land portion of its Nyack site; and has received NYSDEC's decision regarding the remedial work to be done at two other sites. Remedial design is ongoing for two of the sites and will be initiated in 2011 for the shoreline/sediment portion of the Nyack site. Feasibility studies are expected to be completed in 2011 for the remaining sites.

West Nyack Site

In 1994 and 1997, O&R entered into consent orders with the NYSDEC pursuant to which O&R agreed to conduct a remedial investigation and remediate certain property it owns in West Nyack, New York at which PCBs were discovered. Petroleum contamination related to a leaking underground storage tank was found as well. O&R has completed all remediation at the site that the NYSDEC has required to date. O&R is continuing a supplemental groundwater investigation and on-site vapor intrusion monitoring as required by the NYSDEC.

Newark Bay

Approximately 300 parties, including O&R (which was served with a third-party complaint in June 2009), were sued as third-party defendants by Tierra Solutions, Inc. (Tierra) and Maxus Energy Corporation (Maxus), successors to the Occidental Chemical Corporation and Diamond Shamrock Chemical Company. Tierra and Maxus were themselves sued in 2005 by the New Jersey Department of Environmental Protection and others for removal and cleanup costs, punitive damages, penalties, and economic losses allegedly arising from the dioxin contamination their predecessors' pesticide/herbicide plant allegedly released to the "Newark Bay Complex," a system of waterways including Newark Bay, the Arthur Kill, the Kill Van Kull, and lower portions of the Passaic and Hackensack Rivers. Tierra and Maxus are seeking equitable contribution from the third-party defendants for such costs, damages, penalties and losses, which are likely to be substantial. As to O&R, Tierra and Maxus allege that 1975 and 1976 shipments of waste oil by O&R from an electricity generating plant in Haverstraw, New York to the Borne Chemical Company in Elizabeth, New Jersey was a source of petroleum discharges to the Arthur Kill. Con Edison is unable to predict O&R's exposure to liability with respect to the Newark Bay Complex.

Other Superfund Sites

O&R is a PRP with respect to other Superfund sites where there are other PRPs and it is not managing the site investigation and remediation. Work at these sites is in various stages, with the company participating in PRP groups at some of the sites. Investigation, remediation and monitoring at some of these sites have been, and are expected to continue to be, conducted over extended periods of time. The company does not believe that it is reasonably likely that monetary sanctions, such as penalties, will be imposed upon it by any governmental authority with respect to these sites.

The following table lists each of O&R's other Superfund sites for which the company anticipates it may have liability. The table also shows for each such

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site, its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities with respect to the site (shown in the table under “Start”), the name of the court or agency in which proceedings with respect to the site are pending and O&R’s estimated percentage of total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages at each site is less than \$0.5 million. Superfund liability is joint and several. The company’s estimate of its anticipated share of the total liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company’s actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Borne Chemical	Elizabeth, NJ	1997	NJDEP	2.27%
Clarkstown Landfill	Clarkstown, NY	2003	NYAG	0.02%
Metal Bank of America	Philadelphia, PA	1993	EPA	4.58%

Other Federal, State and Local Environmental Provisions

Toxic Substances Control Act

Virtually all electric utilities, including CECONY, own equipment containing PCBs. PCBs are regulated under the Federal Toxic Substances Control Act of 1976.

Water Quality

Certain governmental authorities are investigating contamination in the Hudson River and the New York Harbor. These waters run through portions of CECONY’s service area. Governmental authorities could require entities that released hazardous substances that contaminated these waters to bear the cost of investigation and remediation, which could be substantial.

Air Quality

Under new source review regulations, an owner of a large generating facility, including CECONY’s steam and steam-electric generating facilities, is required to obtain a permit before making modifications to the facility, other than routine maintenance, repair, or replacement, that increase emissions of pollutants from the facility above specified thresholds. To obtain a permit, the facility owner could be required to install additional pollution controls or otherwise limit emissions from the facility. The company reviews on an on-going basis its planned modifications to its generating facilities to determine the potential applicability of new source review and similar regulations. In July 2010, revised New York State nitrogen oxides reasonably available control technology regulations became effective. The EPA is expected to adopt regulations in February 2011 establishing maximum achievable control technology standards for industrial boilers. The regulations apply to major air emissions sources, including CECONY’s generating facilities. CECONY anticipates that additional regulations will be adopted requiring further reductions in air emissions. CECONY’s plans to comply with the regulations include the modification by 2014 of certain of its generating facilities to enable the facilities to increase the use of natural gas, decreasing the use of fuel oil. For information about the company’s generating facilities, see “CECONY– Electric Operations – Electric Facilities” and “Steam Operations – Steam Facilities” above in this Item 1. The company is unable to predict the impact of these regulations on its operations or the additional costs, which could be substantial, it could incur to comply with the regulations.

State Anti-Takeover Law

New York State law provides that a “domestic corporation,” such as Con Edison, may not consummate a merger, consolidation or similar transaction with the beneficial owner of a 20 percent or greater voting stock interest in the corporation, or with an affiliate of the owner, for five years after the acquisition of the voting stock interest, unless the transaction or the acquisition of the voting stock interest was approved by the corporation’s board of directors prior to the acquisition of the voting stock interest. After the expiration of the five-year period, the transaction may be consummated only pursuant to a stringent “fair price” formula or with the approval of a majority of the disinterested stockholders.

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Employees

Con Edison has no employees other than those of CECONY, O&R and Con Edison's competitive energy businesses (which at December 31, 2010 had 13,795, 1,093 and 292, employees, respectively). Of the 13,795 CECONY employees and 1,093 O&R employees, 8,613 and 649 were represented by a collective bargaining unit, respectively. The collective bargaining agreements covering these employees expire in June 2012 and June 2014, respectively.

Available Information

For the sources of information about the Companies, see "Available Information" in the "Introduction" appearing before this Item 1.

Item 1A: Risk Factors

Information in any item of this report as to which reference is made in this Item 1A is incorporated by reference herein. The use of such terms as "see" or "refer to" shall be deemed to incorporate at the place such term is used the information to which such reference is made.

The Companies' businesses are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition.

The Companies have established an enterprise risk management program to identify, assess, and manage its major operations and administrative risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. The Companies also have financial and commodity market risks. See "Financial and Commodity Market Risks" in Item 7.

The Companies' major risks include:

The Failure to Operate Energy Facilities Safely and Reliably Could Adversely Affect The Companies. The Utilities provide electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. See the description of the Utilities' facilities in Item 1. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. In such event, the Utilities could be required to pay substantial amounts, which may not be covered by the Utilities' insurance policies, to repair or replace their facilities, compensate others for injury or death or other damage, and settle any proceedings initiated by state utility regulators or other regulatory agencies. See "Manhattan Steam Main Rupture" in Note H to the financial statements in Item 8. The occurrence of such an event could also adversely affect the cost and availability of insurance. Changes to judicial doctrines could further expand the Utilities' liability for service interruptions. See "Utility Regulation – State Utility Regulation, Liability for Service Interruptions and Other Non-rate Conditions of Service" in Item 1.

The Failure To Properly Complete Construction Projects Could Adversely Affect The Companies. The Utilities' ongoing construction program includes large energy transmission, substation and distribution system projects. The failure to properly complete these projects timely and effectively could adversely affect the Utilities' ability to meet their customers' growing energy needs with the high level of safety and reliability that they currently provide, which would adversely affect the Companies.

The Failure of Processes and Systems and the Performance of Employees and Contractors Could Adversely Affect the Companies. The Companies have developed business processes for operations, customer service, legal compliance, personnel, accounting, planning and other matters. Some of the Companies' information systems and communications systems have been operating for many years, and may become obsolete. The Utilities are implementing new financial and supply chain enterprise resource planning information systems. See Item 9A. The failure of the Companies' business processes or information or communication systems could adversely affect the Companies' operations and liquidity and result in substantial liability, higher costs and increased regulatory requirements. The failure by the Companies' employees or contractors to follow

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procedures, or their unsafe actions, errors or intentional misconduct, could also adversely affect the Companies. See “Investigations of Vendor Payments” in Note H to the financial statements in Item 8.

The Companies Are Extensively Regulated And Are Subject To Penalties. The Companies’ operations require numerous permits, approvals and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the Utilities for violations of state utility laws, regulations or orders. In addition, the Utilities rate plans usually include penalties for failing to meet certain operating standards. FERC has the authority to impose penalties on the Utilities and the competitive energy businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. See “Permit Non-Compliance and Pollution Discharges” in Item 3. The Companies may also be subject to penalties from other regulatory agencies. The Companies may be subject to new laws, regulations, accounting standards or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the Companies. See “Utility Regulation” and “Environmental Matters – Climate Change and Other Federal, State and Local Environmental Provisions” in Item 1 and “Application of Critical Accounting Policies” in Item 7.

The Utilities’ Rate Plans May Not Provide A Reasonable Return. The Utilities have rate plans approved by state utility regulators that limit the rates they can charge their customers. The rates are generally designed for, but do not guarantee, the recovery of the Utilities’ cost of service (including a return on equity). The Utilities’ rate plans can involve complex accounting and other calculations, a mistake in which could have a substantial adverse affect on the Utilities. See “Utility Regulation – State Utility Regulation, Rate Plans” in Item 1 and “Rate Agreements” in Note B to the financial statements in Item 8. Rates usually may not be changed during the specified terms of the rate plans other than to recover energy costs and limited other exceptions. The Utilities’ actual costs may exceed levels provided for such costs in the rate plans. The Utilities’ rate plans usually include penalties for failing to meet certain operating standards. State utility regulators can initiate proceedings to prohibit the Utilities from recovering from their customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred (see “Other Regulatory Matters” in Note B to the financial statements in Item 8). The Utilities have from time to time entered into settlement agreements to resolve various prudence proceedings.

The Companies May Be Adversely Affected By Changes To The Utilities’ Rate Plans. The Utilities’ rate plans typically require action by regulators at their expiration dates, which may include approval of new plans with different provisions. The need to recover from customers increasing costs, taxes or state-mandated assessments or surcharges could adversely affect the Utilities’ opportunity to obtain new rate plans that provide a reasonable rate of return and continue important provisions of current rate plans. The Utilities’ current New York electric and gas rate plans include revenue decoupling mechanisms and their New York electric, gas and steam rate plans include provisions for the recovery of energy costs and reconciliation of the actual amount of pension and other postretirement, environmental and certain other costs to amounts reflected in rates. See “Rate Agreements” in Note B to the financial statements in Item 8.

The Companies Are Exposed to Risks From The Environmental Consequences Of Their Operations. The Companies are exposed to risks relating to climate change and related matters. See “Environmental Matters – Climate Change” in Item 1. CECONY may also be impacted by regulations requiring reductions in air emissions. See “Environmental Matters – Other Federal, State and Local Environmental Provisions, Air Quality” in Item 1. In addition, the Utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the Utilities’ operations and are present on properties or in facilities and equipment currently or previously owned by them. See “Environmental Matters” in

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Item 1 and Note G to the financial statements in Item 8. Electric and magnetic fields are found wherever electricity is used. The Companies could be adversely affected if a causal relationship between these fields and adverse health effects were to be established. Negative perceptions about electric and magnetic fields can make it more difficult to construct facilities needed for the Companies' operations.

A Disruption In The Wholesale Energy Markets Or Failure By An Energy Supplier Could Adversely Affect The Companies. Almost all the electricity and gas the Utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. See the description of the Utilities' energy supply in Item 1. Con Edison Energy and Con Edison Solutions also depend on wholesale energy markets to supply electricity to their customers. See "Competitive Energy Businesses" in Item 1. A disruption in the wholesale energy markets or a failure on the part of the Companies' energy suppliers or operators of energy delivery systems that connect to the Utilities' energy facilities could adversely affect the Companies' ability to meet their customers' energy needs and adversely affect the Companies.

The Companies Have Substantial Unfunded Pension And Other Postretirement Benefit Liabilities. The Utilities have substantial unfunded pension and other postretirement benefit liabilities. The Utilities expect to make substantial contributions to their pension and other postretirement benefit plans. Significant declines in the market values of the investments held to fund the pension and other postretirement benefits could trigger substantial funding requirements under governmental regulations. See "Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits" and "Financial and Commodity Market Risks," in Item 7 and Notes E and F to the financial statements in Item 8.

Con Edison's Ability To Pay Dividends Or Interest Depends On Dividends From Its Subsidiaries. Con Edison's ability to pay dividends on its common stock or interest on its external borrowings depends primarily on the dividends and other distributions it receives from its subsidiaries. The dividends that the Utilities may pay to Con Edison are limited by the NYSPSC to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis, with certain exceptions. See "Dividends" in Note C to the financial statements in Item 8.

The Companies Require Access To Capital Markets To Satisfy Funding Requirements. The Utilities estimate that their construction expenditures will exceed \$5 billion over the next three years. The Utilities expect to use internally-generated funds, equity contributions from Con Edison and external borrowings to fund the construction expenditures. The competitive energy businesses are evaluating opportunities to invest in renewable generation and energy-related infrastructure projects that would require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds and the sale of its securities, including stock issuances under its dividend reinvestment and employee stock plans. Changes in financial market conditions or in the Companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof. See "Capital Requirements and Resources" in Item 1.

The Internal Revenue Service Has Disallowed Substantial Tax Deductions Taken By The Company. The Companies' federal income tax returns reflect certain tax positions with which the Internal Revenue Service does not or may not agree, particularly its tax positions for Con Edison's lease in/lease out transactions (see Note J to the financial statements in Item 8) and the deduction of the cost of certain repairs to utility plant for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility (see Note L to the financial statements in Item 8).

The Companies Also Face Other Risks That Are Beyond Their Control. The Companies' results of operations can be affected by circumstances or events that are beyond their control. Weather directly influences the demand for electricity, gas and steam

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service, and can affect the price of energy commodities. Natural disasters, such as a major storm, heat wave or hurricane (see “Environmental Matters – Climate Change” in Item 1) or terrorist attacks or related acts of war could damage Company facilities. As a provider of essential utility services, the Utilities may experience more severe consequences from attempting to operate during and after such events. In addition, pandemic illness could potentially disrupt the Utilities’ employees and contractors from providing essential utility services. Economic conditions can affect customers’ demand and ability to pay for service, which could adversely affect the Companies.

Item 1B: Unresolved Staff Comments

Con Edison

Con Edison has no unresolved comments from the SEC staff.

CECONY

CECONY has no unresolved comments from the SEC staff.

Item 2: Properties

Con Edison

Con Edison has no significant properties other than those of the Utilities and its competitive energy businesses.

For information about the capitalized cost of the Companies’ utility plant, net of accumulated depreciation, see “Plant and Depreciation” in Note A to the financial statements in Item 8 (which information is incorporated herein by reference).

CECONY

For a discussion of CECONY’s electric, gas and steam facilities, see “CECONY – Electric Operations – Electric Facilities”, “CECONY – Gas Operations – Gas Facilities”, and “CECONY – Steam Operations – Steam Facilities” in, Item 1 (which information is incorporated herein by reference).

O&R

For a discussion of O&R’s electric and gas facilities, see “O&R – Electric Operations – Transmission and Distribution Facilities” and “O&R – Gas Operations – Gas Facilities” in Item 1 (which information is incorporated herein by reference).

Competitive Energy Businesses

For a discussion of the competitive energy businesses’ facilities, see “Competitive Energy Businesses” in, Item 1 (which information is incorporated herein by reference).

Item 3: Legal Proceedings

Con Edison

Lease In/Lease Out Transactions

For information about legal proceedings with the IRS with respect to certain tax losses recognized in connection with the company’s lease in/lease out transactions, see Note J to the financial statements in Item 8 (which information is incorporated herein by reference).

CECONY

Manhattan Steam Main Rupture

For information about proceedings relating to the July 2007 rupture of a steam main located in midtown Manhattan, see “Manhattan Steam Main Rupture” in Note H to the financial statements in Item 8 (which information is incorporated herein by reference).

Investigations of Vendor Payments

For information about alleged unlawful conduct in connection with vendor payments, see “Investigations of Vendor Payments” in Note H to the financial statements in Item 8 (which is incorporated herein by reference).

Asbestos

For information about legal proceedings relating to exposure to asbestos, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Superfund

For information about CECONY Superfund sites, see “Environmental Matters – CECONY – Superfund” in Item 1 (which information is incorporated herein by reference).

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Permit Non-Compliance and Pollution Discharges

In December 2010, the NYSDEC and CECONY agreed on the terms of a consent order that settled violations of certain laws, regulations and permit conditions relating to discharges of pollutants at the company's steam generating facilities. Pursuant to the order, CECONY paid a penalty and other amounts totaling \$5 million and is required to retain an independent consultant to conduct a comprehensive audit of the company's generating facilities to determine compliance with certain environmental laws and regulations and recommend best practices; remove certain equipment containing PCBs from the company's steam and electric facilities; install certain wastewater treatment facilities; and comply with certain additional sampling, monitoring, and training requirements.

O&R

Asbestos

For information about legal proceedings relating to exposure to asbestos, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Superfund

For information about O&R Superfund sites, see "Environmental Matters – O&R– Superfund" in Item 1 (which information is incorporated herein by reference).

Item 4: (Removed and Reserved)

Executive Officers of the Registrant

The following table sets forth certain information about the executive officers of Con Edison and CECONY as of February 22, 2011. As indicated, certain of the executive officers are executive officers of each of Con Edison and CECONY and others are executive officers of Con Edison or CECONY. The term of office of each officer, is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company. Mr. Burke has an employment agreement with Con Edison, which provides for him to serve in his present position through December 31, 2011. The employment agreement provides for automatic one-year extensions of its term, unless notice to the contrary is received six months prior to the end of the term.

Name	Age	Offices and Positions During Past Five Years
Executive Officers of Con Edison and CECONY		
Kevin Burke	60	3/06 to present – Chairman of the Board, President and Chief Executive Officer and Director of Con Edison and Chairman, Chief Executive Officer and Trustee of CECONY 9/05 to 2/06 – President, Chief Executive Officer and Director of Con Edison and Chief Executive Officer and Trustee of CECONY
Craig S. Ivey	48	12/09 to present – President of CECONY 8/07 to 9/09 – Senior Vice President – Transmission & Distribution, Dominion Resources, Inc. 4/06 to 8/07 – Senior Vice President – Electric Distribution, Dominion Resources, Inc. 9/04 to 4/06 – Vice President Electric Operations, Dominion Resources, Inc.
Robert Hoglund	49	9/05 to present – Senior Vice President and Chief Financial Officer of Con Edison and CECONY 6/04 to 10/09 – Chief Financial Officer and Controller of O&R
Elizabeth D. Moore	56	5/09 to present – General Counsel of Con Edison and CECONY 1/95 to 4/09 – Partner, Nixon Peabody LLP
Frances A. Resheske	50	2/02 to present – Senior Vice President – Public Affairs of CECONY
JoAnn Ryan	53	7/06 to present – Senior Vice President – Business Shared Services of CECONY 3/01 to 6/06 – President and CEO, Con Edison Solutions
Luther Tai	62	7/06 to present – Senior Vice President – Enterprise Shared Services of CECONY 9/01 to 6/06 – Senior Vice President – Central Services of CECONY
Gurudatta Nadkarni	45	1/08 to present – Vice President of Strategic Planning 8/06 to 12/07 – Managing Director of Growth Initiatives, Duke Energy Corporation 1/05 to 7/06 – Director of Growth Initiatives, Strategy and Integration, Duke Energy Corporation
Scott Sanders	47	2/10 to present – Vice President and Treasurer of Con Edison and CECONY 1/10 to 2/10 – Vice President – Finance 5/09 to 12/09 – Co-founder and Partner of New Infrastructure Advisors 5/05 to 1/09 – Managing Director - Investment Banking, Bank of America
Robert Muccilo	54	7/09 to present – Vice President and Controller of Con Edison and CECONY 11/09 to present – Chief Financial Officer and Controller of O&R 4/08 to 6/09 – Assistant Controller of CECONY 8/06 to 3/08 – General Manager – Central Field Services of CECONY 9/99 to 7/06 – Assistant Controller of CECONY
Executive Officers of Con Edison but not CECONY		
William G. Longhi	57	2/09 to present – President and Chief Executive Officer of O&R 12/06 to 1/09 – Senior Vice President – Central Operations 8/06 to 11/06 – Vice President – Manhattan Electric Operations 9/01 to 7/06 – Vice President – System and Transmission Operations

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Name	Age	Offices and Positions During Past Five Years
Executive Officers of CECONY but not Con Edison (All offices and positions listed are with CECONY)		
Marilyn Caselli	56	5/05 to present – Senior Vice President – Customer Operations
John McAvoy	50	2/09 to present – Senior Vice President – Central Operations 12/06 to 1/09 – Vice President – System and Transmission Operations
Claude Trahan	58	5/09 to present – Senior Vice President – Gas Operations 2/02 to 5/09 – Vice President – Human Resources
John F. Miksad	51	9/05 to present – Senior Vice President – Electric Operations

Part II

Item 5: Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Con Edison

Con Edison's Common Shares (\$.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange. As of January 31, 2011, there were 62,711 holders of record of Con Edison's Common Shares.

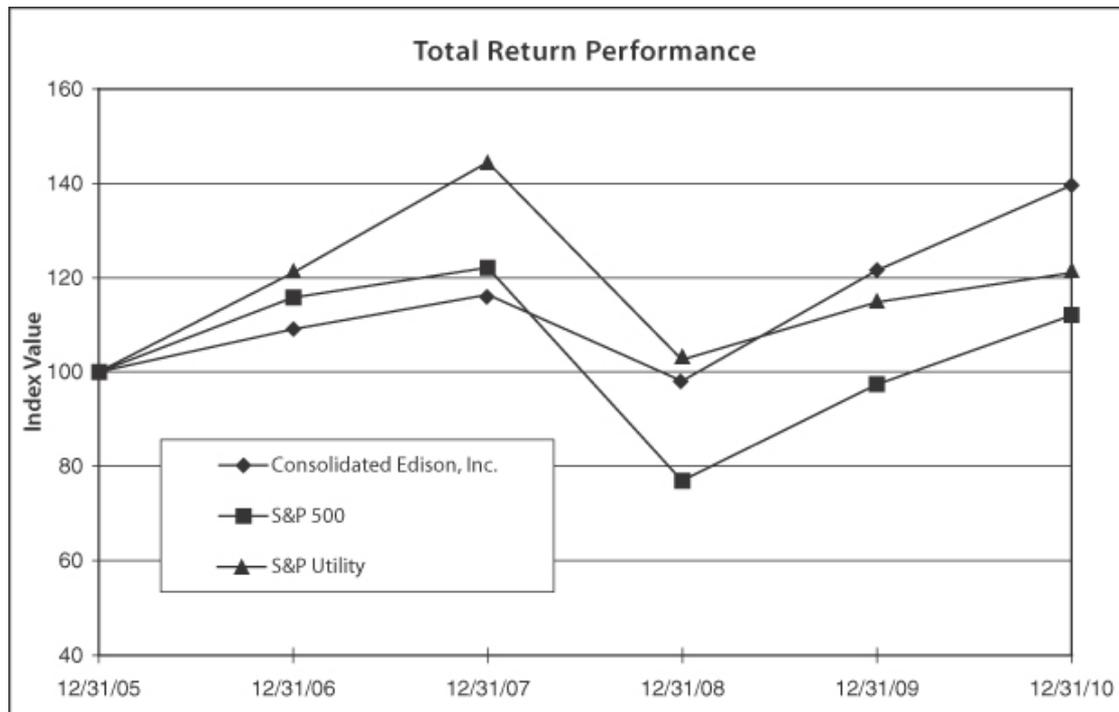
The market price range for Con Edison's Common Shares during 2010 and 2009, as reported in the consolidated reporting system, and the dividends paid by Con Edison in 2010 and 2009 were as follows:

	2010			2009		
	High	Low	Dividends Paid	High	Low	Dividends Paid
1 st Quarter	\$46.45	\$42.09	\$ 0.595	\$41.79	\$32.56	\$ 0.59
2 nd Quarter	\$45.83	\$41.52	\$ 0.595	\$40.00	\$34.36	\$ 0.59
3 rd Quarter	\$48.94	\$42.50	\$ 0.595	\$41.77	\$36.46	\$ 0.59
4 th Quarter	\$51.03	\$47.51	\$ 0.595	\$46.35	\$40.15	\$ 0.59

On January 20, 2011, Con Edison's Board of Directors declared a quarterly dividend of 60 cents per Common Share. The first quarter 2011 dividend will be paid on March 15, 2011.

Con Edison expects to pay dividends to its shareholders primarily from dividends and other distributions it receives from its subsidiaries. The payment of future dividends, which is subject to approval and declaration by Con Edison's Board of Directors, will depend on a variety of factors, including business, financial and regulatory considerations. For additional information see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

During 2010, the market price of Con Edison's Common Shares increased by 9.11 percent (from \$45.43 at year-end 2009 to \$49.87 at year-end 2010). By comparison, the S&P 500 Index and the S&P Utilities Index increased 12.78 percent and 0.86 percent, respectively. The total return to Con Edison's common shareholders during 2010, including both price appreciation and reinvestment of dividends, was 14.98 percent. By comparison, the total returns for the S&P 500 Index and the S&P Utilities Index were 15.08 percent and 5.49 percent, respectively. For the five-year period 2006 through 2010, Con Edison's shareholders' total average annual return was 6.93 percent, compared with total average annual returns for the S&P 500 Index and the S&P Utilities Index of 2.29 percent and 3.89 percent, respectively.



Company/Index	Years Ending					
	2005	2006	2007	2008	2009	2010
Consolidated Edison, Inc.	100.00	109.14	116.40	98.05	121.48	139.60
S&P 500 Index	100.00	115.79	122.16	76.96	97.33	111.99
S&P Utilities	100.00	120.99	144.43	102.58	114.79	121.06

Based on \$100 invested at December 31, 2005, reinvestment of all dividends in equivalent shares of stock and market price changes on all such shares.

CECONY

The outstanding shares of CECONY's Common Stock (\$2.50 par value), the only class of common equity of CECONY, are held by Con Edison and are not traded.

The dividends declared by CECONY in 2010 and 2009 are shown in its Consolidated Statement of Common Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by CECONY, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

Item 6: Selected Financial Data

For selected financial data of Con Edison and CECONY, see “Introduction” appearing before Item 1 (which selected financial data is incorporated herein by reference).

Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations

This combined management’s discussion and analysis of financial condition and results of operations relates to the consolidated financial statements included in this report of two separate registrants: Con Edison and CECONY and should be read in conjunction with the financial statements and the notes thereto. As used in this report, the term the “Companies” refers to Con Edison and CECONY. CECONY is a subsidiary of Con Edison and, as such, information in this management’s discussion and analysis about CECONY applies to Con Edison.

Information in any item of this report referred to in this discussion and analysis is incorporated by reference herein. The use of terms such as “see” or “refer to” shall be deemed to incorporate by reference into this discussion and analysis the information to which reference is made.

Corporate Overview

Con Edison’s principal business operations are those of the Utilities. Con Edison also has competitive energy businesses. See “The Utilities” and “Competitive Energy Businesses” in Item 1. Certain financial data of Con Edison’s businesses is presented below:

<i>(millions of dollars, except percentages)</i>	Twelve months ended December 31, 2010				At December 31, 2010	
	Operating Revenues		Net Income		Assets	
CECONY	\$ 10,573	79%	\$ 893	90%	\$ 32,435	90%
O&R	910	7%	49	5%	2,337	6%
Total Utilities	11,483	86%	942	95%	34,772	96%
Con Edison Development	3	—%	1	—%	467	1%
Con Edison Energy(a)	369	3%	5	1%	96	—%
Con Edison Solutions(a)	1,520	11%	60	6%	295	1%
Other(b)	(50)	—%	(16)	(2)%	516	2%
Total Con Edison	\$ 13,325	100%	\$ 992	100%	\$ 36,146	100%

(a) Net income from the competitive energy businesses for the twelve months ended December 31, 2010 includes \$11 million of net after-tax mark-to-market gains (Con Edison Energy, \$11 million).

(b) Represents inter-company and parent company accounting. See “Results of Operations,” below.

Con Edison’s net income for common stock in 2010 was \$992 million or \$3.49 a share (\$3.47 on a diluted basis). Net income for common stock in 2009 and 2008 was \$868 million or \$3.16 a share (\$3.14 on a diluted basis) and \$1,196 million or \$4.38 a share (\$4.37 on a diluted basis), respectively. See “Results of Operations – Summary,” below. For segment financial information, see Note N to the financial statements in Item 8 and “Results of Operations,” below.

Results of Operations — Summary

Net income for the years ended December 31, 2010, 2009 and 2008 was as follows:

<i>(millions of dollars)</i>	2010	2009	2008
CECONY	\$893	\$781	\$ 783
O&R	49	43	44
Competitive energy businesses(a)	66	59	73
Other(b)	(16)	(15)	22
Total continuing operations	992	868	922
Discontinued operations(c)	—	—	274
Con Edison	\$992	\$868	\$1,196

(a) Includes \$11 million, \$19 million and \$(59) million of net after-tax mark-to-market gains/(losses) in 2010, 2009 and 2008, respectively. In 2008, also includes \$131 million after-tax from the gain on sale of Con Edison Development’s ownership interests in electricity generating plants. See Note U to the financial statements in Item 8.

(b) Consists of inter-company and parent company accounting. In 2008, also includes \$30 million of after-tax net income related to the resolution of Con Edison’s legal proceeding with Northeast Utilities. See “Results of Operations,” below.

(c) Represents the discontinued operations of certain of Con Edison Development’s ownership interests in electricity generating plants. See Note U to the financial statements in Item 8.

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The Companies' results of operations for 2010, as compared with 2009, reflect changes in the Utilities' rate plans (including additional revenues designed to recover expected increases in certain operations and maintenance expenses, depreciation and property taxes and interest charges), and the operating results of the competitive energy businesses (including net mark-to-market effects). The results of operations for 2010 as compared with 2009 include a higher allowed electric return on common equity for CECONY. Operations and maintenance expenses were higher in 2010 compared with 2009 reflecting primarily higher costs for demand side management programs and employee health insurance, offset in part by savings in operating expenses through cost control efforts. The increase also reflects higher New York State assessments that are collected from customers and higher costs for pension and other postretirement benefits. Depreciation and property taxes were higher in 2010 compared with 2009 reflecting primarily the impact from higher utility plant balances.

The following table presents the estimated effect on earnings per share and net income for common stock for 2010 as compared with 2009 and 2009 as compared with 2008, resulting from these and other major factors:

	2010 vs. 2009		2009 vs. 2008	
	Earnings per Share	Net Income (Millions of Dollars)	Earnings per Share	Net Income (Millions of Dollars)
CECONY				
Rate plans, primarily to recover increases in certain costs	\$ 1.48	\$ 410	\$ 1.28	\$ 351
Operations and maintenance expense	(0.67)	(184)	(0.62)	(169)
Depreciation and property taxes	(0.41)	(116)	(0.55)	(151)
Net interest expense	0.02	6	(0.14)	(38)
Other (includes dilutive effect of new stock issuances)	(0.12)	(5)	—	5
Total CECONY	0.30	111	(0.03)	(2)
O&R	0.01	6	—	(1)
Competitive energy businesses				
Earnings excluding net mark-to-market effects, gain on the sale of ownership interests in electricity generating plants and discontinued operations	0.05	15	0.15	39
Net mark-to-market effects	(0.03)	(8)	0.29	78
Gain on the sale of ownership interests in electricity generating plants and discontinued operations	—	—	(1.49)	(405)
Total competitive energy businesses	0.02	7	(1.05)	(288)
Northeast Utilities litigation settlement	—	—	(0.11)	(30)
Other, including parent company expenses	—	—	(0.03)	(7)
Total variations	\$ 0.33	\$ 124	\$ (1.22)	\$ (328)

See "Results of Operations" below for further discussion and analysis of results of operations.

Risk Factors

The Companies' businesses are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition. See "Risk Factors" in Item 1A.

Application of Critical Accounting Policies

The Companies' financial statements reflect the application of their accounting policies, which conform to accounting principles generally accepted in the United States of America. The Companies' critical accounting policies include industry-specific accounting applicable to regulated public utilities and accounting for pensions and other postretirement benefits, contingencies, long-lived assets, derivative instruments, goodwill and leases.

Accounting for Regulated Public Utilities

The Utilities are subject to the accounting rules for regulated operations and the accounting requirements of the FERC and the state public utility regulatory commissions having jurisdiction.

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to

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cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or “regulatory assets” under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or “regulatory liabilities” under the accounting rules for regulated operations.

The Utilities’ principal regulatory assets and liabilities are listed in Note B to the financial statements in Item 8. The Utilities are each receiving or being credited with a return on all regulatory assets for which a cash outflow has been made. The Utilities are each paying or being charged with a return on all regulatory liabilities for which a cash inflow has been received. The regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

In the event that regulatory assets of the Utilities were no longer probable of recovery, as required by the accounting rules for regulated operations, these regulatory assets would be charged to earnings. At December 31, 2010, the regulatory assets for Con Edison and CECONY were \$7,846 million and \$7,209 million, respectively.

Accounting for Pensions and Other Postretirement Benefits

The Utilities provide pensions and other postretirement benefits to substantially all of their employees and retirees. Con Edison’s competitive energy businesses also provide such benefits to certain of their employees. The Companies account for these benefits in accordance with the accounting rules for retirement benefits. In addition, the Utilities apply the accounting rules for regulated operations to account for the regulatory treatment of these obligations (which, as described in Note B to the financial statements in Item 8, reconciles the amounts reflected in rates for the costs of the benefit to the costs actually incurred). In applying these accounting policies, the Companies have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, discount rates, health care cost trends and future compensation. See Notes A, E and F to the financial statements in Item 8 for information about the Companies’ pension and other postretirement benefits, the actuarial assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2010, 2009 and 2008.

The cost of pension and other postretirement benefits in future periods will depend on actual returns on plan assets, assumptions for future periods, contributions and benefit experience. Con Edison’s and CECONY’s current estimates for 2011 are increases, compared with 2010, in their pension and other postretirement benefits cost of \$110 million and \$103 million, respectively. The discount rates used to determine 2011 pension and other postretirement benefit accounting costs are 5.60 percent and 5.40 percent, respectively, and the expected return on plan assets (tax-exempt assets for postretirement benefit accounting costs) is 8.50 percent.

The discount rate for determining the present value of future period benefit payments is determined using a model to match the durations of highly-rated (Aa and Aaa, by Moody’s) corporate bonds with the projected stream of benefit payments.

In determining the health care cost trend rate, the Companies review actual recent cost trends and projected future trends.

The following table illustrates the effect on 2011 pension and other postretirement costs of changing the critical actuarial assumptions discussed above, while holding all other actuarial assumptions constant:

Actuarial Assumption	Change in Assumption	Pension	Other Postretirement Benefits	Total
		<i>(millions of dollars)</i>		
Increase in accounting cost:				
Discount rate				
Con Edison	(0.25%)	\$ 30	\$ 5	\$ 35
CECONY	(0.25%)	\$ 28	\$ 4	\$ 32
Expected return on plan assets				
Con Edison	(0.25%)	\$ 20	\$ 3	\$ 23
CECONY	(0.25%)	\$ 19	\$ 2	\$ 21
Health care trend rate				
Con Edison	1.00%	\$ —	\$ 5	\$ 5
CECONY	1.00%	\$ —	\$ —	\$ —
Increase in projected benefit obligation:				
Discount rate				
Con Edison	(0.25%)	\$ 321	\$ 47	\$ 368
CECONY	(0.25%)	\$ 301	\$ 40	\$ 341
Health care trend rate				
Con Edison	1.00%	\$ —	\$ 27	\$ 27
CECONY	1.00%	\$ —	\$ 3	\$ 3

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A 5.0 percentage point variation in the actual annual return in 2011, as compared with the expected annual asset return of 8.50 percent, would change pension and other postretirement benefit costs for both Con Edison and CECONY by approximately \$19 million and \$18 million, respectively, in 2012.

Pension benefits are provided through a pension plan maintained by Con Edison to which CECONY, O&R and the competitive energy businesses make contributions for their participating employees. Pension accounting by the Utilities includes an allocation of plan assets.

The Companies' policy is to fund their pension and other postretirement benefit accounting costs to the extent tax deductible, and for the Utilities, to the extent these costs are recovered under their rate agreements. The Companies were not required to make cash contributions to the pension plan in 2010 under funding regulations and tax laws. However, CECONY and O&R made discretionary contributions to the plan in 2010 of \$429 million and \$39 million, respectively, and expect to make discretionary contributions in 2011 for CECONY and O&R of \$502 million and \$41 million, respectively. See "Expected Contributions" in Notes E and F to the financial statements in Item 8.

Accounting for Contingencies

The accounting rules for contingencies apply to an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Known material contingencies, which are described in the notes to the financial statements, include the Utilities' responsibility for hazardous substances, such as asbestos, PCBs and coal tar that have been used or generated in the course of operations (Note G); certain tax matters (Notes J and L); and other contingencies (Note H). In accordance with the accounting rules, the Companies have accrued estimates of losses relating to the contingencies as to which loss is probable and can be reasonably estimated and no liability has been accrued for contingencies as to which loss is not probable or cannot be reasonably estimated.

The Utilities generally recover costs for asbestos lawsuits, workers' compensation and environmental remediation pursuant to their current rate plans. Changes during the terms of the rate plans to the amounts accrued for these contingencies would not impact earnings.

Accounting for Long-Lived Assets

The accounting rules for property, plant and equipment require that certain long-lived assets must be tested for recoverability whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The carrying amount of a long-lived asset is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Under the accounting rules an impairment loss is recognized if the carrying amount is not recoverable from such cash flows, and exceeds its fair value, which approximates market value.

Accounting for Goodwill

In accordance with the accounting rules for goodwill and intangible assets, Con Edison is required to test goodwill for impairment annually. See Notes K and T to the financial statements in Item 8. Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill.

Goodwill was \$429 million at December 31, 2010. The most recent test, which was performed during the first quarter of 2010, did not require any second-step assessment and did not result in any impairment. The company's most significant assumptions surrounding the goodwill impairment test relate to the estimates of reporting unit fair values. The company estimated fair values based primarily on discounted cash flows and on market values for a proxy group of companies.

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Accounting for Derivative Instruments

The Companies apply the accounting rules for derivatives and hedging to their derivative financial instruments. The Companies use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase and sale of electricity and gas and interest rate risk on certain debt securities. The Utilities are permitted by their respective regulators to reflect in rates all reasonably incurred gains and losses on these instruments. See “Financial and Commodity Market Risks,” below and Note O to the financial statements in Item 8.

Where the Companies are required to make mark-to-market estimates pursuant to the accounting rules, the estimates of gains and losses at a particular period end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of a transaction. Substantially all of the estimated gains or losses are based on prices supplied by external sources such as the fair value of exchange traded futures and options and the fair value of positions for which price quotations are available through or derived from brokers or other market sources.

Accounting for Leases

The Companies apply the accounting rules for leases and other related pronouncements to their leasing transactions. See Note J to the financial statements in Item 8 for information about Con Edison Development’s “Lease In/Lease Out” or LILLO transactions, a disallowance of tax losses by the IRS and a favorable court decision in the company’s litigation with the IRS. In accordance with the accounting rules, Con Edison accounted for the two LILLO transactions as leveraged leases. Accordingly, the company’s investment in these leases, net of non-recourse debt, is carried as a single amount in Con Edison’s consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive, based upon the after-tax cash flows projected at the inception of the leveraged leases.

Liquidity and Capital Resources

The Companies’ liquidity reflects cash flows from operating, investing and financing activities, as shown on their respective consolidated statement of cash flows and as discussed below.

The principal factors affecting Con Edison’s liquidity are its investments in the Utilities, the dividends it pays to its shareholders and the dividends it receives from the Utilities and cash flows from financing activities discussed below.

The principal factors affecting CECONY’s liquidity are its cash flows from operating activities, cash used in investing activities (including construction expenditures), the dividends it pays to Con Edison and cash flows from financing activities discussed below.

The Companies generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Companies repay their short-term borrowings using funds from long-term financings and operating activities. The Utilities’ cost of capital, including working capital, is reflected in the rates they charge to their customers.

Each of the Companies believes that it will be able to meet its reasonably likely short-term and long-term cash requirements. See “The Companies Require Access to Capital Market to Satisfy Funding Requirements” and “The Companies Also Face Other Risks That Are Beyond Their Control” in Item 1A, “Application of Critical Accounting Policies – Accounting for Contingencies,” above, and “Utility Regulation” in Item 1.

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Changes in the Companies' cash and temporary cash investments resulting from operating, investing and financing activities for the years ended December 31, 2010, 2009 and 2008 are summarized as follows:

Con Edison

<i>(millions of dollars)</i>	2010	2009	Variance 2010 vs. 2009	2008	Variance 2009 vs. 2008
Operating activities	\$ 2,381	\$ 2,466	\$ (85)	\$ 640	\$ 1,826
Investing activities	(2,175)	(2,360)	185	(1,071)	(1,289)
Financing activities	(128)	80	(208)	295	(215)
Net change	78	186	(108)	(136)	322
Balance at beginning of period	260	74	186	210	(136)
Balance at end of period	\$ 338	\$ 260	\$ 78	\$ 74	\$ 186

CECONY

<i>(millions of dollars)</i>	2010	2009	Variance 2010 vs. 2009	2008	Variance 2009 vs. 2008
Operating activities	\$ 2,205	\$ 2,222	\$ (17)	\$ 1,036	\$ 1,186
Investing activities	(1,998)	(2,108)	110	(2,448)	340
Financing activities	(260)	(20)	(240)	1,328	(1,348)
Net change	(53)	94	(147)	(84)	178
Balance at beginning of period	131	37	94	121	(84)
Balance at end of period	\$ 78	\$ 131	\$ (53)	\$ 37	\$ 94

Cash Flows from Operating Activities

The Utilities' cash flows from operating activities reflect principally their energy sales and deliveries and cost of operations. The volume of energy sales and deliveries is dependent primarily on factors external to the Utilities, such as growth of customer demand, weather, market prices for energy, economic conditions and measures that promote energy efficiency. Under the revenue decoupling mechanisms in CECONY's electric and gas rate plans and O&R's New York electric and gas rate plans, changes in delivery volumes from levels assumed when rates were approved may affect the timing of cash flows but not net income. See Note B to the financial statements in Item 8. The prices at which the Utilities provide energy to their customers are determined in accordance with their rate agreements. In general, changes in the Utilities' cost of purchased power, fuel and gas may affect the timing of cash flows but not net income because the costs are recovered in accordance with rate agreements. See "Recoverable Energy Costs" in Note A to the financial statements in Item 8.

The Companies' cash flows from operating activities also reflect the timing of the deduction for income tax purposes of their construction expenditures. Cash paid by Con Edison for income taxes, net of any refunds received was \$(25) million, \$5 million and \$394 million in 2010, 2009 and 2008, respectively (including \$(18) million, \$18 million and \$(1) million for CECONY in 2010, 2009 and 2008, respectively). For 2010 and 2009, the Companies had no current federal income tax liability as a result, among other things, of the bonus depreciation provisions of the American Recovery and Reinvestment Act of 2009, the Small Business Jobs Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. In addition, the company changed its method of determining the timing of deduction of certain repairs to utility plant. See Note L to the financial statements in Item 8. The Companies expect that they also will have no 2011 current federal income tax liability.

Net income is the result of cash and non-cash (or accrual) transactions. Only cash transactions affect the Companies' cash flows from operating activities. Principal non-cash charges include depreciation, deferred income tax expense and net derivative losses. Principal non-cash credits include amortizations of

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certain net regulatory liabilities and the 2008 pre-tax gain on the sale of Con Edison Development's ownership interests in electricity generating plants. Non-cash charges or credits may also be accrued under the revenue decoupling and cost reconciliation mechanisms in the Utilities' electric and gas rate plans in New York. See "Rate Agreements – CECONY– Electric and O&R – Electric" in Note B to the financial statements in Item 8.

Net cash flows from operating activities in 2010 for Con Edison and CECONY were \$85 million and \$17 million lower, respectively, than in 2009. The decreases in net cash flows reflect the January 2010 semi-annual payment of CECONY's New York City property taxes. A comparable semi-annual payment was not made in January 2009 because the company paid its 2008-2009 New York City fiscal year property taxes in July 2008.

Net cash flows from operating activities in 2009 for Con Edison and CECONY were \$1,826 million and \$1,186 million higher, respectively, than in the 2008 period. The increases in net cash flows reflect the January 2008 semi-annual payment and July 2008 annual payment of CECONY's New York City property taxes, compared with a semi-annual payment in July 2009. The Company achieved a 1.5 percent reduction in its New York City property taxes for the fiscal year ending June 30, 2009 by prepaying the annual tax amount in July 2008. The increase is offset by the effect of changes in commodity prices on cash collateral requirements under the Companies' derivative instruments. For Con Edison, the increase also reflects the 2008 payment of income taxes on the gain on the sale of Con Edison Development's ownership interests in electricity generating plants.

The change in net cash flows also reflects the timing of payments for and recovery of energy costs. This timing issue is reflected within changes to accounts receivable – customers, recoverable energy costs and accounts payable balances.

The changes in regulatory assets principally reflect changes in deferred pension costs in accordance with the accounting rules for retirement benefits and changes in future federal income taxes associated with increased removal costs. See Notes A, B and E to the financial statements in Item 8.

Cash Flows Used in Investing Activities

Net cash flows used in investing activities for Con Edison and CECONY were \$185 million and \$110 million lower, respectively, in 2010 than in 2009. The decrease reflects primarily decreased construction expenditures in 2010, offset in part for CECONY by repayment of loans by O&R to CECONY in 2009. See Note S to the financial statements in Item 8.

Net cash flows used in investing activities for Con Edison in 2009 were \$1,289 million higher compared with 2008. The increase reflects primarily the absence of, in 2009, proceeds from the sale of Con Edison Development's ownership interests in electricity generating plants in 2008, offset in part by decreased construction expenditures in 2009. Net cash flows used in investing activities for CECONY were \$340 million lower in 2009 compared with 2008 reflecting primarily decreased construction expenditures and the repayment of loans by O&R. See Note S to the financial statements in Item 8.

Cash Flows from Financing Activities

Net cash flows from financing activities in 2010 for Con Edison and CECONY were \$208 million and \$240 million lower, respectively, than in 2009. In 2009, cash flows from financing activities for Con Edison and CECONY were \$215 million and \$1,348 lower, respectively, than in 2008.

Con Edison's cash flows from financing activities for the years ended December 31, 2010 and 2009, reflect the issuance through public offerings of 6.3 million and 5.0 million Con Edison common shares resulting in net proceeds of \$305 million and \$213 million, respectively. The proceeds from these offerings were invested by Con Edison in CECONY. For CECONY, cash flows from financing activities in 2008 also reflect a \$752 million capital contribution from Con Edison.

Cash flows from financing activities for 2010, 2009 and 2008 also reflect the issuance of Con Edison common shares through its dividend reinvestment and employee

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stock plans (2010: 4.2 million shares for \$133 million, 2009: 2.4 million shares for \$68 million, 2008: 1.7 million shares for \$42 million). In addition, as a result of the stock plan issuances, cash used to pay common stock dividends was reduced by \$48 million in 2010 and 2009 and \$21 million in 2008.

Net cash flows from financing activities during the years ended December 31, 2010, 2009 and 2008 also reflect the following CECONY transactions:

2010

- Issued \$350 million 4.45% 10-year debentures and \$350 million 5.70% 30-year debentures;
- Redeemed at maturity \$325 million 8.125% 10-year debentures and \$300 million 7.50% 10-year debentures; and
- Issued \$224.6 million of 1.45%, tax-exempt debt (subject to mandatory tender in 2012); the proceeds of which were used to refund 4.70% tax-exempt debt (that was also subject to redemption in 2012).

2009

- Issued \$275 million 5.55% 5-year debentures, \$475 million 6.65% 10-year debentures and \$600 million 5.50% 30-year debentures, the proceeds of which were used to redeem in advance of maturity \$105 million 7.10% debentures and \$75 million 6.90% debentures due 2028, to repay short-term borrowings and for other general corporate purposes; and
- Redeemed at maturity \$275 million 4.70% 5-year debentures and \$200 million 7.15% 10-year debentures.

2008

- Issued \$600 million 5.85% 10-year debentures, \$600 million 6.75% 30-year debentures and \$600 million 7.125% 10-year debentures, the proceeds of which were used to repay short-term borrowings and for other general corporate purposes; and
- Redeemed at maturity \$180 million 6.25% 10-year debentures and \$100 million 6.15% 10-year debentures.

In 2008, Con Edison issued \$326 million of unsecured notes in exchange for a like amount of secured project debt and redeemed at maturity \$200 million 3.625% 5-year debentures.

Con Edison's net cash flows from financing activities also reflect the following O&R transactions:

2010

- Issued \$115 million 5.50% 30-year debentures;
- Redeemed in advance of maturity \$45 million 7.00% 30-year debentures due 2029;
- Issued \$55 million 2.50% 5-year debentures; the proceeds of which were used to purchase and cancel \$55 million variable rate, tax-exempt debt that was due in 2014; and
- Redeemed at maturity \$55 million 7.50% 10-year debentures.

2009

- Issued \$60 million 4.96% 10-year debentures and \$60 million 6.00% 30-year debentures, the proceeds of which were used to redeem (in January 2010) \$45 million 7.00% debentures due 2029, to repay short-term debt and for other general corporate purposes.

2008

- Issued \$50 million 6.15% 10-year debentures, the net proceeds of which were used for general corporate purposes, including repayment of short-term debt.

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Cash flows from financing activities of the Companies also reflect commercial paper issuance (included on the consolidated balance sheets as “Notes payable”). The commercial paper amounts outstanding at December 31, 2010, 2009 and 2008 and the average daily balances for 2010, 2009 and 2008 for Con Edison and CECONY were as follows:

<i>(millions of dollars, except weighted average yield)</i>	2010		2009		2008	
	Outstanding at December 31	Daily average	Outstanding at December 31	Daily average	Outstanding at December 31	Daily average
Con Edison	\$ —	\$ 370	\$ —	\$ 277	\$ 363	\$ 517
CECONY	\$ —	\$ 352	\$ —	\$ 169	\$ 253	\$ 380
Weighted average yield	—%	0.4%	—%	0.4%	2.4%	3.4%

Common stock issuances and external borrowings are sources of liquidity that could be affected by changes in credit ratings, financial performance and capital market conditions. For information about the Companies’ credit ratings and certain financial ratios, see “Capital Requirements and Resources” in Item 1.

Other Changes in Assets and Liabilities

The following table shows changes in certain assets and liabilities at December 31, 2010, compared with December 31, 2009.

<i>(millions of dollars)</i>	Con Edison 2010 vs. 2009 Variance	CECONY 2010 vs. 2009 Variance
Assets		
Prepayments	\$ 210	\$ —
Accounts receivable from affiliated companies	—	125
Regulatory asset – Environmental remediation costs	303	241
Regulatory asset – Unrecognized pension and other postretirement costs	(101)	(107)
Liabilities		
Deferred income taxes and investment tax credits	993	932
Superfund and other environmental costs	300	233
Pension and retiree benefits	(76)	(78)

Prepayments, Accounts Receivable from Affiliated Companies and Deferred Income Taxes and Investment Tax Credits

The increase in prepayments for Con Edison, and in accounts receivable from affiliated companies for CECONY, reflects estimated federal income tax payments by the company that were made prior to the determination that the company had no current federal income tax liability for 2010. See “Cash Flows from Operating Activities,” above and Note L to the financial statements in Item 8.

The increase in the liability for deferred income taxes and investment tax credits reflects the timing of the deduction of expenditures for utility plant which resulted in amounts being collected from customers to pay income taxes in advance of when the income tax payments will be required. See “Cash Flows from Operating Activities,” above.

Regulatory Asset for Environmental Remediation Costs and Liability for Superfund and Other Environmental Costs

The increase in the regulatory asset for environmental remediation costs and Superfund and other environmental costs liability reflects an increased estimate of costs for site investigation and remediation. See Note G to the financial statements in Item 8.

Regulatory Asset for Unrecognized Pension and Other Postretirement Costs and Non-current Liability for Pension and Retiree Benefits

The decreases in the regulatory asset for unrecognized pension and other postretirement benefit costs and the non-current liability for pension and retiree benefits reflects the final actuarial valuation of the underfunding of the pension and other retiree benefit plans as measured at December 31, 2010 in accordance with the accounting rules for pensions and the year’s amortization of accounting costs. The decrease in the non-current liability for pension and retiree benefits also reflects the contributions to the pension plan made by CECONY in 2010. See Notes B, E and F to the financial statements in Item 8.

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Capital Requirements and Resources

For information about capital requirements, contractual obligations and capital resources, see “Capital Requirements and Resources” in Item 1.

Regulatory Matters

For information about the Utilities’ rate plans and other regulatory matters affecting the Companies, see “Utility Regulation” in Item 1 and Note B to the financial statements in Item 8.

Financial and Commodity Market Risks

The Companies are subject to various risks and uncertainties associated with financial and commodity markets. The most significant market risks include interest rate risk, commodity price risk, credit risk and investment risk.

Interest Rate Risk

The interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including the construction expenditures of the Utilities and maturing debt securities. Con Edison and its businesses manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. Con Edison and CECONY estimate that at December 31, 2010, a 10 percent variation in interest rates applicable to its variable rate debt would not result in a material change in annual interest expense. Under CECONY’s current gas, steam and (beginning in April 2011) electric rate plans and O&R’s current New York gas rate plan, variations in long-term debt costs are reconciled to levels reflected in rates. Under O&R’s current New York electric rate plan, variations in variable tax-exempt debt interest expense are reconciled to the level set in rates.

In addition, from time to time, Con Edison and its businesses enter into derivative financial instruments to hedge interest rate risk on certain debt securities. See “Interest Rate Swaps” in Note O to the financial statements in Item 8.

Commodity Price Risk

Con Edison’s commodity price risk relates primarily to the purchase and sale of electricity, gas and related derivative instruments. The Utilities and Con Edison’s competitive energy businesses have risk management strategies to mitigate their related exposures. See Note O to the financial statements in Item 8.

Con Edison estimates that, as of December 31, 2010, a 10 percent decline in market prices would result in a decline in fair value of \$106 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which \$85 million is for CECONY and \$21 million is for O&R. Con Edison expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In accordance with provisions approved by state regulators, the Utilities generally recover from customers the costs they incur for energy purchased for their customers, including gains and losses on certain derivative instruments used to hedge energy purchased and related costs. See “Recoverable Energy Costs” in Note A to the financial statements in Item 8.

Con Edison’s competitive energy businesses use a value-at-risk (VaR) model to assess the market risk of their electricity and gas commodity fixed-price purchase and sales commitments, physical forward contracts and commodity derivative instruments. VaR represents the potential change in fair value of instruments or the portfolio due to changes in market factors, for a specified time period and confidence level. These businesses estimate VaR across their electricity and natural gas commodity businesses using a delta-normal variance/covariance model with a 95 percent confidence level. Since the VaR calculation involves complex methodologies and estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. VaR for transactions associated with hedges on generating assets and commodity contracts, assuming a one-day holding period, for the years ended December 31, 2010, and 2009, respectively, was as follows:

95% Confidence Level, One-Day Holding Period

	2010	2009
	<i>(millions of dollars)</i>	
Average for the period	\$ 1	\$ 1
High	1	2
Low	—	—

Credit Risk

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the competitive energy businesses. Credit risk relates to the loss that may result from a counterparty's nonperformance. The Companies use credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements and collateral or prepayment arrangements, credit insurance and credit default swaps. The Companies measure credit risk exposure as the replacement cost for open energy commodity and derivative positions plus amounts owed from counterparties for settled transactions. The replacement cost of open positions represents unrealized gains, net of any unrealized losses where the company has a legally enforceable right of setoff.

The Utilities had \$38 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at December 31, 2010, of which \$2 million was with investment grade counterparties and \$36 million was with commodity exchange brokers.

Con Edison's competitive energy businesses had \$119 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at December 31, 2010, of which \$74 million was with investment grade counterparties, \$19 million was with commodity exchange brokers and \$26 million was with independent system operators.

Investment Risk

The Companies' investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans. See "Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits," above. The Companies' current investment policy for pension plan assets includes investment targets of 65 percent equities and 35 percent fixed income and other securities. At December 31, 2010, the pension plan investments consisted of 67 percent equity and 33 percent fixed income and other securities.

Environmental Matters

For information concerning climate change, environmental sustainability, potential liabilities arising from laws and regulations protecting the environment and other environmental matters, see "Environmental Matters" in Item 1 and Note G to the financial statements in Item 8.

Impact of Inflation

The Companies are affected by the decline in the purchasing power of the dollar caused by inflation. Regulation permits the Utilities to recover through depreciation only the historical cost of their plant assets even though in an inflationary economy the cost to replace the assets upon their retirement will substantially exceed historical costs. The impact is, however, partially offset by the repayment of the Companies' long-term debt in dollars of lesser value than the dollars originally borrowed.

Material Contingencies

For information concerning potential liabilities arising from the Companies' material contingencies, see "Application of Critical Accounting Policies – Accounting for Contingencies," above, and Notes B, G, H, J and L to the financial statements in Item 8.

Results of Operations

Results of operations reflect, among other things, the Companies' accounting policies (see "Application of Critical Accounting Policies," above) and rate plans that limit the rates the Utilities can charge their customers (see "Utility Regulation" in Item 1). Under the revenue decoupling mechanisms currently applicable to CECONY's electric and gas businesses and O&R's electric and gas businesses in New York, the Utilities' delivery revenues generally will not be affected by changes in delivery volumes from levels assumed when rates were approved. Revenues for CECONY's steam business and O&R's businesses in New Jersey and Pennsylvania are affected by changes in delivery volumes resulting from weather, economic conditions and other factors. See Note B to the financial statements in Item 8.

The Companies' results of operations for 2010, as compared with 2009, reflect changes in the Utilities'

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rate plans (including additional revenues designed to recover expected increases in certain operations and maintenance expenses, depreciation and property taxes and interest charges), and the operating results of the competitive energy businesses (including net mark-to-market effects). The results of operations for 2010 as compared with 2009 include a higher allowed electric return on common equity for CECONY. Operations and maintenance expenses were higher in 2010 compared with 2009 reflecting primarily higher costs for demand side management programs and employee health insurance, offset in part by savings in operating expenses through cost control efforts. The increases also reflect higher New York State assessments that are collected from customers and higher costs for pension and other postretirement benefits. Depreciation and property taxes were higher in 2010 compared with 2009 reflecting primarily the impact from higher utility plant balances. For additional information about major factors affecting earnings, see “Results of Operations – Summary,” above.

In general, the Utilities recover on a current basis the fuel, gas purchased for resale and purchased power costs they incur in supplying energy to their full-service customers (see “Recoverable Energy Costs” in Note A and “Regulatory Matters” in Note B to the financial statements in Item 8). Accordingly, such costs do not generally affect the Companies’ results of operations. Management uses the term “net revenues” (operating revenues less such costs) to identify changes in operating revenues that may affect the Companies’ results of operations. Management believes that, although “net revenues” may not be a measure determined in accordance with accounting principles generally accepted in the United States of America, the measure facilitates the analysis by management and investors of the Companies’ results of operations.

A discussion of the results of operations by principal business segment for the years ended December 31, 2010, 2009 and 2008 follows. For additional business segment financial information, see Note N to the financial statements in Item 8.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

The Companies’ results of operations (which were discussed above under “Results of Operations – Summary”) in 2010 compared with 2009 were:

	CECONY		O&R		Competitive Energy Businesses and Other(a)		Con Edison(b)	
	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
<i>(millions of dollars)</i>								
Operating revenues	\$ 537	5.4%	\$ 20	2.2%	\$ (264)	(12.5)%	\$ 293	2.2%
Purchased power	100	3.9	7	2.1	(270)	(14.5)	(163)	(3.4)
Fuel	(45)	(8.9)	N/A	N/A	—	—	(45)	(8.9)
Gas purchased for resale	(266)	(32.5)	(37)	(27.2)	1	11.1	(302)	(31.4)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	748	12.2	50	11.7	5	2.2	803	11.8
Other operations and maintenance	329	15.1	28	11.3	(2)	(1.6)	355	13.9
Depreciation and amortization	43	5.8	2	4.8	4	80.0	49	6.2
Taxes, other than income taxes	170	11.4	4	8.9	4	28.6	178	11.5
Operating income	206	12.0	16	17.4	(1)	(1.1)	221	11.6
Other income less deductions	(7)	(21.2)	—	—	16	Large	9	29.0
Net interest expense	(4)	(0.7)	7	25.0	(5)	(16.7)	(2)	(0.3)
Income, before taxes	203	17.0	9	13.6	20	35.1	232	17.6
Incomes taxes	91	22.5	3	13.0	14	Large	108	24.5
Net income for common stock	\$ 112	14.3%	\$ 6	14.0%	\$ 6	13.6%	\$ 124	14.3%

(a) Includes inter-company and parent company accounting.

(b) Represents the consolidated financial results of Con Edison and its businesses.

CECONY

(millions of dollars)	Twelve Months Ended December 31, 2010				Twelve Months Ended December 31, 2009				2010- 2009 Variation
	Electric	Gas	Steam	2010 Total	Electric	Gas	Steam	2009 Total	
Operating revenues	\$ 8,376	\$ 1,541	\$ 656	\$10,573	\$ 7,674	\$ 1,701	\$ 661	\$10,036	\$ 537
Purchased power	2,629	—	54	2,683	2,529	—	54	2,583	100
Fuel	256	—	202	458	247	—	256	503	(45)
Gas purchased for resale	—	552	—	552	—	818	—	818	(266)
Net revenues	5,491	989	400	6,880	4,898	883	351	6,132	748
Operations and maintenance	1,963	368	184	2,515	1,734	281	171	2,186	329
Depreciation and amortization	623	102	62	787	587	98	59	744	43
Taxes, other than income taxes	1,356	209	91	1,656	1,209	195	82	1,486	170
Operating income	\$ 1,549	\$ 310	\$ 63	\$ 1,922	\$ 1,368	\$ 309	\$ 39	\$ 1,716	\$ 206

Electric

CECONY's results of electric operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

(millions of dollars)	Twelve Months Ended		Variation
	December 31, 2010	December 31, 2009	
Operating revenues	\$ 8,376	\$ 7,674	\$ 702
Purchased power	2,629	2,529	100
Fuel	256	247	9
Net revenues	5,491	4,898	593
Operations and maintenance	1,963	1,734	229
Depreciation and amortization	623	587	36
Taxes, other than income taxes	1,356	1,209	147
Electric operating income	\$ 1,549	\$ 1,368	\$ 181

CECONY's electric sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

Description	Millions of kWhs Delivered				Revenues in Millions			
	Twelve Months Ended		Variation	Percent Variation	Twelve Months Ended		Variation	Percent Variation
	December 31, 2010	December 31, 2009			December 31, 2010	December 31, 2009		
Residential/Religious(a)	11,518	10,952	566	5.2%	\$ 2,977	\$ 2,583	\$ 394	15.3%
Commercial/Industrial	12,559	12,457	102	0.8	2,557	2,444	113	4.6
Retail access customers	23,098	21,859	1,239	5.7	2,123	1,855	268	14.4
NYPA, Municipal Agency and other sales	11,518	11,399	119	1.0	550	457	93	20.4
Other operating revenues	—	—	—	—	169	335	(166)	(49.6)
Total	58,693	56,667	2,026	3.6%	\$ 8,376	\$ 7,674	\$ 702	9.1%

(a) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

CECONY's electric operating revenues increased \$702 million in 2010 compared with 2009 due primarily to the electric rate plans (\$772 million, which among other things, reflected a 10.15 percent return on common equity, effective April 2010, a 10.0 percent return, effective April 2009 and a 9.1 percent return, effective April 2008) and higher purchased power costs (\$100 million), offset in part by the accrual for the revenue decoupling mechanism (a reduction of \$124 million of revenues in 2010 compared with increased revenues of \$116 million in 2009). CECONY's revenues from electric sales are subject to a revenue

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decoupling mechanism, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved. Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.

Electric delivery volumes in CECONY's service area increased 3.6 percent in 2010 compared with 2009. After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY's service area increased 0.5 percent in 2010 compared with 2009.

CECONY's electric purchased power costs increased \$100 million in 2010 compared with 2009 due to an increase in unit costs (\$110 million), offset by a decrease in purchased volumes (\$10 million). Electric fuel costs increased \$9 million in 2010 compared with 2009 due to higher sendout volumes from the company's electric generating facilities (\$65 million), offset by lower unit costs (\$56 million).

CECONY's electric operating income increased \$181 million in 2010 compared with 2009. The increase reflects primarily higher net revenues (\$593 million, due primarily to the electric rate plan, including the collection of a surcharge for a New York State assessment and the recovery of higher pension expense). The higher net revenues were offset by higher operations and maintenance costs (\$229 million, due primarily to higher demand side management expenses (\$120 million), the surcharge for a New York State assessment (\$68 million), higher pension expense (\$20 million), and higher costs for injuries and damages (\$16 million), offset in part by reduced operating expenses due to cost control efforts), taxes other than income taxes (\$147 million, principally property taxes) and depreciation and amortization (\$36 million). The increased operating expenses in the first quarter of 2010 resulting from two severe winter storms were deferred as a regulatory asset, and did not affect electric operating income. See "Regulatory Assets and Liabilities" in Note B to the financial statements in Item 8.

Gas

CECONY's results of gas operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

	Twelve Months Ended		
<i>(millions of dollars)</i>	December 31, 2010	December 31, 2009	Variation
Operating revenues	\$ 1,541	\$ 1,701	\$ (160)
Gas purchased for resale	552	818	(266)
Net revenues	989	883	106
Operations and maintenance	368	281	87
Depreciation and amortization	102	98	4
Taxes, other than income taxes	209	195	14
Gas operating income	\$ 310	\$ 309	\$ 1

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CECONY's gas sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

Description	Thousands of dths Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
	December 31, 2010	December 31, 2009	Variation	Percent Variation	December 31, 2010	December 31, 2009	Variation	Percent Variation
Residential	37,963	39,749	(1,786)	(4.5)%	\$ 733	\$ 808	\$ (75)	(9.3)%
General	25,629	28,245	(2,616)	(9.3)	366	421	(55)	(13.1)
Firm transportation	51,859	48,671	3,188	6.6	347	266	81	30.5
Total firm sales and transportation	115,451	116,665	(1,214)	(1.0)	1,446	1,495	(49)	(3.3)
Interruptible sales(a)	8,521	8,225	296	6.6	60	75	(15)	(20.0)
NYPA	24,890	37,764	(12,874)	(34.1)	2	4	(2)	(50.0)
Generation plants	78,880	68,157	10,723	15.7	36	34	2	5.9
Other	20,786	18,297	2,489	13.6	51	39	12	30.8
Other operating revenues	—	—	—	—	(54)	54	(108)	Large
Total	248,528	249,108	(580)	(0.2)%	\$ 1,541	\$ 1,701	\$ (160)	(9.4)%

(a) Includes 3,385 and 2,851 thousands of dths for 2010 and 2009, respectively, which are also reflected in firm transportation and other.

CECONY's gas operating revenues decreased \$160 million in 2010 compared with 2009 due primarily to a decrease in gas purchased for resale costs (\$266 million), offset in part by the gas rate plans (\$78 million). CECONY's revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

CECONY's sales and transportation volumes for firm customers decreased 1.0 percent in 2010 compared with 2009. After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company's service area increased 2.1 percent in 2010, reflecting primarily new business and transfers of interruptible customers to firm service.

CECONY's purchased gas cost decreased \$266 million in 2010 compared with 2009 due to lower unit costs (\$246 million) and sendout volumes (\$20 million).

CECONY's gas operating income increased \$1 million in 2010 compared with 2009. The increase reflects primarily higher net revenues (\$106 million), offset by higher operations and maintenance expense (\$87 million, due primarily to a surcharge for a New York State assessment (\$30 million) and higher pension expense (\$28 million)), taxes other than income taxes (\$14 million, principally property taxes) and depreciation (\$4 million).

Steam

CECONY's results of steam operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

(millions of dollars)	Twelve Months Ended		
	December 31, 2010	December 31, 2009	Variation
Operating revenues	\$ 656	\$ 661	\$ (5)
Purchased power	54	54	—
Fuel	202	256	(54)
Net revenues	400	351	49
Operations and maintenance	184	171	13
Depreciation and amortization	62	59	3
Taxes, other than income taxes	91	82	9
Steam operating income	\$ 63	\$ 39	\$ 24

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CECONY's steam sales and deliveries in 2010 compared with 2009 were:

Description	Millions of Pounds Delivered				Revenues in Millions			
	Twelve Months Ended		Variation	Percent Variation	Twelve Months Ended		Variation	Percent Variation
	December 31, 2010	December 31, 2009			December 31, 2010	December 31, 2009		
General	257	786	(529)	(67.3)%	\$ 21	\$ 28	\$ (7)	(25.0)%
Apartment house	5,870	5,962	(92)	(1.5)	160	165	(5)	(3.0)
Annual power	16,903	16,269	634	3.9	459	446	13	2.9
Other operating revenues	—	—	—	—	16	22	(6)	(27.3)
Total	23,030	23,017	13	0.1%	\$ 656	\$ 661	\$ (5)	(0.8)%

CECONY's steam operating revenues decreased \$5 million in 2010 compared with 2009 due primarily to lower fuel costs (\$54 million), offset in part by the net change in rates under the steam rate plan (\$53 million). Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

Steam sales and delivery volumes increased 0.1 percent in 2010 compared with 2009. After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 1.3 percent in 2010, reflecting the impact of lower average normalized use per customer.

CECONY's steam purchased power costs were the same in 2010 compared with 2009. Steam fuel costs decreased \$54 million in 2010 compared with 2009 due to lower unit costs (\$59 million), offset by higher sendout volumes (\$5 million).

Steam operating income increased \$24 million in 2010 compared with 2009. The increase reflects primarily higher net revenues (\$49 million), offset by higher operations and maintenance expense (\$13 million, due primarily to a surcharge for a New York State assessment (\$8 million) and higher pension expense (\$7 million), offset in part by lower customer accounts expense (\$3 million)), taxes other than income taxes (\$9 million, principally property taxes) and depreciation (\$3 million).

Taxes Other Than Income Taxes

At over \$1 billion, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

(millions of dollars)	2010	2009	Increase/ (Decrease)
Property taxes	\$ 1,271	\$ 1,135	\$ 136(a)
State and local taxes related to revenue receipts	315	282	33
Payroll taxes	65	59	6
Other taxes	5	10	(5)
Total	\$ 1,656(b)	\$ 1,486(b)	\$ 170

(a) Property taxes increased \$136 million reflecting primarily higher capital investments.

(b) Including sales tax on customers' bills, total taxes other than income taxes, billed to customers in 2010 and 2009 were \$2,122 million and \$1,866 million, respectively.

Income Taxes

Income taxes increased \$91 million in 2010 compared with 2009 due primarily to higher taxable income in 2010.

Other Income (Deductions)

Other income (deductions) decreased \$7 million in 2010 compared with 2009 due primarily to a penalty in 2010 (\$5 million) from the NYSDEC relating to pollutants at the company's steam generating facilities. See "Permit Non-Compliance and Pollution Discharges" in Item 3.

Net Interest Expense

Net interest expense decreased \$4 million in 2010 compared with 2009 due primarily to lower interest charges on customer deposits (\$6 million), offset in part by new debt issuances in 2010 and late in 2009 (\$3 million).

O&R

	Twelve Months Ended December 31, 2010			Twelve Months Ended December 31, 2009			2010- 2009 Variation
	Electric	Gas	2010 Total	Electric	Gas	2009 Total	
<i>(millions of dollars)</i>							
Operating revenues	\$ 692	\$ 218	\$ 910	\$ 648	\$ 242	\$ 890	\$ 20
Purchased power	335	—	335	328	—	328	7
Gas purchased for resale	—	99	99	—	136	136	(37)
Net revenues	357	119	476	320	106	426	50
Operations and maintenance	216	59	275	193	54	247	28
Depreciation and amortization	32	12	44	30	12	42	2
Taxes, other than income taxes	35	14	49	33	12	45	4
Operating income	\$ 74	\$ 34	\$ 108	\$ 64	\$ 28	\$ 92	\$ 16

Electric

O&R's results of electric operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		Variation
	December 31, 2010	December 31, 2009	
Operating revenues	\$ 692	\$ 648	\$ 44
Purchased power	335	328	7
Net revenues	357	320	37
Operations and maintenance	216	193	23
Depreciation and amortization	32	30	2
Taxes, other than income taxes	35	33	2
Electric operating income	\$ 74	\$ 64	\$ 10

O&R's electric sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

Description	Millions of kWhs Delivered				Revenues in Millions			
	Twelve Months Ended		Variation	Percent Variation	Twelve Months Ended		Variation	Percent Variation
	December 31, 2010	December 31, 2009			December 31, 2010	December 31, 2009		
Residential/Religious(a)	1,893	1,799	94	5.2%	\$ 347	\$ 309	\$ 38	12.3%
Commercial/Industrial	1,495	1,763	(268)	(15.2)	211	231	(21)	(9.1)
Retail access customers	2,330	1,901	429	22.6	132	95	37	38.9
Public authorities	110	111	(1)	(0.9)	12	11	1	9.1
Other operating revenues	—	—	—	—	(10)	2	(12)	Large
Total	5,828	5,574	254	4.6%	\$ 692	\$ 648	\$ 44	6.8%

(a) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

O&R's electric operating revenues increased \$44 million in 2010 compared with 2009 due primarily to the New York electric rate plan (\$19 million) and for O&R's New Jersey and Pennsylvania operations the warmer summer weather in the 2010 period (\$3 million). O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey and Pennsylvania are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues. Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's electric rate plan. See Note B to the financial statements in Item 8.

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Electric delivery volumes in O&R's service area increased 4.6 percent in 2010 compared with 2009. After adjusting for weather variations and unbilled volumes, electric delivery volumes in O&R's service area increased 0.7 percent in 2010 compared with 2009.

Electric operating income increased \$10 million in 2010 compared with 2009. The increase reflects primarily higher net revenues (\$37 million), offset by higher operations and maintenance expense (\$23 million), due primarily to a surcharge for a New York State assessment (\$7 million) and higher pension expense (\$6 million), taxes other than income taxes (\$2 million, principally state and local taxes) and depreciation (\$2 million).

Gas

O&R's results of gas operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		Variation
	December 31, 2010	December 31, 2009	
Operating revenues	\$ 218	\$ 242	\$ (24)
Gas purchased for resale	99	136	(37)
Net revenues	119	106	13
Operations and maintenance	59	54	5
Depreciation and amortization	12	12	—
Taxes, other than income taxes	14	12	2
Gas operating income	\$ 34	\$ 28	\$ 6

O&R's gas sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

Description	Thousands of dths Delivered				Revenues in Millions			
	Twelve Months Ended		Variation	Percent Variation	Twelve Months Ended		Variation	Percent Variation
	December 31, 2010	December 31, 2009			December 31, 2010	December 31, 2009		
Residential	7,336	7,811	(475)	(6.1)%	\$ 111	\$ 132	\$ (21)	(15.9)%
General	1,436	1,750	(314)	(17.9)	20	27	(7)	(25.9)
Firm transportation	10,692	10,905	(213)	(2.0)	65	51	14	27.5
Total firm sales and transportation	19,464	20,466	(1,002)	(4.9)	196	210	(14)	(6.7)
Interruptible sales	4,497	4,502	(5)	(0.2)	9	21	(12)	(57.1)
Generation plants	691	1,346	(655)	(48.7)	—	2	(2)	Large
Other	840	953	(113)	(11.9)	—	—	—	—
Other gas revenues	—	—	—	—	13	9	(4)	(44.5)
Total	25,492	27,267	(1,775)	(6.5)%	\$ 218	\$ 242	\$ (24)	(10.0)%

O&R's gas operating revenues decreased \$24 million in 2010 compared with 2009 due primarily to the decrease in gas purchased for resale in 2010 (\$37 million), offset in part by the gas rate plan. Effective November 2009, O&R's New York gas delivery revenues became subject to a revenue decoupling mechanism.

Sales and transportation volumes for firm customers decreased 4.9 percent in 2010 compared with 2009.

After adjusting for weather and other variations, total firm sales and transportation volumes decreased 1.2 percent in 2010 compared with 2009. O&R's New York revenues from gas sales are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income.

Gas operating income increased \$6 million in 2010 compared with 2009. The increase reflects primarily higher net revenues (\$13 million), offset by higher operations and maintenance costs (\$5 million) and taxes other than income taxes (\$2 million, principally property taxes).

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Taxes Other Than Income Taxes

Taxes, other than income taxes, increased \$4 million in 2010 compared with 2009. The principal components of taxes, other than income taxes, were:

<i>(millions of dollars)</i>	2010	2009	Increase/ (Decrease)
Property taxes	\$ 29	\$ 28	\$ 1
State and local taxes related to revenue receipts	14	12	2
Payroll taxes	6	5	1
Total	\$ 49(a)	\$ 45(a)	\$ 4

(a) Including sales tax on customers' bills, total taxes other than income taxes, billed to customers in 2010 and 2009 were \$78 million and \$77 million, respectively.

Income Taxes

Income taxes increased \$3 million in 2010 compared with 2009 due primarily to higher taxable income in 2010.

Other Income (Deductions)

Other income (deductions) were the same in 2010 compared with 2009.

Net Interest Expense

Net interest expense increased \$7 million in 2010 compared with 2009 due primarily to new debt issuances in 2010 and late in 2009.

Competitive Energy Businesses

The competitive energy business's results of operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		Variation
	December 31, 2010	December 31, 2009	
Operating revenues	\$ 1,883	\$ 2,147	\$ (264)
Purchased power	1,627	1,901	(274)
Gas purchased for resale	9	9	—
Net revenues	247	237	10
Operations and maintenance	122	125	(3)
Depreciation and amortization	9	5	4
Taxes, other than income taxes	18	13	5
Operating income	\$ 98	\$ 94	\$ 4

The competitive energy businesses' operating revenues decreased \$264 million in 2010 compared with 2009, due primarily to changes in net mark-to-market effects and lower electric wholesale revenues, offset in part by increased electric retail revenues. Electric wholesale revenues decreased \$208 million in 2010 as compared with 2009, due to lower sales volumes (\$178 million) and unit prices (\$30 million). Electric retail revenues increased \$189 million, due to higher sales volume (\$271 million), offset by lower per unit prices (\$82 million). Gross margins on electric retail revenues increased significantly due primarily to higher volumes. Net mark-to-market values decreased \$12 million in 2010 as compared with 2009, of which \$232 million in losses are reflected in revenues and \$220 million in gains are reflected in purchased power costs. Other revenues decreased \$13 million in 2010 as compared with 2009 due primarily to lower sales of energy efficiency services.

Purchased power costs decreased \$274 million in 2010 compared with 2009, due primarily to changes in mark-to-market values of \$220 million and lower purchased power costs of \$54 million. Purchased power costs decreased \$54 million due to lower unit prices (\$174 million), offset by higher volumes (\$120 million). Operating income increased \$4 million in 2010 compared with 2009 due primarily to higher electric retail margins.

Other

For Con Edison, "Other" also includes inter-company eliminations relating to operating revenues and operating expenses.

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Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

The Companies' results of operations (which were discussed above under "Results of Operations – Summary") in 2009 compared with 2008 were:

	CECONY		O&R		Competitive Energy Businesses and Other(a)		Con Edison(b)	
	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
<i>(millions of dollars)</i>								
Operating revenues	\$ (388)	(3.7)%	\$ (101)	(10.2)%	\$ (62)	(2.9)%	\$ (551)	(4.1)%
Purchased power	(602)	(18.9)	(105)	(24.2)	(266)	(12.5)	(973)	(16.9)
Fuel	(157)	(23.8)	N/A	N/A	(3)	Large	(160)	(24.1)
Gas purchased for resale	(181)	(18.1)	(23)	(14.5)	(5)	(35.7)	(209)	(17.8)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	552	9.9	27	6.8	212	Large	791	13.2
Other operations and maintenance	249	12.9	25	11.3	22	22.0	296	13.1
Depreciation and amortization	72	10.7	2	5.0	—	—	74	10.3
Taxes, other than income taxes	182	14.0	1	2.3	(2)	(12.5)	181	13.3
Gain on sale of ownership interests in electricity generating plants	N/A	N/A	N/A	N/A	(261)	Large	(261)	Large
Operating income	49	2.9	(1)	(1.1)	(69)	(43.1)	(21)	(1.1)
Other income less deductions	17	Large	(1)	(33.3)	(66)	Large	(50)	(61.7)
Net interest expense	61	12.4	—	—	6	25.0	67	12.3
Income from continuing operations, before taxes	5	0.4	(2)	(2.9)	(141)	(71.2)	(138)	(9.5)
Incomes taxes	7	1.8	2	8.3	(90)	(87.4)	(84)	(16.0)
Income from discontinued operations, net of tax(c)	N/A	N/A	N/A	N/A	(274)	Large	(274)	Large
Net income for common stock	\$ (2)	(0.3)%	\$ (1)	(2.3)%	\$ (325)	(88.1)%	\$ (328)	(27.4)%

(a) Includes inter-company and parent company accounting.

(b) Represents the consolidated financial results of Con Edison and its businesses.

(c) See Note U to the financial statements in Item 8.

CECONY

	Twelve Months Ended December 31, 2009				Twelve Months Ended December 31, 2008				2009-2008 Variation
	Electric	Gas	Steam	2009 Total	Electric	Gas	Steam	2008 Total	
<i>(millions of dollars)</i>									
Operating revenues	\$ 7,674	\$ 1,701	\$ 661	\$ 10,036	\$ 7,878	\$ 1,839	\$ 707	\$ 10,424	\$ (388)
Purchased power	2,529	—	54	2,583	3,092	—	93	3,185	(602)
Fuel	247	—	256	503	376	—	284	660	(157)
Gas purchased for resale	—	818	—	818	—	999	—	999	(181)
Net revenues	4,898	883	351	6,132	4,410	840	330	5,580	552
Operations and maintenance	1,734	281	171	2,186	1,518	261	158	1,937	249
Depreciation and amortization	587	98	59	744	521	90	61	672	72
Taxes, other than income taxes	1,209	195	82	1,486	1,038	186	80	1,304	182
Operating income	\$ 1,368	\$ 309	\$ 39	\$ 1,716	\$ 1,333	\$ 303	\$ 31	\$ 1,667	\$ 49

Electric

CECONY's results of electric operations for the year ended December 31, 2009 compared with the year ended December 31, 2008 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		Variation
	December 31, 2009	December 31, 2008	
Operating revenues	\$ 7,674	\$ 7,878	\$ (204)
Purchased power	2,529	3,092	(563)
Fuel	247	376	(129)
Net revenues	4,898	4,410	488
Operations and maintenance	1,734	1,518	216
Depreciation and amortization	587	521	66
Taxes, other than income taxes	1,209	1,038	171
Electric operating income	\$ 1,368	\$ 1,333	\$ 35

CECONY's electric sales and deliveries, excluding off-system sales, in 2009 compared with 2008 were:

Description	Millions of kWhs Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
	December 31, 2009	December 31, 2008	Variation	Percent Variation	December 31, 2009	December 31, 2008	Variation	Percent Variation
Residential/Religious(a)	10,952	11,720	(768)	(6.6)%	\$ 2,583	\$ 2,834	\$ (251)	(8.9)%
Commercial/Industrial	12,457	12,852	(395)	(3.1)	2,444	2,720	(276)	(10.1)
Retail access customers	21,859	22,047	(188)	(0.9)	1,855	1,507	348	23.1
NYP&A, Municipal Agency and other sales	11,399	11,704	(305)	(2.6)	457	413	44	10.7
Other operating revenues	—	—	—	—	335	404	(69)	(17.1)
Total	56,667	58,323	(1,656)	(2.8)%	\$ 7,674	\$ 7,878	\$ (204)	(2.6)%

(a) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

CECONY's electric operating revenues decreased \$204 million in 2009 compared with 2008 due primarily to lower purchased power (\$563 million) and fuel costs (\$129 million), offset in part by the 2009 electric rate plan (\$368 million, which among other things, reflected a 10.0 percent return on common equity, effective April 2009, as compared with the 9.1 percent return previously reflected in rates) and an accrual for the revenue decoupling mechanism (\$124 million). Effective April 2008, CECONY's revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved. Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.

Electric delivery volumes in CECONY's service area decreased 2.8 percent in 2009 compared with 2008. After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY's service area decreased 1.7 percent in 2009 compared with 2008, reflecting the impact of lower average normalized use per customer.

CECONY's electric purchased power costs decreased \$563 million in 2009 compared with 2008 due to a decrease in unit costs (\$480 million) and purchased volumes (\$83 million). Electric fuel costs decreased \$129 million in 2009 compared with 2008 due to lower unit costs (\$88 million) and sendout volumes from the company's electric generating facilities (\$41 million).

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CECONY's electric operating income increased \$35 million in 2009 compared with 2008. The increase reflects primarily higher net revenues (\$488 million, due primarily to the electric rate plan, including the collection of a surcharge for a New York State assessment and the recovery of higher pension expense), offset by higher operations and maintenance costs (\$216 million, due primarily to the surcharge for a New York State assessment (\$108 million), higher pension expense (\$80 million) and higher write-offs of uncollectible accounts (\$11 million)), taxes other than income taxes (\$171 million, principally property taxes) and depreciation (\$66 million).

Gas

CECONY's results of gas operations for the year ended December 31, 2009 compared with the year ended December 31, 2008 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		
	December 31, 2009	December 31, 2008	Variation
Operating revenues	\$ 1,701	\$ 1,839	\$ (138)
Gas purchased for resale	818	999	(181)
Net revenues	883	840	43
Operations and maintenance	281	261	20
Depreciation and amortization	98	90	8
Taxes, other than income taxes	195	186	9
Gas operating income	\$ 309	\$ 303	\$ 6

CECONY's gas sales and deliveries, excluding off-system sales, in 2009 compared with 2008 were:

Description	Thousands of dths Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
	December 31, 2009	December 31, 2008	Variation	Percent Variation	December 31, 2009	December 31, 2008	Variation	Percent Variation
Residential	39,749	40,195	(446)	(1.1)%	\$ 808	\$ 850	\$ (42)	(4.9)%
General	28,245	28,748	(503)	(1.7)	421	482	(61)	(12.7)
Firm transportation	48,671	43,245	5,426	12.5	266	202	64	31.7
Total firm sales and transportation	116,665	112,188	4,477	4.0	1,495	1,534	(39)	(2.5)
Interruptible sales	8,225	11,220	(2,995)	(26.7)	75	138	(63)	(45.7)
NYP&A	37,764	44,694	(6,930)	(15.5)	4	4	—	—
Generation plants	68,157	74,082	(5,925)	(8.0)	34	55	(21)	(38.2)
Other	18,297	20,004	(1,707)	(8.5)	39	30	9	30.0
Other operating revenues	—	—	—	—	54	78	(24)	(30.8)
Total	249,108	262,188	(13,080)	(5.0)%	\$ 1,701	\$ 1,839	\$ (138)	(7.5)%

CECONY's gas operating revenues decreased \$138 million in 2009 compared with 2008 due primarily to a decrease in gas purchased for resale costs (\$181 million), offset in part by the 2008 gas rate plan (\$59 million). CECONY's revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

CECONY's sales and transportation volumes for firm customers increased 4.0 percent in 2009 compared with 2008. After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company's service area increased 2.4 percent in 2009, reflecting primarily new business and transfers of interruptible customers to firm service, offset in part by lower average normalized use per customer.

CECONY's purchased gas cost decreased \$181 million in 2009 compared with 2008 due to lower unit costs (\$152 million) and sendout volumes (\$29 million).

CECONY's gas operating income increased \$6 million in 2009 compared with 2008. The increase reflects primarily higher net revenues (\$43 million), offset by higher operations and maintenance expense (\$20 million, due primarily to a surcharge for a New York State assessment (\$15 million)), taxes other than income taxes (\$9 million, principally property taxes) and depreciation (\$8 million).

Steam

CECONY's results of steam operations for the year ended December 31, 2009 compared with the year ended December 31, 2008 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		
	December 31, 2009	December 31, 2008	Variation
Operating revenues	\$ 661	\$ 707	\$ (46)
Purchased power	54	93	(39)
Fuel	256	284	(28)
Net revenues	351	330	21
Operations and maintenance	171	158	13
Depreciation and amortization	59	61	(2)
Taxes, other than income taxes	82	80	2
Steam operating income	\$ 39	\$ 31	\$ 8

CECONY's steam sales and deliveries in 2009 compared with 2008 were:

Description	Millions of Pounds Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
	December 31, 2009	December 31, 2008	Variation	Percent Variation	December 31, 2009	December 31, 2008	Variation	Percent Variation
General	786	785	1	0.1%	\$ 28	\$ 23	\$ 5	21.7%
Apartment house	5,962	6,614	(652)	(9.9)	165	186	(21)	(11.3)
Annual power	16,269	16,577	(308)	(1.9)	446	468	(22)	(4.7)
Other operating revenues	—	—	—	—	22	30	(8)	(26.7)
Total	23,017	23,976	(959)	(4.0)%	\$ 661	\$ 707	\$ (46)	(6.5)%

CECONY's steam operating revenues decreased \$46 million in 2009 compared with 2008 due primarily to lower purchased power (\$39 million) and fuel costs (\$28 million), offset in part by the net change in rates under the steam rate plan (\$27 million). Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

Steam sales and delivery volumes decreased 4.0 percent in 2009 compared with 2008. After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 4.1 percent in 2009, reflecting the impact of lower average normalized use per customer.

CECONY's steam purchased power costs decreased \$39 million in 2009 compared with 2008 due to a decrease in unit costs (\$44 million), offset by an increase in purchased volumes (\$5 million). Steam fuel costs decreased \$28 million in 2009 compared with 2008 due to lower sendout volumes (\$18 million) and unit costs (\$10 million).

Steam operating income increased \$8 million in 2009 compared with 2008. The increase reflects primarily higher net revenues (\$21 million) and lower depreciation (\$2 million), offset by higher operations and maintenance expense (\$13 million, due primarily to a surcharge for a New York State assessment (\$5 million) and higher production expense (\$6 million)) and taxes other than income taxes (\$2 million, principally property taxes).

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Taxes Other Than Income Taxes

At over \$1 billion, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

<i>(millions of dollars)</i>	2009	2008	Increase/ (Decrease)
Property taxes	\$1,135	\$ 955	\$ 180(a)
State and local taxes related to revenue receipts	282	283	(1)
Payroll taxes	59	57	2
Other taxes	10	9	1
Total	\$1,486(b)	\$1,304(b)	\$ 182

(a) Property taxes increased \$180 million reflecting primarily higher capital investments and New York City property tax rates.

(b) Including sales tax on customers' bills, total taxes other than income taxes, billed to customers in 2009 and 2008 were \$1,866 million and \$1,684 million, respectively.

Income Taxes

Income taxes increased \$7 million in 2009 compared with 2008 due primarily to higher taxable income in the 2009 period.

Other Income (Deductions)

Other income (deductions) increased \$17 million in 2009 compared with 2008 due primarily to higher income from the Deferred Income Plan returns in 2009. The Deferred Income Plan returns are also reflected in higher operations and maintenance expense.

Net Interest Expense

Net interest expense increased \$61 million in 2009 compared with 2008 due primarily to new debt issuances in 2009 and late in 2008, offset in part by lower principal amounts of and rates on commercial paper outstanding in 2009.

O&R

<i>(millions of dollars)</i>	Twelve Months Ended December 31, 2009			Twelve Months Ended December 31, 2008			2009- 2008 Variation
	Electric	Gas	2009 Total	Electric	Gas	2008 Total	
Operating revenues	\$ 648	\$ 242	\$890	\$ 733	\$ 258	\$991	\$ (101)
Purchased power	328	—	328	433	—	433	(105)
Gas purchased for resale	—	136	136	—	159	159	(23)
Net revenues	320	106	426	300	99	399	27
Operations and maintenance	193	54	247	171	51	222	25
Depreciation and amortization	30	12	42	29	11	40	2
Taxes, other than income taxes	33	12	45	32	12	44	1
Operating income	\$ 64	\$ 28	\$ 92	\$ 68	\$ 25	\$ 93	\$ (1)

Electric

O&R's results of electric operations for the year ended December 31, 2009 compared with the year ended December 31, 2008 is as follows:

<i>(millions of dollars)</i>	Twelve Months Ended		Variation
	December 31, 2009	December 31, 2008	
Operating revenues	\$ 648	\$ 733	\$ (85)
Purchased power	328	433	(105)
Net revenues	320	300	20
Operations and maintenance	193	171	22
Depreciation and amortization	30	29	1
Taxes, other than income taxes	33	32	1
Electric operating income	\$ 64	\$ 68	\$ (4)

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O&R's electric sales and deliveries, excluding off-system sales, in 2009 compared with 2008 were:

Description	Millions of kWhs Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
	December 31, 2009	December 31, 2008	Variation	Percent Variation	December 31, 2009	December 31, 2008	Variation	Percent Variation
Residential/Religious(a)	1,799	1,892	(93)	(4.9)%	\$ 309	\$ 330	\$ (21)	(6.4)%
Commercial/Industrial	1,763	2,082	(319)	(15.3)	231	303	(72)	(23.8)
Retail access customers	1,901	1,814	87	4.8	95	80	15	18.8
Public authorities	111	119	(8)	(6.7)	11	17	(6)	(35.3)
Other operating revenues	—	—	—	—	2	3	(1)	(33.3)
Total	5,574	5,907	(333)	(5.6)%	\$ 648	\$ 733	\$ (85)	(11.6)%

(a) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

O&R's electric operating revenues decreased \$85 million in 2009 compared with 2008 due primarily to decreased recoverable purchased power costs (\$105 million). Effective July 2008, O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey and Pennsylvania are not part of a decoupling mechanism, and as a result, they do impact revenues. Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's electric rate plan. See Note B to the financial statements in Item 8.

Electric delivery volumes in O&R's service area decreased 5.6 percent in 2009 compared with 2008. After adjusting for weather variations and unbilled volumes, electric delivery volumes in O&R's service area decreased 3.9 percent in 2009 compared with 2008, reflecting the impact of lower average normalized use per customer.

Electric operating income decreased \$4 million in 2009 compared with 2008. The decrease reflects primarily higher operations and maintenance expense (\$22 million), due primarily to higher demand management program expenses (\$7 million), a surcharge for a New York State assessment (\$5 million) and higher pension expense (\$4 million), taxes other than income taxes (\$1 million, principally property taxes) and depreciation (\$1 million), offset by higher net revenues (\$20 million).

Gas

O&R's results of gas operations for the year ended December 31, 2009 compared with the year ended December 31, 2008 is as follows:

(millions of dollars)	Twelve Months Ended		
	December 31, 2009	December 31, 2008	Variation
Operating revenues	\$ 242	\$ 258	\$ (16)
Gas purchased for resale	136	159	(23)
Net revenues	106	99	7
Operations and maintenance	54	51	3
Depreciation and amortization	12	11	1
Taxes, other than income taxes	12	12	—
Gas operating income	\$ 28	\$ 25	\$ 3

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O&R's gas sales and deliveries, excluding off-system sales, in 2009 compared with 2008 were:

Description	Thousands of dths Delivered				Revenues in Millions			
	Twelve Months Ended		Variation	Percent Variation	Twelve Months Ended		Variation	Percent Variation
	December 31, 2009	December 31, 2008			December 31, 2009	December 31, 2008		
Residential	7,811	8,068	(257)	(3.2)%	\$ 132	\$ 142	\$ (10)	(7.0)%
General	1,750	1,816	(66)	(3.6)	27	30	(3)	(10.0)
Firm transportation	10,905	10,471	434	4.1	51	45	6	13.3
Total firm sales and transportation	20,466	20,355	111	0.5	210	217	(7)	(3.2)
Interruptible sales	4,502	5,409	(907)	(16.8)	21	27	(6)	(22.2)
Generation plants	1,346	2,327	(981)	(42.2)	2	4	(2)	(50.0)
Other	953	1,007	(54)	(5.4)	—	—	—	—
Other gas revenues	—	—	—	—	9	10	(1)	(10.0)
Total	27,267	29,098	(1,831)	(6.3)%	\$ 242	\$ 258	\$ (16)	(6.2)%

O&R's gas operating revenues decreased \$16 million in 2009 compared with 2008 due primarily to the decrease in gas purchased for resale in 2009 (\$23 million). Effective November 2009, O&R's New York gas delivery revenues became subject to a revenue decoupling mechanism.

Sales and transportation volumes for firm customers increased 0.5 percent in 2009 compared with 2008. After adjusting for weather and other variations, total firm sales and transportation volumes increased 0.2 percent in 2009 compared with 2008. O&R's New York revenues from gas sales are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income.

Gas operating income increased \$3 million in 2009 compared with 2008. The increase reflects primarily higher net revenues (\$7 million), offset by higher operations and maintenance costs (\$3 million) and depreciation (\$1 million).

Taxes Other Than Income Taxes

Taxes, other than income taxes, increased \$1 million in 2009 compared with 2008. The principal components of taxes, other than income taxes, were:

(millions of dollars)	2009	2008	Increase/ (Decrease)
Property taxes	\$ 28	\$ 27	\$ 1
State and local taxes related to revenue receipts	12	12	—
Payroll taxes	5	5	—
Total	\$ 45(a)	\$ 44(a)	\$ 1

(a) Including sales tax on customers' bills, total taxes other than income taxes, billed to customers in 2009 and 2008 were \$77 million and \$78 million, respectively.

Income Taxes

Income taxes increased \$2 million in 2009 compared with 2008.

Other Income (Deductions)

Other income (deductions) decreased \$1 million in 2009 compared with 2008 due primarily to lower interest income in 2009.

Net Interest Expense

Net interest expense was the same in 2009 compared with 2008.

Competitive Energy Businesses

The competitive energy businesses' earnings from continuing operations decreased \$14 million in 2009 compared with 2008 due primarily to the after-tax gain on the sale of Con Edison Development's ownership interests in electricity generating plants in 2008 (\$131 million), offset in part by after-tax mark-to-market gains in 2009 versus mark-to-market losses in 2008 (\$78 million) and higher retail electricity margins in 2009.

Operating revenues decreased \$48 million in 2009 compared with 2008, due primarily to lower electric wholesale and retail revenues and the sale of Con Edison Development's ownership interests in electricity generating plants in 2008. Electric wholesale revenues decreased \$312 million in 2009 as compared with 2008, due to lower sales volumes (\$261 million) and unit prices (\$51 million). Electric retail revenues decreased \$26 million, due to lower per unit prices (\$187 million), offset by higher sales volume (\$161 million). Electric retail revenues decreased 2 percent in

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2009 as compared with 2008, due to lower electricity prices, while gross margins increased significantly due primarily to the sale of higher margin contracts, lower costs and higher volumes. Net mark-to-market gains increased \$131 million in 2009 as compared with 2008 due primarily to higher prices on electric and natural gas contracts, of which \$296 million in gains are reflected in revenues and \$165 million in losses are reflected in purchased power costs. The competitive energy businesses no longer have revenues from the sale of electricity from owned generation projects due to the sale of ownership interests in electricity generating plants in the second quarter of 2008. These revenues were \$21 million in 2008 (see Note U to the financial statements in Item 8). Other revenues increased \$15 million in 2009 as compared with 2008 due primarily to higher sales of energy efficiency services.

Operating expenses excluding income taxes decreased \$241 million in 2009 compared with 2008, due primarily to decreased purchased power (\$253 million), net of a \$165 million increase in purchased power costs for mark-to-market losses, gas purchased for resale (\$5 million) and fuel costs (\$3 million) and taxes other than income taxes (\$3 million), offset in part by higher operations and maintenance costs (\$23 million).

Income taxes decreased \$62 million in 2009 as compared with 2008, due primarily to income taxes related to the sale of Con Edison Development's ownership interests in electricity generating plants in 2008 (\$130 million), offset in part by higher income due to mark-to-market gains and higher earnings from electric retail sales.

Discontinued Operations

Net income from discontinued operations was \$274 million lower in 2009 compared with 2008, reflecting the 2008 sale of Con Edison Development's ownership interests in electricity generating plants. See Note U to the financial statements in Item 8.

Other

For Con Edison, "Other" also includes the receipt of \$30 million after-tax for a litigation settlement with Northeast Utilities in 2008 and inter-company eliminations relating to operating revenues and operating expenses.

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

Con Edison

For information about Con Edison’s primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see “Financial and Commodity Market Risks,” in Item 7 (which information is incorporated herein by reference).

CECONY

For information about CECONY’s primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see “Financial and Commodity Market Risks,” in Item 7 (which information is incorporated herein by reference).

Item 8: Financial Statements and Supplementary Data

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All other schedules are omitted because they are not applicable or the required information is shown in financial statements or notes thereto.

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Con Edison	2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	<i>(millions of dollars, except per share amounts)</i>			
Operating revenues	\$ 3,462	\$ 3,017	\$ 3,707	\$ 3,139
Operating income	492	429	705	494
Net income	229	186	353	235
Net income for common stock	226	183	350	233
Basic earnings per common share	\$ 0.80	\$ 0.65	\$ 1.24	\$ 0.80
Diluted earnings per common share	\$ 0.80	\$ 0.64	\$ 1.23	\$ 0.80

Con Edison	2009			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	<i>(millions of dollars, except per share amounts)</i>			
Operating revenues	\$ 3,423	\$ 2,845	\$ 3,489	\$ 3,273
Operating income	419	372	685	423
Net income	183	153	339	205
Net income for common stock	180	150	336	202
Basic earnings per common share	\$ 0.66	\$ 0.55	\$ 1.22	\$ 0.73
Diluted earnings per common share	\$ 0.66	\$ 0.55	\$ 1.22	\$ 0.73

In the opinion of Con Edison, these quarterly amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation.

CECONY	2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	<i>(millions of dollars)</i>			
Operating revenues	\$ 2,718	\$ 2,432	\$ 2,865	\$ 2,558
Operating income	512	334	666	410
Net income for common stock	243	135	332	183

CECONY	2009			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	<i>(millions of dollars)</i>			
Operating revenues	\$ 2,770	\$ 2,220	\$ 2,655	\$ 2,391
Operating income	434	340	579	363
Net income for common stock	197	136	282	166

In the opinion of CECONY, these quarterly amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation.

Report of Management on Internal Control Over Financial Reporting

Management of Consolidated Edison, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2010, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2010.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2010, has been audited by PricewaterhouseCoopers LLP, Consolidated Edison's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

Kevin Burke
Chairman, President and Chief Executive Officer

Robert Hogle
Senior Vice President and Chief Financial Officer

February 22, 2011

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Consolidated Edison, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Consolidated Edison, Inc. and its subsidiaries (the Company) at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
New York, New York
February 22, 2011

Consolidated Edison, Inc.
CONSOLIDATED INCOME STATEMENT

	For the Years Ended December 31,		
	2010	2009	2008
	<i>(Millions of Dollars/Except Share Data)</i>		
OPERATING REVENUES			
Electric	\$ 9,064	\$ 8,320	\$ 8,611
Gas	1,760	1,943	2,097
Steam	656	661	707
Non-utility	1,845	2,108	2,168
TOTAL OPERATING REVENUES	13,325	13,032	13,583
OPERATING EXPENSES			
Purchased power	4,613	4,776	5,749
Fuel	458	503	663
Gas purchased for resale	661	963	1,172
Other operations and maintenance	2,910	2,555	2,259
Depreciation and amortization	840	791	717
Taxes, other than income taxes	1,723	1,545	1,364
TOTAL OPERATING EXPENSES	11,205	11,133	11,924
Gain on sale of electricity generating plants	—	—	261
OPERATING INCOME	2,120	1,899	1,920
OTHER INCOME (DEDUCTIONS)			
Investment and other income	46	32	89
Allowance for equity funds used during construction	15	14	8
Other deductions	(21)	(15)	(16)
TOTAL OTHER INCOME (DEDUCTIONS)	40	31	81
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	2,160	1,930	2,001
INTEREST EXPENSE			
Interest on long-term debt	597	590	519
Other interest	21	30	33
Allowance for borrowed funds used during construction	(9)	(9)	(8)
NET INTEREST EXPENSE	609	611	544
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	1,551	1,319	1,457
INCOME TAX EXPENSE	548	440	524
INCOME FROM CONTINUING OPERATIONS	1,003	879	933
INCOME FROM DISCONTINUED OPERATIONS			
Gain on sale of electricity generating plants, net of tax expense of \$174 in 2008	—	—	270
Income from discontinued operations, net of tax expense of \$3 in 2008	—	—	4
TOTAL INCOME FROM DISCONTINUED OPERATIONS	—	—	274
NET INCOME	1,003	879	1,207
Preferred stock dividend requirements of subsidiary	(11)	(11)	(11)
NET INCOME FOR COMMON STOCK	\$ 992	\$ 868	\$ 1,196
EARNINGS PER COMMON SHARE – BASIC			
Continuing operations	\$ 3.49	\$ 3.16	\$ 3.37
Discontinued operations	—	—	1.01
Net income	\$ 3.49	\$ 3.16	\$ 4.38
EARNINGS PER COMMON SHARE – DILUTED			
Continuing operations	\$ 3.47	\$ 3.14	\$ 3.36
Discontinued operations	—	—	1.01
Net income	\$ 3.47	\$ 3.14	\$ 4.37
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$ 2.38	\$ 2.36	\$ 2.34
AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC (IN MILLIONS)	284.3	275.2	272.9
AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED (IN MILLIONS)	285.9	276.3	273.6

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Twelve Months Ended December 31,		
	2010	2009	2008
	(Millions of Dollars)		
OPERATING ACTIVITIES			
Net Income	\$ 1,003	\$ 879	\$ 1,207
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME			
Depreciation and amortization	840	791	717
Deferred income taxes	659	436	470
Rate case amortization and accruals	13	(63)	(176)
Net transmission and distribution reconciliation	—	—	(50)
Common equity component of allowance for funds used during construction	(15)	(14)	(8)
Net derivative (gains)/losses	(19)	(31)	100
Pre-tax gain on sale of electricity generating plants	—	—	(704)
Other non-cash items (net)	(18)	(77)	(83)
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable – customers, less allowance for uncollectibles	(126)	51	18
Materials and supplies, including fuel oil and gas in storage	7	161	(111)
Other receivables and other current assets	207	(346)	(110)
Prepayments	(210)	566	(578)
Recoverable energy costs	—	90	124
Accounts payable	(22)	(18)	(92)
Pensions and retiree benefits	78	(14)	18
Accrued taxes	38	(6)	31
Accrued interest	(1)	17	(10)
Deferred charges, noncurrent assets and other regulatory assets	(590)	112	(443)
Deferred credits and other regulatory liabilities	80	(23)	303
Other assets	(9)	(5)	121
Other liabilities	466	(40)	(104)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,381	2,466	640
INVESTING ACTIVITIES			
Utility construction expenditures	(2,001)	(2,184)	(2,322)
Cost of removal less salvage	(149)	(181)	(198)
Non-utility construction expenditures	(28)	(9)	(4)
Common equity component of allowance for funds used during construction	15	14	8
Proceeds from sale of electricity generation projects	—	—	1,477
Purchase of additional ownership interest in Honeoye Storage Corporation	(12)	—	—
Purchase of ownership interest in Hawkeye lease	—	—	(12)
Purchase of ownership interest in Newington SCS	—	—	(20)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,175)	(2,360)	(1,071)
FINANCING ACTIVITIES			
Net payments of short-term debt	—	(363)	(477)
Retirement of long-term debt	(1,011)	(662)	(487)
Issuance of long-term debt	1,095	1,470	1,850
Issuance of common stock	439	257	51
Debt issuance costs	(11)	(10)	(13)
Common stock dividends	(629)	(601)	(618)
Preferred stock dividends	(11)	(11)	(11)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(128)	80	295
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	78	186	(136)
BALANCE AT BEGINNING OF PERIOD	260	74	210
BALANCE AT END OF PERIOD	\$ 338	\$ 260	\$ 74
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid/(refunded) during the period for:			
Interest	\$ 583	\$ 558	\$ 557
Income taxes	\$ (25)	\$ 5	\$ 394

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET

	December 31, 2010	December 31, 2009
	<i>(Millions of Dollars)</i>	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 338	\$ 260
Accounts receivable – customers, less allowance for uncollectible accounts of \$76 and \$70 in 2010 and 2009, respectively	1,173	1,047
Accrued unbilled revenue	633	579
Other receivables, less allowance for uncollectible accounts of \$8 and \$5 in 2010 and 2009, respectively	300	379
Fuel oil, gas in storage, materials and supplies, at average cost	348	355
Prepayments	341	131
Regulatory assets	203	172
Revenue decoupling mechanism receivable	5	117
Other current assets	166	174
TOTAL CURRENT ASSETS	3,507	3,214
INVESTMENTS	403	385
UTILITY PLANT, AT ORIGINAL COST		
Electric	19,851	18,645
Gas	4,344	3,983
Steam	2,038	1,935
General	1,911	1,866
TOTAL	28,144	26,429
Less: Accumulated depreciation	5,808	5,412
Net	22,336	21,017
Construction work in progress	1,458	1,422
NET UTILITY PLANT	23,794	22,439
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of \$51 and \$45 in 2010 and 2009, respectively	46	19
Construction work in progress	23	6
NET PLANT	23,863	22,464
OTHER NONCURRENT ASSETS		
Goodwill	429	416
Intangible assets, less accumulated amortization of \$3 and \$2 in 2010 and 2009, respectively	3	4
Regulatory assets	7,643	7,103
Other deferred charges and noncurrent assets	298	258
TOTAL OTHER NONCURRENT ASSETS	8,373	7,781
TOTAL ASSETS	\$ 36,146	\$ 33,844

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET

	December 31, 2010	December 31, 2009
	<i>(Millions of Dollars)</i>	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$ 5	\$ 731
Accounts payable	1,151	1,173
Customer deposits	289	274
Accrued taxes	90	51
Accrued interest	155	156
Accrued wages	102	91
Fair value of derivative liabilities	125	114
Other current liabilities	449	350
TOTAL CURRENT LIABILITIES	2,366	2,940
NONCURRENT LIABILITIES		
Obligations under capital leases	7	14
Provision for injuries and damages	165	168
Pensions and retiree benefits	3,287	3,363
Superfund and other environmental costs	512	212
Asset retirement obligations	109	122
Fair value of derivative liabilities	77	131
Other noncurrent liabilities	126	108
TOTAL NONCURRENT LIABILITIES	4,283	4,118
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	6,602	5,609
Regulatory liabilities	915	829
Other deferred credits	35	32
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	7,552	6,470
LONG-TERM DEBT (See Statement of Capitalization)	10,671	9,854
SHAREHOLDERS' EQUITY		
Common shareholders' equity (See Statement of Common Shareholders' Equity)	11,061	10,249
Preferred stock of subsidiary (See Statement of Capitalization)	213	213
TOTAL SHAREHOLDERS' EQUITY	11,274	10,462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 36,146	\$ 33,844

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2010	2009	2008
		(Millions of Dollars)	
NET INCOME	\$ 1,003	\$ 879	\$ 1,207
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Pension plan liability adjustments, net of \$5, \$17 and \$(21) taxes in 2010, 2009 and 2008, respectively	2	26	(31)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of \$(1) taxes in 2008	—	—	(2)
Less: Reclassification adjustment for (gains)/losses included in net income, net of \$1 and \$(1) taxes in 2009 and 2008, respectively	—	1	(1)
Less: Reclassification adjustment for unrealized losses included in regulatory assets, net of \$(5) taxes in 2008	—	—	(8)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	2	25	(24)
COMPREHENSIVE INCOME	1,005	904	1,183
Preferred stock dividend requirements of subsidiary	(11)	(11)	(11)
COMPREHENSIVE INCOME FOR COMMON STOCK	\$ 994	\$ 893	\$ 1,172

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY

(Millions of Dollars/Except Share Data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
	Shares	Amount			Shares	Amount			
BALANCE AS OF									
DECEMBER 31, 2007	272,024,874	\$ 29	\$ 4,038	\$ 6,113	23,210,700	\$ (1,001)	\$ (60)	\$ (43)	\$ 9,076
Net income for common stock				1,196					1,196
Common stock dividends				(639)					(639)
Issuance of common shares – dividend reinvestment and employee stock plans	1,696,812		74						74
Other comprehensive loss								(24)	(24)
Adjustment for adoption of fair value standard net of taxes				15					15
BALANCE AS OF									
DECEMBER 31, 2008	273,721,686	\$ 29	\$ 4,112	\$ 6,685	23,210,700	\$ (1,001)	\$ (60)	\$ (67)	\$ 9,698
Net income for common stock				868					868
Common stock dividends				(649)					(649)
Issuance of common shares – public offering	5,000,000	1	214				(2)		213
Issuance of common shares – dividend reinvestment and employee stock plans	2,402,055		94						94
Other comprehensive income								25	25
BALANCE AS OF									
DECEMBER 31, 2009	281,123,741	\$ 30	\$ 4,420	\$ 6,904	23,210,700	\$ (1,001)	\$ (62)	\$ (42)	\$10,249
Net income for common stock				992					992
Common stock dividends				(676)					(676)
Issuance of common shares – public offering	6,300,000	1	307				(2)		306
Issuance of common shares – dividend reinvestment and employee stock plans	4,192,593		188						188
Other comprehensive income								2	2
BALANCE AS OF									
DECEMBER 31, 2010	291,616,334	\$ 31	\$ 4,915	\$ 7,220	23,210,700	\$ (1,001)	\$ (64)	\$ (40)	\$11,061

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.**CONSOLIDATED STATEMENT OF CAPITALIZATION**

	Shares outstanding December 31,		At December 31,	
	2010	2009	2010	2009
			<i>(Millions of Dollars)</i>	
TOTAL COMMON SHAREHOLDERS' EQUITY BEFORE ACCUMULATED OTHER COMPREHENSIVE LOSS	291,616,334	281,123,741	\$11,101	\$ 10,291
Pension plan liability adjustments, net of \$(22) and \$(27) taxes in 2010 and 2009, respectively			(37)	(38)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, less reclassification adjustment for gains/(losses) included in net income and reclassification adjustment for unrealized losses included in regulatory assets, net of \$(60) and \$(61) taxes in 2010 and 2009, respectively			(3)	(4)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAXES			(40)	(42)
TOTAL COMMON SHAREHOLDERS' EQUITY (SEE STATEMENT OF COMMON SHAREHOLDERS' EQUITY)			11,061	10,249
PREFERRED STOCK OF SUBSIDIARY				
\$5 Cumulative Preferred, without par value, authorized 1,915,319 shares	1,915,319	1,915,319	175	175
Cumulative Preferred, \$100 par value, authorized 6,000,000 shares				
4.65% Series C	153,296	153,296	16	16
4.65% Series D	222,330	222,330	22	22
TOTAL PREFERRED STOCK			\$ 213	\$ 213

The accompanying notes are an integral part of these financial statements.

Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF CAPITALIZATION

LONG-TERM DEBT			At December 31,	
Maturity	Interest Rate	Series	2010	2009
			(Millions of Dollars)	
DEBENTURES:				
2010	8.125%	2000A	\$ —	\$ 325
2010	7.50	2000A	—	55
2010	7.50	2000B	—	300
2012	5.625	2002A	300	300
2013	4.875	2002B	500	500
2013	3.85	2003B	200	200
2014	4.70	2004A	200	200
2014	5.55	2009A	275	275
2015	2.50	2010A	55	—
2015	5.375	2005C	350	350
2015	5.30	2005A	40	40
2016	5.45	2006A	75	75
2016	5.50	2006C	400	400
2016	5.30	2006D	250	250
2018	5.85	2008A	600	600
2018	7.125	2008C	600	600
2018	6.15	2008A	50	50
2019	4.96	2009A	60	60
2019	6.65	2009B	475	475
2020	4.45	2010A	350	—
2027	6.50	1997F	80	80
2029	7.00	1999G	—	45
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	200
2035	5.30	2005A	350	350
2035	5.25	2005B	125	125
2036	5.85	2006A	400	400
2036	6.20	2006B	400	400
2036	5.70	2006E	250	250
2037	6.30	2007A	525	525
2038	6.75	2008B	600	600
2039	6.00	2009B	60	60
2039	5.50	2009C	600	600
2040	5.70	2010B	350	—
2040	5.50	2010B	115	—
TOTAL DEBENTURES			9,210	9,065
TRANSITION BONDS:				
2019*	5.22%	2004-1	32	34
TOTAL TRANSITION BONDS			32	34

Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF CAPITALIZATION

LONG-TERM DEBT			At December 31,	
Maturity	Interest Rate	Series	2010	2009
			<i>(Millions of Dollars)</i>	
TAX-EXEMPT DEBT - Notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds**:				
2014	0.40%	1994***	—	55
2015	0.34	1995***	44	44
2032	0.595	2004B Series 1	127	127
2034	0.548	1999A	293	293
2035	0.525	2004B Series 2	20	20
2036	1.45	2010A	225	—
2036	4.70	2001A	—	225
2036	0.49	2001B	98	98
2039	0.525	2004A	98	98
2039	0.307	2004C	99	99
2039	0.29	2005A	126	126
TOTAL TAX-EXEMPT DEBT			1,130	1,185
Other long-term debt			323	326
Unamortized debt discount			(19)	(25)
TOTAL			10,676	10,585
Less: long-term debt due within one year			5	731
TOTAL LONG-TERM DEBT			10,671	9,854
TOTAL CAPITALIZATION			\$21,945	\$20,316

* The final date to pay the entire remaining unpaid principal balance, if any, of all outstanding bonds is May 17, 2021.

** Other than Series 2001A and Series 2010A (the proceeds of which were used to redeem the Series 2001A), rates reset weekly or by auction held every 35 days; December 31, 2010 rates shown (August 18, 2010 rate shown for Series 1994).

*** Issued for O&R pollution control financing.

The accompanying notes are an integral part of these financial statements.

Report of Management on Internal Control Over Financial Reporting

Management of Consolidated Edison Company of New York, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2010, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2010.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2010, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

Kevin Burke
Chairman and Chief Executive Officer

Robert Hogle
Senior Vice President and Chief Financial Officer

February 22, 2011

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Trustees of Consolidated Edison Company of New York, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Consolidated Edison Company of New York, Inc. and its subsidiaries (the Company) at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
New York, New York
February 22, 2011

Consolidated Edison Company of New York, Inc.
CONSOLIDATED INCOME STATEMENT

	For the Years Ended December 31,		
	2010	2009	2008
	<i>(Millions of Dollars)</i>		
OPERATING REVENUES			
Electric	\$ 8,376	\$ 7,674	\$ 7,878
Gas	1,541	1,701	1,839
Steam	656	661	707
TOTAL OPERATING REVENUES	10,573	10,036	10,424
OPERATING EXPENSES			
Purchased power	2,683	2,583	3,185
Fuel	458	503	660
Gas purchased for resale	552	818	999
Other operations and maintenance	2,515	2,186	1,937
Depreciation and amortization	787	744	672
Taxes, other than income taxes	1,656	1,486	1,304
TOTAL OPERATING EXPENSES	8,651	8,320	8,757
OPERATING INCOME	1,922	1,716	1,667
OTHER INCOME (DEDUCTIONS)			
Investment and other income	32	34	21
Allowance for equity funds used during construction	13	12	7
Other deductions	(19)	(13)	(12)
TOTAL OTHER INCOME (DEDUCTIONS)	26	33	16
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	1,948	1,749	1,683
INTEREST EXPENSE			
Interest on long-term debt	537	534	474
Other interest	19	27	25
Allowance for borrowed funds used during construction	(7)	(8)	(7)
NET INTEREST EXPENSE	549	553	492
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	1,399	1,196	1,191
INCOME TAX EXPENSE	495	404	397
NET INCOME	904	792	794
Preferred stock dividend requirements	(11)	(11)	(11)
NET INCOME FOR COMMON STOCK	\$ 893	\$ 781	\$ 783

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Twelve Months Ended December 31,		
	2010	2009	2008
	(Millions of Dollars)		
OPERATING ACTIVITIES			
Net income	\$ 904	\$ 792	\$ 794
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME			
Depreciation and amortization	787	744	672
Deferred income taxes	622	364	500
Rate case amortization and accruals	13	(63)	(176)
Net transmission and distribution reconciliation	—	—	(50)
Common equity component of allowance for funds used during construction	(13)	(12)	(7)
Other non-cash items (net)	(12)	(56)	(33)
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable – customers, less allowance for uncollectibles	(121)	33	16
Materials and supplies, including fuel oil and gas in storage	4	133	(91)
Other receivables and other current assets	11	(122)	(195)
Prepayments	—	456	(457)
Recoverable energy costs	—	111	99
Accounts payable	(17)	(118)	60
Pensions and retiree benefits	68	—	(16)
Accrued taxes	13	(16)	36
Accrued interest	(7)	6	(3)
Deferred charges, noncurrent assets and other regulatory assets	(535)	57	(374)
Deferred credits and other regulatory liabilities	70	(25)	280
Other liabilities	418	(62)	(19)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,205	2,222	1,036
INVESTING ACTIVITIES			
Utility construction expenditures	(1,866)	(2,057)	(2,202)
Cost of removal less salvage	(145)	(176)	(195)
Common equity component of allowance for funds used during construction	13	12	7
Loan to affiliate	—	113	(58)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,998)	(2,108)	(2,448)
FINANCING ACTIVITIES			
Net payments of short-term debt	—	(253)	(302)
Retirement of long-term debt	(850)	(655)	(280)
Issuance of long-term debt	925	1,350	1,800
Debt issuance costs	(9)	(10)	(13)
Capital contribution by parent	355	211	752
Dividend to parent	(670)	(652)	(618)
Preferred stock dividends	(11)	(11)	(11)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(260)	(20)	1,328
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	(53)	94	(84)
BALANCE AT BEGINNING OF PERIOD	131	37	121
BALANCE AT END OF PERIOD	\$ 78	\$ 131	\$ 37
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid/(refunded) during the period for:			
Interest	\$ 528	\$ 513	\$ 473
Income taxes	\$ (18)	\$ 18	\$ (1)

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET

	December 31, 2010	December 31, 2009
	<i>(Millions of Dollars)</i>	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 78	\$ 131
Accounts receivable – customers, less allowance for uncollectible accounts of \$68 and \$63 in 2010 and 2009, respectively	1,025	904
Other receivables, less allowance for uncollectible accounts of \$7 and \$4 in 2010 and 2009, respectively	103	134
Accrued unbilled revenue	473	413
Accounts receivable from affiliated companies	249	124
Fuel oil, gas in storage, materials and supplies, at average cost	306	310
Prepayments	82	82
Regulatory assets	151	104
Revenue decoupling mechanism receivable	—	107
Other current assets	98	89
TOTAL CURRENT ASSETS	2,565	2,398
INVESTMENTS	167	126
UTILITY PLANT AT ORIGINAL COST		
Electric	18,735	17,570
Gas	3,844	3,537
Steam	2,038	1,935
General	1,746	1,708
TOTAL	26,363	24,750
Less: Accumulated depreciation	5,314	4,947
Net	21,049	19,803
Construction work in progress	1,345	1,334
NET UTILITY PLANT	22,394	21,137
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of \$22 and \$20 in 2010 and 2009, respectively	7	9
NET PLANT	22,401	21,146
OTHER NONCURRENT ASSETS		
Regulatory assets	7,058	6,590
Other deferred charges and noncurrent assets	244	201
TOTAL OTHER NONCURRENT ASSETS	7,302	6,791
TOTAL ASSETS	\$ 32,435	\$ 30,461

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET

	December 31, 2010	December 31, 2009
	<i>(Millions of Dollars)</i>	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$ —	\$ 625
Accounts payable	924	937
Accounts payable to affiliated companies	13	17
Customer deposits	276	259
Accrued taxes	34	41
Accrued taxes to affiliated companies	29	9
Accrued interest	130	137
Accrued wages	93	89
Other current liabilities	460	333
TOTAL CURRENT LIABILITIES	1,959	2,447
NONCURRENT LIABILITIES		
Obligations under capital leases	7	14
Provision for injuries and damages	159	160
Pensions and retiree benefits	2,900	2,978
Superfund and other environmental costs	392	159
Asset retirement obligations	109	122
Fair value of derivative liabilities	29	44
Other noncurrent liabilities	116	68
TOTAL NONCURRENT LIABILITIES	3,712	3,545
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	6,071	5,139
Regulatory liabilities	783	703
Other deferred credits	31	29
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	6,885	5,871
LONG-TERM DEBT (See Statement of Capitalization)	9,743	9,038
SHAREHOLDER'S EQUITY		
Common shareholder's equity (See Statement of Common Shareholder's Equity)	9,923	9,347
Preferred stock (See Statement of Capitalization)	213	213
TOTAL SHAREHOLDER'S EQUITY	10,136	9,560
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 32,435	\$ 30,461

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2010	2009	2008
		(Millions of Dollars)	
NET INCOME	\$ 904	\$ 792	\$ 794
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Pension plan liability adjustments, net of \$(1), \$11 and \$(7) taxes in 2010, 2009 and 2008, respectively	(2)	16	(11)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(2)	16	(11)
COMPREHENSIVE INCOME	\$ 902	\$ 808	\$ 783

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY

<i>(Millions of Dollars/Except Share Data)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
	Shares	Amount						
BALANCE AS OF DECEMBER 31, 2007	235,488,094	\$ 589	\$ 2,912	\$ 5,616	\$ (962)	\$ (60)	\$ (9)	\$8,086
Net income				794				794
Common stock dividend to parent				(618)				(618)
Capital contribution by parent			752					752
Cumulative preferred dividends				(12)				(12)
Other comprehensive loss							(11)	(11)
BALANCE AS OF DECEMBER 31, 2008	235,488,094	\$ 589	\$ 3,664	\$ 5,780	\$ (962)	\$ (60)	\$ (20)	\$8,991
Net income				792				792
Common stock dividend to parent				(652)				(652)
Capital contribution by parent			213			(2)		211
Cumulative preferred dividends				(11)				(11)
Other comprehensive income							16	16
BALANCE AS OF DECEMBER 31, 2009	235,488,094	\$ 589	\$ 3,877	\$ 5,909	\$ (962)	\$ (62)	\$ (4)	\$9,347
Net income				904				904
Common stock dividend to parent				(670)				(670)
Capital contribution by parent			357			(2)		355
Cumulative preferred dividends				(11)				(11)
Other comprehensive income							(2)	(2)
BALANCE AS OF DECEMBER 31, 2010	235,488,094	\$ 589	\$ 4,234	\$ 6,132	\$ (962)	\$ (64)	\$ (6)	\$9,923

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF CAPITALIZATION

	Shares outstanding		At December 31,	
	December 31, 2010	December 31, 2009	2010 <i>(Millions of Dollars)</i>	2009
TOTAL COMMON SHAREHOLDER'S EQUITY BEFORE	235,488,094	235,488,094	\$9,929	\$9,351
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Pension plan liability adjustments, net \$(2) and \$(1) taxes in 2010 and 2009, respectively			(3)	(2)
Unrealized gains on derivatives qualified as cash flow hedges, less reclassification adjustment for gains included in net income, net of \$(2) taxes in 2010 and 2009, respectively			(3)	(2)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAXES			(6)	(4)
TOTAL COMMON SHAREHOLDER'S EQUITY (SEE STATEMENT OF COMMON SHAREHOLDER'S EQUITY)			9,923	9,347
PREFERRED STOCK				
\$5 Cumulative Preferred, without par value, authorized 1,915,319 shares	1,915,319	1,915,319	175	175
Cumulative Preferred, \$100 par value, authorized 6,000,000 shares				
4.65% Series C	153,296	153,296	16	16
4.65% Series D	222,330	222,330	22	22
TOTAL PREFERRED STOCK			\$ 213	\$ 213

The accompanying notes are an integral part of these financial statements.

Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF CAPITALIZATION

LONG-TERM DEBT			At December 31,	
Maturity	Interest Rate	Series	2010	2009
			(Millions of Dollars)	
DEBENTURES:				
2010	8.125%	2000A	\$ —	\$ 325
2010	7.50	2000B	—	300
2012	5.625	2002A	300	300
2013	4.875	2002B	500	500
2013	3.85	2003B	200	200
2014	4.70	2004A	200	200
2014	5.55	2009A	275	275
2015	5.375	2005C	350	350
2016	5.50	2006C	400	400
2016	5.30	2006D	250	250
2018	5.85	2008A	600	600
2018	7.125	2008C	600	600
2019	6.65	2009B	475	475
2020	4.45	2010A	350	—
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	200
2035	5.30	2005A	350	350
2035	5.25	2005B	125	125
2036	5.85	2006A	400	400
2036	6.20	2006B	400	400
2036	5.70	2006E	250	250
2037	6.30	2007A	525	525
2038	6.75	2008B	600	600
2039	5.50	2009C	600	600
2040	5.70	2010B	350	—
TOTAL DEBENTURES			8,675	8,600
TAX-EXEMPT DEBT – Notes issued to New York State Energy Research and Development Authority for Facilities Revenue				
Bonds*:				
2032	0.595%	2004B Series 1	127	127
2034	0.548	1999A	293	293
2035	0.525	2004B Series 2	20	20
2036	4.70	2001A	—	225
2036	0.49	2001B	98	98
2036	1.45	2010A	225	—
2039	0.525	2004A	98	98
2039	0.307	2004C	99	99
2039	0.29	2005A	126	126
TOTAL TAX-EXEMPT DEBT			1,086	1,086
Unamortized debt discount			(18)	(23)
TOTAL			9,743	9,663
Less: long-term debt due within one year			—	625
TOTAL LONG-TERM DEBT			9,743	9,038
TOTAL CAPITALIZATION			\$ 19,879	\$ 18,598

* Other than Series 2001A and Series 2010A (the proceeds of which were used to redeem the Series 2001A), rates reset weekly or by auction held every 35 days; December 31, 2010 rates shown.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

General

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the two separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison) and Consolidated Edison Company of New York, Inc. and its subsidiaries (CECONY). CECONY is a subsidiary of Con Edison and as such its financial condition and results of operations and cash flows, which are presented separately in the CECONY consolidated financial statements, are also consolidated, along with those of Con Edison's other utility subsidiary, Orange and Rockland Utilities, Inc. (O&R), and Con Edison's competitive energy businesses (discussed below) in Con Edison's consolidated financial statements. The term "Utilities" is used in these notes to refer to CECONY and O&R.

As used in these notes, the term "Companies" refers to Con Edison and CECONY and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, CECONY makes no representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

Con Edison has two regulated utility subsidiaries: CECONY and O&R. CECONY provides electric service and gas service in New York City and Westchester County. The company also provides steam service in parts of Manhattan. O&R, along with its regulated utility subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. Con Edison has the following competitive energy businesses: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a retail energy services company that sells electricity and also offers energy-related services; Consolidated Edison Energy, Inc. (Con Edison Energy), a wholesale energy supply and services company; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops and participates in infrastructure projects. During the second quarter of 2008, Con Edison Development and its subsidiary, CED/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants with an aggregate capacity of approximately 1,706 megawatts. See Note U to the financial statements.

Note A — Summary of Significant Accounting Policies

Principles of Consolidation

The Companies' consolidated financial statements include the accounts of their respective majority-owned subsidiaries, and variable interest entities (see Note Q), as required. All intercompany balances and transactions have been eliminated.

Accounting Policies

The accounting policies of Con Edison and its subsidiaries conform to accounting principles generally accepted in the United States of America. For the Utilities, these accounting principles include the accounting rules for regulated operations and the accounting requirements of the Federal Energy Regulatory Commission (FERC) and the state public utility regulatory commissions having jurisdiction.

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or "regulatory assets" under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities" under the accounting rules for regulated operations.

The Utilities' principal regulatory assets and liabilities are detailed in Note B. The Utilities are receiving or being credited with a return on all of their regulatory assets for which a cash outflow has been made, and are paying or being charged with a return on all of their regulatory liabilities for which a cash inflow has been received. The Utilities' regulatory assets and liabilities will be recovered from customers, or applied for

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customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

Other significant accounting policies of the Companies are referenced below in this Note A and in the notes that follow.

Plant and Depreciation

Utility Plant

Utility plant is stated at original cost. The cost of repairs and maintenance is charged to expense and the cost of betterments is capitalized. The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes, pensions, other benefits and an allowance for funds used during construction (AFDC). The original cost of property is charged to expense over the estimated useful lives of the assets. Upon retirement, the original cost of property is charged to accumulated depreciation. See Note R. Rates used for AFDC include the cost of borrowed funds and a reasonable rate of return on the Utilities' own funds when so used, determined in accordance with regulations of the FERC or the state public utility regulatory authority having jurisdiction. The rate is compounded semiannually, and the amounts applicable to borrowed funds are treated as a reduction of interest charges, while the amounts applicable to the Utilities' own funds are credited to other income (deductions). The AFDC rates for CECONY were 5.3 percent, 6.9 percent and 6.0 percent for 2010, 2009 and 2008, respectively. The AFDC rates for O&R were 5.8 percent, 4.2 percent and 3.5 percent for 2010, 2009 and 2008, respectively.

The Utilities generally compute annual charges for depreciation using the straight-line method for financial statement purposes, with rates based on average service lives and net salvage factors. The average depreciation rate for CECONY was 3.1 percent for 2010, 2009 and 2008. The average depreciation rate for O&R was 2.8 percent for 2010, 2009 and 2008.

The estimated lives for utility plant for CECONY range from 5 to 80 years for electric, 5 to 85 years for gas, 5 to 70 years for steam and 5 to 50 years for general plant. For O&R, the estimated lives for utility plant range from 5 to 65 years for electric, 5 to 75 years for gas and 5 to 50 years for general plant.

At December 31, 2010 and 2009, the capitalized cost of the Companies' utility plant, net of accumulated depreciation, was as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2010	2009	2010	2009
Electric				
Generation	\$ 396	\$ 392	\$ 396	\$ 392
Transmission	2,284	2,090	2,150	1,953
Distribution	13,191	12,442	12,549	11,824
Gas*	3,535	3,226	3,153	2,892
Steam	1,617	1,555	1,617	1,555
General	1,241	1,231	1,125	1,117
Held for future use	72	82	60	70
Construction work in progress	1,458	1,421	1,344	1,334
Net Utility Plant	\$23,794	\$22,439	\$22,394	\$21,137

* Primarily distribution.

Under the Utilities' current rate plans, the aggregate annual depreciation allowance in effect at December 31, 2010 was \$838 million, including \$793 million under CECONY's electric, gas and steam rate plans that have been approved by the New York State Public Service Commission (NYSPSC).

Non-Utility Plant

Non-utility plant is stated at original cost and consists primarily of land, telecommunication, gas storage and solar facilities that are currently not used within electric, gas or steam utility operations. Depreciation on these assets is computed using the straight-line

method for financial statement purposes over their estimated useful lives, which range from 3 to 30 years.

Goodwill

In accordance with the accounting rules for goodwill and intangible assets, Con Edison is required to test goodwill for impairment annually. Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill. See Note K and Note T.

Impairments

In accordance with the accounting rules for impairment or disposal of long-lived assets, the Companies evaluate the impairment of long-lived assets, based on projections of undiscounted future cash flows, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. In the event an evaluation indicates that such cash flows cannot be expected to be sufficient to fully recover the assets, the assets are written down to their estimated fair value.

In accordance with the accounting rules for equity method and joint ventures, Con Edison Development recognized pre-tax impairment charges of \$2 million in 2008, related to its equity investment in a 29 MW electric generating plant in Michigan (which was sold in 2008), and \$5 million in 2009, related to its equity investment in an electric generating plant in Guatemala (which was sold in 2010). No impairment charges were recognized in 2010.

Revenues

The Utilities and Con Edison Solutions recognize revenues for energy service on a monthly billing cycle basis. The Utilities defer over a 12-month period net interruptible gas revenues, other than those authorized by the NYSPSC to be retained by the Utilities, for refund to firm gas sales and transportation customers. The Utilities and Con Edison Solutions accrue revenues at the end of each month for estimated energy service not yet billed to customers. Prior to March 31, 2009, CECONY did not accrue revenues for energy service provided but not yet billed to customers except for certain unbilled gas revenues accrued in 1989. This change in accounting for unbilled revenues had no effect on net income. See "Regulatory Assets and Liabilities" in Note B. Unbilled revenues included in Con Edison's balance sheet at December 31, 2010 and 2009 were \$633 million (including \$473 million for CECONY) and \$579 million (including \$413 million for CECONY), respectively.

CECONY's electric and gas rate plans and O&R's New York electric and gas rate plans each contain a revenue decoupling mechanism under which the company's actual energy delivery revenues are compared on a periodic basis, with the authorized delivery revenues and the difference accrued, with interest, for refund to, or recovery from, customers, as applicable. See "Rate Agreements" in Note B.

The NYSPSC requires utilities to record gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenue and expense). The recovery of these taxes is generally provided for in the revenue requirement within each of the respective NYSPSC approved rate plans.

Recoverable Energy Costs

The Utilities generally recover all of their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state public utility commissions. If the actual energy supply costs for a given month are more or less than the amounts billed to customers for that month, the difference in most cases is recoverable from or refundable to customers. Differences between actual and billed electric and steam supply costs are generally deferred for charge or refund to customers during the next billing cycle (normally within one or two months). In addition, CECONY recovers the costs of its electric demand management program, in excess of the costs reflected in rates, as part of recoverable energy costs. For the Utilities' gas costs, differences between actual

and billed gas costs during the 12-month period ending each August are charged or refunded to customers during a subsequent 12-month period.

New York Independent System Operator (NYISO)

The Utilities purchase electricity through the wholesale electricity market administered by the NYISO. The difference between purchased power and related costs initially billed to the Utilities by the NYISO and the actual cost of power subsequently calculated by the NYISO is refunded by the NYISO to the Utilities, or paid to the NYISO by the Utilities. The reconciliation payments or receipts are recoverable from or refundable to the Utilities' customers.

Certain other payments to or receipts from the NYISO are also subject to reconciliation, with shortfalls or amounts in excess of specified rate allowances recoverable from or refundable to customers. These include proceeds from the sale through the NYISO of transmission rights on CECONY's transmission system (transmission congestion contracts or TCCs).

Sulfur Dioxide (SO₂) Allowances

In accordance with the federal Clean Air Act, CECONY has been allocated SO₂ emission allowances which the company may sell, trade or hold for future use. Generally, CECONY defers its proceeds from the sale of SO₂ allowances as regulatory liabilities to be applied for customer benefit. The proceeds received from the sale of SO₂ allowances are included in net cash flows from operating activities in the Companies' consolidated statements of cash flows.

Temporary Cash Investments

Temporary cash investments are short-term, highly-liquid investments that generally have maturities of three months or less at the date of purchase. They are stated at cost, which approximates market. The Companies consider temporary cash investments to be cash equivalents.

Investments

Investments consist primarily of the investments of Con Edison's competitive energy businesses, which are accounted for under the equity method (depending on the subsidiaries' percentage ownership) or accounted for as leveraged leases in accordance with the accounting rules for leases. See Note J for a discussion of investments in Lease In/Lease Out transactions. Utilities' investments are recorded at either cost or fair value and include the deferred income plan and supplemental retirement income plan trust owned life insurance assets.

Pension and Other Postretirement Benefits

The accounting rules for retirement benefits require an employer to recognize an asset or liability for the overfunded or underfunded status of its pension and other postretirement benefit plans. For a pension plan, the asset or liability is the difference between the fair value of the plan's assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation. The accounting rules generally require employers to recognize all unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive income (OCI), net of tax. Such amounts will be adjusted as they are subsequently recognized as components of net periodic benefit cost or income pursuant to the current recognition and amortization provisions.

For the Utilities' pension and other postretirement benefit plans, regulatory accounting treatment is generally applied in accordance with the accounting rules for regulated operations. Unrecognized prior service costs or credits and unrecognized actuarial gains and losses are recorded to regulatory assets or liabilities, rather than OCI. See Notes E and F.

The net periodic benefit costs are recognized in accordance with the accounting rules for retirement benefits. Investment gains and losses are recognized in expense over a 15-year period and other actuarial gains and losses are recognized in expense over a 10-year period, subject to the deferral provisions in the rate plans.

In accordance with the Statement of Policy issued by the NYSPSC and its current electric, gas and steam rate agreements, CECONY defers for payment to or

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recovery from customers the difference between such expenses and the amounts for such expenses reflected in rates. Generally, O&R also defers such difference pursuant to its rate plans. See Note B – Regulatory Matters.

The Companies calculate the expected return on pension and other retirement benefit plan assets by multiplying the expected rate of return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. The accounting rules allow the MRV of plan assets to be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. The Companies use a calculated value when determining the MRV of the plan assets that adjusts for 20 percent of the difference between fair value and expected MRV of plan assets. This calculated value has the effect of stabilizing variability in assets to which the Companies apply the expected return.

Federal Income Tax

In accordance with the accounting rules for income taxes, the Companies have recorded an accumulated deferred federal income tax liability for temporary differences between the book and tax basis of assets and liabilities at current tax rates. In accordance with rate agreements, the Utilities have recovered amounts from customers for a portion of the tax liability they will pay in the future as a result of the reversal or “turn-around” of these temporary differences. As to the remaining tax liability, in accordance with the accounting rules for regulated operations, the Utilities have established regulatory assets for the net revenue requirements to be recovered from customers for the related future tax expense. See Notes B and L. In 1993, the NYSPSC issued a Policy Statement approving accounting procedures consistent with the accounting rules for income taxes and providing assurances that these future increases in taxes will be recoverable in rates. See Note L.

Accumulated deferred investment tax credits are amortized ratably over the lives of the related properties and applied as a reduction to future federal income tax expense.

The Companies’ federal income tax returns reflect certain tax positions with which the Internal Revenue Service (IRS) does not or may not agree. See “Lease In/Lease Out Transactions” in Note J and “Uncertain Tax Positions” in Note L.

Con Edison and its subsidiaries file a consolidated federal income tax return. The consolidated income tax liability is allocated to each member of the consolidated group using the separate return method. Each member pays or receives an amount based on its own taxable income or loss in accordance with tax sharing agreements between the members of the consolidated group.

State Income Tax

Con Edison and its subsidiaries file a combined New York State Corporation Business Franchise Tax Return. Similar to a federal consolidated income tax return, the income of all entities in the combined group is subject to New York State taxation, after adjustments for differences between federal and New York law and apportionment of income among the states in which the company does business. Each member of the group pays or receives an amount based on its own New York State taxable income or loss.

Research and Development Costs

Generally research and development costs are charged to operating expenses as incurred. Research and development costs were as follows:

<i>(Millions of Dollars)</i>	For the Years Ended December 31,		
	2010	2009	2008
Con Edison	\$ 23	\$ 27	\$ 29
CECONY	\$ 21	\$ 25	\$ 28

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

Earnings Per Common Share

In accordance with the accounting rules for earnings per share, Con Edison presents basic and diluted earnings per share on the face of its consolidated income statement. Basic earnings per share (EPS) are calculated by dividing earnings available to common shareholders (“Net income for common stock” on

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Con Edison's consolidated income statement) by the weighted average number of Con Edison common shares outstanding during the period. In the calculation of diluted EPS, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock.

Potentially dilutive securities for Con Edison consist of restricted stock units, deferred stock units and stock options for which the average market price of the common shares for the period was greater than the exercise price. See Note M.

Basic and diluted EPS for Con Edison are calculated as follows:

<i>(Millions of Dollars, except per share amounts/Shares in Millions)</i>	For the Years Ended December 31,		
	2010	2009	2008
Income for common stock from continuing operations	\$ 992	\$ 868	\$ 922
Income for common stock from discontinued operations, net of tax	—	—	274
Net income for common stock	\$ 992	\$ 868	\$ 1,196
Weighted average common shares outstanding – Basic	284.3	275.2	272.9
Add: Incremental shares attributable to effect of potentially dilutive securities	1.6	1.1	0.7
Adjusted weighted average common shares outstanding – Diluted	285.9	276.3	273.6
Earnings per Common Share – Basic			
Continuing operations	\$ 3.49	\$ 3.16	\$ 3.37
Discontinued operations	—	—	1.01
Net income for common stock	\$ 3.49	\$ 3.16	\$ 4.38
Earnings per Common Share – Diluted			
Continuing operations	\$ 3.47	\$ 3.14	\$ 3.36
Discontinued operations	—	—	1.01
Net income for common stock	\$ 3.47	\$ 3.14	\$ 4.37

The computation of diluted earnings per share excludes immaterial amounts of incremental Con Edison common shares for the years ended December 31, 2010, 2009 and 2008, respectively, because the exercise prices on the options exceeded the average closing market price during these periods.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B — Regulatory Matters

Rate Agreements

CECONY — Electric

In March 2005, the NYSPSC approved a Joint Proposal by CECONY, the staff of the NYSPSC and other parties with respect to the rates the company can charge its customers for electric delivery service (the 2005 Electric Rate Agreement). The 2005 Electric Rate Agreement covered the three-year period April 2005 through March 2008, pursuant to which CECONY's electric base rates were increased \$104.6 million, effective April 1, 2005, and were increased an additional \$220.4 million (of which \$60 million was accrued over the period beginning April 1, 2006 to March 31, 2007), effective April 1, 2007. In addition, the company retained the first \$60 million of auction proceeds from the sale of transmission rights on the company's transmission system in each of the three years. The rate increases also included the amortization of certain regulatory assets and liabilities. The net effect of this amortization was a non-cash increase in electric revenues of \$128 million, \$173 million and \$249 million in the first, second and third rate years, respectively.

The 2005 Electric Rate Agreement provided for annual reconciliations of the differences between the actual amount of transmission and distribution utility plant, net of depreciation (Net T&D) and the actual

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amount of certain operating costs experienced over the term of the agreement, as compared in each case to the amounts reflected in electric rates.

Actual Net T&D was greater than the Net T&D reflected in rates, and in accordance with the 2005 Electric Rate Agreement, the company accrued a regulatory asset and increased its revenues by the revenue requirement impact of such difference (i.e., a return on investment, depreciation and income taxes). If the actual Net T&D had been less than the Net T&D reflected in rates, the company would have accrued a regulatory liability and decreased its revenues by the revenue requirement impact of such difference. For the period from April 1, 2005 through March 31, 2008, actual Net T&D exceeded the Net T&D reflected in rates by approximately \$1.5 billion. The company accrued revenues of \$50 million, \$187 million and \$115 million in 2008, 2007 and 2006, respectively, to reflect the revenue requirement impact of the Net T&D difference. In accordance with the 2005 Electric Rate Agreement, the regulatory assets associated with the accrued revenues were offset at the end of each rate year with a like amount of regulatory liabilities.

The NYSPSC's March 2008 and April 2009 orders and the November 2009 Joint Proposal covering CECONY's electric rates, discussed below, provided for the collection of a portion of the company's electric revenues (\$237 million in the rate year ended March 2009, \$254 million for the rate year ending March 2010 and, beginning April 2010, \$249 million on an annual basis) subject to potential refund to customers following NYSPSC review and completion of an investigation by the NYSPSC staff of the company's capital expenditures during the April 2005 through March 2008 period covered by the 2005 Electric Rate Agreement for transmission and distribution utility plant (the 2005-2008 Capital Expenditure Review). In December 2009, the company established a \$24 million regulatory liability for refund to customers with respect to this matter and recognized a \$14 million (after-tax) charge in its 2009 consolidated financial statements. In March 2010, the NYSPSC issued an order approving a February 2010 Joint Proposal by the company and the NYSPSC staff relating to this matter pursuant to which the company, among other things, provided a \$36 million credit to customer bills in 2010.

Under the 2005 Electric Rate Agreement, if the actual amount of pension or other postretirement benefit costs, environmental remediation costs and, if the variation exceeded 2.5 percent, property taxes or the cost of moving facilities to avoid interfering with government projects was greater than the respective amount for each such cost reflected in rates, the company would accrue a regulatory asset for the difference and defer recognition in income of the difference. If the actual amount had been less than the amount reflected in electric rates, the company would have accrued a regulatory liability for the difference and deferred recognition in income of the difference. As a result of the cost reconciliations, in 2008, the company reduced pre-tax net income by \$18 million.

The 2005 Electric Rate Agreement also provided for the continuation of the rate provisions pursuant to which the company recovers its potential strandable costs and its purchased power and fuel costs from customers.

The 2005 Electric Rate Agreement included potential positive earnings adjustments (incentives) if the company met certain standards for its retail access and demand side management programs, and potential negative earnings adjustments (revenue reductions), which could have been substantial, if it did not meet certain standards for (i) frequency and duration of service interruptions; (ii) major outages; (iii) repair, removal or replacement of damaged poles, temporary shunts, street lights, traffic signals and circuit breakers; and (iv) customer service. In 2008, the company recorded an incentive for demand side management initiatives of \$5 million and no other incentives or revenue reductions.

In March 2008, the NYSPSC adopted an order, issued and effective March 25, 2008, granting CECONY an electric rate increase, effective April 1, 2008, of \$425 million.

The NYSPSC ruling reflected the following major items:

- a return on common equity of 9.1 percent;

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- an increase to \$150 million from \$60 million in the level of annual revenues that, for purposes of setting rates, it is assumed the company will receive and retain from the sale of transmission rights on the company's transmission system, with the difference between such actual revenues for the rate year and \$150 million to be recoverable from or refundable to customers, as the case may be (the company accrued \$36 million of revenues under this provision in 2008);
- collection of \$237 million of the \$425 million rate increase is subject to potential refund to customers following the 2005-2008 Capital Expenditure Review (see discussion above in this Note B of the February 2010 Joint Proposal);
- continuation of the rate provisions under which pension and other post-retirement benefit expenses and environmental remediation expenses are reconciled to amounts reflected in rates (the company deferred recognition of \$25 million of expenses under these provisions in 2008);
- change to the reconciliation provisions for transmission and distribution expenditures and costs to relocate facilities to accommodate government projects, which under the NYSPSC ruling will be reconciled only to the extent actual expenditures are less than amounts reflected in rates (the company reduced revenues by \$15 million under this provision in 2008);
- discontinuation of the provisions under which property taxes were reconciled to amounts reflected in rates;
- potential operations penalties of up to \$152 million annually if certain customer service and system reliability performance targets are not met (the company reduced revenues by \$5 million under these provisions in 2008);
- implementation of a revenue decoupling mechanism under which the company's actual energy delivery revenues would be compared, on a periodic basis, with the authorized delivery revenues and the difference accrued, with interest, for refund to, or recovery from, customers, as applicable (the company reduced revenues by \$7 million pursuant to this provision in 2008); and
- continuation of the rate provisions pursuant to which the company recovers its purchased power and fuel costs from customers.

In April 2009, the NYSPSC adopted an order granting CECONY an electric rate increase, effective April 6, 2009, of \$523 million. The NYSPSC ruling reflects the following major items:

- A return on common equity of 10.0 percent, based on certain assumptions, including a common equity ratio of 48 percent and achievement by the company of unspecified austerity measures required by the NYSPSC that would result in avoided revenue requirements of \$60 million;
- continuation of the revenue decoupling mechanism (in 2009, the company increased revenues by \$122 million pursuant to this mechanism and the corresponding provision of the March 2008 rate order);
- a decrease to \$120 million from \$150 million in the level of annual revenues that, for purposes of setting rates, it is assumed the company will receive and retain from the sale of transmission rights on the company's transmission system, with the difference between such actual revenues for the rate year and \$120 million to be recoverable from or refundable to customers, as the case may be (in 2009, the company accrued \$7 million of revenues under this provision and the corresponding provision of the March 2008 rate order);
- reconciliation of the actual amount of pension and other postretirement benefit costs, environmental remediation expenses, property taxes and the cost of long-term debt to amounts reflected in rates (in 2009, the company deferred recognition of \$36.4 million of expenses under these provisions and the corresponding provisions of the March 2008 rate order);
- if actual generation, transmission, distribution and shared service plant expenditures (other than removal

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costs) and capital costs incurred to relocate facilities to accommodate government projects are less than amounts reflected in rates for the respective category of expenditures, the company will accrue a regulatory liability and reduce its revenues by the revenue requirement impact of the difference (i.e., return on investment, depreciation and income taxes) (in 2009, the company did not reduce revenues under these provisions and the corresponding provisions of the March 2008 rate order);

- collection of a surcharge (in addition to the electric rate increase) from customers in connection with an increase (estimated at \$198 million), effective April 2009, in a New York State assessment;
- continuation of provisions for potential operations penalties of up to \$152 million annually if certain customer service and system reliability performance targets are not met (in 2009, the company did not reduce revenues under these provisions and the corresponding provisions of the March 2008 rate order);
- continuation of the collection of a portion (increased, to reflect higher capital costs, from \$237 million collected in the rate year ended March 2009 to \$254 million for the rate year ending March 2010) of the April 2008 rate increase subject to potential refund to customers following the 2005-2008 Capital Expenditure Review (see discussion above in this Note B of the February 2010 Joint Proposal). The portion collected is also subject to refund in the event the NYSPSC determines that some disallowance of costs the company has recovered is warranted to address potential impacts of alleged unlawful conduct by arrested employees and contractors (see “Other Regulatory Matters” below in this Note B and “Investigations of Vendor Payments” in Note H).
- continuation of the rate provisions pursuant to which the company recovers its purchased power and fuel costs from customers.

In May 2009, the company filed with the NYSPSC the company’s plan with respect to austerity measures that would reduce the company’s revenue requirements during the rate year ending March 31, 2010 by \$60 million. The company’s austerity plans include reductions in labor costs, including compensation and other employee benefits, deferral of expenditures for capital projects and operating and maintenance programs and other initiatives. These reductions collectively represent \$47 million of the \$60 million reduction sought by the NYSPSC. In May 2009, the company filed with the NYSPSC a request for rehearing of the NYSPSC’s April 2009 order with respect to its austerity provisions and certain other matters. The February 2010 Joint Proposal (discussed above in Note B) provides for the company to withdraw this request.

In November 2009, CECONY, the NYSPSC staff and other parties entered into a Joint Proposal with respect to the company’s May 2009 request to the NYSPSC for an increase in the rates the company can charge its customers for electric delivery service. The Joint Proposal, which was approved in March 2010, covers the three-year period April 2010 through March 2013 and provides for electric base rate increases of \$420 million, effective April 2010 and 2011, and \$287 million, effective April 2012, with an additional \$133 million to be collected through a surcharge in the rate year ending March 2013.

The Joint Proposal reflects the following major items:

- A weighted average cost of capital of 7.76 percent, reflecting:
 - return on common equity of 10.15 percent, assuming achievement by the company of unspecified austerity measures that would result in reductions in operations and maintenance expenses of \$27 million, \$20 million and \$13 million in the rate years ending March 2011, 2012 and 2013, respectively;
 - cost of long-term debt of 5.65 percent;
 - common equity ratio of 48 percent; and
 - average rate base of \$14,887 million, \$15,987 million and \$16,826 million for the rate years ending March 2011, 2012 and 2013, respectively.

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- Deferral as a regulatory liability of the revenue requirement impact (i.e., return on investment, depreciation and income taxes) of the amount, if any, by which (A) actual average net plant balances allocable to the company's electric business for (i) transmission and distribution, excluding municipal infrastructure support (T&D), (ii) generation, shared services and, subject to certain adjustments, municipal infrastructure support (Other) and (iii) a finance and supply chain enterprise resource project (ERP) are less than (B) amounts reflected in rates for the respective category for each rate year. The amounts reflected in rates are:

<i>(Millions of Dollars)</i>	Rate Year Ending March 31,		
	2011	2012	2013
T&D	\$ 13,818	\$ 14,742	\$ 15,414
Other	1,487	1,565	1,650
ERP	—	25	115

- Any deferral for T&D and Other for the rate year ending March 2011 will be based on average net plant balances for the year and for the rate years ending March 2012 and 2013 will be based on average net plant balances over the term of the Joint Proposal.
- Any deferral for ERP would be based on average net plant balances for ERP over the term of the Joint Proposal.
- During the term of the Joint Proposal, the company will not accrue any additional revenue for carrying charges on any capital expenditures allocable to its electric business in excess of specified limits (which limits exclude certain expenditures, including expenditures for projects for which the company has been selected to receive grants under the American Recovery and Reinvestment Act of 2009):
 - T&D capital expenditures – \$1,200 million for the rate year ending March 2011 and an aggregate \$2,300 million for the period from April 2011 through March 2013;
 - Other capital expenditures – \$220 million for the rate year ending March 2011 and an aggregate \$402 million for the period from April 2011 through March 2013; and
 - ERP capital expenditures – \$125 million.
- The company is not precluded from seeking to recover in rates effective after March 2013 the annual revenue requirement for T&D and Other capital expenditures made during the term of the Joint Proposal in excess of the applicable capital expenditure limit; provided that:
 - the company can justify the need for and reasonableness of, and the company's inability to reasonably avoid, such excess capital expenditures; and
 - the return on investment for any such excess T&D or Other capital expenditures made during the rate year ending March 2011 will be calculated based on the company's overall cost of debt.
- Sharing with electric customers of any actual earnings, excluding the effects of any penalties and certain other items, above specified percentage returns on equity (based on actual average common equity ratio, subject to a 50 percent maximum) as follows:
 - for the rate year ending March 2011, the company will allocate to customers the revenue requirement equivalent of 50 percent of earnings above 11.15 percent up to and including 12.149 percent, 75 percent of earnings equal to or in excess of 12.15 percent up to and including 13.149 percent and 90 percent of earnings equal to or in excess of 13.15 percent;
 - for the rate years ending March 2012 and 2013, the company will allocate to customers the revenue requirement equivalent of 60 percent of the earnings, calculated on a cumulative basis for such years, in excess of 10.65 percent up to and including 12.149 percent, 75 percent of such cumulative earnings equal to or in excess of 12.15 percent up to and including 13.149 percent and 90 percent of such cumulative earnings equal to or in excess of 13.15 percent;
 - the customers' share of any such earnings and 50 percent of the company's share would be applied to reduce regulatory assets for pensions and other

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post-retirement benefits and other costs; and

- in the event the company does not file for a rate increase to take effect in April 2013, the earnings sharing levels for the rate year ending March 2013 will continue in effect, calculated on an annual basis, until base rates are reset by the NYSPSC.
- Deferral as a regulatory asset or liability, as the case may be, of differences between the actual level of certain expenses, including, among others, expenses for pension and other postretirement benefits, environmental remediation, relocation of facilities to accommodate government projects, property taxes and (for the rate years ending March 2012 and 2013) long-term debt, and amounts for those expenses reflected in rates (with deferral for the difference in property taxes limited to 80 percent of the difference, subject to annual maximum for the remaining 20 percent of the difference of not more than a 10 basis point impact on return on common equity and deferral of facility relocation expenses in excess amounts reflected in rates subject to certain limitations). In 2010, the company deferred recognition of \$68 million of revenue under these provisions and the corresponding provisions of the April 2009 rate order.
- Continuation of the provisions in the April 2009 order relating to revenues from the sale of transmission rights on the company's transmission system. In 2010, the company accrued \$9 million of revenues under this provision and the corresponding provision of the April 2009 rate order.
- Continuation of the revenue decoupling mechanism under which the company's actual electric delivery revenues would be compared, on a periodic basis, with the delivery revenues reflected in rates, and the difference accrued as a regulatory liability (for refund to electric customers) or a regulatory asset (for recovery from electric customers), as the case may be. In 2010, the company deferred for customer benefit \$130 million of revenues under this provision and the corresponding provision of the April 2009 rate order.
- Continuation of the rate provisions pursuant to which the company recovers its purchased power and fuel costs from electric customers.
- Continuation of provisions for potential operations penalties of up to \$152 million annually if certain electric customer service and system reliability performance targets are not met. In 2010 and 2009, the company did not recognize any expenses under these provisions and the corresponding provisions of the April 2009 order.
- Collection from electric customers of \$249 million on an annual basis subject to potential refund following the 2005-2008 Capital Expenditure Review (see discussion above in this Note B of the February 2010 Joint Proposal). The amount to be collected would also be subject to refund in the event the NYSPSC determined that some disallowance of costs the company has recovered is warranted to address potential impacts of alleged unlawful conduct by arrested employees and contractors (see "Other Regulatory Matters" below in this Note B and "Investigations of Vendor Payments" in Note H).

O&R — Electric

In October 2007, the NYSPSC issued an order that continued O&R's rates for electric service rendered in New York at current levels. The order, which was based on an allowed annual rate of return on common equity of 9.1 percent increased, effective July 1, 2007, by \$13.1 million annually the amount recognized for pension and other postretirement benefit costs. Because O&R, in accordance with applicable New York regulatory provisions, defers the difference between the actual amount of such costs and the amounts for such costs reflected in rates, the effect of the increase was to decrease the company's deferrals of such costs and increase other operations and maintenance expense by a like amount. As required by the order, the company also reduced other operating revenues and recorded a regulatory liability of \$3 million for earnings attributable to its New York electric business in excess of a 9.1 percent annual rate of return on common equity applicable to the period March through June

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2007. In June 2007, O&R commenced an action in New York State Supreme Court seeking to annul the March 2007 NYSPSC order that initiated the proceeding in which the October 2007 order was issued.

In July 2008, the NYSPSC approved a Joint Proposal among O&R, the NYSPSC staff and other parties for the rates O&R can charge its New York customers for electric service from July 2008 through June 2011. The rate plan approved by the NYSPSC provides for electric rate increases of \$15.6 million, \$15.6 million and \$5.7 million effective July 1, 2008, 2009 and 2010, respectively, and the collection of an additional \$9.9 million during the 12-month period beginning July 1, 2010.

The Joint Proposal reflected the following major items:

- an annual return on common equity of 9.4 percent;
- most of any actual earnings above a 10.2 percent return on equity (based on actual average common equity ratio, subject to a 50 percent maximum) are to be applied to reduce regulatory assets for pension and other post-retirement benefit expenses (the company did not reduce regulatory assets under this provision in 2010, 2009 or 2008);
- deferral as a regulatory asset or regulatory liability, as the case may be, of the difference between actual pension and other post-retirement benefit expenses, environmental remediation expenses, property taxes, tax-exempt debt costs and certain other expenses and amounts for those expenses reflected in rates (the company deferred recognition of \$0.7 million revenue and \$3 million and \$6 million of expenses under this provision in 2010, 2009 and 2008, respectively);
- deferral as a regulatory liability of the revenue requirement impact (i.e., return on investment, depreciation and income taxes) of the amount, if any, by which actual transmission and distribution related capital expenditures are less than amounts reflected in rates (the company deferred \$12 million, \$8 million and \$1 million of expenses under this provision in 2010, 2009 and 2008, respectively);
- deferral as a regulatory asset of increases, if any, in certain expenses above a 4 percent annual inflation rate, but only if the actual annual return on common equity is less than 9.4 percent (the company did not defer any expenses under this provision in 2009 or 2008);
- potential negative earnings adjustments of up to \$3 million annually if certain customer service and system reliability performance targets are not met (the company reduced revenues by \$0.4 million under these provisions in 2008; the company met the performance targets in 2009; the company reduced revenues by \$1 million under these provisions in 2010);
- implementation of a revenue decoupling mechanism under which actual energy delivery revenues would be compared, on a periodic basis, with the authorized delivery revenues with the difference accrued, with interest, for refund to, or recovery from, customers, as applicable (the company accrued \$5.0 million, \$12.4 million and \$3.6 million of revenues pursuant to this provision in 2010, 2009 and 2008, respectively);
- continuation of the rate provisions pursuant to which the company recovers its purchased power costs from customers; and
- withdrawal of the litigation O&R commenced seeking to annul the NYSPSC's March and October 2007 orders relating to O&R's electric rates.

In July 2010, O&R filed a request with the NYSPSC for an increase in the rates it charges for electric service rendered in New York, effective July 2011, of \$61.7 million. The filing reflects a return on common equity of 11 percent and a common equity ratio of 49.9 percent. Among other things, the filing proposes continuation of the current provisions with respect to recovery from customers of the cost of purchased power and with respect to the deferral of differences between actual expenses allocable to the electric business for pensions and other postretirement benefits, environmental, and research and developmental costs to the amounts for such costs reflected in electric rates. The filing also includes an alternative proposal for a

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three-year electric rate plan with annual rate increases of \$47.1 million effective July 2011, and \$33.2 million effective July 2012 and 2013. The multi-year filing reflects a return on common equity of 11.55 percent.

In March 2007, the New Jersey Board of Public Utilities (NJBPU) approved a three-year electric base rate plan for Rockland Electric Company (RECO), O&R's New Jersey regulated utility subsidiary that went into effect on April 1, 2007. The plan provides for a \$6.4 million rate increase during the first year, with no further increase during the final two years. The plan reflects a return on common equity of 9.75 percent and a common equity ratio of 46.5 percent of capitalization.

In May 2010, RECO, the Division of Rate Counsel, Staff of the NJBPU and certain other parties entered into a stipulation of settlement with respect to the company's August 2009 request to increase the rates that it can charge its customers for electric delivery service. The stipulation, which was approved by the Board of the NJBPU, provides for an electric rate increase, effective May 17, 2010, of \$9.8 million. The stipulation reflects a return on common equity of 10.3 percent and a common equity ratio of approximately 50 percent. The stipulation continues current provisions with respect to recovery from customers of the cost of purchased power and does not provide for reconciliation of actual expenses to amounts reflected in electric rates for pension and other postretirement benefit costs.

CECONY — Gas

In September 2007, the NYSPSC approved the Joint Proposal that CECONY had entered into in June 2007 with the staff of the NYSPSC and other parties with respect to the rates the company can charge its customers for gas service. The Joint Proposal had provided for rate increases of \$84.6 million, \$32.7 million and \$42.7 million, effective October 1, 2007, 2008 and 2009, respectively, along with annual funding for new energy efficiency programs of \$14 million. The NYSPSC modified the Joint Proposal to provide for levelized annual rate increases of \$67.5 million in each year of the three year rate plan.

The Joint Proposal continues the previous gas rate plan provisions with respect to recovery from customers of the cost of purchased gas and environmental remediation expenses and corresponding provisions pursuant to which the effects of weather on gas income are moderated and for the reconciliation of actual expenses allocable to the gas business to the amounts for such costs reflected in gas rates for pension and other postretirement benefit costs, property taxes and interference costs. Additional provisions of the gas rate plan include: a revenue decoupling mechanism (pursuant to which the company accrued \$24 million, \$25 million, and \$17 million of revenues in 2010, 2009, and 2008, respectively) and equal sharing with customers of earnings above a 10.7 percent return on common equity (earnings for the rate years ended September 30, 2010, 2009 and 2008 were reduced \$6 million, \$0 and \$9 million, respectively, for earnings above the 10.7 percent threshold).

In May 2010, CECONY, the staff of the NYSPSC and other parties entered into a Joint Proposal, with respect to the company's rates for gas delivery service. The Joint Proposal, which was approved by the NYSPSC in September 2010, covers the three-year period October 2010 through September 2013 and provides for gas base rate increases of \$47.1 million, \$47.9 million and \$46.7 million, effective October 2010, 2011 and 2012, respectively. The Joint Proposal reflects the following major items:

- A weighted average cost of capital of 7.46 percent, reflecting:
 - return on common equity of 9.6 percent, assuming achievement by the company of cost avoidance for productivity and "austerity". The unspecified austerity measures assume reductions in costs of \$6 million, \$4 million and \$2 million in the rate years ending September 2011, 2012 and 2013, respectively;
 - cost of long-term debt of 5.57 percent;
 - common equity ratio of 48 percent; and
 - average rate base of \$3,027 million, \$3,245 million and \$3,434 million for the rate years ending September 2011, 2012 and 2013, respectively.

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- Deferral as a regulatory liability of the revenue requirement impact (i.e., return on investment, depreciation and income taxes) of the amount, if any, by which actual average net plant balances allocable to the company's gas business are less than the amounts reflected in rates: \$2,934 million, \$3,148 million and \$3,346 million for the rate years ending September 2011, 2012 and 2013, respectively.
- Sharing with gas customers of any actual earnings, excluding the effects of any penalties and certain other items, above specified percentage returns on equity (based on actual average common equity ratio, subject to a 50 percent maximum), on a cumulative basis over the term of the Joint Proposal, calculated as follows:
 - for the rate year ending September 2011, the company will allocate to customers the revenue requirement equivalent of 60 percent of earnings above 10.35 percent up to and including 11.59 percent, 75 percent of earnings equal to or in excess of 11.6 percent up to and including 12.59 percent and 90 percent of earnings equal to or in excess of 12.6 percent;
 - for the rate years ending September 2012 and 2013, the company will allocate to customers the revenue requirement equivalent of 60 percent of the earnings in excess of 10.1 percent up to and including 11.59 percent, 75 percent of such earnings equal to or in excess of 11.6 percent up to and including 12.59 percent and 90 percent of such earnings equal to or in excess of 12.6 percent;
 - the customers' share of any such earnings and 50 percent of the company's share, appropriately adjusted for taxes, would be applied to reduce regulatory assets for pensions and other post-retirement benefits and other costs; and
 - in the event the company does not file for a rate increase to take effect in October 2013, the earnings sharing levels for the rate year ending September 2013 will continue in effect, implemented on an annual basis, until base rates are reset by the NYSPSC.
- Deferral as a regulatory asset or liability, as the case may be, of differences between the actual level of certain expenses, including, among others, expenses for pension and other postretirement benefits, environmental remediation, property taxes and long-term debt, and amounts for those expenses reflected in rates (with deferral for the difference in property taxes limited to 80 percent of the difference, subject to annual maximum for the remaining 20 percent of the difference of not more than the equivalent in revenue requirement of a 10 basis point impact on return on common equity).
- Continuation of provisions pursuant to which the company will retain net revenues from non-firm customer transactions. In each year of the rate plan, the company will retain up to \$58 million of any such revenues and 25 percent of any such revenues above \$58 million. If such revenues are below \$58 million in a rate year, the company will accrue a regulatory asset equal to (A) the amount by which such revenues are less than \$33 million plus (B) 80 percent of the difference between \$58 million and the level of such revenues at or above \$33 million.
- Continuation of the provisions pursuant to which the effects of weather on gas delivery revenues during each billing cycle are reflected in customer bills for that billing cycle, and a revenue decoupling mechanism under which the company's actual gas delivery revenues, inclusive of any such weather adjustment, would be compared, on a periodic basis, with the delivery revenues reflected in rates, with the difference accrued as a regulatory liability (for refund to gas customers) or a regulatory asset (for recovery from gas customers), as the case may be.
- Continuation of the rate provisions pursuant to which the company recovers its costs of purchased gas from gas customers.
- Continuation of provisions for potential penalties (up to \$12.6 million annually) if certain gas customer service and system performance targets are not met.

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- Continued collection from gas customers of \$32 million on an annual basis subject to potential refund (see “Other Regulatory Matters” below and “Investigations of Vendor Payments” in Note H).

O&R — Gas

In October 2006, the NYSPSC approved the June 2006 settlement agreement among O&R, the staff of the NYSPSC and other parties. The settlement agreement established a rate plan that covered the three-year period November 1, 2006 through October 31, 2009. The rate plan provided for rate increases in base rates of \$12 million in the first year, \$0.7 million in the second year and \$1.1 million in the third year. To phase-in the effect of the increase for customers, the rate plan provided for O&R to accrue revenues for, but defer billing to customers of, \$5.5 million of the first rate year rate increase by establishing a regulatory asset which, together with interest, was billed to customers in the second and third years. As a result, O&R’s billings to customers increased \$6.5 million in each of the first two years and \$6.3 million in the third. The first year rate increase included \$2.3 million relating to a change in the way customers are provided the benefit of non-firm revenue from sales of pipeline transportation capacity. Under the prior rate plan, base rates were reduced to reflect the assumption that the company would realize these revenues. Under the 2006 rate plan, such revenues were used to offset the cost of gas to be recovered from customers. The rate plan continued the provisions pursuant to which the company recovers its cost of purchasing gas and the provisions pursuant to which the effects of weather on gas income are moderated.

The rate plan provided that if the actual amount of pension or other postretirement benefit costs, environmental remediation costs, property taxes and certain other costs vary from the respective amount for each such cost reflected in gas rates (cost reconciliations), the company would defer recognition of the variation in income and, as the case may be, establish a regulatory asset or liability for recovery from, or refund to, customers of the variation (86 percent of the variation, in the case of property tax differences due to assessment changes).

Earnings attributable to its gas business excluding any revenue reductions (O&R Adjusted Earnings) in excess of an 11 percent annual return on common equity (based upon the actual average common equity ratio, subject to a maximum 50 percent of capitalization) were to be allocated as follows: above an 11 percent return were to be used to offset up to one-half of any regulatory asset to be recorded in that year resulting from the cost reconciliations (discussed in the preceding paragraph). One-half of any remaining O&R Adjusted Earnings between 11 and 12 percent return were to be retained by the company, with the balance deferred for the benefit of customers. Thirty-five percent of any remaining O&R Adjusted Earnings between a 12 and 14 percent return were to be retained by the company, with the balance deferred for the benefit of customers. Any remaining O&R Adjusted Earnings above a 14 percent return were to be deferred for the benefit of customers. For purposes of these earnings sharing provisions, if in any rate year O&R Adjusted Earnings was less than 11 percent, the shortfall was deducted from O&R Adjusted Earnings for the other rate years. The earnings sharing thresholds were to each be reduced by 20 basis points if certain objectives relating to the company’s retail choice program are not met. O&R adjusted earnings were not in excess of the 11 percent target return on equity for the rate years ended October 31, 2009, and 2008.

The rate plan also included up to \$1 million of potential earnings adjustments in the first year of the agreement, increasing up to \$1.2 million, if the company did not comply with certain requirements regarding gas main protection and customer service. O&R recorded a regulatory liability of \$0.4 million for not complying with certain requirements regarding safety and customer service for the rate years ended October 31, 2008. The company met these requirements for the rate year ended October 31, 2009.

In October 2009, the NYSPSC adopted a June 2009 Joint Proposal among O&R, NYSPSC staff and other parties. As approved, the Joint Proposal establishes a gas rate plan that covers the three-year period November 1, 2009 through October 31, 2012 and provides for increases in base rates of \$9 million in each of the first two years and \$4.6 million in the third year,

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with an additional \$4.3 million to be collected through a surcharge in the third rate year. The rate plan reflects the following major items:

- an annual return on common equity of 10.4 percent;
- most of any actual earnings above an 11.4 percent annual return on common equity (based upon the actual average common equity ratio, subject to a maximum 50 percent of capitalization) are to be applied to reduce regulatory assets. In 2010, the company did not defer any revenues under this provision and the corresponding provision;
- deferral as a regulatory asset or liability, as the case may be, of differences between the actual level of certain expenses, including expenses for pension and other postretirement benefits, environmental remediation, property taxes and taxable and tax-exempt long-term debt, and amounts for those expenses reflected in rates; in 2010, the company accrued \$2.7 million of revenues under this provision and the corresponding provision;
- deferral as a regulatory liability of the revenue requirement impact (i.e., return on investment, depreciation and income taxes) of the amount, if any, by which average gas net plant balances are less than balances reflected in rates in 2010, the company accrued \$1.5 million of revenues under this provision and the corresponding provision;
- deferral as a regulatory asset of increases, if any over the course of the rate plan, in certain expenses above a 4 percent annual inflation rate, but only if the actual annual return on common equity is less than 10.4 percent;
- implementation of a revenue decoupling mechanism; in 2010, the company accrued \$0.8 million of revenues under this provision and the corresponding provision;
- continuation of the provisions pursuant to which the company recovers its cost of purchasing gas and the provisions pursuant to which the effects of weather on gas income are moderated; and
- potential negative earnings adjustments of up to \$1.4 million annually if certain operations and customer service requirements are not met.

CECONY — Steam

In September 2006, the NYSPSC approved the June 2006 settlement agreement among CECONY, the staff of the NYSPSC and other parties. The settlement agreement established a rate plan that covered the two-year period October 1, 2006 through September 30, 2008. The rate plan provided for no changes in base rates or in the rate provisions pursuant to which the company recovers its fuel and purchased steam costs (the fuel adjustment clause), except for changes in the manner in which certain costs are recovered.

The rate plan provided that if the actual amount of pension or other postretirement benefit costs, environmental remediation costs, property taxes or interference costs is greater than the respective amount for each such cost reflected in steam rates, the company would recognize a regulatory asset for the difference (90 percent of the difference, in the case of property taxes and interference costs) and defer recognition in expense of the difference. If the actual amount of such costs had been less than the amount reflected in steam rates, the company would recognize a regulatory liability for the difference and decrease its revenues by the amount of such difference (90 percent of the difference, in the case of property taxes and interference costs). The company recognized a regulatory liability and increased expenses by \$1.7 million under this provision in 2008.

Earnings attributable to the steam business, excluding the net revenue effect of steam sales related to colder-than-normal weather and certain other items, (Steam Adjusted Earnings) for a rate year in excess of 11 percent return on common equity (based upon the actual average common equity ratio, subject to a maximum of 50 percent of capitalization) were allocated as follows: between 11 and 12 percent were to be used first to offset up to one-half of any regulatory asset recorded in the year resulting from the cost reconciliations (discussed in the preceding paragraph) for the rate year. The company then could retain one-half of any remaining such Steam Adjusted Earnings, with the balance being deferred for the benefit of customers. Any Steam Adjusted Earnings in excess of a 12 percent return on common equity were

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to be used first to offset any regulatory asset resulting from the cost reconciliations, with the company retaining one-quarter of any remaining Steam Adjusted Earnings and the balance being deferred for the benefit of customers. The earnings sharing thresholds would each be reduced by 20 basis points if certain requirements are not met. Earnings for the rate year ended September 30, 2008 was below the 11 percent return on common equity.

The rate plan also included up to approximately \$4 million of potential revenue reductions if the company did not comply with certain requirements regarding steam business development and certain other matters. There was no revenue reductions recorded for the rate year ending September 30, 2008.

In September 2008, the NYSPSC approved the June 2008 Joint Proposal among the company, the NYSPSC staff and other parties with respect to the rates the company can charge its customers for steam service. The Joint Proposal covers the period from October 1, 2008 through September 30, 2010. The Joint Proposal provides for steam rate increases of \$43.7 million effective October 1, 2008 and 2009.

The Joint Proposal reflects the following major items:

- an annual return on common equity of 9.3 percent;
- any actual earnings above a 10.1 percent return on equity (based on actual average common equity ratio, subject to a 50 percent maximum) are to be shared as follows: half will be deferred for the benefit of customers and the other half is to be retained by the company (with half of the company's share subject to offset to reduce any regulatory assets for under-collections of property taxes) (earnings for the rate year ended September 30, 2009 did not exceed a 10.1 percent return on equity);
- deferral as a regulatory asset or regulatory liability, as the case may be, of the difference between (i) actual costs for pension and other post-retirement benefits, environmental remediation, property taxes, certain tax-exempt debt, municipal infrastructure support and certain other costs and (ii) amounts for those costs reflected in rates (90 percent of the difference in the case of property taxes and interference costs) (the company decreased expenses by \$14.9 million and by \$14.4 million and increased expenses by \$3.1 million under these provisions in 2010, 2009 and 2008, respectively);
- deferral as a regulatory liability of the revenue requirement impact (i.e., return on investment, depreciation and income taxes) of the amount, if any, by which the actual capital expenditures related to steam production plant are less than amounts reflected in rates (there was no regulatory liability recorded for the rate year ended September 30, 2009 and \$4 million regulatory liability recorded for the rate year ended September 30, 2010);
- potential negative earnings adjustments (revenue reductions) of approximately \$0.95 million to \$1 million annually if certain business development, customer service and safety performance targets are not met (the company did not record any such adjustments in 2008) (there were no negative earnings adjustments recorded for the rate year ended September 30, 2010 and 2009);
- amortization of certain regulatory assets and liabilities, the net effect of which will be a non-cash increase in steam revenues of \$20.3 million over the two-year period covered by the Joint Proposal; and
- continuation of the rate provisions pursuant to which the company recovers its fuel and purchased steam costs from customers.

In May 2010, CECONY, the NYSPSC staff and other parties entered into a Joint Proposal, with respect to the company's rates for steam service. The Joint Proposal, which was approved by the NYSPSC in September 2010, covers the three-year period October 2010 through September 2013 and provides for rate increases of \$49.5 million, effective October 2010 and 2011, and \$17.8 million, effective October 2012, with an additional \$31.7 million to be collected through a surcharge in the rate year ending September 2013. The Joint Proposal reflects the following major items:

- The same weighted average cost of capital, return on common equity (assuming, for the steam business,

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achievement of unspecified reductions in costs of \$4.5 million, \$3 million and \$1.5 million in the rate years ending September 2011, 2012 and 2013, respectively), cost of long-term debt and common equity ratio provided for in the May 2010 Joint Proposal with respect to CECONY's gas business (discussed above) and average steam rate base of \$1,589 million, \$1,603 million and \$1,613 million for the rate years ending September 2011, 2012 and 2013, respectively.

- Deferral as a regulatory liability of the revenue requirement impact of the amount, if any, by which actual average net plant balances allocable to the company's steam business are less than the amounts reflected in rates for the respective category for each rate year. The amounts reflected in rates are:

<i>(Millions of Dollars)</i>	Rate Year Ending September 30,		
	2011	2012	2013
Steam production	\$ 415	\$ 426	\$ 433
Steam distribution	521	534	543

- Earnings sharing, expense deferral and potential refund (\$6 million annually for steam) provisions as discussed above with respect to CECONY's gas business.
- Continuation of the rate provisions pursuant to which the company recovers its cost of fuel and purchased steam from its steam customers.
- Continuation of provisions for potential penalties (up to approximately \$1 million annually) if certain steam customer service and system performance targets are not met.

The NYSPSC order requires CECONY, in its next steam rate filing, to propose a phase-in over a period of not more than seven years of an increase in the allocation to steam customers of the fuel costs for the company's East River Repowering Project (ERRP, which cogenerates electricity and steam) that are above the market value of the electric energy generated by ERRP.

Other Regulatory Matters

In February 2009, the NYSPSC commenced a proceeding to examine the prudence of certain CECONY expenditures (see "Investigations of Vendor Payments" in Note H). Pursuant to NYSPSC orders, a portion of the company's revenues (currently, \$249 million, \$32 million and \$6 million on an annual basis for electric, gas and steam service, respectively) is being collected subject to potential refund to customers. At December 31, 2010, the company had collected an estimated \$535 million from customers subject to potential refund in connection with this proceeding. In October 2010, a NYSPSC consultant reported its \$21 million provisional assessment, which the company has disputed, of potential overcharges for construction work. The potential overcharges related to transactions that involved certain employees who were arrested and a contractor that performed work for the company. The NYSPSC's consultant is expected to continue to review the company's expenditures. The company is unable to estimate the amount, if any, of any such refund and, accordingly, has not established a regulatory liability for a refund.

In August 2009, the NYSPSC released a report on its management audit of the company. The NYSPSC is required to audit New York utilities every five years. The NYSPSC consultant that performed the audit identified areas for improvement, including with respect to the company's construction program, planning and business processes and regulatory relationships. In October 2009, the company filed with the NYSPSC the company's plan to implement the recommendations contained in the report. The company has implemented most of the recommendations.

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Regulatory Assets and Liabilities

Regulatory assets and liabilities at December 31, 2010 and 2009 were comprised of the following items:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2010	2009	2010	2009
Regulatory assets				
Unrecognized pension and other postretirement costs	\$4,371	\$4,472	\$4,152	\$4,259
Future federal income tax	1,593	1,316	1,515	1,249
Environmental remediation costs	695	392	574	333
Surcharge for New York State Assessment	121	138	112	126
Net electric deferrals	156	82	156	82
Pension and other post-retirement benefits deferrals	138	101	90	49
Revenue taxes	145	120	140	116
Deferred derivative losses – long-term	74	106	48	75
Deferred storm costs	57	5	43	—
Property tax reconciliation	34	85	27	85
O&R transition bond charges	48	55	—	—
World Trade Center restoration costs	45	41	45	41
Workers' compensation	31	37	31	37
Other	135	153	125	138
Regulatory assets – long-term	7,643	7,103	7,058	6,590
Deferred derivative losses – current	190	141	151	104
Recoverable energy costs – current	13	31	—	—
Regulatory assets – current	203	172	151	104
Total Regulatory Assets	\$7,846	\$7,275	\$7,209	\$6,694
Regulatory liabilities				
Allowance for cost of removal less salvage	\$ 422	\$ 371	\$ 350	\$ 303
Net unbilled revenue deferrals	136	91	136	91
Refundable energy costs	80	118	50	77
Revenue decoupling mechanism	32	—	32	—
New York State tax refund	30	—	30	—
Gain on sale of properties	29	24	29	24
Rate case amortizations	—	21	—	21
Electric rate case deferral	—	19	—	19
2005-2008 capital expenditure reserve	—	24	—	24
Other	186	161	156	144
Regulatory liabilities	915	829	783	703
Deferred derivative gains – current	4	9	3	8
Total Regulatory Liabilities	\$ 919	\$ 838	\$ 786	\$ 711

“Unrecognized pension and other postretirement costs” represents the net regulatory asset associated with the accounting rules for retirement benefits. See Note A.

“Net electric deferrals” represents the remaining unamortized balance of certain regulatory assets and liabilities of CECONY that were combined effective April 1, 2010 and are being amortized to income over a ten year period, in accordance with CECONY’s March 2010 rate plan.

The increase in Regulatory Assets – Environmental Remediation Costs reflects an increased estimate of costs for site investigation and remediation. See Note G.

“Revenue taxes” represents the timing difference between taxes collected and paid by the Utilities to fund mass transportation.

Effective March 31, 2009, the NYSPSC authorized CECONY to accrue unbilled electric, gas and steam revenues. At December 31, 2009, CECONY has deferred the net margin on the unbilled revenues for the future benefit of customers by accruing an asset of \$413 million for unbilled revenues, recording refundable energy cost regulatory liabilities of \$187 million for the costs of fuel and purchased power related to services provided but not yet billed, and recording regulatory liabilities of \$91 million for the

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difference between the unbilled revenues and energy cost liabilities. Also, \$44 million of the regulatory asset established in 1989 for unbilled gas revenues has been offset against the unbilled revenue regulatory liability.

Note C — Capitalization

Common Stock

At December 31, 2010 and 2009, Con Edison owned all of the issued and outstanding shares of common stock of the Utilities and the competitive energy businesses. CECONY owns 21,976,200 shares of Con Edison stock, which it purchased prior to 2001 in connection with Con Edison's stock repurchase plan. CECONY presents in the financial statements the cost of the Con Edison stock it owns as a reduction of common shareholder's equity.

Capitalization of Con Edison

The outstanding capitalization for each of the Companies is shown on its Consolidated Statement of Capitalization, and for Con Edison includes the Utilities' outstanding preferred stock and debt.

Preferred Stock of CECONY

As of December 31, 2010, 1,915,319 shares of CECONY's \$5 Cumulative Preferred Stock (the "\$5 Preferred") and 375,626 shares of its Cumulative Preferred Stock (\$100 par value) were outstanding.

Dividends on the \$5 Preferred Stock are \$5 per share per annum, payable quarterly, and dividends on the Cumulative Preferred Stock are \$4.65 per share per annum, payable quarterly. The preferred dividends must be declared by CECONY's Board of Trustees to become payable. See "Dividends" below.

With respect to any corporate action to be taken by a vote of shareholders of CECONY, Con Edison (which owns all of the 235,488,094 shares of CECONY's common stock that are outstanding) and the holders of the \$5 Preferred are each entitled to one vote for each share held. Except as otherwise required by law, holders of the Cumulative Preferred Stock have no right to vote; provided, however, that if the \$5 Preferred is no longer outstanding, the holders of the Cumulative Preferred Stock are entitled to one vote for each share with respect to any corporate action to be taken by a vote of the shareholders of CECONY. In addition, if dividends are in arrears for certain periods, the holders are entitled to certain rights with respect to the election of CECONY's Trustees. Without the consent of the holders of the Cumulative Preferred Stock, CECONY may not create or authorize any kind of stock ranking prior to the Cumulative Preferred Stock or, if such actions would affect the holders of the Cumulative Preferred Stock adversely, be a party to any consolidation or merger, create or amend the terms of the Cumulative Preferred Stock or reclassify the Cumulative Preferred Stock. CECONY may redeem the \$5 Preferred at a redemption price of \$105 per share and the Cumulative Preferred Stock at a redemption price of \$101 per share (in each case, plus accrued and unpaid dividends). In the event of the dissolution, liquidation or winding up of the affairs of CECONY, before any distribution of capital assets could be made to the holders of the company's common stock, the holders of the \$5 Preferred and the Cumulative Preferred Stock would each be entitled to receive \$100 per share, in the case of an involuntary liquidation, or an amount equal to the redemption price per share, in the case of a voluntary liquidation, in each case together with all accrued and unpaid dividends.

Dividends

In accordance with NYSPSC requirements, the dividends that the Utilities generally pay are limited to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis. Excluded from the calculation of "income available for dividends" are non-cash charges to income resulting from accounting changes or charges to income resulting from significant unanticipated events. The restriction also does not apply to dividends paid in order to transfer to Con Edison proceeds from major transactions, such as asset sales, or to dividends reducing each utility subsidiary's equity ratio to a level appropriate to its business risk.

In addition, no dividends may be paid, or funds set apart for payment, on CECONY's common stock until all dividends accrued on the \$5 Preferred Stock and Cumulative Preferred Stock have been paid, or declared and set apart for payment.

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Long-term Debt

Long-term debt maturing in the period 2011-2015 is as follows:

(Millions of Dollars)	Con Edison	CECONY
2011	\$ 5	\$ —
2012	305	300
2013	706	700
2014	481	475
2015	495	350

The Utilities have issued \$269 million of tax-exempt debt through the New York State Energy Research and Development Authority (NYSERDA) that currently bear interest at a rate determined weekly and is subject to tender by bondholders for purchase by the Utilities. In 2010, CECONY issued \$225 million of tax-exempt debt that is subject to mandatory tender in 2012.

The carrying amounts and fair values of long-term debt are:

Long-Term Debt (including current portion)	December 31,			
	2010 (in millions)		2009 (in millions)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Con Edison	\$ 10,676	\$ 11,795	\$ 10,585	\$ 11,009
CECONY	\$ 9,743	\$ 10,680	\$ 9,663	\$ 10,052

Fair values of long-term debt have been estimated primarily using available market information.

At December 31, 2010 and 2009, long-term debt of Con Edison included \$32 million and \$34 million, respectively, of Transition Bonds issued in 2004 by O&R's New Jersey utility subsidiary through a special purpose entity.

Significant Debt Covenants

The significant debt covenants under the financing arrangements for the notes of Con Edison and the debentures of CECONY are obligations to pay principal and interest when due, covenants not to consolidate with or merge into any other corporation unless certain conditions are met and, for Con Edison's notes, covenants that Con Edison shall continue its utility business in New York City and shall not permit Con Edison's ratio of consolidated debt to consolidated capital to exceed 0.675 to 1. Con Edison's notes are also subject to cross default provisions with respect to other indebtedness of Con Edison or its material subsidiaries having a then outstanding principal balance in excess of \$100 million. CECONY's debentures have no cross default provisions. The tax-exempt financing arrangements of the Utilities are subject to covenants for the CECONY debentures discussed above and the covenants discussed below. The Companies believe that they were in compliance with their significant debt covenants at December 31, 2010.

The tax-exempt financing arrangements involved the issuance of uncollateralized promissory notes of the Utilities to NYSERDA in exchange for the net proceeds of a like amount of tax-exempt bonds with substantially the same terms sold to the public by NYSERDA. The tax-exempt financing arrangements include covenants with respect to the tax-exempt status of the financing, including covenants with respect to the use of the facilities financed. The arrangements include provisions for the maintenance of liquidity and credit facilities, the failure to comply with which would, except as otherwise provided, constitute an event of default with respect to the debt to which such provisions applied.

The failure to comply with debt covenants would, except as otherwise provided, constitute an event of default with respect to the debt to which such provisions applied. If an event of default were to occur, the principal and accrued interest on the debt to which such event of default applied and, in the case of the Con Edison notes, a make-whole premium might and, in the case of certain events of default would, become due and payable immediately.

The liquidity and credit facilities currently in effect for the tax-exempt financing include covenants that the ratio of debt to total capital of the obligated utility will not at any time exceed 0.65 to 1 and that, subject to certain exceptions, the utility will not mortgage, lien, pledge or otherwise encumber its assets. Certain of the facilities also include as events of default, defaults in payments of other debt obligations in excess of specified levels (\$100 million for CECONY).

Note D – Short-Term Borrowing

In June 2006, Con Edison and the Utilities entered into an Amended and Restated Credit Agreement (Credit Agreement) under which banks are committed to provide loans and letters of credit, on a revolving credit basis. In June 2007, the Credit Agreement, which was to expire in June 2011, was extended for an additional year. Under the Credit Agreement, there is a maximum of \$2.25 billion (\$2.2 billion in the additional year) of credit available, with the full amount available to CECONY and \$1 billion available to Con Edison. The Credit Agreement supports the Companies' commercial paper programs. The Companies have not borrowed under the Credit Agreement. At December 31, 2010 and 2009, Con Edison and CECONY had no commercial paper outstanding.

The banks' commitments under the Credit Agreement are subject to certain conditions, including that there be no event of default. The commitments are not subject to maintenance of credit rating levels or the absence of a material adverse change. Upon a change of control of, or upon an event of default by one of the Companies, the banks may terminate their commitments with respect to that company and declare any amounts owed by that company under the Credit Agreement immediately due and payable. Events of default include the exceeding at any time of a ratio of consolidated debt to consolidated total capital of 0.65 to 1 (at December 31, 2010, this ratio was 0.49 to 1 for both Con Edison and CECONY); having liens on its assets in an aggregate amount exceeding 5 percent of its consolidated total capital, subject to certain exceptions; and the failure by the company, following any applicable notice period, to meet certain other customary covenants. The fees charged for the revolving credit facilities and any loans made or letters of credit issued under the Credit Agreement reflect the Companies' respective credit ratings. At December 31, 2010 and 2009, \$197 million (including \$145 million for CECONY) and \$193 million (including \$135 million for CECONY) of letters of credit were outstanding under the Credit Agreement, respectively.

See Note S for information about short-term borrowing between related parties.

Note E — Pension Benefits

Con Edison maintains a tax-qualified, non-contributory pension plan that covers substantially all employees of CECONY and O&R and certain employees of Con Edison's competitive energy businesses. The plan is designed to comply with the Internal Revenue Code and the Employee Retirement Income Security Act of 1974. In addition, Con Edison maintains additional non-qualified supplemental pension plans.

Net Periodic Benefit Cost

The components of the Companies' net periodic benefit costs for 2010, 2009 and 2008 were as follows:

<i>(Millions of Dollars)</i>	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
Service cost – including administrative expenses	\$ 168	\$ 159	\$ 139	\$ 157	\$ 149	\$ 129
Interest cost on projected benefit obligation	556	525	515	521	492	482
Expected return on plan assets	(704)	(691)	(691)	(670)	(659)	(660)
Amortization of net actuarial loss	425	299	192	401	271	170
Amortization of prior service costs	8	8	8	6	7	7
NET PERIODIC BENEFIT COST	\$ 453	\$ 300	\$ 163	\$ 415	\$ 260	\$ 128
Amortization of regulatory asset*	2	3	4	2	3	4
TOTAL PERIODIC BENEFIT COST	\$ 455	\$ 303	\$ 167	\$ 417	\$ 263	\$ 132
Cost capitalized	(157)	(109)	(59)	(146)	(98)	(50)
Cost deferred	(115)	(38)	(40)	(113)	(32)	(40)
Cost charged (credited) to operating expenses	\$ 183	\$ 156	\$ 68	\$ 158	\$ 133	\$ 42

* Relates to increases in CECONY's pension obligations of \$33 million from a 1993 special retirement program and \$45 million from a 1999 special retirement program.

Funded Status

The funded status at December 31, 2010, 2009 and 2008 was as follows:

<i>(Millions of Dollars)</i>	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
CHANGE IN PROJECTED BENEFIT OBLIGATION						
Projected benefit obligation at beginning of year	\$ 9,408	\$ 9,383	\$ 8,696	\$ 8,803	\$ 8,793	\$ 8,137
Service cost – excluding administrative expenses	160	158	137	149	147	128
Interest cost on projected benefit obligation	556	525	515	521	492	482
Plan amendments	6	5	—	—	—	—
Net actuarial (gain)/loss	636	(215)	468	607	(216)	449
Benefits paid	(459)	(448)	(433)	(427)	(413)	(403)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	\$ 10,307	\$ 9,408	\$ 9,383	\$ 9,653	\$ 8,803	\$ 8,793
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	\$ 6,877	\$ 5,836	\$ 8,400	\$ 6,544	\$ 5,562	\$ 8,025
Actual return on plan assets	888	1,220	(2,263)	846	1,166	(2,158)
Employer contributions	443	291	154	404	249	119
Benefits paid	(459)	(448)	(433)	(427)	(413)	(403)
Administrative expenses	(28)	(22)	(22)	(27)	(20)	(21)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	\$ 7,721	\$ 6,877	\$ 5,836	\$ 7,340	\$ 6,544	\$ 5,562
FUNDED STATUS	\$ (2,586)	\$ (2,531)	\$ (3,547)	\$ (2,313)	\$ (2,259)	\$ (3,231)
Unrecognized net loss	3,915	3,868	4,890	3,716	3,666	4,641
Unrecognized prior service costs	38	40	44	22	28	35
Accumulated benefit obligation	9,319	8,598	8,559	8,694	8,015	7,993

The increase in the pension plan's projected benefit obligation was a primary driver in the increased pension liability at Con Edison and CECONY of \$55 million and \$54 million, respectively, compared with December 31, 2009. For Con Edison, this increase in pension liability resulted in an increase to regulatory assets of \$49 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations and a credit to OCI of \$3 million (net of taxes) for the unrecognized net losses and unrecognized prior service costs associated with the competitive energy businesses and O&R's New Jersey and Pennsylvania utility subsidiaries.

For CECONY, the increase in pension liability resulted in an increase to regulatory assets of \$43 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations and a debit to OCI of \$1 million for unrecognized net losses and unrecognized prior service costs associated with the competitive energy businesses.

A portion of the estimated net loss and prior service cost for the pension plan, equal to \$536 million and \$8 million, respectively, will be amortized from accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are \$508 million and \$6 million, respectively, for CECONY.

At December 31, 2010 and 2009, Con Edison's investments include \$119 million and \$85 million, respectively, held in external trust accounts for benefit payments pursuant to the supplemental retirement plans. Included in these amounts for CECONY were \$109 million and \$75 million, respectively. See Note P. The accumulated benefit obligations for the supplemental retirement plans for Con Edison and CECONY were \$192 million and \$158 million as of December 31, 2010 and \$175 million and \$142 million as of December 31, 2009, respectively.

Assumptions

The actuarial assumptions were as follows:

	2010	2009	2008
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount rate	5.60%	6.05%	5.75%
Rate of compensation increase			
– CECONY	4.35%	4.00%	4.00%
– O&R	4.25%	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	6.05%	5.75%	6.00%
Expected return on plan assets	8.50%	8.50%	8.50%
Rate of compensation increase			
– CECONY	4.00%	4.00%	4.00%
– O&R	4.00%	4.00%	4.00%

The expected return assumption reflects anticipated returns on the plan's current and future assets. The Companies' expected return was based on an evaluation of the current environment, market and economic outlook, relationships between the economy and asset class performance patterns, and recent and long-term trends in asset class performance. The projections were based on the plan's target asset allocation and were adjusted for historical and expected experience of active portfolio management results compared to benchmark returns.

Discount Rate Assumption

To determine the assumed discount rate, the Companies use a model that produces a yield curve based on yields on selected highly rated (Aaa or Aa, by Moody's Investors Service) corporate bonds. Bonds with insufficient liquidity, bonds with questionable pricing information and bonds that are not representative of the overall market are excluded from consideration. For example, the bonds used in the model cannot be callable, they must have a price between 50 and 200, the yield must lie between 1 percent and 20 percent, and the amount of the issue must be in excess of \$100 million. The spot rates defined by the yield curve and the plan's projected benefit payments are used to develop a weighted average discount rate.

Expected Benefit Payments

Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years:

(Millions of Dollars)	2011	2012	2013	2014	2015	2016-2020
Con Edison	\$ 501	\$ 528	\$ 554	\$ 580	\$ 605	\$ 3,376
CECONY	467	492	516	541	563	3,150

Expected Contributions

Based on estimates as of December 31, 2010, the Companies do not expect to be required under funding regulations and laws to make any contributions to the pension plan during 2011. The Companies' policy is to fund their accounting cost to the extent tax deductible, therefore, Con Edison expects to make discretionary contributions of \$543 million including \$502 million for CECONY, to the pension plan during 2011.

Plan Assets

The asset allocations for the pension plan at the end of 2010, 2009 and 2008, and the target allocation for 2011 are as follows:

Asset Category	Target Allocation Range	Plan Assets at December 31		
	2011	2010	2009	2008
Equity Securities	57% - 73%	67%	67%	59%
Debt Securities	21% - 33%	28%	28%	33%
Real Estate	5% - 11%	5%	5%	8%
Total	100%	100%	100%	100%

Con Edison has established a pension trust for the investment of assets to be used for the exclusive purpose of providing retirement benefits to participants and beneficiaries and payment of plan expenses.

Pursuant to resolutions adopted by Con Edison's Board of Directors, the Management Development and Compensation Committee of the Board of Directors (the Committee) has general oversight responsibility for Con Edison's pension and other employee benefit plans. The pension plan's named fiduciaries have been granted the authority to control and manage the operation and administration of the plans, including overall responsibility for the investment of assets in the trust and the power to appoint and terminate investment managers. The named fiduciaries consist of Con Edison's chief executive, financial and accounting officers.

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The investment objectives of the Con Edison pension plan are to maintain a level and form of assets adequate to meet benefit obligations to participants, maximize the long-term total return on the trust assets within a prudent level of risk and maintain a level of volatility that is not expected to have a material impact on the Company's expected contribution and expense or the Company's ability to meet plan obligations. The assets of the plan have no significant concentration of risk in one country (other than the United States), industry or entity.

The strategic asset allocation is intended to meet the objectives of the pension plan by diversifying its funds across asset classes, investment styles and fund managers. An asset/liability study typically is conducted every few years to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal asset allocation for the plan. The target asset allocation for 2010 reflects the results of such a study conducted in 2007.

Individual fund managers operate under written guidelines provided by Con Edison, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. Con Edison management regularly monitors, and the named fiduciaries review and report to the Committee regarding, manager performance, total fund performance, and compliance with asset allocation guidelines. Management changes fund managers and rebalances the portfolio as appropriate. At the direction of the named fiduciaries, such changes are reported to the Committee.

In accordance with the accounting rules for pensions that became effective December 2009, the Company is providing the following disclosures regarding the fair value of the pension trust's investments.

Assets measured at fair value on a recurring basis are summarized below under a three-level hierarchy established by the accounting rules which define the levels within the hierarchy as follows:

- Level 1 – Consists of fair value measurements whose value is based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Consists of fair value measurements whose value is based on significant other observable inputs.
- Level 3 – Consists of fair value measurements whose value is based on significant unobservable inputs.

The fair values of the pension plan assets at December 31, 2010 by asset category are as follows:

<i>(Millions of Dollars)</i>	Level 1	Level 2	Level 3	Total
U.S. Equity(a)	\$ 3,935	\$ —	\$ —	\$ 3,935
International Equity(b)	1,249	234	—	1,483
U.S. Government Issues(c)	—	1,300	—	1,300
Corporate Bonds(d)	—	571	129	700
Structured Assets(e)	—	—	87	87
Other Fixed Income(f)	—	31	66	97
Real Estate(g)	—	—	398	398
Cash and Cash Equivalents(h)	3	232	—	235
Total investments	\$ 5,187	\$ 2,368	\$ 680	\$ 8,235
Funds for retiree health benefits(i)	(226)	(103)	(30)	(359)
Investments (excluding funds for retiree health benefits)	\$ 4,961	\$ 2,265	\$ 650	\$ 7,876
Pending activities(j)	—	—	—	(155)
Total fair value of plan net assets	—	—	—	\$ 7,721

- (a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds, actively-managed small-capitalization equities, rights and warrants.
- (b) International Equity includes international equity index funds, actively-managed international equities, rights and warrants.
- (c) U.S. Government Issues include agency and treasury securities.
- (d) Corporate Bonds held in institutional mutual funds which are measured at Net Asset Value (NAV) are classified as Level 3.
- (e) Structured Assets are measured using broker quotes and investment manager proprietary models and include commercial-mortgage-backed securities, collateralized mortgage obligations and asset-backed securities.

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- (f) Other Fixed Income includes emerging market debt valued using broker quotes, municipal bonds, sovereign debt, regional governments and government agencies.
- (g) Real Estate investments include real estate funds based on appraised values that are broadly diversified by geography and property type.
- (h) Cash and Cash Equivalents include short term investments, money markets and foreign currency.
- (i) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the Companies' other postretirement benefit obligation. See Note F.
- (j) Pending activities include security purchases and sales that have not settled, interest and dividends that have not been received and reflects adjustments for available estimates at year end.

The table below provides a reconciliation of the beginning and ending net balances for assets at December 31, 2010 classified as Level 3 in the fair value hierarchy.

<i>(Millions of Dollars)</i>	Beginning Balance as of January 1, 2010	Assets Still Held at Reporting Date – Unrealized Gains (Losses)	Assets Sold During the Period – Realized Gains	Purchases Sales and Settlements	Ending Balance as of December 31, 2010
U.S. Equity	\$ —	—	—	—	\$ —
International Equity	1	1	(1)	(1)	—
Corporate Bonds	143	(3)	9	(20)	129
Structured Assets	91	15	(6)	(13)	87
Other Fixed Income	46	—	2	18	66
Swaps	(3)	2	(1)	2	—
Real Estate	344	47	—	7	398
Total investments	\$ 622	62	3	(7)	\$ 680
Funds for retiree health benefits	(28)	(3)	(2)	3	(30)
Investments (excluding funds for retiree health benefits)	\$ 594	\$ 59	\$ 1	\$ (4)	\$ 650

The fair values of the pension plan assets at December 31, 2009 by asset category are as follows:

<i>(Millions of Dollars)</i>	Level 1	Level 2	Level 3	Total
U.S. Equity(a)	\$ 3,470	\$ —	\$ —	\$ 3,470
International Equity(b)	1,140	196	1	1,337
U.S. Government Issues(c)	—	1,255	—	1,255
Corporate Bonds(d)	—	435	143	578
Structured Assets(e)	—	—	91	91
Other Fixed Income(f)	—	10	46	56
Swaps(g)	—	—	(3)	(3)
Real Estate(h)	—	—	344	344
Cash and Cash Equivalents(i)	197	141	—	338
Total investments	\$ 4,807	\$ 2,037	\$ 622	\$ 7,466
Funds for retiree health benefits(j)	(215)	(91)	(28)	(334)
Investments (excluding funds for retiree health benefits)	\$ 4,592	\$ 1,946	\$ 594	\$ 7,132
Pending activities(k)	—	—	—	(255)
Total fair value of plan net assets	\$ 4,592	\$ 1,946	\$ 594	\$ 6,877

- (a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds, actively-managed small-capitalization equities, rights and warrants.
- (b) International Equity includes international equity index funds, actively-managed international equities, rights and warrants.
- (c) U.S. Government Issues include agency and treasury securities.
- (d) Corporate Bonds held in institutional mutual funds which are measured at Net Asset Value (NAV) are classified as Level 3.
- (e) Structured Assets are measured using broker quotes and investment manager proprietary models and include commercial-mortgage-backed securities, collateralized mortgage obligations and asset-backed securities.
- (f) Other Fixed Income includes emerging market debt valued using broker quotes, municipal bonds, sovereign debt, regional governments and government agencies.
- (g) Swaps include total return swaps, interest rate swaps, credit default swaps and swap collateral. Level 3 Swaps are valued using proprietary investment manager models.
- (h) Real Estate investments include real estate funds based on appraised values that are broadly diversified by geography and property type.
- (i) Cash and Cash Equivalents include short term investments, money markets and foreign currency.
- (j) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the other postretirement benefit obligation. See Note F.
- (k) Pending activities include security purchases and sales that have not settled and interest and dividends that have not been received.

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The table below provides a reconciliation of the beginning and ending net balances for assets at December 31, 2009 classified as Level 3 in the fair value hierarchy.

<i>(Millions of Dollars)</i>	Beginning Balance as of January 1, 2009	Assets Still Held at Reporting Date – Unrealized Gains (Losses)	Assets Sold During the Period – Realized Gains	Purchases Sales and Settlements	Ending Balance as of December 31, 2009
U.S. Equity	\$ 1	\$ 2	\$ (2)	\$ (1)	\$ —
International Equity	—	—	—	1	1
Corporate Bonds	172	35	(7)	(57)	143
Structured Assets	194	93	(70)	(126)	91
Other Fixed Income	52	2	1	(9)	46
Swaps	(32)	13	(51)	67	(3)
Options	5	(4)	4	(5)	—
Real Estate	515	(177)	—	6	344
Total investments	\$ 907	\$ (36)	\$ (125)	\$ (124)	\$ 622
Funds for retiree health benefits	(41)	2	6	5	(28)
Investments (excluding funds for retiree health benefits)	\$ 866	\$ (34)	\$ (119)	\$ (119)	\$ 594

The Companies also offer a defined contribution savings plan that covers substantially all employees and made contributions to the plan as follows:

<i>(Millions of Dollars)</i>	For the Years Ended December 31		
	2010	2009	2008
Con Edison	\$ 19	\$ 19	\$ 21
CECONY	17	17	19

Note F – Other Postretirement Benefits

The Utilities currently have contributory comprehensive hospital, medical and prescription drug programs for all retirees, their dependents and surviving spouses.

CECONY also has a contributory life insurance program for bargaining unit employees and provides basic life insurance benefits up to a specified maximum at no cost to retired management employees. O&R has a non-contributory life insurance program for retirees. Certain employees of Con Edison's competitive energy businesses are eligible to receive benefits under these programs.

Net Periodic Benefit Cost

The components of the Companies' net periodic postretirement benefit costs for 2010, 2009 and 2008 were as follows:

<i>(Millions of Dollars)</i>	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
Service cost	\$ 24	\$ 22	\$ 20	\$ 19	\$ 18	\$ 16
Interest cost on accumulated other postretirement benefit obligation	91	95	95	80	84	84
Expected return on plan assets	(86)	(86)	(86)	(78)	(78)	(79)
Amortization of net actuarial loss	92	74	68	85	65	59
Amortization of prior service cost	(12)	(12)	(12)	(14)	(14)	(14)
Amortization of transition obligation	3	3	3	3	3	4
NET PERIODIC POSTRETIREMENT BENEFIT COST	\$112	\$ 96	\$ 88	\$ 95	\$ 78	\$ 70
Cost capitalized	(39)	(35)	(32)	(33)	(29)	(27)
Cost charged/(deferred)	4	3	(11)	1	1	(9)
Cost charged to operating expenses	\$ 77	\$ 64	\$ 45	\$ 63	\$ 50	\$ 34

Funded Status

The funded status of the programs at December 31, 2010, 2009 and 2008 were as follows:

(Millions of Dollars)	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year	\$ 1,697	\$ 1,702	\$ 1,630	\$ 1,495	\$ 1,495	\$ 1,433
Service cost	24	22	20	19	18	16
Interest cost on accumulated postretirement benefit obligation	91	95	95	80	84	84
Net actuarial loss/(gain)	(68)	(14)	46	(77)	(3)	44
Benefits paid and administrative expenses	(138)	(141)	(121)	(126)	(130)	(111)
Participant contributions	29	26	25	28	25	24
Medicare prescription benefit	7	7	7	7	6	5
BENEFIT OBLIGATION AT END OF YEAR	\$ 1,642	\$ 1,697	\$ 1,702	\$ 1,426	\$ 1,495	\$ 1,495
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	\$ 866	\$ 737	\$ 988	\$ 777	\$ 668	\$ 907
Actual return on plan assets	89	153	(233)	78	137	(215)
Employer contributions	96	86	77	85	73	63
Participant contributions	29	26	25	28	25	24
Benefits paid	(138)	(136)	(120)	(129)	(126)	(111)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	\$ 942	\$ 866	\$ 737	\$ 839	\$ 777	\$ 668
FUNDED STATUS	\$ (700)	\$ (831)	\$ (965)	\$ (587)	\$ (718)	\$ (827)
Unrecognized net loss	483	646	799	440	601	728
Unrecognized prior service costs	(10)	(23)	(35)	(26)	(40)	(54)
Unrecognized net transition liability at January 1, 1993	7	11	15	7	11	15

The increase in the value of other postretirement benefit plan assets was a primary driver in the decreased liability for other postretirement benefits at Con Edison and CECONY of \$131 million compared with December 31, 2009. For Con Edison, this decrease in liability resulted in a decrease to regulatory assets of \$151 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations and a credit to OCI of \$1 million (net of taxes) for the unrecognized net losses and unrecognized prior service costs associated with the competitive energy businesses and O&R's New Jersey and Pennsylvania utility subsidiaries.

For CECONY, the increase in the value of other postretirement benefit plan assets resulted in a decrease to regulatory assets of \$150 million for unrecognized net losses and unrecognized prior service costs associated with the company consistent with the accounting rules for regulated operations and a debit to OCI of \$1 million (net of taxes) for unrecognized net losses and unrecognized prior service costs associated with the competitive energy businesses.

A portion of the estimated net loss, prior service costs and transition obligation for the other postretirement benefits, equal to \$92 million, \$(10) million and \$4 million, respectively, will be amortized from accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are \$83 million, \$(11) million and \$3 million, respectively, for CECONY.

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Assumptions

The actuarial assumptions were as follows:

	2010	2009	2008
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount Rate	5.40%	5.95%	5.75%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount Rate	5.95%	5.75%	6.00%
Expected Return on Plan Assets			
Tax-Exempt	8.50%	8.50%	8.50%
Taxable			
CECONY	7.50%	7.50%	7.50%
O&R	8.00%	8.00%	8.00%

Refer to Note E for descriptions of the basis for determining the expected return on assets, investment policies and strategies, and the assumed discount rate.

The health care cost trend rate used to determine net periodic benefit cost for the year ended December 31, 2010 was 6.5 percent, which is assumed to decrease gradually to 4.5 percent by 2014 and remain at that level thereafter. The health care cost trend rate used to determine benefit obligations as of December 31, 2010 was 6.0 percent, which is assumed to decrease gradually to 4.5 percent by 2014 and remain at that level thereafter.

A one-percentage point change in the assumed health care cost trend rate would have the following effects at December 31, 2011:

	Con Edison		CECONY	
	Increase	Decrease	Increase	Decrease
	1-Percentage-Point			
<i>(Millions of Dollars)</i>				
Effect on accumulated other postretirement benefit obligation	\$ 27	\$ (11)	\$ 3	\$ 9
Effect on service cost and interest cost components for 2010	2	(1)	—	1

Expected Benefit Payments

Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years:

<i>(Millions of Dollars)</i>	2011	2012	2013	2014	2015	2016-2020
GROSS BENEFIT PAYMENTS						
Con Edison	\$123	\$126	\$128	\$130	\$131	\$ 658
CECONY	111	113	115	117	117	578
MEDICARE PRESCRIPTION BENEFIT RECEIPTS						
Con Edison	\$ 11	\$ 12	\$ 13	\$ 14	\$ 15	\$ 88
CECONY	10	11	12	13	13	79

Expected Contributions

Based on estimates as of December 31, 2010, Con Edison expects to make a contribution of \$93 million, including \$81 million for CECONY, to the other postretirement benefit plans in 2011.

Plan Assets

The asset allocations for CECONY's other postretirement benefit plans at the end of 2010, 2009 and 2008, and the target allocation for 2011 are as follows:

Asset Category	Target Allocation Range	Plan Assets at December 31		
	2011	2010	2009	2008
Equity Securities	57% - 73%	67%	66%	56%
Debt Securities	26% - 44%	33%	34%	44%
Total	100%	100%	100%	100%

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Con Edison has established postretirement health and life insurance benefit plan trusts for the investment of assets to be used for the exclusive purpose of providing other postretirement benefits to participants and beneficiaries.

Refer to Note E for a discussion of Con Edison's investment policy for its benefit plans.

The fair values of the plan assets at December 31, 2010 by asset category (see description of levels in Note E) are as follows:

<i>(Millions of Dollars)</i>	Level 1	Level 2	Level 3	Total
U.S. Equity(a)	\$ 118	\$ 172	\$ —	\$ 290
International Equity(b)	—	107	—	107
Other Fixed Income(c)	—	—	189	189
Cash and Cash Equivalents(d)	—	11	—	11
Total investments	\$ 118	\$ 290	\$ 189	\$ 597
Funds for retiree health benefits(e)	226	103	30	359
Investments (including funds for retiree health benefits)	\$ 344	\$ 393	\$ 219	\$ 956
Pending activities(f)	—	—	—	(14)
Total fair value of plan net assets	—	—	—	\$ 942

(a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds and commingled funds.

(b) International Equity includes commingled international equity funds.

(c) Other Fixed Income includes commingled funds, which are valued at Net Asset Value (NAV).

(d) Cash and Cash Equivalents include short term investments and money markets.

(e) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the Companies' other postretirement benefit obligation. See Note E.

(f) Pending activities include security purchases and sales that have not settled, interest and dividends that have not been received, and reflects adjustments for available estimates at year end.

The table below provides a reconciliation of the beginning and ending net balances for assets at December 31, 2010 classified as Level 3 in the fair value hierarchy.

<i>(Millions of Dollars)</i>	Beginning Balance as of January 1, 2010	Assets Still Held at Reporting Date – Unrealized Gains (Losses)	Assets Sold During the Period – Realized Gains	Purchases Sales and Settlements	Ending Balance as of December 31, 2010
Other Fixed Income	\$ 173	\$ 11	\$ 1	\$ 4	\$ 189
Insurance Contracts	8	—	(1)	(7)	—
Total investments	\$ 181	\$ 11	\$ —	\$ (3)	\$ 189
Funds for retiree health benefits	28	3	2	(3)	30
Investments (including funds for retiree health benefits)	\$ 209	\$ 14	\$ 2	\$ (6)	\$ 219

The fair values of the plan assets at December 31, 2009 by asset category are as follows:

<i>(Millions of Dollars)</i>	Level 1	Level 2	Level 3	Total
U.S. Equity(a)	\$ 101	\$ 143	\$ —	\$ 244
International Equity(b)	—	92	—	92
Other Fixed Income(c)	—	—	173	173
Insurance Contracts(d)	—	—	8	8
Cash and Cash Equivalents(e)	—	9	—	9
Total investments	\$ 101	\$ 244	\$ 181	\$ 526
Funds for retiree health benefits(f)	215	91	28	334
Investments (including funds for retiree health benefits)	\$ 316	\$ 335	\$ 209	\$ 860
Pending activities(g)	—	—	—	6
Total fair value of plan net assets	—	—	—	\$ 866

(a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds and commingled funds.

(b) International Equity includes commingled international equity funds.

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- (c) Other Fixed Income includes commingled funds, which are valued at Net Asset Value (NAV).
 (d) Insurance Contracts represent the cash surrender value of life insurance policies. The contracts are measured at NAV, adjusted for fees charged by the insurance company.
 (e) Cash and Cash Equivalents include short term investments and money markets.
 (f) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the other postretirement benefit obligation. See Note E.
 (g) Pending activities include security purchases and sales that have not settled and interest and dividends that have not been received.

The table below provides a reconciliation of the beginning and ending net balances for assets at December 31, 2009 classified as Level 3 in the fair value hierarchy.

<i>(Millions of Dollars)</i>	Beginning Balance as of January 1, 2009	Assets Still Held at Reporting Date – Unrealized Gains (Losses)	Assets Sold During the Period – Realized Gains	Purchases Sales and Settlements	Ending Balance as of December 31, 2009
Other Fixed Income	\$ 197	\$ 11	\$ 3	\$ (38)	\$ 173
Insurance Contracts	8	—	—	—	8
Total investments	\$ 205	\$ 11	\$ 3	\$ (38)	\$ 181
Funds for retiree health benefits	41	(2)	(6)	(5)	28
Investments (including funds for retiree health benefits)	\$ 246	\$ 9	\$ (3)	\$ (43)	\$ 209

Effect of Medicare Prescription Benefit

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 created a benefit for certain employers who provide postretirement drug programs. The accounting rules for retirement benefits provide accounting and disclosure requirements relating to the Act. The Companies' actuaries have determined that each of their prescription drug plans provides a benefit that is at least actuarially equivalent to the Medicare prescription drug plan and projections indicate that this will be the case for 20 years; therefore, the Companies are eligible to receive the benefit that the Act makes available. When the plans' benefits are no longer actuarially equivalent to the Medicare plan, 25 percent of the retirees in each plan are assumed to begin to decline participation in the Companies' prescription programs.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 became law. In the first half of 2010, the Companies reduced their deferred tax asset to reflect the laws' repeal, effective 2013, of the deduction for federal income tax purposes of the portion of the cost of an employer's retiree prescription drug coverage for which the employer received a benefit under the Medicare Prescription Drug Improvement and Modernization Act of 2003. For CECONY, the reductions in its deferred tax asset of \$33 million had no effect on net income because a regulatory asset in a like amount on a pre-tax basis was established to reflect future recovery from customers of the increased cost of its retiree prescription drug coverage resulting from the loss of the tax deduction. For O&R's New York electric and gas services the reductions in their deferred tax assets of \$3 million had no effect on net income because a regulatory asset in a like amount on a pre-tax basis was established to reflect future recovery from customers of the increased cost of their retiree prescription drug coverage resulting from the loss of the tax deduction. For RECO and Pike County Light & Power Company, the reduction in their deferred tax assets of \$1 million was taken as a charge to net income. The impact on Con Edison's deferred tax assets for its other businesses was not material to its results of operations.

Note G — Environmental Matters

Superfund Sites

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of the Utilities and their predecessors and are present at sites and in facilities and equipment they currently or previously owned, including sites at which gas was manufactured or stored.

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The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation and remediation costs (which include costs of demolition, removal, disposal, storage, replacement, containment, and monitoring) and natural resource damages. Liability under these laws can be material and may be imposed for contamination from past acts, even though such past acts may have been lawful at the time they occurred. The sites at which the Utilities have been asserted to have liability under these laws, including their manufactured gas plant sites and any neighboring areas to which contamination may have migrated, are referred to herein as "Superfund Sites."

For Superfund Sites where there are other potentially responsible parties and the Utilities are not managing the site investigation and remediation, the accrued liability represents an estimate of the amount the Utilities will need to pay to investigate and, where determinable, discharge their related obligations. For Superfund Sites (including the manufactured gas plant sites) for which one of the Utilities is managing the investigation and remediation, the accrued liability represents an estimate of the company's share of undiscounted cost to investigate the sites and, for sites that have been investigated in whole or in part, the cost to remediate the sites, if remediation is necessary and if a reasonable estimate of such cost can be made. Remediation costs are estimated in light of the information available, applicable remediation standards, and experience with similar sites.

The accrued liabilities and regulatory assets related to Superfund Sites at December 31, 2010 and 2009 were as follows:

<i>(Millions of Dollars)</i>	<i>Con Edison</i>		<i>CECONY</i>	
	2010	2009	2010	2009
Accrued Liabilities:				
Manufactured gas plant sites	\$ 446	\$ 164	\$ 327	\$ 112
Other Superfund Sites	66	48	65	47
Total	\$ 512	\$ 212	\$ 392	\$ 159
Regulatory assets	\$ 692	\$ 388	\$ 571	\$ 329

Most of the accrued Superfund Site liability relates to sites that have been investigated, in whole or in part. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As investigations progress and information pertaining to the required remediation becomes available, the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. Under their current rate agreements, the Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs. In February 2011, the NYSPSC initiated a proceeding to examine the existing mechanisms pursuant to which utilities recover such costs and possible alternatives.

Environmental remediation costs incurred and insurance recoveries received related to Superfund Sites at December 31, 2010 and 2009, were as follows:

<i>(Millions of Dollars)</i>	<i>Con Edison</i>		<i>CECONY</i>	
	2010	2009	2010	2009
Remediation costs incurred	\$ 39	\$ 77	\$ 36	\$ 75
Insurance recoveries received*	1	4	1	4

* Reduced amount deferred for recovery from customers

In 2010, CECONY estimated that for its manufactured gas plant sites, its aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other manufactured gas plant-related environmental contaminants could range up to \$1.9 billion. In 2010, O&R estimated that for its manufactured gas plant sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of such contaminants could range up to \$200 million. These estimates were based on the assumption that there is contamination at all sites, including those that have not yet been fully investigated and additional assumptions about the extent of the contamination and the type and extent of the remediation that may be required. Actual experience may be materially different.

Asbestos Proceedings

Suits have been brought in New York State and federal courts against the Utilities and many other defendants, wherein a large number of plaintiffs sought large

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amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the Utilities. The suits that have been resolved, which are many, have been resolved without any payment by the Utilities, or for amounts that were not, in the aggregate, material to them. The amounts specified in all the remaining thousands of suits total billions of dollars; however, the Utilities believe that these amounts are greatly exaggerated, based on the disposition of previous claims. In 2010, CECONY estimated that its aggregate undiscounted potential liability for these suits and additional suits that may be brought over the next 15 years is \$10 million. The estimate was based upon a combination of modeling, historical data analysis and risk factor assessment. Actual experience may be materially different. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. Under its current rate agreements, CECONY is permitted to defer as regulatory assets (for subsequent recovery through rates) costs incurred for its asbestos lawsuits and workers' compensation claims. The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for the Companies at December 31, 2010 and 2009 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2010	2009	2010	2009
Accrued liability – asbestos suits	\$ 10	\$ 10	\$ 10	\$ 9
Regulatory assets – asbestos suits	\$ 10	\$ 10	\$ 10	\$ 9
Accrued liability – workers' compensation	\$ 106	\$ 113	\$ 101	\$ 108
Regulatory assets – workers' compensation	\$ 31	\$ 37	\$ 31	\$ 37

Note H — Other Material Contingencies

Manhattan Steam Main Rupture

In July 2007, a CECONY steam main located in midtown Manhattan ruptured. It has been reported that one person died and others were injured as a result of the incident. Several buildings in the area were damaged. Debris from the incident included dirt and mud containing asbestos. The response to the incident required the closing of several buildings and streets for various periods. Approximately 110 suits are pending against the company seeking generally unspecified compensatory and, in some cases, punitive damages, for personal injury, property damage and business interruption. The company has not accrued a liability for the suits. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover most of the company's costs, which the company is unable to estimate, but which could be substantial, to satisfy its liability to others in connection with the incident.

Investigations of Vendor Payments

In January 2009, CECONY commenced an internal investigation relating to the arrests of certain employees and retired employees (all of whom have since pleaded guilty) for accepting kickbacks from contractors that performed construction work for the company. The company has retained a law firm, which has retained an accounting firm, to assist in the company's investigation. The company is providing information to governmental authorities, which consider the company to be a victim of unlawful conduct, in connection with their investigation of the arrested employees and contractors. The company has terminated its employment of the arrested employees and its contracts with the contractors (one of which is suing the company for substantial damages claiming wrongful termination). In February 2009, the NYSPSC commenced a proceeding that, among other things, will examine the prudence of certain of the company's expenditures relating to the arrests and consider whether additional expenditures should also be examined (see "Other Regulatory Matters" in Note B).

CECONY is also investigating the September 2010 arrest of a retired employee (for participating in a bribery scheme in which the employee received payments from a bidder that was selected to supply materials to the company) and the January 2011 arrest of an employee (for accepting kickbacks from an engineering firm that performed work for the company). CECONY has provided information to governmental authorities in connection with their ongoing investigations of these matters.

The company, based upon its evaluation of its internal controls for 2010 and previous years, believes that the

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Note I — Electricity Purchase Agreements

CECONY has long-term electricity purchase agreements with non-utility generators and others for generating capacity. The company recovers its purchased power costs in accordance with provisions approved by the NYSPSC. See “Recoverable Energy Costs” in Note A.

At December 31, 2010, the significant terms of the electricity purchase agreements were as follows:

Facility	Equity Owner	Plant Output (MW)	Contracted Output (MW)	Contract Start Date	Contract Term (Years)
Indian Point	Entergy Nuclear Power Marketing, LLC	1,299	850*	August 2001	11
Independence	Sithe/Independence Power Partners, LP	1,254	690	November 1994	20
Linden Cogeneration	Cogen Technologies Linden Venture, LP	1,035	632	May 1992	25
Astoria Energy	Astoria Energy, LLC	640	500	May 2006	10
Selkirk	Selkirk Cogen Partners, LP	383	265	September 1994	20
Brooklyn Navy Yard	Brooklyn Navy Yard Cogeneration Partners, LP	322	268	November 1996	40
Indeck Corinth	Indeck Energy Services of Corinth, Inc.	147	115	July 1995	20

* Contracted output will decrease to 350 MW in 2011 and in 2012.

Assuming performance by the parties to the electricity purchase agreements, CECONY is obligated over the terms of the agreements to make capacity and other fixed payments.

For the years 2011 through 2015, the capacity and other fixed payments under the contracts are estimated to be as follows:

(Millions of Dollars)	2011	2012	2013	2014	2015
CECONY	\$ 480	\$ 481	\$ 479	\$ 420	\$ 216

For energy delivered under most of the electricity purchase agreements, CECONY is obligated to pay variable prices. The company’s payments under the agreements for capacity, energy and other fixed payments in 2010, 2009 and 2008 were as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2010	2009	2008
Indian Point	\$ 524	\$ 620	\$ 561
Linden Cogeneration	414	395	629
Selkirk	185	175	236
Astoria Energy	223	192	248
Brooklyn Navy Yard	123	124	154
Independence	119	122	101
Indeck Corinth	68	68	120
Wheelabrator	0	10	35
Total	\$ 1,656	\$ 1,706	\$ 2,084

Note J — Leases

Con Edison’s subsidiaries lease electric generating and gas distribution facilities, other electric transmission and distribution facilities, office buildings and equipment. In accordance with the accounting rules for leases, these leases are classified as either capital leases, operating leases or leveraged leases. Most of the operating leases provide the option to renew at the fair rental value for future periods. Generally, it is expected that leases will be renewed or replaced in the normal course of business.

Capital leases: For ratemaking purposes capital leases are treated as operating leases; therefore, in accordance with the accounting rules for regulated operations, the amortization of the leased asset is based on the rental payments recovered from customers. The following assets under capital leases are included in the Companies’ consolidated balance sheets at December 31, 2010 and 2009:

(Millions of Dollars)	Con Edison		CECONY	
	2010	2009	2010	2009
UTILITY PLANT				
Transmission	\$ 2	\$ 3	\$ 2	\$ 3
Common	11	16	11	16
TOTAL	\$ 13	\$ 19	\$ 13	\$ 19

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The accumulated amortization of the capital leases for Con Edison and CECONY was \$59 million each at December 31, 2010, and \$53 million each at December 31, 2009.

The future minimum lease commitments for the above assets are as follows:

<i>(Millions of Dollars)</i>	Con Edison	CECONY
2011	\$ 8	\$ 8
2012	6	6
2013	—	—
2014	—	—
2015	—	—
All years thereafter	2	2
Total	16	16
Less: amount representing interest	3	3
Present value of net minimum lease payment	\$ 13	\$ 13

CECONY subleases one of its capital leases. The minimum rental to be received in the future under the non-cancelable sublease is \$7 million.

Operating leases: The future minimum lease commitments under the Companies' non-cancelable operating lease agreements are as follows:

<i>(Millions of Dollars)</i>	Con Edison	CECONY
2011	\$ 46	\$ 43
2012	47	45
2013	50	47
2014	43	41
2015	12	10
All years thereafter	94	83
Total	\$ 292	\$ 269

Lease In/Lease Out Transactions

In each of 1997 and 1999, Con Edison Development entered into a transaction in which it leased property and then immediately subleased it back to the lessor (termed "Lease In/Lease Out," or LILO transactions). The transactions respectively involve electric generating and gas distribution facilities in the Netherlands, with a total investment of \$259 million. The transactions were financed with \$93 million of equity and \$166 million of non-recourse, long-term debt secured by the underlying assets. In accordance with the accounting rules for leases, Con Edison is accounting for the two LILO transactions as leveraged leases.

Accordingly, the company's investment in these leases, net of non-recourse debt, is carried as a single amount in Con Edison's consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive, based upon the after-tax cash flows projected at the inception of the leveraged leases. The company's investment in these leveraged leases was \$(41) million at December 31, 2010 and \$(24) million at December 31, 2009 and is comprised of a \$235 million gross investment less \$276 million of deferred tax liabilities at December 31, 2010 and \$235 million gross investment less \$259 million of deferred tax liabilities at December 31, 2009.

On audit of Con Edison's tax return for 1997, the IRS disallowed the tax losses in connection with the 1997 LILO transaction. In December 2005, Con Edison paid a \$0.3 million income tax deficiency asserted by the IRS for the tax year 1997 with respect to the 1997 LILO transaction. In April 2006, the company paid interest of \$0.2 million associated with the deficiency and commenced an action in the United States Court of Federal Claims, entitled Consolidated Edison Company of New York, Inc. v. United States, to obtain a refund of this tax payment and interest. A trial was completed in November 2007. In October 2009, the court issued a decision in favor of the company concluding that the 1997 LILO transaction was, in substance, a true lease that possessed economic substance, the loans relating to the lease constituted bona fide indebtedness, and the deductions for the 1997 LILO transactions claimed by the company in its 1997 federal income tax return are allowable. The IRS is entitled to appeal the decision.

In connection with its audit of Con Edison's federal income tax returns for 1998 through 2007, the IRS disallowed \$416 million of net tax deductions taken with respect to both of the LILO transactions for the tax years. Con Edison is pursuing administrative appeals of these audit level disallowances. In connection with its audit of Con Edison's federal income tax return for 2009 and 2008, the IRS has disallowed \$41 million and \$42 million, respectively, of net tax deductions taken with respect to both of the LILO transactions. When

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these audit level disallowances become appealable, Con Edison intends to file an appeal of the disallowances.

Con Edison believes that its LILo transactions have been correctly reported, and has not recorded any reserve with respect to the disallowance of tax losses, or related interest, in connection with its LILo transactions. Con Edison's estimated tax savings, reflected in its financial statements, from the two LILo transactions through December 31, 2010, in the aggregate, was \$222 million. If Con Edison were required to repay all or a portion of these amounts, it would also be required to pay interest of up to \$77 million net of tax at December 31, 2010.

Pursuant to the accounting rules for leveraged lease transactions, the expected timing of income tax cash flows generated by Con Edison's LILo transactions are required to be reviewed at least annually. If the expected timing of the cash flows is revised, the rate of return and the allocation of income would be recalculated from the inception of the LILo transactions, and the company would be required to recalculate the accounting effect of the LILo transactions, which would result in a charge to earnings that could have a material adverse effect on the company's results of operations.

Note K — Goodwill

In 2010 and 2009, Con Edison completed impairment tests for its goodwill of \$406 million related to the O&R merger, and determined that it was not impaired. For the impairment test, \$245 million and \$161 million of the goodwill were allocated to CECONY and O&R, respectively. In 2010 and 2009, Con Edison completed impairment tests for the goodwill of \$14 million and \$10 million, respectively, related to two energy services companies acquired by Con Edison Solutions and determined that it was not impaired. Goodwill of \$9 million related to an interest in a gas storage company acquired in 2010 by Con Edison Development will be considered in connection with Con Edison's 2011 goodwill impairment tests.

Note L — Income Tax

The components of income tax are as follows:

<i>(Millions of Dollars)</i>	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
State						
Current	\$ 23	\$ (12)	\$ 53	\$ 13	\$ (1)	\$ 7
Deferred – net	106	118	84	100	103	86
Federal						
Current	(144)	16	1	(139)	42	(110)
Deferred – net	569	324	392	527	266	420
Amortization of investment tax credits	(6)	(6)	(6)	(6)	(6)	(6)
TOTAL CHARGE TO INCOME TAX EXPENSE	\$ 548	\$ 440	\$ 524	\$ 495	\$ 404	\$ 397

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The tax effect of temporary differences, which gave rise to deferred tax assets and liabilities, is as follows:

(Millions of Dollars)	Con Edison		CECONY	
	2010	2009	2010	2009
Deferred tax liabilities:				
Depreciation	\$3,019	\$2,569	\$2,851	\$2,426
Regulatory Asset – future income tax	1,760	1,489	1,666	1,404
Unrecognized pension and other postretirement costs	1,775	1,814	1,686	1,727
State income tax	760	645	668	563
Capitalized overheads	508	477	444	419
Other	744	646	519	434
Total deferred tax liabilities	8,566	7,640	7,834	6,973
Deferred tax assets:				
Unrecognized pension and other postretirement costs	1,775	1,814	1,686	1,727
Regulatory liability – future income tax	135	172	119	155
State income tax	20	27	15	14
Other	95	84	1	1
Total deferred tax assets	2,025	2,097	1,821	1,897
NET LIABILITIES	6,541	5,543	6,013	5,076
INVESTMENT TAX CREDITS	61	66	58	63
DEFERRED INCOME TAXES AND INVESTMENT TAX CREDITS – Non current	\$6,602	\$5,609	\$6,071	\$5,139
DEFERRED INCOME TAXES – RECOVERABLE ENERGY COSTS – Current	5	12	—	—
TOTAL DEFERRED INCOME TAXES AND INVESTMENT TAX CREDITS	\$6,607	\$5,621	\$6,071	\$5,139

Reconciliation of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes is as follows:

(% of Pre-tax income)	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
STATUTORY TAX RATE						
Federal	35%	35%	35%	35%	35%	35%
Changes in computed taxes resulting from:						
State income tax	5	5	6	5	6	5
Depreciation related differences	—	1	1	—	1	1
Cost of removal	(4)	(5)	(5)	(4)	(6)	(6)
Other	(1)	(3)	(1)	(1)	(2)	(2)
Effective Tax Rate	35%	33%	36%	35%	34%	33%

For federal income tax purposes in 2010, the Companies are projecting a net operating loss of \$105 million, primarily as a result of deductions for accelerated depreciation. The Companies intend to file a request for a refund using this net operating loss to offset prior years' federal taxable income. At December 31, 2010, the refund receivable of \$37 million was classified as an other current asset and the estimated 2010 federal income tax payments of \$240 million were classified as a prepayment on the Companies' consolidated balance sheet.

For New York State income tax purposes in 2010, the Companies have a net operating loss carryforward available from the 2009 tax return filing of \$220 million, primarily as a result of repair allowance deductions discussed below. A deferred tax asset has been recognized for this New York State net operating loss that will not expire until year end 2029. A valuation allowance has not been provided against the deferred tax asset, as it is more likely than not that the deferred tax asset will be realized.

Uncertain Tax Positions

Under the accounting rules for income taxes, an enterprise is not allowed to recognize, in its financial statements, the benefit of a tax position unless that position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position.

The IRS has essentially completed its field audits of the Companies' federal income tax returns through 2009. The Companies' federal income tax returns for 1998 through 2009, which remain open to examination by the IRS, reflect certain tax positions with which the IRS does not or may not agree. Any adjustments to federal income tax returns will result in the Companies' filing the federal audit changes with New York State to incorporate in the applicable state income tax returns. In addition, the Companies' New York State tax returns for years beginning with 2006 remain open to examination by New York State.

In September 2010, Con Edison filed the Companies' federal income tax return for 2009 reflecting, among other things, the deduction of the costs of certain repairs to utility plant as an operating expense (the "repair allowance deductions"). Previously, the Companies capitalized such costs and reported their depreciation in their tax returns. Taking the repair allowance deductions accelerated the timing of the deduction of the cost of the repairs. The Companies had a net operating loss for federal income tax purposes in 2009 reflecting, among other things, the repair allowance deductions and the bonus depreciation provisions of the American Recovery and Reinvestment Act of 2009. In November 2010, Con Edison received a \$297 million refund (including \$281 million attributable to CECONY) of certain prior years' federal tax payments based upon the carry-back of the 2009 net operating loss. The Companies also estimate that they had a net operating loss for state income tax purposes for 2009, which is being carried forward and as to which, at December 31, 2010, Con Edison has included a \$19 million other current asset in its consolidated balance sheet (including \$17 million attributable to CECONY, which is included in accounts receivable from affiliated companies in CECONY's consolidated balance sheet). At December 31, 2010, with respect to the repair allowance deductions, Con Edison accrued a liability for uncertain tax positions of \$51 million (including \$49 million attributable to CECONY).

The methods the Companies used to determine which construction-related costs incurred from 2002 through 2008 could be deducted resulted in an uncertain tax position. In July 2008, the IRS entered into a closing agreement with Con Edison covering the extent to which such costs could be deducted in 2002 through 2004. In August 2010, the IRS entered into a closing agreement with Con Edison, covering the extent to which such costs could be deducted in 2005 through 2008. In 2010 the Company instructed the IRS to use the \$160 million deposit that it paid to the IRS in June 2007 (of which, \$146 million was attributable to CECONY) to pay the taxes due pursuant to the closing agreements. At December 31, 2010, the unrecognized tax benefits included \$8 million (including \$8 million attributable to CECONY) relating to the deduction of construction-related costs for New York State income tax purposes in 2005 through 2008.

At December 31, 2010, the Companies' estimated liabilities for uncertain tax positions (\$93 million for Con Edison and \$79 million for CECONY) were classified as current liabilities on their respective consolidated balance sheets. The Companies reasonably expect to resolve these uncertain tax positions with the IRS in the next 12 months.

The Companies recognize interest accrued related to the liability for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the Companies' consolidated income statements. In 2010 and 2009, the Companies recognized an immaterial amount of interest expense for uncertain tax positions.

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A reconciliation of the beginning and ending amounts of unrecognized tax benefits for Con Edison and CECONY follows:

(Millions of Dollars)	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
Balance at the beginning of the year	\$ 86	\$118	\$155	\$ 92	\$108	\$142
Additions based on tax positions related to the current year	5	—	—	4	—	—
Additions based on tax positions of prior years	67	3	—	49	1	—
Reductions for tax positions of prior years	(4)	(21)	(14)	(4)	(5)	(13)
Settlements	(61)	(14)	(23)	(62)	(12)	(21)
Balance at the end of the year	\$ 93	\$ 86	\$118	\$ 79	\$ 92	\$108

Note M — Stock-Based Compensation

The Companies may compensate employees and directors with, among other things, stock options, restricted stock units and contributions to a discount stock purchase plan. The Stock Option Plan (the 1996 Plan) provided for awards of stock options to officers and employees for up to 10 million shares of Con Edison common stock. The Long Term Incentive Plan (LTIP), among other things, provides for awards of restricted stock units, stock options and, to Con Edison's non-officer directors, deferred stock units for up to 10 million shares of common stock (of which not more than four million shares may be restricted stock or stock units).

Shares of Con Edison common stock used to satisfy the Companies' obligations with respect to stock-based compensation may be new (authorized, but unissued) shares, treasury shares or shares purchased in the open market. The shares used during the periods ended December 31, 2010 and 2009 have been new shares.

Under the accounting rules for stock compensation, the Companies have recognized the cost of stock-based compensation as an expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by the Companies in the period ended December 31, 2010, 2009 and 2008:

(Millions of Dollars)	Con Edison			CECONY		
	2010	2009	2008	2010	2009	2008
Stock options	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Restricted stock units	1	1	1	1	1	1
Performance-based restricted stock	27	20	8	25	19	7
Non-officer director deferred stock compensation	1	1	1	1	1	1
Total	\$ 29	\$ 22	\$ 11	\$ 27	\$ 21	\$ 10

Stock Options

The Companies last issued stock options in 2006. The stock options generally vested over a three-year period and have a term of ten years. Options were granted at an exercise price equal to the fair market value of a common share when the option was granted. The Companies generally recognized compensation expense (based on the fair value of stock option awards) over the continuous service period in which the options vested. Awards to employees eligible for retirement were expensed in the month awarded.

The outstanding options are "equity awards" because shares of Con Edison common stock are delivered upon exercise of the options. As equity awards, the fair value of the options is measured at the grant date. There were no options granted in 2010 and 2009.

A summary of changes in the status of stock options awarded as of December 31, 2010 is as follows:

	Con Edison		CECONY	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at 12/31/09	5,313,300	\$ 42.955	4,368,800	\$ 42.988
Exercised	(2,372,550)	\$ 42.175	(1,957,600)	\$ 42.173
Forfeited	(5,500)	\$ 40.544	(4,500)	\$ 42.331
Outstanding at 12/31/10	2,935,250	\$ 43.588	2,406,700	\$ 43.652

The changes in the fair value of all outstanding options from their grant dates to December 31, 2010 and 2009 (aggregate intrinsic value) for Con Edison were \$18 million and \$13 million, respectively. The changes in the fair value of all outstanding options from their grant dates to December 31, 2010 and 2009 (aggregate intrinsic value) for CECONY was \$14 million and \$11

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million, respectively. The aggregate intrinsic value of options exercised in 2010 and 2009 were \$15 million and \$1 million, respectively, and the cash received by Con Edison for payment of the exercise price was \$100 million and \$13 million, respectively. The weighted average remaining contractual life of options outstanding is four years as of December 31, 2010.

The following table summarizes stock options outstanding at December 31, 2010 for each plan year for the Companies:

Plan Year	Remaining Contractual Life	Con Edison			CECONY		
		Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Options Outstanding	Weighted Average Exercise Price	Options Exercisable
2006	5	1,167,200	\$ 45.418	1,167,200	1,000,200	\$ 45.463	1,000,200
2005	4	641,000	42.729	641,000	508,750	42.696	508,750
2004	3	621,850	43.810	621,850	484,050	43.806	484,050
2003	2	208,600	39.076	208,600	167,100	39.226	167,100
2002	1	199,300	42.510	199,300	166,800	42.510	166,800
2001	1	97,300	37.750	97,300	79,800	37.750	79,800
Total		2,935,250	\$ 43.588	2,935,250	2,406,700	\$ 43.652	2,406,700

Restricted Stock Units

Restricted stock unit awards under the LTIP have been made as follows: (i) to officers and certain employees, including awards that provide for adjustment of the number of units (performance-restricted stock units or Performance RSUs); and (ii) in connection with the directors' deferred compensation plan. Each restricted stock unit awarded represents the right to receive, upon vesting, one share of Con Edison common stock, or, except for units awarded under the directors' plan, the cash value of a share or a combination thereof.

In accordance with the accounting rules for stock compensation, for outstanding restricted stock awards other than Performance RSUs or awards under the directors' deferred compensation plan, the Companies have accrued a liability based on the market value of a common share on the grant date and are recognizing compensation expense over the vesting period. The weighted average vesting period for outstanding awards is three years and is based on the employee's continuous service to Con Edison. Prior to vesting, the awards are subject to forfeiture in whole or in part under certain circumstances. The awards are "liability awards" because each restricted stock unit represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, prior to vesting, changes in the fair value of the units are reflected in net income. At December 31, 2010 and 2009, there were 136,359 and 135,048 units outstanding, respectively, for Con Edison, of which 97,959 and 96,598 units were outstanding, respectively, for CECONY. The weighted average fair value as of the grant date of the outstanding units other than Performance RSUs or awards under the directors' deferred compensation plan for December 31, 2010 and 2009 was \$39.898 and \$40.812 per unit, respectively, for Con Edison. The weighted average fair value as of the grant date of the outstanding units for December 31, 2010 and 2009 was \$41.674 and \$42.895 per unit, respectively, for CECONY. The total expense to be recognized by the Companies in future periods for unvested awards outstanding as of December 31, 2010 for Con Edison and CECONY was \$1 million.

The number of units in each annual Performance RSU award is subject to adjustment as follows: (i) 50 percent of the units awarded will be multiplied by a factor that may range from 0 to 150 percent based on Con Edison's total shareholder return relative to a specified peer group during a specified performance period (the TSR portion); and (ii) 50 percent of the units awarded will be multiplied by a factor that may range from 0 to 200 percent based on determinations made in connection with CECONY's Executive Incentive Plan, or, for certain officers, the O&R Annual Team Incentive Plan or goals relating to Con Edison's

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competitive energy businesses (the EIP portion). Units generally vest when the performance period ends.

For the TSR portion of Performance RSU, the Companies use a Monte Carlo simulation model to estimate the fair value of the awards. The fair value is recomputed each reporting period as of the earlier of the reporting date and the vesting date. For the EIP portion of Performance RSU, the fair value of the awards is determined using the market price as of the earlier of the reporting date or the vesting date multiplied by the average EIP determination over the vesting period. Performance RSU awards are “liability awards” because each Performance RSU represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, changes in the fair value of the Performance RSUs are reflected in net income. The following table illustrates the assumptions used to calculate the fair value of the awards:

	2010
Risk-free interest rate	0.30% -5.62 %
Expected term	3 years
Expected volatility	21.85%

The risk-free rate is based on the U.S. Treasury zero-coupon yield curve on the date of grant. The expected term of the Performance RSUs is three years, which equals the vesting period. The Companies do not expect significant forfeitures to occur. The expected volatility is calculated using daily closing stock prices over a period of three years, which approximates the expected term of the awards.

A summary of changes in the status of the Performance RSUs TSR portion during the period ended December 31, 2010 is as follows:

	Con Edison		CECONY	
	Units	Weighted Average Fair Value*	Units	Weighted Average Fair Value*
Non-vested at 12/31/09	426,686	\$ 54.316	357,063	\$ 54.436
Granted	243,750	41.340	197,074	41.340
Vested	(168,511)	73.035	(139,163)	72.873
Forfeited	(7,737)	—	(7,113)	—
Non-vested at 12/31/10	494,188	\$ 59.096	407,861	\$ 59.306

* Fair value is determined using the Monte Carlo simulation described above. Weighted average fair value at December 31, 2010 and weighted average fair value of Performance RSUs granted do not reflect any accrual or payment of dividends prior to vesting.

A summary of changes in the status of the Performance RSUs' EIP portion during the period ended December 31, 2010 is as follows:

	Con Edison		CECONY	
	Units	Weighted Average Fair Value	Units	Weighted Average Fair Value
Non-vested at 12/31/09	426,686	\$ 45.430	357,063	\$ 45.430
Granted	243,750	44.540	197,074	44.540
Vested	(168,511)	55.359	(139,163)	55.104
Forfeited	(7,737)	—	(7,113)	—
Non-vested at 12/31/10	494,188	\$ 55.226	407,861	\$ 55.127

* Fair value is determined using the market price of one share of Con Edison common stock on the respective dates indicated or the grant or vesting date multiplied by the average Executive Incentive Plan determination over the vesting period. The market price has not been discounted to reflect that dividends do not accrue and are not payable on Performance RSUs until vesting.

The total expense to be recognized by Con Edison in future periods for unvested Performance RSUs outstanding as of December 31, 2010 is \$29 million, including \$24 million for CECONY.

Con Edison has a deferred stock compensation plan for non-officer directors. Awards under the deferred compensation stock plan are covered by the LTIP. Each director received 1,500 stock units in 2010 for service as a director. These stock units are deferred until the director's termination of service. Directors may elect to receive dividend equivalents earned on stock units in cash payments. Restricted stock units issued under the directors' deferred compensation plan are considered “equity awards,” because they may only be settled in shares. Directors immediately vest in units issued to them. The fair value of the units is determined using the closing price of Con Edison's common stock on the business day immediately preceding the date of issue. In the period ended December 31, 2010, approximately 24,982 units were issued.

Stock Purchase Plan

The Stock Purchase Plan provides for the Companies to contribute up to \$1 for each \$9 invested by their directors, officers or employees to purchase Con Edison common stock under the plan. Eligible participants may invest up to \$25,000 during any calendar year (subject to an additional limitation for

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officers and employees of not more than 20% of their pay). Dividends paid on shares held under the plan are reinvested in additional shares unless otherwise directed by the participant.

Participants in the plan immediately vest in shares purchased by them under the plan. The fair value of the shares of Con Edison common stock purchased under the plan was calculated using the average of the high and low composite sale prices at which shares were traded at the New York Stock Exchange on the trading day immediately preceding such purchase dates. During 2010, 2009 and 2008, 738,951, 868,622 and 745,869 shares were purchased under the Stock Purchase Plan at a weighted average price of \$45.52, \$38.15 and \$42.47 per share, respectively.

Note N — Financial Information by Business Segment

The business segments of each of the Companies were determined based on management's reporting and decision-making requirements in accordance with the accounting rules for segment reporting.

Con Edison's principal business segments are CECONY's regulated electric, gas and steam utility activities, O&R's regulated electric and gas utility activities and Con Edison's competitive energy businesses. See Note U. CECONY's principal business segments are its regulated electric, gas and steam utility activities.

All revenues of these business segments, excluding revenues earned by Con Edison Development on certain energy infrastructure projects, which are deemed to be immaterial, are from customers located in the United States of America. Also, all assets of the business segments, excluding certain investments in energy infrastructure projects by Con Edison Development (\$235 million at December 31, 2010), are located in the United States of America. The accounting policies of the segments are the same as those described in Note A.

Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

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The financial data for the business segments are as follows:

As of and for the Year Ended December 31, 2010 (Millions of Dollars)	Operating revenues	Inter-segment revenues	Depreciation and amortization	Operating income	Interest charges	Income tax expense	Total assets*	Construction expenditures
CECONY								
Electric	\$ 8,376	\$ 12	\$ 623	\$ 1,549	\$ 424	\$ 371	\$24,942	\$ 1,421
Gas	1,541	5	102	310	82	91	5,038	334
Steam	656	74	62	63	43	29	2,455	111
Consolidation adjustments	—	(91)	—	—	—	—	—	—
Total CECONY	\$ 10,573	\$ —	\$ 787	\$ 1,922	\$ 549	\$ 491	\$32,435	\$ 1,866
O&R								
Electric	\$ 692	\$ —	\$ 32	\$ 74	\$ 22	\$ 18	\$ 1,621	\$ 99
Gas	218	—	12	34	12	8	684	36
Other*	—	—	—	—	1	—	32	—
Total O&R	\$ 910	\$ —	\$ 44	\$ 108	\$ 35	\$ 26	\$ 2,337	\$ 135
Competitive energy businesses	\$ 1,883	\$ 9	\$ 9	\$ 97	\$ (3)	\$ 37	\$ 807	\$ 28
Other**	(41)	(9)	—	(7)	28	—	567	—
Total Con Edison	\$ 13,325	\$ —	\$ 840	\$ 2,120	\$ 609	\$ 554	\$36,146	\$ 2,029

As of and for the Year Ended December 31, 2009 (Millions of Dollars)	Operating revenues	Inter-segment revenues	Depreciation and amortization	Operating income	Interest charges	Income tax expense	Total assets*	Construction expenditures
CECONY								
Electric	\$ 7,674	\$ 12	\$ 587	\$ 1,368	\$ 425	\$ 300	\$23,309	\$ 1,596
Gas	1,701	5	98	309	82	90	4,796	339
Steam	661	73	59	39	46	12	2,356	122
Consolidation adjustments	—	(90)	—	—	—	—	—	—
Total CECONY	\$ 10,036	\$ —	\$ 744	\$ 1,716	\$ 553	\$ 402	\$30,461	\$ 2,057
O&R								
Electric	\$ 648	\$ —	\$ 30	\$ 64	\$ 18	\$ 15	\$ 1,525	\$ 85
Gas	242	—	12	28	9	7	627	42
Other*	—	—	—	—	2	—	35	—
Total O&R	\$ 890	\$ —	\$ 42	\$ 92	\$ 29	\$ 22	\$ 2,187	\$ 127
Competitive energy businesses	\$ 2,147	\$ —	\$ 5	\$ 93	\$ —	\$ 31	\$ 751	\$ 10
Other**	(41)	—	—	(3)	29	—	445	—
Total Con Edison	\$ 13,032	\$ —	\$ 791	\$ 1,899	\$ 611	\$ 455	\$33,844	\$ 2,194

As of and for the Year Ended December 31, 2008 (Millions of Dollars)	Operating revenues	Inter-segment revenues	Depreciation and amortization	Operating income	Interest charges	Income tax expense	Total assets*	Construction expenditures
CECONY								
Electric	\$ 7,878	\$ 12	\$ 521	\$ 1,333	\$ 375	\$ 295	\$23,181	\$ 1,743
Gas	1,839	5	90	303	75	91	4,882	338
Steam	707	74	61	31	42	10	2,352	121
Consolidation adjustments	—	(91)	—	—	—	—	—	—
Total CECONY	\$ 10,424	\$ —	\$ 672	\$ 1,667	\$ 492	\$ 396	\$30,415	\$ 2,202
O&R								
Electric	\$ 733	\$ —	\$ 29	\$ 68	\$ 18	\$ 18	\$ 1,514	\$ 88
Gas	258	—	11	25	9	6	590	32
Other*	—	—	—	—	1	—	58	—
Total O&R	\$ 991	\$ —	\$ 40	\$ 93	\$ 28	\$ 24	\$ 2,162	\$ 120
Competitive energy businesses	\$ 2,195	\$ (11)	\$ 5	\$ 162	\$ (2)	\$ 92	\$ 668	\$ 4
Other**	(27)	11	—	(2)	26	—	253	—
Total Con Edison	\$ 13,583	\$ —	\$ 717	\$ 1,920	\$ 544	\$ 512	\$33,498	\$ 2,326

* Includes amounts related to the RECO securitization.

** Parent company expenses, primarily interest, and consolidation adjustments. Other does not represent a business segment.

Note O — Derivative Instruments and Hedging Activities

Under the accounting rules for derivatives and hedging, derivatives are recognized on the balance sheet at fair value, unless an exception is available under the accounting rules. Certain qualifying derivative contracts have been designated as normal purchases or normal sales contracts. These contracts are not reported at fair value under the accounting rules.

Energy Price Hedging

Con Edison's subsidiaries hedge market price fluctuations associated with physical purchases and sales of electricity, natural gas, and steam by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts. The fair values of these hedges at December 31, 2010 and 2009 were as follows:

<i>(Millions of Dollars)</i>	Con Edison		CECONY	
	2010	2009	2010	2009
Fair value of net derivative assets/(liabilities) – gross	\$ (261)	\$ (266)	\$ (156)	\$ (137)
Impact of netting of cash collateral	176	162	104	87
Fair value of net derivative assets/(liabilities) – net	\$ (85)	\$ (104)	\$ (52)	\$ (50)

Credit Exposure

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the competitive energy businesses. The Companies use credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements, collateral or prepayment arrangements, credit insurance and credit default swaps.

At December 31, 2010, Con Edison and CECONY had \$157 million and \$36 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of \$76 million with investment-grade counterparties, \$55 million with commodity exchange brokers and \$26 million with independent system operators. CECONY's net credit exposure was primarily with commodity exchange brokers.

Economic Hedges

The Companies enter into certain derivative instruments that do not qualify or are not designated as hedges under the accounting rules for derivatives and hedging. However, management believes these instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices.

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The fair values of the Companies' commodity derivatives at December 31, 2010 were:

Fair Value of Commodity Derivatives(a)			
<i>(Millions of Dollars)</i>	Balance Sheet Location	Con Edison	CECONY
	Derivatives Asset		
Current	Other current assets	\$ 184	\$ 29
Long term	Other deferred charges and non-current assets	51	19
	Total derivatives asset	\$ 235	\$ 48
	Impact of netting	(129)	—
	Net derivatives asset	\$ 106	\$ 48
	Derivatives Liability		
Current	Fair value of derivative liabilities	\$ 385	\$ —
Current	Other current liabilities	—	148
Long term	Fair value of derivative liabilities	111	56
	Total derivatives liability	\$ 496	\$ 204
	Impact of netting	(305)	(104)
	Net derivatives liability	\$ 191	\$ 100

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

The fair value of the Companies' commodity derivatives at December 31, 2009 were:

Fair Value of Commodity Derivatives(a)			
<i>(Millions of Dollars)</i>	Balance Sheet Location	Con Edison	CECONY
	Derivatives Asset		
Current	Other current assets	\$ 213	\$ 40
Long term	Other deferred charges and non-current assets	148	19
	Total derivatives asset	\$ 361	\$ 59
	Impact of netting	(231)	(20)
	Net derivatives asset	\$ 130	\$ 39
	Derivatives Liability		
Current	Fair value of derivative liabilities	\$ 401	\$ —
Current	Other current liabilities	—	110
Long term	Fair value of derivative liabilities	226	86
	Total derivatives liability	\$ 627	\$ 196
	Impact of netting	(393)	(107)
	Net derivatives liability	\$ 234	\$ 89

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

The Utilities generally recover all of their prudently incurred fuel, purchased power and gas cost, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility commissions. See "Recoverable Energy Costs" in Note A. In accordance with the accounting rules for regulated operations, the Utilities record a regulatory asset or liability to defer recognition of unrealized gains and losses on their electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power, gas and fuel costs in the Companies' consolidated income statements. Con Edison's competitive energy businesses record realized and unrealized gains and losses on their derivative contracts in earnings in the reporting period in which they occur.

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The following table presents the changes in the fair values of commodity derivatives that have been deferred or recognized in earnings for the year ended December 31, 2010:

Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a) Deferred or Recognized in Income for the Year Ended December 31, 2010			
<i>(Millions of Dollars)</i>	Balance Sheet Location	Con Edison	CECONY
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:			
Current	Deferred derivative gains	\$ (5)	\$ (5)
Long-term	Regulatory liabilities	1	1
Total deferred gains		\$ (4)	\$ (4)
Current	Deferred derivative losses	\$ (49)	\$ (47)
Current	Recoverable energy costs	(285)	(240)
Long term	Regulatory assets	32	27
Total deferred losses		\$ (302)	\$ (260)
Net deferred losses		\$ (306)	\$ (264)
Income Statement Location			
Pre-tax gain/(loss) recognized in income			
	Purchased power expense	\$ (173)(b)	\$ —
	Gas purchased for resale	(9)	—
	Non-utility revenue	26(b)	—
Total pre-tax gain/(loss) recognized in income		\$ (156)	\$ —

- (a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.
- (b) For the year ended December 31, 2010, Con Edison recorded in non-utility operating revenues and purchased power expense an unrealized pre-tax gain/(loss) of \$(36) million and \$56 million, respectively.

The following table presents the changes in the fair values of commodity derivatives that have been deferred or recognized in earnings for the year ended December 31, 2009:

Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a) Deferred or Recognized in Income for the Year Ended December 31, 2009			
<i>(Millions of Dollars)</i>	Balance Sheet Location	Con Edison	CECONY
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:			
Current	Deferred derivative gains	\$ (15)	\$ (15)
Total deferred gains		\$ (15)	\$ (15)
Current	Deferred derivative losses	\$ 147	\$ 143
Current	Recoverable energy costs	(558)	(471)
Long term	Regulatory assets	(15)	(21)
Total deferred losses		\$ (426)	\$ (349)
Net deferred losses		\$ (441)	\$ (364)
Income Statement Location			
Pre-tax gain/(loss) recognized in income			
	Purchased power expense	\$ (562)(b)	\$ —
	Gas purchased for resale	9	—
	Non-utility revenue	30(b)	—
Total pre-tax gain/(loss) recognized in income		\$ (523)	\$ —

- (a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.
- (b) For the year ended December 31, 2009, Con Edison recorded in non-utility operating revenues and purchased power expense an unrealized pre-tax gain/(loss) of \$196 million and \$(165) million, respectively.

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As of December 31, 2010, Con Edison had 1,559 contracts, including 697 CECONY contracts, which were considered to be derivatives under the accounting rules for derivatives and hedging (excluding qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts). The following table presents the number of contracts by commodity type:

	Electric Derivatives				Gas Derivatives		Total Number Of Contracts(a)
	Number of Energy Contracts(a)	MWhs(b)	Number of Capacity Contracts(a)	MWs(b)	Number of Contracts(a)	Dths(b)	
Con Edison	799	20,569,025	48	10,524	712	136,269,210	1,559
CECONY	161	4,556,675	—	—	536	126,050,000	697

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

(b) Volumes are reported net of long and short positions.

The Companies also enter into electric congestion and gas basis swap contracts to hedge the congestion and transportation charges which are associated with electric and gas contracts and hedged volumes.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Companies' consolidated statement of cash flows. Most derivative instrument contracts contain provisions that may require the Companies to provide collateral on derivative instruments in net liability positions. The amount of collateral to be provided will depend on the fair value of the derivative instruments and the Companies' credit ratings.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position and collateral posted at December 31, 2010, and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade were:

(Millions of Dollars)	Con Edison(a)	CECONY(a)
Aggregate fair value – net liabilities	\$ 249	\$ 124
Collateral posted	\$ 105	\$ 78(b)
Additional collateral(c) (downgrade one level from current ratings(d))	\$ 58	\$ 9
Additional collateral(c) (downgrade to below investment grade from current ratings(d))	\$ 180(e)	\$ 55(e)

(a) Non-derivative transactions for the purchase and sale of electricity and gas and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Utilities and Con Edison's competitive energy businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post collateral, which at December 31, 2010, would have amounted to an estimated \$101 million for Con Edison, including \$0 million for CECONY. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.

(b) Across the Utilities' energy derivative positions, credit limits for the same counterparties are generally integrated. At December 31, 2010, the Utilities posted combined collateral of \$102 million, including an estimated \$24 million attributable to O&R.

(c) The Companies measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liabilities position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Companies have a legally enforceable right of setoff.

(d) The current ratings are Moody's, S&P and Fitch long-term credit rating of, as applicable, Con Edison (Baa1/BBB+/BBB+), CECONY (A3/A-/A-) or O&R (Baa1/A-/A-). Credit ratings assigned by rating agencies are expressions of opinions that are subject to revision or withdrawal at any time by the assigning rating agency.

(e) Derivative instruments that are net assets have been excluded from the table. At December 31, 2010, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of not more than \$24 million.

Interest Rate Swaps

O&R has an interest rate swap pursuant to which it pays a fixed-rate of 6.09 percent and receives a LIBOR-based variable rate. The fair value of this interest rate swap at December 31, 2010 was an unrealized loss of \$10 million, which has been included in Con Edison's consolidated balance sheet as a noncurrent liability/fair value of derivative liabilities and a regulatory asset. The increase in the fair value of the swap for the year ended December 31, 2010 was \$1 million. In the event O&R's credit rating was downgraded to BBB- or lower by S&P or Baa3 or lower by Moody's, the swap counterparty could elect to terminate the agreement and, if it did so, the parties would then be required to settle the transaction.

Note P — Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Companies often make certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Companies use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At December 31, 2010, the Companies determined that nonperformance risk would have no material impact on their financial position or results of operations. To assess nonperformance risk, the Companies considered information such as collateral requirements, master netting arrangements, letters of credit and parent company guarantees, and applied a market-based method by using the counterparty (for an asset) or the Companies' (for a liability) credit default swaps rates.

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Companies classify fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.
- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors, and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.
- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Effective January 1, 2010, the Companies adopted Accounting Standards Update (ASU) No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements." This update requires the Companies to disclose significant transfers in and out of Level 1

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and Level 2 fair value measurements and describe the reasons for the transfers. The guidance also clarifies level of disaggregation and disclosure requirements about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements and the meaning of a class of assets and liabilities. In addition, the update requires the Companies to present information about purchases, sales, issuances, and settlements on a gross basis in the reconciliation for fair value measurements using significant unobservable inputs (Level 3).

The valuation technique used by the Companies with regard to commodity derivatives and other assets that fall into either Level 2 or Level 3 is the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The valuation technique used by the Companies with regard to the interest rate contract that falls into Level 3 is the income approach which uses valuation techniques to convert future income stream amounts to a single amount in present value terms.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 are summarized below.

(Millions of Dollars)	Level 1		Level 2		Level 3		Netting Adjustments (4)		Total	
	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY
Derivative assets:										
Commodity(1)	\$ 2	\$ 1	\$ 72	\$ 21	\$ 144	\$ 13	\$ (112)	\$ 13	\$ 106	\$ 48
Other assets(3)	65	64	—	—	101	92	—	—	166	156
Total	\$ 67	\$ 65	\$ 72	\$ 21	\$ 245	\$ 105	\$ (112)	\$ 13	\$ 272	\$ 204
Derivative liabilities:										
Commodity	\$ 4	\$ 2	\$ 270	\$ 177	\$ 205	\$ 12	\$ (288)	\$ (91)	\$ 191	\$ 100
Transfer in(5)(6)(7)	—	—	(36)	(36)	(9)	(9)	—	—	(45)	(45)
Transfer out(5)(6)(7)	—	—	9	9	36	36	—	—	45	45
Commodity(1)	\$ 4	\$ 2	\$ 243	\$ 150	232	39	\$ (288)	\$ (91)	\$ 191	\$ 100
Interest rate contract(2)	—	—	—	—	10	—	—	—	10	—
Total	\$ 4	\$ 2	\$ 243	\$ 150	\$ 242	\$ 39	\$ (288)	\$ (91)	\$ 201	\$ 100

- (1) A significant portion of the commodity derivative contracts categorized in Level 3 is valued using either an industry acceptable model or an internally developed model with observable inputs. The models also include some less readily observable inputs resulting in the classification of the entire contract as Level 3. See Note O.
- (2) See Note O.
- (3) Other assets are comprised of assets such as life insurance contracts within the Deferred Income Plan and Supplemental Retirement Income Plans, held in rabbi trusts.
- (4) Amounts represent the impact of legally-enforceable master netting agreements that allow the Companies to net gain and loss positions and cash collateral held or placed with the same counterparties.
- (5) The Companies' policy is to recognize transfers into and transfers out of the levels at the end of the reporting period.
- (6) Transferred from Level 2 to Level 3 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall.
- (7) Transferred from Level 3 to Level 2 because of availability of observable market data due to decrease in the terms of certain contracts from beyond one year as of December 31, 2009 to less than one year as of December 31, 2010.

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 are summarized below.

(Millions of Dollars)	Level 1		Level 2		Level 3		Netting Adjustments(4)		Total	
	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY	Con Edison	CECONY
Derivative assets:										
Commodity (1)	\$ 3	\$ 3	\$ 92	\$ 21	\$ 201	\$ 17	\$ (166)	\$ (2)	\$ 130	\$ 39
Other assets (3)	36	36	—	—	92	83	—	—	128	119
Total	\$ 39	\$ 39	\$ 92	\$ 21	\$ 293	\$ 100	\$ (166)	\$ (2)	\$ 258	\$ 158
Derivative liabilities:										
Commodity (1)	\$ 6	\$ 1	\$ 296	\$ 155	\$ 260	\$ 22	\$ (328)	\$ (89)	\$ 234	\$ 89
Interest rate contract (2)	—	—	—	—	11	—	—	—	11	—
Total	\$ 6	\$ 1	\$ 296	\$ 155	\$ 271	\$ 22	\$ (328)	\$ (89)	\$ 245	\$ 89

- (1) A significant portion of the commodity derivative contracts categorized in Level 3 is valued using either an industry acceptable model or an internally developed model with observable inputs. The models also include some less readily observable inputs resulting in the classification of the entire contract as Level 3. See Note O.
- (2) See Note O.
- (3) Other assets are comprised of assets such as life insurance contracts within the Deferred Income Plan and Supplemental Retirement Income Plans, held in rabbi trusts.
- (4) Amounts represent the impact of legally-enforceable master netting agreements that allow the Companies to net gain and loss positions and cash collateral held or placed with the same counterparties.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value for the years ended December 31, 2010 and 2009 and classified as Level 3 in the fair value hierarchy:

(Millions of Dollars)	For the Year Ended December 31, 2010					
	Beginning Balance as of January 1, 2010	Included in Earnings	Included in Regulatory Assets and Liabilities	Purchases, Issuances, Sales and Settlements	Transfer In/Out of Level 3	Ending Balance as of December 31, 2010
Total Gains/(Losses) – Realized and Unrealized						
Con Edison						
Derivatives:						
Commodity	\$ (59)	\$ (73)	\$ (37)	\$ 54	\$ 27	\$ (88)
Interest rate contract	(11)	(3)	1	3	—	(10)
Other assets(1)	92	3	6	—	—	101
Total	\$ 22	\$ (73)	\$ (30)	\$ 57	\$ 27	\$ 3
CECONY						
Derivatives:						
Commodity	\$ (5)	\$ (14)	\$ (44)	\$ 10	\$ 27	\$ (26)
Other assets(1)	83	3	6	—	—	92
Total	\$ 78	\$ (11)	\$ (38)	\$ 10	\$ 27	\$ 66

- (1) Amounts included in earnings are reported in investment and other income on the consolidated income statement.

For the Year Ended December 31, 2009

(Millions of Dollars)	Total Gains/(Losses) – Realized and Unrealized					
	Beginning Balance as of January 1, 2009	Included in Earnings	Included in Regulatory Assets and Liabilities	Purchases, Issuances, Sales and Settlements	Transfer In/Out of Level 3	Ending Balance as of December 31, 2009
Con Edison						
Derivatives:						
Commodity	\$ (50)	\$ (249)	\$ (23)	\$ 263	\$ —	\$ (59)
Interest rate contract	(15)	(3)	4	3	—	(11)
Other assets(1)	73	7	12	—	—	92
Total	\$ 8	\$ (245)	\$ (7)	\$ 266	\$ —	\$ 22
CECONY						
Derivatives:						
Commodity	\$ 1	\$ (23)	\$ (20)	\$ 37	\$ —	\$ (5)
Other assets(1)	65	7	11	—	—	83
Total	\$ 66	\$ (16)	\$ (9)	\$ 37	\$ —	\$ 78

(1) Amounts included in earnings are reported in investment and other income on the consolidated income statement.

For the Utilities, realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power, gas and fuel costs. The Utilities generally recover these costs in accordance with rate provisions approved by the applicable state public utilities commissions. See Note A. Unrealized gains and losses for commodity derivatives are generally deferred on the consolidated balance sheet in accordance with the accounting rules for regulated operations.

For the competitive energy businesses, realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues (\$22 million gain and \$17 million gain) and purchased power costs (\$44 million loss and \$184 million loss) on the consolidated income statement for the years ended December 31, 2010 and 2009, respectively. The change in fair value relating to Level 3 commodity derivative assets held at December 31, 2010 and 2009 is included in non-utility revenues (\$37 million loss and \$27 million loss), and purchased power costs (\$24 million gain and \$28 million gain) on the consolidated income statement for the years ended December 31, 2010 and 2009, respectively.

Note Q – Variable Interest Entities

Effective January 1, 2010, the Companies adopted ASU No. 2009-17, “Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities.” The Companies have not identified any interests they have in any variable interest entity (VIE) that would require the Companies to include the financial position and results of operations of the VIE in the Companies’ consolidated financial statements.

The accounting rules for consolidation address the consolidation of a VIE by a business enterprise that is the primary beneficiary. A VIE is an entity that does not have a sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary is the business enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and either absorbs a significant amount of the VIE’s losses or has the right to receive benefits that could be significant to the VIE.

Con Edison enters into arrangements including leases, partnerships and electricity purchase agreements, with various entities. As a result of these arrangements, Con Edison retains or may retain a variable interest in these entities.

Con Edison has a variable interest in a non-consolidated VIE related to Con Edison Development’s sole limited interest in an affordable

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housing partnership that began in 2000. Con Edison is not the primary beneficiary of this VIE since Con Edison Development is a limited partner in the arrangement and does not hold any rights to manage or control the business of the partnership. Con Edison Development's maximum exposure to loss as a result of its involvement with the VIE is \$0.3 million at December 31, 2010 and \$4 million at December 31, 2009. The maximum exposure to loss is the carrying value of the investment less amortization. In addition, Con Edison has guaranteed the debt undertaken by the partnership. See Note H.

CECONY has a variable interest in a non-consolidated VIE, Astoria Energy, LLC (Astoria Energy), with which CECONY has entered into a long-term electricity purchase agreement. CECONY is not the primary beneficiary of this VIE since CECONY does not have the power to direct the activities that CECONY believes most significantly impact the economic performance of Astoria Energy. In particular, CECONY has not invested in, or guaranteed the indebtedness of, Astoria Energy and CECONY does not operate or maintain Astoria Energy's generating facilities. CECONY also has long-term electricity purchase agreements with the following five potential VIEs: Sithe/Independence Power Partners, LP, Cogen Technologies Linden Venture, LP, Selkirk Cogen Partners, LP, Brooklyn Navy Yard Cogeneration Partners, LP, and Indeck Energy Services of Corinth, Inc. In each quarter of 2010, requests were made of these five counterparties for information necessary to determine whether the entity was a VIE and whether CECONY is the primary beneficiary; however, the information was not made available. See Note I for information on these electricity purchase agreements, the payments pursuant to which constitute CECONY's maximum exposure to loss with respect to Astoria Energy and the five potential VIEs.

Con Edison has a variable interest in a non-consolidated VIE, Pilesgrove Solar, LLC (Pilesgrove), in which Con Edison Development, starting in 2010, is participating with a third party to develop, construct, and operate a photovoltaic solar energy generation project. Con Edison is not the primary beneficiary of this VIE since the power to direct the activities that most significantly impact the economics of Pilesgrove is shared equally between Con Edison Development and the third party. Included in the Companies' consolidated balance sheet at December 31, 2010 is \$32 million in assets related to Pilesgrove which primarily represents the amount of a construction loan provided by Con Edison Development plus accrued interest. The maximum exposure to loss is the carrying value of the loan provided to date plus up to \$52 million of additional financing which Con Edison Development is obligated to provide.

Note R – Asset Retirement Obligations

Con Edison and CECONY account for retirement obligations on their assets in accordance with the accounting rules for asset retirement obligations. This accounting standard requires recognition of a liability for legal obligations associated with the retirement of long-lived assets. When the liability is initially recorded, asset retirement costs are capitalized by increasing the carrying amount of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset.

The Utilities include in depreciation the estimated removal costs, less salvage, for utility plant assets. In accordance with the accounting rules for asset retirement obligations, future removal costs that do not represent legal asset retirement obligations are recorded as regulatory liabilities pursuant to the accounting rules for regulated operations. The related regulatory liabilities recorded for Con Edison and CECONY were \$421 million and \$349 million at December 31, 2010 and \$371 million and \$303 million at December 31, 2009, respectively.

The Companies identified future asset retirement obligations associated with the removal of asbestos and asbestos-containing material in their buildings and equipment within the generating stations and substations, and within the steam and gas distribution systems. The Companies also identified asset retirement obligations relating to gas pipelines abandoned in place. The estimates of future liabilities were developed using historical information, and where available, quoted

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prices from outside contractors. The obligation for the cost of asbestos removal from the Companies' generating stations and substation structures was not accrued since the retirement dates cannot be reasonably estimated.

At December 31, 2010, the liabilities of Con Edison and CECONY for the fair value of their legal asset retirement obligations were \$109 million, as compared with \$122 million at December 31, 2009. In addition, Con Edison and CECONY increased utility plant, net of accumulated depreciation, for asset retirement costs at December 31, 2010 by \$18 million, as compared with \$28 million at December 31, 2009. Pursuant to the accounting rules for regulated operations, CECONY also recorded a reduction of \$91 million and \$94 million at December 31, 2010 and 2009, respectively, to the regulatory liability associated with cost of removal to reflect accumulated depreciation and interest accretion costs.

Note S – Related Party Transactions

The Utilities and Con Edison's competitive businesses provide administrative and other services to each other pursuant to cost allocation procedures approved by the NYSPSC. The costs of administrative and other services provided by CECONY to, and received by it from, Con Edison and its other subsidiaries for the years ended December 31, 2010, 2009 and 2008 were as follows:

<i>(Millions of Dollars)</i>	CECONY		
	2010	2009	2008
Cost of services provided	\$ 74	\$ 75	\$ 65
Cost of services received	\$ 45	\$ 45	\$ 50

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which CECONY sold to O&R \$99 million, \$124 million and \$183 million of natural gas for the years ended December 31, 2010, 2009 and 2008, respectively. These amounts are net of the effect of related hedging transactions.

CECONY entered into financial contracts on behalf of O&R with various brokers and counterparties to hedge purchases of electricity. For the year ended December 31, 2008, the realized gains recorded as part of purchase power expense is \$0.2 million. There were no electric hedging transactions executed by CECONY on behalf of O&R for the years ended December 31, 2010 and 2009.

FERC has authorized CECONY through 2011 to lend funds to O&R from time to time, for periods of not more than 12 months, in amounts not to exceed \$250 million outstanding at any time, at prevailing market rates. There were no outstanding loans to O&R at December 31, 2010 and 2009.

Note T – New Financial Accounting Standards

In February 2010, the Financial Accounting Standards Board (FASB) issued new guidance for subsequent events through Accounting Standards Update (ASU) No. 2010-09, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements." The amendments in this update eliminates requirements for SEC filers to disclose the date through which subsequent events have been evaluated. The application of this guidance did not have a material impact on the Companies' financial position, results of operations or liquidity.

In December 2010, the FASB issued amendments to the guidance for intangibles through ASU No. 2010-28, "Intangibles – Goodwill and Other (Topic 360): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." The amendments in this update to the ASC modifies Step 1 of the goodwill impairment test to require those reporting units with zero or negative carrying value to be evaluated under Step 2 of the impairment test if circumstances or events indicate that it is more likely than not that a goodwill impairment exists. For public entities, this update is effective for the fiscal year and interim periods within those years, beginning after December 15, 2010. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations or liquidity.

Note U – Con Edison Development

During the second quarter of 2008, Con Edison Development and its subsidiary, CED/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants (Rock Springs, Ocean Peaking Power, CEEMI, Newington and Lakewood) with an aggregate capacity of approximately 1,706 megawatts to North American Energy Alliance, LLC. The sale resulted in total cash proceeds, net of estimated taxes and transaction expenses, of \$1,067 million, and an after-tax gain, net of all transaction expenses, of approximately \$400 million.

In May 2008, Con Edison Energy entered into agreements to provide energy management services, such as plant scheduling and fuel procurement, for the Rock Springs, Ocean Peaking Power and CEEMI projects for one to two years. Such services were expected to give rise to a significant level of continuing direct cash flows between Con Edison Energy and the disposed projects, and to provide Con Edison Energy with significant continuing involvement with the operations of the disposed projects. As a result, under the guidance of the accounting rules for presentation of financial statements – discontinued operations, Con Edison concluded that the Rock Springs, Ocean Peaking Power and CEEMI projects did not qualify for discontinued operations. Accordingly, the results of operations of these projects prior to the completion of the sale in 2008, along with the after-tax gain, net of transaction expenses, of \$136 million associated with the sale of these projects, have been reported within continuing operations in the accompanying Con Edison consolidated income statement.

Con Edison's competitive energy businesses engaged in certain services for the Newington and Lakewood projects on a short-term basis after the sale. However, such services were much more limited than those provided to the Rock Springs, Ocean Peaking Power and CEEMI projects, and did not give rise to a significant level of continuing direct cash flows between Con Edison and the disposed projects, or provide Con Edison with significant continuing involvement in the operating or financial policies of the disposed projects. As a result, Con Edison believes that the criteria within the accounting rules for presentation of financial statements – discontinued operations have been met for the Newington and Lakewood projects. Accordingly, the results of operations of these projects prior to the completion of the sale in 2008 have been reflected in income from discontinued operations (net of income taxes) in the accompanying Con Edison consolidated income statement. The Newington and Lakewood projects had revenues of \$143 million and pre-tax profit of \$7 million for the year ended December 31, 2008. Income from discontinued operations also includes the after-tax gain, net of transaction expenses, of \$270 million associated with the sale of these projects.

Condensed Financial Information of Consolidated Edison, Inc.*
Condensed Income Statement
(Parent Company Only)

	2010	2009	2008
	<i>(Millions of Dollars, except per share amounts)</i>		
Equity in earnings of subsidiaries	\$1,008	\$ 883	\$ 900
Other income (deductions), net of taxes	12	14	48
Interest expense	(28)	(29)	(26)
Income From Continuing Operations	992	868	922
Income from Discontinued Operations (Net of Tax Expense of \$177 in 2008)	—	—	274
Net Income for Common Stock	\$ 992	\$ 868	\$1,196
Earnings Per Common Share – Basic			
Continuing operations	\$ 3.49	\$ 3.16	\$ 3.37
Discontinued operations	—	—	1.01
Net Income Per Common Share – Basic	\$ 3.49	\$ 3.16	\$ 4.38
Earnings Per Common Share – Diluted			
Continuing operations	\$ 3.47	\$ 3.14	\$ 3.36
Discontinued operations	—	—	1.01
Net Income Per Common Share – Diluted	\$ 3.47	\$ 3.14	\$ 4.37
Dividends Declared Per Share Of Common Stock	\$ 2.38	\$ 2.36	\$ 2.34
Average Number Of Shares Outstanding – Basic (In Millions)	284.3	275.2	272.9
Average Number Of Shares Outstanding – Diluted (In Millions)	285.9	276.3	273.6

* These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

Condensed Financial Information of Consolidated Edison, Inc.*
Condensed Statement of Cash Flows
(Parent Company Only)

	2010	2009	2008
		(Millions of Dollars)	
Net Income	\$ 992	\$ 868	\$ 1,196
Equity in earnings of subsidiaries	(1,008)	(883)	(1,174)
Dividends received from:			
CECONY	670	652	618
O&R	32	32	31
Competitive energy businesses	8	8	12
Other – net	(4)	85	(462)
Net Cash Flows From Operating Activities	690	762	221
INVESTING ACTIVITIES			
Contributions to subsidiaries	(355)	(241)	(791)
Proceeds from sale of subsidiaries	—	—	1,461
Net Cash Flows (Used In)/From Investing Activities	(355)	(241)	670
FINANCING ACTIVITIES			
Net payments of short-term debt	—	(110)	(130)
Retirement of long-term debt	(3)	(4)	(200)
Common shares issued	439	257	42
Common stock dividends	(629)	(601)	(618)
Net Cash Flows Used In Financing Activities	(192)	(458)	(906)
Net Change For The Period	142	63	(15)
Balance At Beginning Of Period	80	17	32
Balance At End Of Period	\$ 222	\$ 80	\$ 17

* These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

Condensed Financial Information of Consolidated Edison, Inc.*
Condensed Balance Sheet
(Parent Company Only)

	At December 31,	
	2010	2009
	<i>(Millions of Dollars)</i>	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 222	\$ 80
Accounts receivable – other	123	79
Accounts receivable from affiliated companies	—	1
Prepayments	240	32
Other current assets	50	158
Total Current Assets	635	350
Investments in subsidiaries and others	11,807	11,152
Goodwill	406	406
Federal income tax due from taxing authority	1	1
Deferred income tax	38	22
Other assets	4	10
Total Assets	\$12,891	\$11,941
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	\$ 1	\$ 3
Accounts payable	7	8
Accounts payable from affiliated companies	176	—
Other current liabilities	312	309
Total Current Liabilities	496	320
Noncurrent Liabilities	—	36
Total Liabilities	503	356
LONG-TERM DEBT	314	316
SHAREHOLDERS' EQUITY		
Common stock	4,900	4,404
Retained earnings	7,181	6,865
Total Shareholders' Equity	12,081	11,269
Total Liabilities And Shareholders' Equity	\$12,891	\$11,941

* These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

Valuation and Qualifying Accounts

For the Years Ended December 31, 2010, 2009 and 2008

Company	COLUMN A Description	COLUMN B Balance at Beginning of Period	COLUMN C Additions		COLUMN D Deductions(b)	COLUMN E Balance At End of Period
			(1) Charged To Costs And Expenses	(2) Charged To Other Accounts		
<i>(Millions of Dollars)</i>						
Con Edison	Allowance for uncollectible accounts(a):					
	2010	\$ 75	\$ 91	—	\$ 82	\$ 84
	2009	\$ 64	\$ 98	—	\$ 87	\$ 75
	2008	\$ 52	\$ 85	—	\$ 73	\$ 64
CECONY	Allowance for uncollectible accounts(a):					
	2010	\$ 67	\$ 82	—	\$ 74	\$ 75
	2009	\$ 56	\$ 93	—	\$ 82	\$ 67
	2008	\$ 46	\$ 79	—	\$ 69	\$ 56

(a) This is a valuation account deducted in the balance sheet from the assets (Accounts receivable-customers) to which they apply.

(b) Accounts written off less cash collections, miscellaneous adjustments and amounts reinstated as receivables previously written off.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Con Edison

None.

CECONY

None.

Item 9A: Controls and Procedures

The Companies maintain disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed in the reports that they submit to the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. For each of the Companies, its management, with the participation of its principal executive officer and principal financial officer, has evaluated its disclosure controls and procedures as of the end of the period covered by this report and, based on such evaluation, has concluded that the controls and procedures are effective to provide such reasonable assurance. Reasonable assurance is not absolute assurance, however, and there can be no assurance that any design of controls or procedures would be effective under all potential future conditions, regardless of how remote.

For the Companies' Reports of Management On Internal Control Over Financial Reporting and the related opinions of PricewaterhouseCoopers LLP (presented in the Reports of Independent Registered Public Accounting Firm), see Item 8 of this report (which information is incorporated herein by reference).

There was no change in the Companies' internal control over financial reporting that occurred during the Companies' most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Companies' internal control over financial reporting.

The Utilities are undertaking a project with the objective of improving business processes and information systems. The Utilities expect the project to reduce costs, improve support of operating activities, reduce financial reporting risks, and simplify compliance activities. The focus of the project is the implementation, starting in 2011, of new financial and supply-chain enterprise resource planning information systems. The Utilities expect the project to enhance the processes used by employees to record financial transactions and analyze data; purchase materials and services and manage inventory; develop business plans and budgets and report financial and purchasing data.

Item 9B: Other Information

Con Edison

None.

CECONY

None.

Part III

Item 10: Directors, Executive Officers and Corporate Governance

Item 11: Executive Compensation

Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13: Certain Relationships and Related Transactions, and Director Independence

Item 14: Principal Accounting Fees and Services

Con Edison

Information required by Part III as to Con Edison, other than the information required in Item 12 of this report by Item 201 (d) of Regulation S-K, is incorporated by reference from Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 16, 2011. The proxy statement is to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2010, the close of the fiscal year covered by this report.

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The information required pursuant to Item 201 (d) of Regulation S-K as at December 31, 2010 is as follows:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders			
Stock options	2,935,250	\$ 43.588	3,512,601
Restricted stock	136,359	—	3,381,291
Total equity compensation plans approved by security holders	3,071,609	—	6,893,892
Total equity compensation plans not approved by security holders	40,000	—	—
Total	3,111,609	—	6,893,892

The 40,000 securities shown in the Equity Compensation Plan table in the line captioned “Total equity compensation plans not approved by security holders” represent shares of Con Edison common stock to be issued to two officers who had elected to defer receipt of these shares until separation from service or later. These shares are issuable pursuant to awards of restricted stock units made in 2000 and 2002, which vested in 2004 and 2005.

For additional information about Con Edison’s stock-based compensation, see Note M to the financial statements in Item 8 of this report (which information is incorporated herein by reference).

In accordance with General Instruction G(3) to Form 10-K, other information regarding Con Edison’s Executive Officers may be found in Part I of this report under the caption “Executive Officers of the Registrant.”

CECONY

Information required by Part III as to CECONY is incorporated by reference from CECONY’s definitive information statement for its Annual Meeting of Stockholders to be held on May 16, 2011. The information statement is to be filed pursuant to Regulation 14C not later than 120 days after December 31, 2010, the close of the fiscal year covered by this report.

In accordance with General Instruction G(3) to Form 10-K, other information regarding CECONY’s Executive Officers may be found in Part I of this report under the caption “Executive Officers of the Registrant.”

Part IV

Item 15: Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. **List of Financial Statements** – See financial statements listed in Item 8.
2. **List of Financial Statement Schedules** – See schedules listed in Item 8.
3. **List of Exhibits**

Exhibits listed below which have been filed previously with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, and which were designated as noted below, are hereby incorporated by reference and made a part of this report with the same effect as if filed with the report. Exhibits listed below that were not previously filed are filed herewith.

Con Edison

- 3.1.1 Restated Certificate of Incorporation of Consolidated Edison, Inc. (Con Edison) (Designated in the Registration Statement on Form S-4 of Con Edison (No. 333-39165) as Exhibit 3.1.)
- 3.1.2 By-laws of Con Edison, effective as of February 19, 2009. (Designated in Con Edison's Current Report on Form 8-K, dated February 19, 2009 (File No. 1-14514) as Exhibit 3.1.)
- 4.1.1 Indenture, dated as of April 1, 2002, between Con Edison and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee. (Designated in the Registration Statement on Form S-3 of Con Edison (No. 333-102005) as Exhibit 4.1.)
- 4.1.2 Note Assumption and Exchange Agreement, dated as of June 20, 2008, between Con Edison and the institutional investors listed in Schedule I thereto. (Designated in Con Edison's Current Report on Form 8-K, dated June 20, 2008 (File No. 1-14514) as Exhibit 4.)
- 4.1.3.1 Amended and Restated Credit Agreement, dated as of June 22, 2006 among CECONY, Con Edison, O&R, the banks party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (File No. 1-14514) as Exhibit 4.1.)
- 10.1.1 Con Edison 1996 Stock Option Plan, as amended and restated effective February 24, 1998. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-14514) as Exhibit 10.20.)
- 10.1.2 Employment agreement, dated December 15, 2008, between Con Edison and Kevin Burke. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.2)
- 10.1.3 Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries, as amended, effective as of January 1, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.3)
- 10.1.4.1 The Consolidated Edison, Inc. Stock Purchase Plan, as amended and restated as of May 19, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.4)
- 10.1.4.2 Amendment, dated October 21, 2009, to The Consolidated Edison Stock Purchase Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (File No. 1-14514) as Exhibit 10.1.1)
- 10.1.4.3 Amendment Number 2, dated December 17, 2010, to the Consolidated Edison Stock Purchase Plan.
- 10.1.5.1 The Consolidated Edison Retirement Plan, as amended December 18, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.5)
- 10.1.5.2 Amendment, dated September 29, 2009, to The Consolidated Edison Retirement Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (File No. 1-14514) as Exhibit 10.1.2)
- 10.1.5.3 Amendment, executed December 31, 2009, to The Consolidated Edison Retirement Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-14514) as Exhibit 10.1.5.3)
- 10.1.5.4 Amendment, effective January 1, 2010, to the Consolidated Edison Retirement Plan.
- 10.1.6.1 The Consolidated Edison Thrift Plan, as amended December 23, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.6)
- 10.1.6.2 Amendment, dated September 29, 2009, to The Consolidated Edison Thrift Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (File No. 1-14514) as Exhibit 10.1.3)
- 10.1.7.1 Consolidated Edison, Inc. Long-Term Incentive Plan, as amended and restated effective as of January 1, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.7.1)

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10.1.7.2	Form of Restricted Stock Unit Award under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.7.2)
10.1.7.3	Form of Stock Option Agreement under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated January 24, 2005, (File No. 1-14514) as Exhibit 10.3.)
10.1.7.4	Amendment Number 1, effective July 1, 2010, to the Consolidated Edison, Inc. Long-Term Incentive Plan, as amended and restated effective as of January 1, 2008 (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 as Exhibit 10.1)
10.1.7.5	Amendment Number 2, effective January 1, 2011, to the Consolidated Edison, Inc. Long-Term Incentive Plan, as amended and restated effective as of January 1, 2008.
10.1.8	Description of Directors' Compensation. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (File No. 1-14514) as Exhibit 10.2.)
10.1.9	Letter, dated February 23, 2004, to Robert Hoglund. (Designated in Con Edison's Current Report on Form 8-K, dated July 21, 2005, (File No. 1-14514) as Exhibit 10.5.)
10.1.10	Purchase and Sale Agreement, dated as of December 10, 2007, by and between Consolidated Edison Development, Inc. and North American Energy Alliance, LLC. (Designated in Con Edison's Current Report on Form 8-K, dated December 14, 2007, (File No. 1-14514) as Exhibit 10.1.)
10.1.11	Purchase and Sale Agreement, dated as of December 10, 2007, by and between CED/SCS Newington, LLC and North American Energy Alliance, LLC. (Designated in Con Edison's Current Report on Form 8-K, dated December 14, 2007 (File No. 1-14514) as Exhibit 10.2.)
12.1	Statement of computation of Con Edison's ratio of earnings to fixed charges for the years 2006-2010.
21.1	Subsidiaries of Con Edison. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-14514) as Exhibit 21.1.)
23.1	Consent of PricewaterhouseCoopers LLP.
31.1.1	Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer.
31.1.2	Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer.
32.1.1	Section 1350 Certifications – Chief Executive Officer.
32.1.2	Section 1350 Certifications – Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

CECONY

3.2.1.1	Restated Certificate of Incorporation of CECONY filed with the Department of State of the State of New York on December 31, 1984. (Designated in the Annual Report on Form 10-K of CECONY for the year ended December 31, 1989 (File No. 1-1217) as Exhibit 3(a).)
3.2.1.2	The following certificates of amendment of Restated Certificate of Incorporation of CECONY filed with the Department of State of the State of New York, which are designated as follows:

Date Filed With Department of State	Securities Exchange Act File No. 1-1217		
	Form	Date	Exhibit
5/16/88	10-K	12/31/89	3(b)
6/2/89	10-K	12/31/89	3(c)
4/28/92	8-K	4/24/92	4(d)
8/21/92	8-K	8/20/92	4(e)
2/18/98	10-K	12/31/97	3.1.2.3

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- 3.2.2 By-laws of CECONY, effective May 18, 2009. (Designated in CECONY's Current Report on Form 8-K, dated April 16, 2009 (File No. 1-1217) as Exhibit 3.2)
- 4.2.1 Participation Agreement, dated as of July 1, 1999, between New York State Energy Research and Development Authority (NYSERDA) and CECONY. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (File No. 1-1217) as Exhibit 4.1.)
- 4.2.2 Participation Agreement, dated as of November 1, 2010, between NYSEDA and CECONY.
- 4.2.3 Participation Agreement, dated as of November 1, 2001, between NYSEDA and CECONY. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (File No. 1-1217) as Exhibit 10.2.1.)
- 4.2.4 Participation Agreement, dated as of January 1, 2004, between NYSEDA and CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.6.)
- 4.2.5 Participation Agreement, dated as of January 1, 2004, between NYSEDA and CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.7.)
- 4.2.6 Participation Agreement, dated as of November 1, 2004, between NYSEDA and CECONY. (Designated in CECONY's Current Report on Form 8-K, dated November 9, 2004 (File No. 1-1217) as Exhibit 4.1.)
- 4.2.7 Participation Agreement, dated as of May 1, 2005, between NYSEDA and CECONY. (Designated in CECONY's Current Report on Form 8-K, dated May 25, 2005 (File No. 1-1217) as Exhibit 4.1.)
- 4.2.8.1 Indenture of Trust, dated as of July 1, 1999 between NYSEDA and HSBC Bank USA, as trustee. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (File No. 1-1217) as Exhibit 4.2.)
- 4.2.8.2 Supplemental Indenture of Trust, dated as of July 1, 2001, to Indenture of Trust, dated July 1, 1999 between NYSEDA and HSBC Bank USA, as trustee. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 (File No. 1-1217) as Exhibit 10.2.2.)
- 4.2.9 Trust Indenture, dated as of November 1, 2010 between NYSEDA and The Bank of New York Mellon, as trustee.
- 4.2.10 Indenture of Trust, dated as of November 1, 2001, between NYSEDA and The Bank of New York, as trustee. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (File No. 1-1217) as Exhibit 10.2.2.)
- 4.2.11 Indenture of Trust, dated as of January 1, 2004, between NYSEDA and The Bank of New York. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.12.)
- 4.2.12 Indenture of Trust, dated as of January 1, 2004, between NYSEDA and The Bank of New York. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.13.)
- 4.2.13 Indenture of Trust, dated as of November 1, 2004, between NYSEDA and The Bank of New York. (Designated in CECONY's Current Report on Form 8-K, dated November 9, 2004 (File No. 1-1217) as Exhibit 4.2.)
- 4.2.14.1 Indenture of Trust, dated as of May 1, 2005, between NYSEDA and The Bank of New York. (Designated in CECONY's Current Report on Form 8-K, dated May 25, 2005 (File No. 1-1217) as Exhibit 4.2.)
- 4.2.14.2 Supplemental Indenture of Trust, dated as of June 30, 2010, to Indenture of Trust, dated May 1, 2005 between NYSEDA and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee.
- 4.2.15.1 Indenture, dated as of December 1, 1990, between CECONY and The Chase Manhattan Bank (National Association), as Trustee (the "Debenture Indenture"). (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 1-1217) as Exhibit 4(h).)
- 4.2.15.2 First Supplemental Indenture (to the Debenture Indenture), dated as of March 6, 1996, between CECONY and The Chase Manhattan Bank (National Association), as Trustee. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 1-1217) as Exhibit 4.13.)
- 4.2.15.3 Second Supplemental Indenture (to the Debenture Indenture), dated as of June 23, 2005, between CECONY and JPMorgan Chase Bank, N.A. (successor to The Chase Manhattan Bank (National Association)), as Trustee. (Designated in CECONY's Current Report on Form 8-K, dated November 16, 2005 (File No. 1-1217) as Exhibit 4.1.)

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4.2.16 The following forms of CECONY's Debentures:

Securities Exchange Act File No. 1-1217

Debenture		Form	Date	Exhibit
5.625%	Series 2002 A	8-K	6/19/02	4
4.875%	Series 2002 B	8-K	12/19/02	4
5.875%	Series 2003 A	8-K	4/7/03	4
3.85%	Series 2003 B	8-K	6/12/03	4.1
5.10%	Series 2003 C	8-K	6/12/03	4.2
4.70%	Series 2004 A	8-K	2/11/04	4.1
5.70%	Series 2004 B	8-K	2/11/04	4.2
5.30%	Series 2005 A	8-K	3/7/05	4
5.250%	Series 2005 B	8-K	6/20/05	4
5.375%	Series 2005 C	8-K	11/16/05	4.2
5.85%	Series 2006 A	8-K	3/9/06	4
6.20%	Series 2006 B	8-K	6/15/06	4
5.50%	Series 2006 C	8-K	9/25/06	4
5.30%	Series 2006 D	8-K	12/1/06	4.1
5.70%	Series 2006 E	8-K	12/1/06	4.2
6.30%	Series 2007 A	8-K	8/28/07	4
5.85%	Series 2008 A	8-K	4/4/08	4.1
6.75%	Series 2008 B	8-K	4/4/08	4.2
7.125%	Series 2008 C	8-K	12/4/08	4
5.55%	Series 2009 A	8-K	3/25/09	4.1
6.65%	Series 2009 B	8-K	3/25/09	4.2
5.50%	Series 2009 C	8-K	12/4/09	4
4.45%	Series 2010 A	8-K	6/7/10	4.1
5.70%	Series 2010 B	8-K	6/7/10	4.2

- 10.2.1 Amended and Restated Agreement and Settlement, dated September 19, 1997, between CECONY and the Staff of the New York State Public Service Commission (without Appendices). (Designated in CECONY's Current Report on Form 8-K, dated September 23, 1997 (File No. 1-1217) as Exhibit 10.)
- 10.2.2 Settlement Agreement, dated October 2, 2000, by and among CECONY, the Staff of the New York State Public Service Commission and certain other parties. (Designated in CECONY's Current Report on Form 8-K, dated September 22, 2000 (File No. 1-1217) as Exhibit 10.)
- 10.2.3.1 Planning and Supply Agreement, dated March 10, 1989, between CECONY and the Power Authority of the State of New York. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 1-1217) as Exhibit 10(gg).)
- 10.2.3.2 Delivery Service Agreement, dated March 10, 1989, between CECONY and the Power Authority of the State of New York. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 1-1217) as Exhibit 10(hh).)
- 10.2.4 Agreement and Plan of Exchange, entered into on October 28, 1997, between Con Edison and CECONY. (Designated in the Registration Statement on Form S-4 of Con Edison (No. 333-39165) as Exhibit 2.)
- 10.2.5 The Consolidated Edison Company of New York, Inc. Executive Incentive Plan, as amended and restated as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.5.)
- 10.2.6 Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan, as amended and restated as of January 1, 2009. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-1217) as Exhibit 10.2.6.)
- 10.2.7 Deferred Compensation Plan for the Benefit of Trustees of CECONY, as amended effective January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.7.)
- 10.2.8 Supplemental Medical Plan for the Benefit of CECONY's officers. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 1-1217) as Exhibit 10(aa).)
- 10.2.9 The CECONY Severance Pay Plan for Management Employees, effective January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.9.)

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10.2.10	The Consolidated Edison Company of New York, Inc. Deferred Income Plan, as amended and restated as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.10.)
10.2.11.1	The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan, effective as of January 1, 2005, as amended effective as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.11)
10.2.11.2	Amendment, dated October 21, 2009, to The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (File No. 1-1217) as Exhibit 10.2.1)
10.2.11.3	Amendment Number 2, dated December 17, 2010 to The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan.
10.2.12.1	Trust Agreement, dated as of March 31, 1999, between CECONY and Mellon Bank, N.A., as Trustee. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2005 (File No. 1-1217) as Exhibit 10.2.13.1.)
10.2.12.2	Amendment Number 1 to the CECONY Rabbi Trust, executed October 24, 2003, between CECONY and Mellon Bank, N.A., as Trustee. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2005 (File No. 1-1217) as Exhibit 10.2.13.2.)
10.2.13	Employment Agreement, dated February 18, 1999, between CECONY and Frances Resheske. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2006 (File No. 1-1217) as Exhibit 10.2.14.)
12.2	Statement of computation of CECONY's ratio of earnings to fixed charges for the years 2006 – 2010.
23.2	Consent of PricewaterhouseCoopers LLP.
31.2.1	Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer.
31.2.2	Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer.
32.2.1	Section 1350 Certifications – Chief Executive Officer.
32.2.2	Section 1350 Certifications – Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

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Signature	Registrant	Title
	CECONY	Trustee
<u>/s/ Ellen V. Futter</u> Ellen V. Futter	Con Edison	Director
	CECONY	Trustee
<u>/s/ John F. Hennessy III</u> John F. Hennessy III	Con Edison	Director
	CECONY	Trustee
<u>/s/ Sally Hernandez</u> Sally Hernandez	Con Edison	Director
	CECONY	Trustee
<u>/s/ John F. Killian</u> John F. Killian	Con Edison	Director
	CECONY	Trustee
<u>/s/ Eugene R. McGrath</u> Eugene R. McGrath	Con Edison	Director
	CECONY	Trustee
<u>/s/ Michael W. Ranger</u> Michael W. Ranger	Con Edison	Director
	CECONY	Trustee
<u>/s/ L. Frederick Sutherland</u> L. Frederick Sutherland	Con Edison	Director
	CECONY	Trustee

AMENDMENT #2

TO

THE CONSOLIDATED EDISON INC. STOCK PURCHASE PLAN

Effective June 30, 2010

Pursuant to resolutions of the Board of Trustees of Consolidated Edison Company of New York, Inc. ("CECONY"), the Board of Directors of Orange and Rockland, Utilities, Inc. ("O&R") and the Board of Directors of Consolidated Edison, Inc. ("CEI") adopted on May 18, 2009, and June 18, 2009, the undersigned hereby approves the amendments to The Consolidated Edison, Inc. Stock Purchase Plan, as set forth below:

1. The PREAMBLE is amended by adding the following at the end thereof:

Effective June 30, 2010, the Plan has been amended to restore prospectively the temporary reduction in the match contributed by Consolidated Edison Company of New York, Inc. for its management employees and board members which commenced on July 1, 2009, and ended on June 30, 2010, and the temporary reduction in the match contributed by Orange and Rockland Utilities, Inc., for its management employees and board members which commenced on August 1, 2009, and ended on June 30, 2010.

2. ARTICLE I, Definitions, is amended by replacing the current definition of **Austerity Period** with the following:

Austerity Period for CECONY means the period beginning on July 1, 2009, and ending on June 30, 2010. **Austerity Period** for Orange and Rockland Utilities, Inc. means the period beginning on August 1, 2009, and ending on June 30, 2010.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 17th day of December, 2010.

/s/ Mary Adamo

Mary Adamo
Plan Director
The Consolidated Edison, Inc. Stock Purchase Plan
and
Vice President – Human Resources
Consolidated Edison Company of New York, Inc.

AMENDMENT
TO THE
CONSOLIDATED EDISON RETIREMENT PLAN

To Take Into Account the

- (1) Adoption of the Cash Balance Formula for
Local 503 Members Who Are Hired on or After January 1, 2010 and
Local 3 Members Who are Hired on or After January 1, 2010.
- (2) To Change the Early Retirement Age for Certain Local 3 Participants.
- (3) To Clarify Definition of Compensation for Cash Balance Accounts.

Pursuant to resolutions adopted by the Board of Directors of Orange and Rockland, Utilities, Inc. and the Board of Trustees of Consolidated Edison Company of New York, Inc. at a meeting duly called and held on November 19, 2009, the undersigned hereby approves the amendments set forth below to the Consolidated Edison Retirement Plan.

1. The Introduction is amended, effective January 1, 2010, to add at the end of that Section:

Effective January 1, 2010, the Retirement Plan is amended to take into account the adoption of the same cash balance formula covering management employees hired on and after January 1, 2001 for Local 503 members hired on and after January 1, 2010, by O&R and Local 3 members hired on and after January 1, 2010, by CECONY, both as negotiated and agreed upon during collective bargaining negotiations. Additionally, the Retirement Plan is amended to take into account the change from age 59 to age 55 for Local 3 Participants who were or are hired on and after June 26, 2005 and on and before December 31, 2009 by CECONY and who are eligible for an unreduced early retirement pension allowance, as agreed upon during collective bargaining negotiations between CECONY and Local 3.

2. Article I, Definitions, section 1.07, Annual Compensation, Subsection (c) is amended, effective January 1, 2010, by adding at the end of the definition:

Effective January 1, 2010, Annual Compensation for a CEI Participant who is a CECONY Weekly Employee means his or her Annual Basic Straight-Time Compensation plus 100% of the aggregate amount of his or her pay attributable exclusively to Sunday premium pay and night shift and midnight shift differential premium pay during the calendar quarter. Annual Compensation for a CEI Participant who is an O&R Hourly Employee means his or her Annual Rate of Compensation.

3. Article I, Definitions, section 1.29, CECONY Weekly Participant, is amended, effective January 1, 2010, by adding the following sentence to read as follows:

A CECONY Weekly Participant does not include a member of Local 3 hired on or after January 1, 2010, unless otherwise specifically stated. A member of Local 3 hired on or after January 1, 2010, as a CECONY Weekly Employee is covered by the cash balance formula and therefore classified in the Retirement Plan as a CEI Participant.

4. Article I, Definitions, section 1.32, CEI Participant, is amended, effective January 1, 2010, by adding at the end of the definition:

Effective January 1, 2010, a CEI Participant also means a member of Local 3 who is first hired and becomes a CECONY Weekly Employee on or after January 1, 2010 or a member of Local 503 who is first hired and becomes an O&R Hourly Employee on or after January 1, 2010.

5. Article I, Definitions, section 1.69, O&R Participant, is amended, effective January 1, 2010, by adding the following sentence to read as follows:

An O&R Participant does not include a member of Local 503 hired on or after January 1, 2010, unless otherwise specifically stated. A member of Local 503 hired on and after January 1, 2010, as an O&R Hourly Employee is covered by the cash balance formula and classified as a CEI Participant.

6. Article II, Participation, Section 2.01, Participation Requirements, is amended by adding a new Subsection (d) to read as follows:

(d) An O&R Hourly Employee who is hired on or after January 1, 2010, becomes a CEI Participant as of the date he or she first completes an Hour of Service.

7. Article IV, Eligibility for and Amount of Benefits, Section 4.04, Early Retirement, Subsection (b) CECONY Participants, part (1) Attainment of Age 55

and 30 Years of Accredited Service, is amended, effective January 1, 2010, by changing the first sentence to read as follows:

This section applies to a CECONY Participant, including, a CECONY Local 3 Employee -1 who is hired before December 31, 2009, and has completed at least 30 years of Accredited Service as of the Annuity Starting Date.

8. Article IV, Eligibility for and Amount of Benefits, Section 4.02, Normal Retirement Pension Allowance, Subsection (b) Normal Retirement Pension Allowance for a CEI Participant, part (2) Compensation Credits to Cash Balance Account, part (ii), (iii) and (iv) are amended, effective January 1, 2010, to read as follows:

- ii. The entire amount, if any, of a CEI Participant's Annual Variable Pay Award shall be included in the CEI Participant's Annual Compensation in the calendar quarter in which the Award is paid. However, if a CEI Participant's Annual Compensation as of the calendar quarter with some or all of the Annual Variable Pay Award exceeds the Code Section 401(a)(17) limit, his or her Annual Variable Pay Award will not be included in that calendar quarter. In no event will his or her Annual Compensation for the calendar quarter exceed the Code Section 401(a)(17). Any portion of a CEI Participant's Variable Pay Award not included as Annual Compensation pursuant to the preceding sentence will, in the case of a Participant whose Annual Compensation is not projected to exceed the limitations of Section 401(a)(17) of the Code in effect for such calendar year, be added to the Annual Compensation paid to the Participant for pay periods ending in each such succeeding calendar quarter (but not in excess of 25% of the Section 401(a)(17) limit for such calendar year) until all such Variable Pay Award has been included as Annual Compensation for such calendar year, provided that in no event shall the limitations of Section 401(a)(17) of the Code be exceeded. Annual Compensation is determined based on the CEI Participant's rate of pay in the last pay period in each Calendar quarter.
- iii. A CEI Participant whose termination of employment occurs in the first or second month of a calendar quarter shall receive an allocation for such calendar quarter. He or she will receive an

allocation equal to a pro rata quarterly allocation based on age, years of Accredited Service, and the Annual Compensation he or she received in such calendar quarter at his or her termination of employment. The CEI Participant will receive his or her applicable percentage -4%, 5%, 6% or 7% - times one twelfth of her or his annual salary rate in effect as of the date of termination of employment times the number of months of Accredited Service in the quarter plus the applicable 4%, 5%, 6% or 7% times any Variable Pay Award, Sunday premium pay and night shift and midnight shift differential premium pay awarded during the quarter. Additionally, if the CEI Participant has exceeded the Social Security Taxable Wage Base, he or she will receive an additional 4% allocation on the Annual Compensation in the calendar quarter that has exceeded the Social Security Taxable Wage Base.

- iv. For any period of an authorized, unpaid leave of absence for which the CEI Participant receives Accredited Service (up to but not to exceed six months), the CEI Participant shall receive compensation credits to his or her Cash Balance Account. The compensation credits shall be determined on the assumption that the CEI Participant continued to receive during the leave period the Annual Compensation (excluding any Annual Variable Pay Award, Sunday premium pay and night shift and midnight shift differential premium pay during the calendar quarter) in effect for such CEI Participant immediately prior to such leave of absence.

9. Article IV, Eligibility for and Amount of Benefits, Section 4.04, Early Retirement, Subsection (b) CECONY Participants, part (2) Attainment of Age 60, is amended, effective January 1, 2010, by changing the second sentence to read as follows:

His or her Early Retirement Pension Allowance shall be calculated using the same methodology as if he or she had attained age 55 and completed 30 years of service.

10. Article XII, 401(h) Account, Section 12.02, Terms and Conditions, is amended, effective January 1, 2010, by adding the following sentence to the end of the section:

Only a CEI Participant who is a CECONY Eligible Employee, including a Local 3 member hired on and after January 1, 2010, is eligible to participate in the Retiree Health Plan. A CEI Participant who is a CECONY Eligible Employee must meet the same requirements for participation in the Retiree Health Plan as a CECONY Management Participant.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed effective as of May ____ 2010

MaryAdamo
Vice President of Human Resources
Consolidated Edison Company of New York, Inc.
And the Plan Administrator of the Retirement Plan

The Consolidated Edison Retirement Plan

The Consolidated Edison Retirement Plan is hereby amended in accordance with the change set forth in this Amendment. The change was approved by the Board of Trustees on November 19, 2009.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 4th day of June 2010.

/s/ Mary Adamo

Mary Adamo

Plan Administrator and

Vice President – Human Resources

Consolidated Edison Company of New York, Inc.

AMENDMENT #2
TO THE CONSOLIDATED EDISON, INC.
Long Term Incentive Plan
Effective January 1, 2011

Consolidated Edison, Inc.

Pursuant to the resolutions adopted by the Board of Directors of Consolidated Edison, Inc., at a meeting duly held on April 15, 2010, the undersigned hereby approves effective January 1, 2011, the amendment set forth below to the Consolidated Edison, Inc. Long Term Incentive Plan, effective May 19, 2003, as amended and restated effective, January 1, 2008.

ARTICLE 7. STOCK UNIT GRANTS TO DIRECTOR PARTICIPANTS is amended as follows:

1. Subsections (b) and (c) of Section 7.8 *Timing and Method of Payment* is amended by replacing those subsections in their entirety with the following:

(b) (i) Effective January 1, 2011. The Stock Units granted pursuant to Section 7.2 and 7.3 shall be paid in Shares to a Director on Participant in a single one-time payment of Shares (rounded to the nearest whole share as determined under Section 24.12) within 60 days following his or her separation from Service as a member of the Board.

(ii) Effective Prior to January 1, 2011. The Stock Units granted pursuant to Section 7.2 and 7.3 shall be paid in Shares to a Director Participant in a single one-time payment of Shares (rounded to the nearest whole Share as determined under Section 24.12) within 60 days following his or her Separation from Service as a member of the Board, except that the Director Participant may elect to be paid his or her Shares in equal quarterly distributions for up to 10 years following his or her Separation from Service by filing with the Secretary of CEI a Deferral Election Form electing such quarterly distribution. Such Deferral Election Form must be filed by December 31 of the calendar year prior to the calendar year in which the Stock Units are granted. The Deferral Election Form shall remain in effect until modified or revoked by a new Deferral Election Form, which new Deferral Election Form shall take effect in the year following the year of receipt of the new Deferral Election Form by the Secretary of CEI. If an election of quarterly distributions is made, Dividend Equivalents earned on such Stock Units shall continue to be earned on the remaining Stock Units in the Director Participant's Account until all Shares have been distributed. The Dividend Equivalents that are earned during this payment period shall be distributed as cash payments, regardless of any prior election to have Dividend Equivalents deferred and reinvested in Stock Units.

(c) (i) Effective for Director's Compensation Payable on or after January 1, 2011. A Director Participant may elect to defer receipt of his or her Stock Units resulting from Voluntary Deferrals of Director's Compensation by filing a Deferral Election Form in accordance with the procedures set forth in Section 7.9. Stock Units resulting from

Voluntary Deferrals of Director's Compensation will be paid in Shares to a Director Participant in a single one-time payment of Shares (rounded to the nearest whole Share as determined under Section 24.12) within 60 days following the date of his or her Separation from Service as a Board Member.

(ii) Effective for Director's Compensation Payable Prior to January 1, 2011. A Director Participant may elect to defer receipt of his or her Stock Units resulting from Voluntary Deferrals of Director's Compensation until the January 1 that is at least five years from the date on which the Stock Units were deferred by filing a Deferral Election Form in accordance with the procedures set forth in Section 7.9. However, no deferral can extend longer than the Director Participant's date of Separation from Service. Stock Units resulting from Voluntary Deferrals of Director's Compensation will be paid in Shares to a Director Participant in a single one-time payment of Shares (rounded to the nearest whole Share) within 60 days following the date of his or her Separation from Service as a Board Member or, if earlier, the date specified in the Deferral Election Form. A Director Participant may elect to receive his or her distribution upon Separation from Service in the form of equal quarterly distributions of Shares for up to 10 years following his or her Separation from Service by electing this form of distribution on the Deferral Election Form that he or she must file in accordance with the procedures set forth in Section 7.9. If this election is made, Dividend Equivalents shall continue to be earned on the remaining Stock Units in the Director Participant's Stock Unit Account until all Shares have been distributed. The Dividend Equivalents that are earned during this payment period shall be distributed as cash payments regardless of any prior election to have Dividend Equivalents deferred and reinvested in Stock Units.

2. Section 7.10 *Subsequent Deferred* is amended by replacing that Section in its entirety with the following:

- (a) Effective January 1, 2011. A Director Participant may not make a subsequent deferral of a distribution for any election pertaining to Annual Grants made on or after January 1, 2011 or for Voluntary Deferrals of Director's Compensation for compensation that may become payable to him or her after January 1, 2011.
- (b) Effective Prior to January 1, 2011. A Director Participant may defer commencement of his or her distribution concerning any election pertaining to Annual Grants made prior to January 1, 2011 or for Voluntary Deferrals of Director's Compensation for compensation that became payable to him or her prior to January 1, 2011 to a date later than the date specified in an applicable Deferral Election Form by filing a written request with CEI. Such an election for a subsequent deferral shall (i) not take effect until at least 12 months after the election is made; (ii) the subsequent deferral of payment is for a period of at least five years from the scheduled payment date in case of an election not related to a Director Participant's death or Disability; and (iii) an election related to a

distribution upon a specified time or pursuant to a fixed schedule is made at least 12 months prior to the date the payment was originally scheduled to be paid.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 23rd day of December, 2010.

/s/ Mary Adamo

Mary Adamo
Plan Administrator, Consolidated Edison, Inc
Long Term Incentive Plan and
Vice President – Human Resources
Consolidated Edison Company of New York, Inc.

Consolidated Edison, Inc.
Ratio of Earnings to Fixed Charges

(millions of dollars)	For the Years Ended December 31,				
	2010	2009	2008	2007	2006
Earnings					
Net income from continuing operations	\$ 992	\$ 868	\$ 922	\$ 925	\$ 740
Preferred stock dividend	11	11	11	11	11
(Income) or loss from equity investees	2	(1)	(1)	(7)	(1)
Minority interest loss	—	—	—	—	—
Income tax	548	440	524	437	389
Pre-tax income from continuing operations	\$ 1,553	\$ 1,318	\$ 1,456	\$ 1,366	\$ 1,139
Add: Fixed charges*	660	660	592	567	556
Add: Distributed income of equity investees	—	—	—	—	—
Subtract: Interest capitalized	—	—	—	—	—
Subtract: Pre-tax preferred stock dividend requirement	19	18	18	18	18
Earnings	\$ 2,194	\$ 1,960	\$ 2,030	\$ 1,915	\$ 1,677
*Fixed charges					
Interest on long-term debt	\$ 580	\$ 574	\$ 504	\$ 453	\$ 425
Amortization of debt discount, premium and expense	17	16	15	17	16
Interest capitalized	—	—	—	—	—
Other interest	21	30	33	57	75
Interest component of rentals	23	22	22	22	22
Pre-tax preferred stock dividend requirement	19	18	18	18	18
Fixed charges	\$ 660	\$ 660	\$ 592	\$ 567	\$ 556
Ratio of Earnings to Fixed Charges	3.3	3.0	3.4	3.4	3.0

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in (i) the Registration Statement on Form S-3 (No. 333-157480) of Consolidated Edison, Inc. relating to the Con Edison Automatic Dividend Reinvestment and Cash Payment Plan; (ii) the Registration Statement on Form S-8 (No. 333-04463-99) relating to the Con Edison 1996 Stock Option Plan; (iii) the Registration Statement on Form S-8 (No. 333-118159) relating to The Consolidated Edison Stock Purchase Plan; (iv) the Registration Statement on Form S-8 (No. 333-108903) relating to The Consolidated Edison, Inc. Long Term Incentive Plan and Senior Executive Restricted Stock Awards; and (v) the Registration Statement on Form S-3 (No. 333-161018) relating to debt and equity securities of Consolidated Edison, Inc. of our reports dated February 22, 2011 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

PricewaterhouseCoopers LLP
New York, New York
February 22, 2011

CERTIFICATIONS

CON EDISON—Principal Executive Officer

I, Kevin Burke, the principal executive officer of Consolidated Edison, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2010 of Consolidated Edison, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ KEVIN BURKE

Kevin Burke

Chairman, President and Chief Executive Officer

CERTIFICATIONS

CON EDISON—Principal Financial Officer

I, Robert Hogle, the principal financial officer of Consolidated Edison, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2010 of Consolidated Edison, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ ROBERT HOGLUND

Robert Hogle

Senior Vice President and Chief Financial Officer

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Kevin Burke, the Chief Executive Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2010, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KEVIN BURKE

Kevin Burke

Dated: February 22, 2011

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Robert Hogle, the Chief Financial Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the Year ended December 31, 2010, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT HOGLUND

Robert Hogle

Dated: February 22, 2011

NEW YORK STATE ENERGY RESEARCH

AND DEVELOPMENT AUTHORITY

and

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

PARTICIPATION AGREEMENT

Dated as of November 1, 2010

relating to

\$224,600,000 Facilities Revenue Bonds, Series 2010A
(Consolidated Edison Company of New York, Inc. Project)

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This PARTICIPATION AGREEMENT, dated as of November 1, 2010, between NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, a body corporate and politic, constituting a public benefit corporation, established and existing under and by virtue of the laws of the State of New York (the "Authority") and CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., a corporation duly organized and existing and qualified to do business as a public utility under the laws of the State of New York (the "Company"),

WITNESSETH:

WHEREAS, pursuant to a special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established, as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power company to participate in the construction of facilities for the furnishing of electric energy and the furnishing of gas to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources and aesthetics; and

WHEREAS, pursuant to the Act, the Authority is also authorized to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation, reconstruction, improvement, maintenance, equipping, furnishing or leasing of any special energy project (as defined in the Act) including, but not limited to, facilities for the distribution of steam or for the reimbursement to any person for costs incurred in connection with a special energy project completed or not completed at the time of such credit or loan, which credits or loans may, but need not, be secured by mortgages, contracts, leases or other instruments, upon such terms and conditions as the Authority shall determine reasonable in connection with such credits or loans; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient monies for achieving its corporate purposes, including the refunding of its outstanding obligations; and

WHEREAS, the Authority is also authorized under the Act to enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes; and

WHEREAS, the Company is a public utility corporation doing business in the State of New York and provides electric energy and gas service in The City of New York and the County of Westchester, New York and provides steam service in the Borough of Manhattan; and

WHEREAS, the Company has requested that the Authority issue bonds for the purpose of refunding the Authority's Facilities Revenue Bonds, Series 2001A (Consolidated Edison Company of New York, Inc. Project), in the aggregate principal amount of \$224,600,000 (the "Prior Bonds") issued for the purpose of refunding certain outstanding bonds of the Authority originally issued to finance the cost of acquisition, construction and installation (or any

combination thereof) of certain facilities of the Company for the local furnishing of electric energy within the Company's service area; and

WHEREAS, the Authority proposes to issue a series of such bonds in the aggregate principal amount of \$224,600,000 Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project) (the "Bonds"), which will be used, together with Company funds, to refund the Prior Bonds, such Bonds to be issued under and secured by a Trust Indenture dated as of November 1, 2010, between the Authority and The Bank of New York Mellon, as Trustee (the "Indenture"); and

WHEREAS, the Authority, by Resolution No. 1275, adopted September 27, 2010, has determined to issue the Bonds, in an aggregate principal amount not to exceed \$224,600,000, for the purpose of refunding the Prior Bonds, all such Bonds to be issued under and secured by the Indenture;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, it is hereby agreed by and between the parties as follows:

ARTICLE I

DEFINITIONS; EFFECTIVE DATE AND DURATION
OF PARTICIPATION AGREEMENT

Section 1.01. Definitions. The terms used in this Participation Agreement which are defined in the Indenture shall have the meanings, respectively, herein which such terms are given in the Indenture.

Section 1.02. Effective Date of Participation Agreement; Duration of Participation Agreement. This Participation Agreement shall become effective upon its execution and delivery, and shall continue in full force and effect until the principal of and premium, if any, and interest on the Note and Bonds have been fully paid (or provision for their payment has been made in accordance with the provisions of the Indenture), and all sums to which the Authority or the Trustee are entitled hereunder have been fully paid.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations and Warranties by the Authority. The Authority represents and warrants as follows:

(a) The Authority is a body corporate and politic, constituting a public benefit corporation, established and existing under the laws of the State of New York;

(b) The Authority has full power and authority to execute and deliver the Bonds, this Participation Agreement, the Tax Regulatory Agreement, the Indenture, the Bond Purchase Trust Agreement and to consummate the transactions contemplated hereby and thereby and perform its obligations hereunder and thereunder;

(c) The Authority is not in violation of or in default under any of the provisions of the laws or the Constitution of the State of New York which would affect its existence or its powers referred to in the preceding paragraph (b);

(d) The Authority has determined that its participation in the Project and the refunding of the Prior Bonds, as contemplated by this Participation Agreement, is in the public interest;

(e) The Authority has duly authorized the execution and delivery of this Participation Agreement, the Indenture, the Tax Regulatory Agreement and the Bond Purchase Trust Agreement and the execution and delivery of the other documents incidental to this transaction and all necessary authorizations therefor or in connection with the performance by the Authority of its obligations hereunder or thereunder have been obtained and are in full force and effect; and

(f) The execution and delivery by the Authority of the Bonds, this Participation Agreement, the Tax Regulatory Agreement, the Indenture, the Bond Purchase Trust Agreement and the other documents incidental to this transaction and the consummation of the transactions herein or therein contemplated will not violate or cause a default under any indenture, mortgage, loan agreement or other contract or instrument to which the Authority is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to the Authority.

Section 2.02. Representations and Warranties by the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly incorporated and in good standing under the laws of the State of New York, is duly qualified and authorized to transact business as a public utility in the State of New York and is not in violation of any provision of its Certificate of Incorporation or its By-Laws, has power to enter into, execute and deliver this Participation Agreement, the Tax Regulatory Agreement and the

Note and by proper corporate action has duly authorized the execution and delivery of this Participation Agreement, the Tax Regulatory Agreement and the Note;

(b) The execution and delivery by the Company of this Participation Agreement, the Tax Regulatory Agreement and the Note and the consummation of the transactions herein and therein contemplated will not conflict with or constitute a breach of or a default under the Company's Certificate of Incorporation or By-Laws or a default in any material respect under any indenture, mortgage, loan agreement or other contract or instrument to which the Company is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to the Company;

(c) This Participation Agreement, the Tax Regulatory Agreement and the Note have been duly executed and delivered by the Company and constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws relating to or affecting the enforcement of creditors' rights or contractual obligations generally or principles of equity or judicial discretion;

(d) The execution and delivery by the Company of this Participation Agreement and the Note in the manner and for the purposes herein set forth have been duly authorized by order of the Public Service Commission of the State of New York; and

(e) No additional authorizations for or approvals of the execution and delivery by the Company of this Participation Agreement, the Tax Regulatory Agreement and the Note need be obtained by the Company or if any such authorization or approval is necessary it has been obtained.

ARTICLE III

THE PROJECT; ISSUANCE OF BONDS

Section 3.01. The Project. Construction of the Project is complete. The Project is the property of the Company. In order to effectuate the purposes of this Participation Agreement, the Company, in its own name, will do or cause to be done all things requisite or proper for the fulfillment of the obligations of the Company under this Participation Agreement.

Section 3.02. Sale of Bonds and Deposit of Proceeds. In order to provide funds for the refunding of the Prior Bonds, the Authority, on the date specified in the Bond Purchase Agreement or as soon thereafter as practicable, and concurrently with the issuance and delivery to the Trustee of the Note as provided in Section 4.01 hereof, will issue, sell and deliver the Bonds, all pursuant to and as provided in the Bond Purchase Agreement and subject to the conditions set forth in Section 2.06 of the Indenture, and will deposit the proceeds of such sale including the accrued interest, if any, paid by the initial purchasers of the Bonds in the Project Fund.

Section 3.03. Disbursements from Project Fund. 1. The Authority has in the Indenture authorized and directed the Trustee to make payments from the Project Fund in accordance with Section 8.01 of the Indenture, to pay the redemption price of the Prior Bonds and costs related thereto upon receipt from time to time of letters signed by an Authorized Company Representative in accordance with Section 8.01 of the Indenture. Concurrently with the delivery by the Company of each such letter to the Trustee, the Company will deliver to the Authority a copy thereof and any attachments thereto. The Company will indemnify and save harmless the Authority and the Trustee from any liability incurred in connection with any letter so delivered and any payments made in reliance thereon.

2. All monies remaining in the Project Fund after the redemption of the Prior Bonds and payment of all costs related thereto shall, at the written direction of an Authorized Company Representative, be paid to the Company.

Section 3.04. Adequacy of Project Fund. The Company acknowledges that the monies in the Project Fund are not sufficient to pay all costs related to the redemption of the Prior Bonds in full. The Company shall pay such costs in excess of the monies available therefor in the Project Fund with its own funds.

Section 3.05. Ownership and Possession of the Project. Issuance of the Bonds will not vest in the owners thereof, the Trustee, the Authority or any other person, ownership, or the right to possession, of the Project. The Company is entitled to sole and exclusive ownership and possession of the Project.

Section 3.06. Operation, Maintenance and Repair. The Company agrees to proceed in good faith to maintain the availability of the Project for use as an authorized project under the Act. Notwithstanding the foregoing, the Authority and the Company recognize that the Project will constitute integrated portions of electricity distribution facilities of the Company and

that it is not feasible to administer the Project separately from such facilities. The Company shall operate the Project (with such changes, improvements or additions as the Company may deem desirable) as part of such facilities for the joint useful lives of the Project and such facilities and shall maintain and repair the Project and such facilities in conformity with the Company's normal maintenance and repair programs for the Project and such facilities; provided that the Company shall have no obligation to operate, maintain or repair any element or item of the Project or such facilities, the operation, maintenance or repair of which becomes uneconomic to the Company because of damage or destruction or obsolescence (including physical, functional and economic obsolescence), or change in government standards and regulations, or the termination by the Company of the operation of the Project or such facilities to which the element or item of the Project or such facilities is an adjunct.

Section 3.07. Investment of Monies in Funds Under the Indenture. Any monies held as a part of any fund created under the Indenture shall, at the direction of an Authorized Company Representative, be invested or reinvested by the Trustee as provided in Article IX of the Indenture.

ARTICLE IV

NOTE AND PAYMENTS

Section 4.01. Execution and Delivery of Note to Trustee. Concurrently with the authentication by the Trustee and delivery by the Authority of the Bonds and in order to evidence the obligation of the Company to the Authority to repay the Bonds, the Authority hereby directs the Company, and the Company hereby agrees, to execute and deliver to the Trustee its Note, duly and validly executed and delivered, relating to the Bonds. The Note shall be in substantially the form attached hereto as Exhibit C with only such changes to such form as may be approved by the Authority. Thereafter, the Company shall be obligated to make the Note Payments, constituting payments of principal of, and premium, if any, and interest on the Note, and the Additional Payments required by this Participation Agreement. Such obligations shall terminate on the date when the Note has been paid in full. The Note may be prepaid in accordance with Section 4.04 hereof. Upon payment or provision for payment in full of all amounts payable or to become payable under the Note, the Trustee shall cancel the Note and deliver the same to the Company. Provision for payment in full of all amounts payable or to become payable under the Note shall be deemed to have occurred upon receipt by the Trustee of written notice from the Authority acknowledging that the Company has satisfied its obligations to the Authority under the Note. The Authority agrees to deliver such written notice to the Trustee promptly when such provision for payment in full has been made.

Section 4.02. Payments Payable; Note Payments; Additional Payments. (a) The Company covenants and agrees to pay the Payments as and when the same are due and payable in accordance with the Note and this Section 4.02. The Company shall provide the Trustee with a written allocation of amounts paid under this Section 4.02 among the various purposes set forth in this Section 4.02.

(b) The Note Payments shall be in an aggregate amount sufficient for, together with other amounts held by the Trustee and available under the Indenture for application to, the payment in full of the Bonds consisting of (i) the total interest becoming due and payable on the Bonds to the date of payment thereof, and (ii) the total principal amount plus premium, if any, of the Bonds.

(c) The Company shall make Note Payments as set forth in Section 4.02(b) at or prior to the time the corresponding payment is due on the Bonds. Each installment of Note Payments paid by the Company shall be increased as may be necessary to make up any previous deficiency of any of the required payments and to make up any deficiency in the Bond Fund.

(d) In addition, the Company shall pay to the Registrar and Paying Agent for deposit in the Bond Purchase Fund and credit to the Company Account therein an amount sufficient to provide for the payment of the Purchase Price of any Bond tendered for purchase pursuant to the Bond Purchase Trust Agreement at the time fixed for such payment to the extent that sufficient moneys are not available for the payment of such Purchase Price from the other sources described therein at such time.

(e) The Company covenants that it shall deposit, or cause to be deposited with the Trustee, sufficient funds to assure that no default shall occur in the payment of the principal of or premium, if any, or the interest on, or the Purchase Price of, the Bonds as and when due, and that no unreasonable delay shall occur in the payment of the costs and expenses payable from Additional Payments.

(f) The Company further covenants and agrees to pay, when due and payable, as Additional Payments, certain additional amounts and costs and expenses. Each installment of Additional Payments, if any, shall be equal to the sum of the amounts set forth in clauses (i) to (iv), inclusive, below, and shall be paid directly to the persons entitled to such payments. "Additional Payments" is hereby defined to be the aggregate of the installments of the following:

(i) the reasonable fees and expenses payable to the Trustee, any Indexing Agent, the Registrar and Paying Agent, any issuer of a Support Facility and any Remarketing Agent under any Remarketing Agreement (and in the case of Auction Rate Bonds, the Auction Agent under any Auction Agency Agreement, and any Broker-Dealers under the respective Broker-Dealer Agreements), and of any counsel or agents of any of the foregoing;

(ii) all costs incurred in connection with the transfer, exchange, purchase or redemption of Bonds not otherwise paid by the holders thereof, including all charges of the Authority (and in the case of Auction Rate Bonds, the Auction Agent, any Broker-Dealer and any Remarketing or Market Agent), the Registrar and Paying Agent and the Trustee with respect thereto, to the extent monies are not otherwise available therefor;

(iii) the reasonable fees and other costs incurred for services of such attorneys and accountants as are employed to make examinations, provide services, render opinions and prepare reports required under this Participation Agreement, the Tax Regulatory Agreement, the Bond Purchase Trust Agreement, and the Indenture; and

(iv) initial administration fees of the Authority in the amount of \$561,500 on the date of authentication and delivery of the Bonds to the initial purchasers thereof, an annual fee equal to \$29,250 on November 1, 2011 and on November 1 of each year thereafter, based upon the amount of Bonds Outstanding as of such November 1 and for purposes of the calculation of such fee, rounding up to the nearest whole million dollars, and all reasonable expenses, disbursements, advances, taxes, assessments or impositions, not otherwise paid under this Participation Agreement or the Indenture, incurred by or imposed upon the Authority in connection with its administration and enforcement of, and compliance with, this Participation Agreement, any Auction Agency Agreement, the Bond Purchase Trust Agreement, any Remarketing Agreement and the Indenture, which amounts the Company is obligated to pay, including, but not limited to, reasonable attorneys' fees. In addition, the Company shall deliver to

the Authority by wire transfer or a check payable to the State of New York with respect to a bond issuance charge applicable to the Bonds pursuant to Section 2976 of the Public Authorities Law of the State of New York in the amount specified by such section on the date of authentication and delivery of the Bonds.

(g) In the event that the Company shall fail to make any Payment as required by Sections 4.02(a) - (e) hereof, the Payment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon, which interest shall also constitute an obligation of the Company at the maximum rate of interest payable on the Bonds pursuant to the Indenture, to the extent permitted by law, from the date of default until paid; provided, that the Company agrees in the event the Company shall fail to make any Payment during an Auction Rate Period, the Payment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default until paid. Nothing in this Section 4.02 shall require the Company to pay costs and expenses mentioned in clause (f)(iii) above so long as the validity or the reasonableness thereof shall be contested in good faith unless the Trustee shall receive an opinion of independent counsel that such contest jeopardizes the respective interests of the Authority and the Trustee in this Participation Agreement, any Auction Agency Agreement, the Bond Purchase Trust Agreement, the Indenture or any Remarketing Agreement, in which event the Company shall pay such costs and expenses (without prejudice to any rights of the Company to recover such costs and expenses if not valid or reasonable) to the end that the respective interests of the Authority and the Trustee, in the opinion of independent counsel, are not jeopardized.

Section 4.03. Notice to Pay; Medium of Payment; Acceleration. Failure to receive any prior notice of the due date of any Payment will not relieve the Company of its obligation to pay such Payment when it is due and payable. The Company covenants and agrees that it will pay or cause to be paid when due and payable hereunder the Payments, and every installment thereof, without notice or demand therefor and without abatement, reduction or set-off of any kind or nature whatsoever, in lawful money of the United States of America.

If pursuant to the provisions of Section 12.03 of the Indenture, the Bonds are accelerated or shall otherwise be declared due and payable immediately, then the Company shall forthwith pay or cause to be paid to the Trustee an amount sufficient with all other funds available therefor, to pay the Bonds in full and, secondly an amount which shall be sufficient, with all other funds available therefor, to pay all other obligations of the Authority or the Company incurred or to be incurred under the Indenture, this Participation Agreement, any Auction Agency Agreement, the Bond Purchase Trust Agreement or any Remarketing Agreement.

Section 4.04. Prepayment of Note Payments. The Note may be prepaid, in whole or in part, at the option of the Company in order to effect an optional redemption of the

Bonds pursuant to Article V of the Indenture and shall be prepaid, in whole or in part, in connection with any mandatory redemption of the Bonds pursuant to Article V of the Indenture other than a mandatory redemption pursuant to Section 5.07 of the Indenture. Prepayment of the Note pursuant to the preceding sentence shall be with or without premium, as required to provide sufficient funds to redeem the Bonds being redeemed pursuant to Article V of the Indenture. The Note also may be prepaid in whole or in part at any time, without premium, at the option of the Company subsequent to the redemption of the Bonds with moneys furnished by the State of New York pursuant to Section 5.07 of the Indenture.

The Company shall give notice to the Trustee and the Authority of any intention to prepay the Note in whole or in part and of the principal amount to be prepaid not more than sixty (60) nor less than thirty-five (35) days prior to the date on which such prepayment is to be made on the Note. Such optional prepayment may be made not later than one (1) Business Day prior to the date of prepayment of the Bonds.

The Company may also elect to provide for the defeasance of the Bonds in accordance with Article XV of the Indenture and upon the defeasance of the Bonds, the Note will be deemed paid, in whole or in applicable part.

Section 4.05. Company's Payments as Trust Funds. All Note Payments and Additional Payments required to be made by the Company under this Participation Agreement and the Note to the Authority, the Trustee or the Registrar and Paying Agent which under the Indenture are required to be applied in payment of or as security for the Bonds, shall be and constitute and are hereby declared to be trust funds, whether held by the Authority, the Trustee, the Registrar and Paying Agent, or any bank or trust company, designated for such purpose and shall continue to be impressed with a trust until such monies are applied in the manner provided in the Indenture.

Section 4.06. Absolute Obligation to Make Payments. The obligation of the Company to pay the Note Payments and the Additional Payments, as required by this Participation Agreement and the Note, and to satisfy any other financial liabilities incurred hereunder and thereunder shall be an absolute, direct, general obligation, and shall be unconditional and shall not be abated, rebated, set off, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever (other than for prior payment), regardless of any defense, rights of set-off, recoupment or counterclaim that the Company might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place including, but without limiting the generality of the foregoing, the following:

- (a) any damage to or destruction of any part or all of the Project;
- (b) the taking or damaging of any part or all of the Project by any public authority or agency in the exercise of the power of eminent domain or otherwise;

(c) any assignment, novation, merger, consolidation, transfer of assets, subleasing or other similar transaction of or affecting the Company whether with or without the approval of the Trustee, except as otherwise expressly provided in this Participation Agreement;

(d) with respect solely to the obligation of the Company to pay the Additional Payments, the termination of this Agreement and payment or provision for payment in full of the amount due under the Note pursuant to the provisions hereof;

(e) any failure of any party to perform or observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or in connection with this Participation Agreement, the Note, any Auction Agency Agreement, any Broker-Dealer Agreement, any Remarketing Agreement, the Bond Purchase Trust Agreement or the Indenture;

(f) any change or delay in the time of availability of the Project or any part thereof for use of the Project or any part thereof;

(g) any acts or circumstances that may constitute an eviction or constructive eviction from any part of the Project;

(h) failure of consideration, failure of title to any part of the Project or commercial frustration; and

(i) any change in the tax or other laws of the United States or of any state or other governmental authority;

provided, however, that the foregoing shall not be deemed to be a waiver of any right of recourse the Company may have against the Authority, the holder of any Bond or others, including but not limited to, the rights, causes of action or claims which may arise out of the breach of their respective obligations or the inaccuracy of their respective warranties, provided, however, that the Company may pursue any such right, claim or cause of action only by a separate proceeding or action and not by counterclaim or set-off hereunder and the bringing of such separate proceeding or action shall not affect the Company's absolute, irrevocable and unconditional obligation to make payments pursuant to this Section 4.06.

Section 4.07. Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will assign to the Trustee the Participation Agreement and the Note and all of the Authority's rights, remedies and interest under this Participation Agreement and the Note, including the right to receive payments under this Participation Agreement and the Note (except the Authority's rights with respect to (a) administrative compensation, attorney's fees and indemnification, (b) the receipt of notices, opinions, reports, copies of instruments and other items of a similar nature required to be delivered to the Authority under this Participation Agreement, (c) granting approvals and consents and making determinations when required under this Participation Agreement, (d) making requests for information and inspections in accordance with this Participation Agreement, (e) Article III and Sections 4.02(f), 4.15 and 5.09 of this

Participation Agreement and, insofar as the obligations of the Company under Section 4.13 of this Participation Agreement relate to taxes and assessments imposed upon the Authority and not the Trustee, Section 4.13 hereof and (f) the right to amend this Participation Agreement) and hereby directs the Company to make said payments directly to the Trustee or in the case of the Purchase Price to the Registrar and Paying Agent. The Company herewith assents to such assignment and will make payments under this Participation Agreement and the Note (except (i) payments made pursuant to Sections 4.02(f) and 5.09 hereof which shall be made directly to the party entitled thereto and (ii) payments of the Purchase Price, which shall be made directly to the Registrar and Paying Agent) directly to the Trustee without defense or set-off by reason of any dispute between any of the Company, the Trustee or Registrar and Paying Agent. Except as provided in the Indenture, the Authority will not sell, assign, transfer, convey or otherwise dispose of its interest in this Participation Agreement during the term of this Participation Agreement.

Section 4.08. Actions with Respect to or by or on behalf of the Authority under the Indenture. The Authority hereby grants the right to the Company to request the Authority to take certain actions under the Indenture and/or to perform or undertake certain actions as specified under the Indenture. The Company agrees to request the Authority to take action or undertake or perform any action solely in compliance with or after complying with the requirements and provisions of the Indenture.

Section 4.09. Agreements of the Company Relating to Support Facilities. The Company agrees not to request that the interest rate mode applicable to the Bonds be adjusted to another Adjustable Rate or a Fixed Rate unless on the effective date of the applicable Change in the Interest Rate Mode, the Bonds shall be rated at least "A" by S&P or "A2" by Moody's or an equivalent rating by any nationally recognized rating agency. Such rating of the Bonds may, but is not required to, be achieved by obtaining a Support Facility which meets the requirements of Article VI of the Indenture.

Section 4.10. Company to Maintain a Liquidity Facility. The Company shall maintain a Liquidity Facility issued by a financial institution with a long-term rating of not less than "A" by at least one nationally recognized rating agency in effect with respect to the Bonds at all times and a short-term rating of at least "A-1+" by S&P and "VMIG 1" by Moody's, or an equivalent rating by any nationally recognized rating agency, except with respect to the Bonds during the Initial Term Rate Period, or Bonds bearing an Auction Period Rate, a Fixed Rate, or a Term Rate for a Calculation Period in excess of 13 months.

Section 4.11. Compensation of Trustee and Paying Agents. The Company agrees:

(1) to pay to the Trustee from time to time such compensation for all services rendered by it in any capacity under the Indenture as shall from time to time be agreed in writing (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred by the Trustee under the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to pay to the Registrar and Paying Agent, if other than the Trustee, reasonable compensation for all services rendered by it as Registrar and Paying Agent under the Indenture and reimburse it for its reasonable expenses incurred under the Indenture, except any such expense as may be attributable to its negligence or bad faith.

Section 4.12. Project not Security for Bonds. It is expressly recognized by the parties that none of the Project or any of its electricity distribution facilities will constitute any part of the security for the Bonds. The principal security for the Bonds shall be the Note and the absolute, irrevocable and unconditional obligation of the Company to make the Note Payments.

Section 4.13. Payment of Taxes and Assessments; No Liens or Charges. The Company will (a) pay, when the same shall become due and payable, all taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, imposed, levied or assessed by the Federal, state or any municipal government upon the Authority or the Trustee in respect of any payments (other than payments made pursuant to Section 4.11) made or to be made pursuant to this Participation Agreement or the Note and (b) pay or cause to be discharged, within sixty (60) days after the same shall accrue, any lien or charge upon any such payment (except as aforesaid) made or to be made under this Participation Agreement; provided that the Company shall not be required to pay any such tax, assessment or charge so long as (i) the Company at its expense contests by appropriate legal proceedings conducted in good faith and with due diligence the amount, validity or application of any such tax, assessment or charge, (ii) such proceedings shall have the effect of suspending the collection thereof from the Authority and the Trustee, and (iii) the Company shall indemnify and hold the Authority and the Trustee harmless from any losses, costs, charges, expenses (including reasonable attorneys' fees and disbursements), judgments and liabilities arising in respect of such tax, assessment or charge and the nonpayment thereof.

Section 4.14. Company to Pay Attorneys' Fees and Disbursements. If the Company shall default under any of the provisions of this Participation Agreement and the Authority or the Trustee or both shall employ attorneys or incur other expenses for the collection of payments due under this Participation Agreement or the Note or for the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in this Participation Agreement, the Company will on demand therefor reimburse the reasonable fees of such attorneys and such other reasonable disbursements so incurred.

Section 4.15. No Abatement of Administration Fees and Other Charges. It is understood and agreed that so long as any Bonds are outstanding under the Indenture, the Administration Fees and other charges payable to the Authority pursuant to this Participation Agreement or the Note shall continue to be payable at the times and in the amount herein specified, whether or not the Project, or any portion thereof, shall have been destroyed by fire or

other casualty, or title thereto or the use thereof shall have been taken by the exercise of the power of eminent domain, and that there shall be no abatement of any such Administration Fees and other charges by reason thereof.

ARTICLE V

SPECIAL COVENANTS

Section 5.01. No Warranty as to Suitability of Project. The Authority makes no warranty, either express or implied, with respect to actual or designed capacity of the Project, as to the suitability of the Project for the purposes specified in this Participation Agreement, as to the condition of the Project, or that the Project will be suitable for the Company's purposes or needs.

Section 5.02. Authority's Right to Inspect Project. The Authority shall have the right at all reasonable times to examine and inspect the Project.

Section 5.03. Company Consent to Amendment of Indenture. The Authority and the Trustee shall not enter into any indenture supplemental to or amendatory of the Indenture which affects the rights or obligations of the Company without the prior consent of the Company as evidenced by a certificate in writing signed by an Authorized Company Representative.

Section 5.04. Tax Covenant. Notwithstanding any other provision hereof, the Company covenants and agrees that it will not take or authorize any action or permit any action within its reasonable control to be taken, or fail to take any action within its reasonable control, with respect to the Project, or the proceeds of any series of the Bonds, including any amounts treated as proceeds of the Bonds for any purpose of Section 103 of the Code, which will result in the loss of the exclusion of interest on any series of Bonds from gross income for Federal income tax purposes under Section 103 of the Code (except for any Bond during any period while any such Bond is held by a person referred to in Section 147(a) of the Code). This provision shall control in case of conflict or ambiguity with any other provision of this Participation Agreement. In furtherance of such covenant and agreement as it relates to the Bonds, the Authority and the Company have entered into the Tax Regulatory Agreement and the Company hereby covenants and agrees to comply with the provisions thereof.

Section 5.05. Company Agrees to Perform Obligations Imposed by Indenture. The Company agrees to perform such obligations as may be required of it by the provisions of the Indenture.

Section 5.06. Authority Agrees to Take Certain Actions at Direction of Company. The Authority agrees to exercise any option to redeem the Bonds pursuant to Section 5.01 of the Indenture at the direction of the Company. The Authority agrees to exercise its rights under Article XV of the Indenture upon the request of the Company.

Section 5.07. Certificates as to Defaults. The Company shall file with the Trustee, on or before November 1 of each year, commencing on November 1, 2011, a certificate signed by an Authorized Company Representative stating that, to the best of his or her knowledge, information and belief, the Company has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained in this Participation Agreement, the Tax Regulatory Agreement and in the Note and, to the best of his knowledge, information

and belief, there does not exist at the date of such certificate any Event of Default hereunder or other event which, with notice or the lapse of time specified in Section 7.01 hereof, or both, would become an Event of Default or, if any such Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

Section 5.08. Recording and Filing. The Company hereby covenants that it will cause all financing statements related to the Indenture and all supplements thereto and this Participation Agreement and all supplements thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be recorded and filed in such manner and in such places as may from time to time be required by law in order to preserve and protect fully the security of Holders of the Bonds and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by the Indenture and shall, within ten (10) days after such filing, cause there to be furnished to the Trustee and any Support Facility Issuer an opinion of counsel as to the adequacy and details of such filing and specifying any re-filing to be effected in the future.

Section 5.09. Limited Obligation of Authority; Indemnification of Authority, Registrar and Paying Agent, Auction Agent and Trustee. The Bonds shall not be general obligations of the Authority, and shall not constitute an indebtedness of or a charge against the general credit of the Authority or give rise to any pecuniary liability of the Authority. The liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Indenture, and the Bonds shall be payable solely from the Note Payments and any other funds held by the Trustee under the Indenture and available for such payment. The Bonds shall not be a debt of the State of New York, and the State of New York shall not be liable thereon.

No member, officer, agent or employee of the Authority shall be personally liable for the payment of the Bonds or any money or damages hereunder or related hereto. Notwithstanding the fact that it is the intention of the parties hereto that the Authority and all officers and employees thereof shall not incur pecuniary liability by reason of the terms of this Participation Agreement, or the undertakings required of the Authority hereunder or any officer or employee thereof, by reason of the issuance of the Bonds, the execution and delivery of any document, including, but not limited to, the Indenture, the Tax Regulatory Agreement, this Participation Agreement, the Note, any Auction Agency Agreement, any Remarketing Agreement, the Bond Purchase Trust Agreement, any Broker-Dealer Agreement or any final official statement, or by reason of the performance or non-performance of any act required of it by this Participation Agreement or any such other agreement, or the performance or non-performance of any act requested of it by the Company, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; nevertheless, if the Authority (including any person at any time serving as an officer or employee of the Authority) should incur any such pecuniary liability, then in such event the Company shall indemnify and hold harmless the Authority (including any person at any time serving as an officer or employee of the Authority) against all claims by or on behalf of any person, firm or corporation or other legal entity, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon.

The Company releases the Authority (including any person at any time serving as an officer or employee of the Authority), the Registrar and Paying Agent, any Auction Agent, any Remarketing Agent and the Trustee (including any person at any time serving as an officer or employee of the Trustee, the Registrar and Paying Agent, any Remarketing Agent or any Auction Agent) from, agrees that the Authority (including any person at any time serving as an officer or employee of the Authority), the Registrar and Paying Agent, any Remarketing Agent, any Auction Agent and the Trustee (including any person at any time serving as an officer or employee of the Trustee, the Registrar and Paying Agent, any Remarketing Agent or any Auction Agent) shall not be liable for, and agrees to indemnify and hold the Authority (including any person at any time serving as an officer or employee of the Authority) and the Trustee, any Auction Agent, any Remarketing Agent, the Registrar and Paying Agent (including any person at any time serving as an officer or employee of the Trustee, any Auction Agent, any Remarketing Agent or the Registrar and Paying Agent) harmless, to the fullest extent permitted by law from any losses, costs, charges, expenses (including reasonable attorneys' and agents' fees and expenses), by reason of (i) any liability for any loss or damage to property or any injury to, or death of, any person that may be occasioned by any cause whatsoever arising out of the construction or operation of the Project, or (ii) any action, suit or proceeding instituted or threatened in connection with the transactions contemplated by this Participation Agreement, the Indenture and the Note, provided, however, that the Company shall not be liable as the result of the negligence of the Authority, the Trustee, the Registrar and Paying Agent, any Remarketing Agent or any Auction Agent or bad faith or wilful misconduct of the Authority, the Trustee, the Registrar and Paying Agent, any Remarketing Agent or any Auction Agent (including any person at any time serving as an officer or employee of the Authority or the Trustee, the Registrar and Paying Agent, any Remarketing Agent or any Auction Agent). If any such claim is asserted, the Authority, any individual indemnified herein, the Trustee, the Registrar and Paying Agent, any Remarketing Agent or any Auction Agent, as the case may be, shall give prompt notice to the Company and permit the Company to participate in the defense thereof at its own expense. The Company will reimburse the indemnified parties for any legal or other expenses reasonably incurred by the indemnified parties in investigating or defending against any such claim, provided that the Company shall not be required to reimburse any of the indemnified parties for fees and expenses of counsel other than one counsel selected by the Trustee in its sole discretion for all indemnified parties in which proceedings are brought or threatened to be brought unless and to the extent there are actual or potential conflicts of interest between or among indemnified parties or defenses available to some indemnified parties that are not available to other indemnified parties in which case, the Company will reimburse the indemnified parties for any legal or other expenses reasonably incurred by the indemnified parties in investigating or defending against any such claim by each counsel of each of the indemnified parties affected. The obligation of the parties hereto under this Section shall survive the termination of this Participation Agreement and the Indenture.

Section 5.10. Provision of Information. The Company shall provide the Trustee with the forms of any notices required to be sent to holders of Bonds in connection with any redemption of Bonds, a change in an Auction Period, the Interest Period or Change in the Interest Rate Mode pursuant to Articles III, IV and V of the Indenture or the establishment of a Fixed Rate on the Bonds pursuant to Section 4.02 of the Indenture.

Section 5.11. Ratings. During any Auction Rate Period, the Company shall take all reasonable action necessary to enable at least two nationally recognized, statistical rating organizations (as that term is used in the rules and regulations of the Securities and Exchange Commission under the Exchange Act) to provide ratings for the Auction Rate Bonds.

Section 5.12. Notices. During any Auction Rate Period, the Company on behalf of the Authority shall provide the Trustee and, so long as no Event of Default has occurred and is continuing and the ownership of any Auction Rate Bonds is maintained in book-entry form by the Securities Depository, the Auction Agent, with notice of any change in (a) the Statutory Corporate Tax Rate under the Indenture, (b) the Applicable Percentage, or (c) the maximum rate permitted by law on the Bonds. There is currently no such maximum rate.

Section 5.13. Maintenance of Office or Agency. So long as the Note remains outstanding and unpaid, the Company will at all times keep, in New York, New York, or another location in the State of New York, an office or agency where notices and demands with respect to the Note may be served, and will, from time to time, give written notice to the Trustee of the location of such office or agency; and, in case the Company shall fail so to do, notices may be served and demands may be made at the principal office of the Trustee.

Section 5.14. Maintenance of Properties. So long as the Note remains outstanding and unpaid, the Company will at all times make or cause to be made such expenditures for repairs, maintenance and renewals, or otherwise, as shall be necessary to maintain its properties in good repair, working order and condition as an operating system or systems to the extent necessary to meet the Company's obligations under the Public Service Law of the State of New York and this Participation Agreement.

Section 5.15. Insurance. So long as the Note remains outstanding and unpaid, the Company will keep or cause to be kept its properties that are of an insurable nature, insured against loss or damage by fire or other risks, the risk of which in the opinion of an Authorized Company Representative (who shall be an officer or employee of the Company responsible for the management of such risks) is customarily insured against by companies similarly situated and operating like properties, to the extent that property of similar character is, in such Authorized Company Representative's opinion, customarily insured against by such companies, either (a) by reputable insurers or (b) in whole or in part in the form of reserves or of one or more insurance funds created by the Company, whether alone or with other Corporations.

Section 5.16. Proper Books of Record and Account. So long as the Note remains outstanding and unpaid, the Company will at all times keep or cause to be kept proper books of record and account, in which full, true and correct entry will be made of all dealings, business and affairs of the Company, including proper and complete entries to capital or property accounts covering property worn out, obsolete, abandoned or sold, all in accordance with the requirements of any system of accounting or keeping accounts or the rules, regulations or orders prescribed by a regulatory commission with jurisdiction over the rates of the Company giving rise to at least fifty-one percent (51%) of the Company's gross revenues, or if there are no such requirements or rules, regulations or orders, then in compliance with generally accepted accounting principles.

Section 5.17. Compliance with Laws. So long as the Note remains outstanding and unpaid, the Company agrees to use its best efforts to comply in all material respects with all applicable laws, rules and regulations and orders of any governmental authority, non-compliance with which would have a material adverse effect on its business, financial condition or results of operations (to the extent the Company deems it can reasonably comply while maintaining its public utility operations) or would materially adversely affect the Company's ability to perform its obligations hereunder or under the Note, except laws, rules, regulations or orders being contested in good faith or laws, rules, regulations or orders which the Company has applied for variances from, or exceptions to.

Section 5.18. Consolidation, Merger or Sale of Assets. So long as the Note remains outstanding and unpaid, the Company will not consolidate with or permit itself to be merged into any other corporation or corporations, or sell, lease, transfer or otherwise dispose of all or substantially all of its properties and assets, except in the manner and upon the terms and conditions set forth in this Section 5.18.

Nothing contained herein or in the Note shall prevent (and the Note shall be construed as permitting and authorizing, without acceleration of the maturity of the Note) any lawful consolidation or merger of the Company with or into any other corporation or corporations lawfully authorized to acquire and operate the properties of the Company, or a series of consolidations or mergers, or successive consolidations or mergers, in which the Company or its successor or successors shall be a party, or any sale of all or substantially all the properties of the Company as an entirety to a corporation lawfully authorized to acquire and operate the same; provided that, upon any consolidation, merger or sale, the corporation formed by such consolidation, or into which such merger may be made if other than the Company, or making such purchase shall execute and deliver to the Trustee an instrument, in form reasonably satisfactory to the Trustee, whereby such corporation shall effectually assume the due and punctual payment of the principal of and premium, if any, and interest on the Note according to its tenor and the due and punctual performance and observance of all covenants and agreements to be performed by the Company pursuant to the Note and this Participation Agreement on the part of the Company to be performed and observed; and, thereupon, such corporation shall succeed to and be substituted for the Company hereunder, with the same effect as if such successor corporation had been named herein as obligor.

Every such successor corporation shall possess, and may exercise, from time to time, each and every right and power hereunder of the Company, in its name or otherwise; and any act, proceeding, resolution or certificate by any of the terms of the Note required or provided to be done, taken and performed or made, executed or verified by any board or officer of the Company shall and may be done, taken and performed or made, executed and verified with like force and effect by the corresponding board or officer of any such successor Company.

If consolidation, merger or sale or other transfer is made as permitted by this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.19. Financial Statements of Company. The Company agrees to have an annual audit made by independent accountants and to furnish the Trustee with a balance sheet and statements of income, retained earnings and cash flow showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of each fiscal year, and the results of operations of the Company and its consolidated subsidiaries, if any, for each fiscal year, as audited by said accountants, on or before the last day of the third month following the close of the fiscal year or as soon thereafter as they are reasonably available. The Company further agrees to furnish to the Trustee, the Authority and to any owner of Bonds if requested in writing by such owner all financial statements which it sends to its shareholders. The delivery of such financial statements to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants hereunder.

Section 5.20. Information to Support Facility Issuer. (a) To the extent that the Company has entered into a continuing disclosure agreement with respect to the Bonds, any Support Facility Issuer shall be included as a party to be notified.

(b) The Company shall immediately notify any Support Facility Issuer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default hereunder.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.01. Redemption of Bonds. If the Company is not in default in making Note Payments, the Authority and the Trustee, at the request of the Company, at any time the aggregate monies in the Bond Fund are sufficient to effect a redemption of Bonds and if the same are then redeemable under the provisions of the Indenture and the Bonds, shall forthwith take all steps that may be necessary under the applicable redemption provisions of Article V of the Indenture to effect redemption of all or part of the then Outstanding Bonds as may be specified by the Company on such redemption date.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default Defined. Each of the following shall be an “Event of Default” under this Participation Agreement and the term “Event of Default” shall mean, whenever it is used in this Participation Agreement, any one or more of the following events:

(a) Failure by the Company to pay or cause to be paid, when due and payable, any installment of Note Payments and, in the case of failure to pay any installment of interest on the Note, continuance of such failure for one (1) Business Day.

(b) Failure by the Company to observe and perform any covenant, condition or agreement in this Participation Agreement or the Note on its part to be observed or performed, other than as referred to in subsection (a) of this Section 7.01 (and other than failure to pay the amounts due under Sections 4.02(f), 4.14 and 5.09 of this Participation Agreement), for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Company unless the Trustee (with any required consent of Bondholders under the provisions of the Indenture) shall agree in writing to an extension of such time prior to its expiration, provided that if any such failure shall be such that it cannot be cured or corrected within such ninety-day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected.

(c) The dissolution or liquidation of the Company or the filing by the Company of a voluntary petition in bankruptcy, or failure by the Company promptly to discharge or cause to be discharged any execution, garnishment or attachment of such consequence as will impair its ability to carry on its operations generally or the commission by the Company of any act of bankruptcy, or adjudication of the Company as a bankrupt, or assignment by the Company for the benefit of its creditors, or the entry by the Company into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Company in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy laws or the Company becomes insolvent or is unable to pay its debts as they become due. The term “dissolution or liquidation of the Company”, as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Company resulting either from a merger or consolidation of the Company into or with another corporation or a dissolution or liquidation of the Company following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such action with respect to the Company contained in Section 5.18 hereof.

(d) The occurrence of an Event of Default as defined in Section 12.01 of the Indenture.

Subsection (b) of this Section 7.01 is subject to the following limitations: Except for the obligations of the Company contained in Article IV hereof, if by reason of force majeure the Company is unable in whole or in part to carry out the agreements on its part herein contained, the Company shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall include the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of New York or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; typhoons; storms; floods; washouts; droughts; arrests; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company. The Company agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Company from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

Section 7.02. Remedies on Default. In the event any of the Bonds shall at the time be Outstanding and unpaid and provision for the payment thereof shall not have been made in accordance with the provisions of the Indenture, whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be subsisting, the Authority, with respect to those rights not assigned to the Trustee, or the Trustee, following acceleration of the Bonds in accordance with provisions of Section 12.03 of the Indenture where so provided, may take any one or more of the following remedial steps:

(a) The Trustee as provided in the Indenture may, at its option, or shall, to the extent required by the Indenture, declare all payments payable under clauses (a) - (e) of Section 4.02 hereof and the Note for the remainder of the term of this Participation Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Authority, with respect to those rights not assigned to the Trustee, or the Trustee may take whatever action at law or in equity that may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Participation Agreement or the Note whether for specific performance of any covenant or agreement contained herein or therein or in aid of the execution of any power herein granted.

Any amounts collected pursuant to action taken under this Section 7.02 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

If any such declaration of acceleration of the Bonds shall have been annulled pursuant to the terms of the Indenture and if, at any time after such declaration, but before all the Bonds shall have matured by their terms, all arrears of interest upon the Note, and interest on

overdue installments of interest (to the extent enforceable under applicable law) at the rate or rates per annum specified for the Note and the principal of and premium, if any, on the Note which shall have become due and payable otherwise than by acceleration, and all other sums payable hereunder, except the principal of, and interest on, the Note which pursuant to such declaration shall have become due and payable, shall have been paid by or on behalf of the Company or provision satisfactory to the Trustee shall have been made for such payment, then such acceleration of the Note shall ipso facto be deemed to be rescinded and any such Event of Default and its consequences shall ipso facto be deemed to be annulled, but no such annulment shall extend to or affect any subsequent Event of Default or impair or exhaust any right or remedy consequent thereon.

Section 7.03. **No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority or to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Participation Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Authority hereunder shall also extend to the Trustee and, the Trustee and the Holders of the Bonds issued under the Indenture shall be deemed third party beneficiaries of all covenants and agreements herein contained.

In case the Trustee (as assignee of the Authority under the Indenture) or the Authority shall have proceeded to enforce its rights under this Participation Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then and in every such case, the Company, the Authority and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Authority and the Trustee shall continue as though no such proceeding had been taken.

The Company covenants that, in case an Event of Default shall occur with respect to any Note Payments payable under Sections 4.02(a) - (e) hereof and the Note, then, upon demand of the Trustee (as assignee of the Authority under the Indenture) the Company will pay to the Trustee the whole amount that then shall have become due and payable under said Sections, with interest (to the extent permitted by law) on said amount at the rate of interest then borne by the Bonds pursuant to the Indenture, but not exceeding the maximum rate permitted by law, until paid, and in addition thereto, such further amounts as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys, and counsel, and any other expenses or liabilities incurred by the Trustee other than those incurred through bad faith or negligence.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Authority, with respect to those rights not assigned to the Trustee, or the Trustee (as assignee of the Authority under the Indenture) shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect, in the manner provided by law out of the property of the Company, the monies adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company under the Federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or in the case of any other similar judicial proceedings relative to the Company or to the creditors or property of the Company, the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and provide a claim or claims for the whole amount owing and unpaid pursuant to this Participation Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Holders and the Trustee allowed in such judicial proceedings relative to the Company, its creditors, or its property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including reasonable counsel fees and expenses incurred by it up to the date of such distribution.

Nothing herein contained shall be construed to prevent the Authority from enforcing directly any of its rights under Sections 4.02(f), 4.14 and 5.09 hereof; provided that, in case the Company shall have failed to pay amounts required to be paid under Sections 4.02(f), 4.14 and 5.09 hereof which event shall have continued for a period of thirty (30) days after the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Authority or the Trustee, the Authority or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations or agreements of the Company under Sections 4.02(f), 4.14 and 5.09 hereof.

Section 7.04. No Additional Waiver Implied by One Waiver. In the event any agreement contained herein or in the Note should be breached by any party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Disposition of Amounts after Payment of Bonds. Any amounts remaining in the funds created under the Indenture after payment in full of principal of and premium, if any, and interest on all the Bonds, or provision for payment thereof having been made in accordance with the provisions of the Indenture, and payment of all the fees, charges and expenses of the Authority, the Trustee, any Auction Agent, any Remarketing Agent, and the Registrar and Paying Agent and any other paying agent in accordance with the Indenture and this Participation Agreement, shall belong to and be promptly paid to the Company by the Trustee in accordance with the provisions of the Indenture.

Section 8.02. Notices. All notices, certificates, requests or other communications between the Authority, the Company, the Trustee and the Registrar and Paying Agent required to be given under this Participation Agreement or under the Indenture shall be sufficiently given and shall be deemed given when delivered by hand or first class mail, postage prepaid, addressed as follows: if to the Authority, at 17 Columbia Circle, Albany, New York 12203-6399, Attention: President and Chief Executive Officer; if to the Company, at 4 Irving Place, New York, New York 10003, Attention: Secretary; and if to the Trustee or the Registrar and Paying Agent, at The Bank of New York Mellon, 101 Barclay Street - 21W, New York, New York 10286, Attention: New York Municipal Finance Unit. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Company or the Trustee shall also be given to the others. The Company, the Authority and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.03. Successors and Assigns. This Participation Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company, the Trustee and their respective successors and assigns.

Section 8.04. Amendment of Participation Agreement. This Participation Agreement may not be amended except by an instrument in writing signed by the parties and upon compliance with the provisions of Sections 14.06 and 14.07 of the Indenture.

Section 8.05. Participation Agreement Supersedes Any Prior Agreements. This Participation Agreement and the Bond Purchase Agreement supersede any other prior agreements or understandings, written or oral, between the parties with respect to the transactions contemplated hereby and thereby.

Section 8.06. Further Assurances and Corrective Instruments. The Authority and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or for carrying out the expressed intention of this Participation Agreement in accordance with the provisions of the Indenture.

Section 8.07. Counterparts. This Participation Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same Participation Agreement.

Section 8.08. Severability. If any clause, provision or section of this Participation Agreement is held illegal, invalid or unenforceable by any court or administrative body, this Participation Agreement shall be construed and enforced as if such illegal or invalid or unenforceable clause, provision or section had not been contained in this Participation Agreement. In case any agreement or obligation in this Participation Agreement be held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority or the Company, as the case may be, to the full extent permitted by law.

Section 8.09. Delegation of Duties by Authority. It is agreed that under the terms of this Participation Agreement and also under the terms of the Indenture the Authority has delegated certain of its duties hereunder to the Company. The fact of such delegation shall be deemed a sufficient compliance by the Authority to satisfy the duties so delegated and the Authority shall not be liable in any way by reason of acts done or omitted by the Company or any Authorized Company Representative. The Authority shall have the right at all times to act in reliance upon the authorization, representation or certification of an Authorized Company Representative unless such reliance is in bad faith.

Section 8.10. Survival of Representations, Warranties and Covenants. The respective agreements, representations, warranties and covenants set forth herein will remain in full force and will survive the execution and delivery of this Participation Agreement.

Section 8.11. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN THE CONSTRUCTION OF THIS PARTICIPATION AGREEMENT.

[Signature Page of this Agreement Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be duly executed as of the day and year first written above.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT
AUTHORITY

(SEAL)

By: _____ /s/ Francis J. Murray, Jr.
President and CEO

Attest:

/s/ Jacquelyn L. Jerry
Assistant Secretary

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

(SEAL)

By: _____ /s/ Scott Sanders
Vice President and
Treasurer

Attest:

/s/ Carole Sobin
Secretary

[Signature Page of Participation Agreement]

EXHIBIT A

(To Participation Agreement,
dated as of November 1, 2010,
between New York State Energy Research and Development Authority
and Consolidated Edison Company of New York, Inc.)

**DESCRIPTION OF PROJECT
EXEMPT FACILITIES**

[A copy of Exhibit A to the Participation Agreement
entered into in connection with the Prior Bonds will be inserted at this place]

EXHIBIT B

(To Participation Agreement
dated as of November 1, 2010,
between New York State Energy Research and Development Authority
and Consolidated Edison Company of New York, Inc.)

DESCRIPTION OF OTHER PROJECT FACILITIES

[A copy of Exhibit B to the Participation Agreement
entered into in connection with the Prior Bonds will be inserted at this place]

EXHIBIT C

(To Participation Agreement dated as of November 1, 2010 between
New York State Energy Research and Development Authority and
Consolidated Edison Company of New York, Inc.,
relating to Series 2010A Bonds)

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

\$224,600,000 PROMISSORY NOTE

FOR

FACILITIES REVENUE BONDS, SERIES 2010A
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)

New York, New York
November 16, 2010

FOR VALUE RECEIVED, Consolidated Edison Company of New York, Inc., a New York corporation (the "Company"), promises to pay to the order of The Bank of New York Mellon, as trustee (the "Trustee"), under the hereinafter referred to Indenture, in lawful money of the United States, moneys that are in the aggregate sufficient for, together with other amounts held by the Trustee and available under the Indenture (as defined below) for application to, the payment of the principal sum of \$224,600,000, together with interest thereon at such rate or rates applicable to, and with such redemption premiums, if any, becoming due and payable on, the Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project) (the "Bonds"), issued by New York State Energy Research and Development Authority (the "Authority") in the aggregate principal amount of \$224,600,000 pursuant to a Trust Indenture (the "Indenture") dated as of November 1, 2010, between the Authority and the Trustee, and at such times as provided in the Indenture. This Note is being delivered pursuant to and in accordance with the Participation Agreement dated as of November 1, 2010, between the Company and the Authority (the "Participation Agreement"), the terms and provisions of which are incorporated herein by reference and made a part hereof. All terms used and not otherwise defined herein are used as defined in the Indenture.

In the event the Company should fail to make any payment required by this Note, the Company's obligation to make such payment shall continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company agrees to pay the same with interest thereon at the rate of interest borne by the Bonds, to the extent, but not exceeding the maximum rate, permitted by law, until paid.

This Note, unless paid earlier as permitted by the Participation Agreement, shall mature on June 1, 2036.

This Note is subject to optional and mandatory prepayment and to acceleration as provided in the Participation Agreement.

All payments hereunder shall be payable at the principal corporate trust office of the Trustee in New York, New York.

The obligation of the Company to make payments under this Note shall be an absolute, direct, general obligation, and shall be unconditional and shall not be abated, rebated, set off, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever (other than for prior payment).

The Company hereby waives presentment for payment, demand, demand and protest and notice of protest, demand and dishonor and nonpayment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

**CONSOLIDATED EDISON COMPANY OF NEW YORK,
INC.**

By: _____
Vice President and
Treasurer

(SEAL)

ATTEST:

Secretary

EXECUTION VERSION

TRUST INDENTURE

BETWEEN

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

AND

THE BANK OF NEW YORK MELLON,
as Trustee

Dated as of November 1, 2010

-relating to-

\$224,600,000 Facilities Revenue Bonds, Series 2010A
(Consolidated Edison Company of New York, Inc. Project)

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THIS TRUST INDENTURE, (this "Indenture") made and dated as of the first day of November, by and between New York State Energy Research and Development Authority (the "Authority"), a body corporate and politic, constituting a public benefit corporation, and The Bank of New York Mellon, as trustee (the "Trustee"), a New York banking corporation with its principal corporate trust office located in The City of New York.

WITNESSETH THAT:

WHEREAS, pursuant to a special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established, as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power company to participate in the construction of facilities for the furnishing of electric energy and the furnishing of gas to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources and aesthetics; and

WHEREAS, pursuant to the Act, the Authority is also authorized to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation, reconstruction, improvement, maintenance, equipping, furnishing or leasing of any special energy project (as defined in the Act) including, but not limited to, facilities for the distribution of steam or for the reimbursement to any person for costs incurred in connection with a special energy project completed or not completed at the time of such credit or loan, which credits or loans may, but need not, be secured by mortgages, contracts, leases or other instruments, upon such terms and conditions as the Authority shall determine reasonable in connection with such credits or loans; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient moneys for achieving its corporate purposes, including the refunding of its outstanding obligations; and

WHEREAS, the Authority is also authorized under the Act to enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes; and

WHEREAS, the Consolidated Edison Company of New York, Inc. (the "Company") has requested that the Authority issue bonds for the purpose of refunding the Authority's 4.70% Facilities Revenue Bonds, Series 2001A (Consolidated Edison Company of New York, Inc. Project), in the aggregate principal amount of \$224,600,000 (the "Prior Bonds") issued in order to provide funds for the refunding of certain obligations of the Authority originally issued to finance the cost of acquisition, construction and installation of certain facilities for the local furnishing of electric energy within the Company's service area; and

WHEREAS, pursuant to Resolution No. 1275, adopted September 27, 2010, the Authority has determined to issue the Bonds, in an aggregate principal amount not to exceed \$224,600,000, for the purpose of refunding the Prior Bonds, all such Bonds to be issued under and secured by this Indenture; and

WHEREAS, contemporaneously with the execution hereof, the Company and the Authority have entered into a Participation Agreement of even date herewith (herein referred to as the "Participation Agreement"); and

WHEREAS, the bonds to be issued will be in the aggregate principal amount of \$224,600,000 and will be designated as Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project) (the "Bonds"), which will be used, together with Company funds, to refund the Prior Bonds, such Bonds to be issued under and secured by this Indenture; and

WHEREAS, simultaneously with the issuance and delivery of such bonds, the Company will execute and deliver a promissory note dated the date of issuance of such bonds (the "Note") as evidence of its obligation to make payments required by the Participation Agreement; and

WHEREAS, all acts, conditions and things necessary or required by the Constitution and statutes of the State of New York, or otherwise, to exist, happen, and be performed as prerequisites to the passage of this Indenture, do exist, have happened, and have been performed; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Bonds are authenticated, issued and delivered, and in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the Authority of all covenants, agreements and conditions herein and in the Bonds contained, the Authority has acknowledged, executed, signed and delivered this Indenture and hereby assigns, confirms, pledges with and sets over and entrusts to the Trustee hereunder, its successors in trust and assigns, subject to the provisions of this Indenture (the following being called the "Trust Estate"): (1) the Revenues (as hereinafter defined); (2) the Participation Agreement and the Note and all rights, remedies and interest of the Authority under the Participation Agreement and the Note, and any other agreement relating to the Project (exclusive of the Authority's rights with respect to (a) administrative compensation, attorneys' fees and indemnification, (b) the receipt of notices, opinions, reports, copies of instruments and other items of a similar nature required to be delivered to the Authority under the Participation Agreement, (c) granting approvals and consents and making determinations when required under the Participation Agreement, (d) making requests for information and inspections in accordance with the Participation Agreement, (e) Article III and Sections 4.02(f), 4.15 and 5.09 of the Participation Agreement and, insofar as the obligations of the Company under Section 4.13 relate to taxes and assessments imposed upon the Authority and not the Trustee, Section 4.13 thereof, and (f) the right to amend the Participation Agreement); (3) the Tax Regulatory Agreement (as hereinafter

defined), and all rights, remedies and interest of the Authority thereunder, subject to the provisions of the Tax Regulatory Agreement relating to the amendment thereof and to a reservation by the Authority of the right to enforce the obligations of the Company thereunder independently of the Trustee; (4) the rights, remedies and interest of the Authority in all other moneys, rights and properties held by the Trustee or other depository under this Indenture including, but only for the benefit of the persons specified herein, the proceeds of any draw, borrowing or payment under any Credit Facility (as hereinafter defined), and the securities (and the interest, income and profits therefrom) in which such moneys may from time to time be invested (exclusive of the proceeds of any Liquidity Facility (as hereinafter defined) or the Project Fund (as hereinafter defined)); and (5) the rights, remedies and interest of the Authority in any and all other real or personal property of every nature from time to time hereafter by delivery or by writing of any kind specially mortgaged, pledged, or hypothecated, as and for additional security hereunder, by the Company in favor of the Trustee or the Authority which are hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD, all and singular of said Trust Estate unto the Trustee, its successors in trust and assigns, forever, in trust, nevertheless, to inure to the use and benefit of the Holders of all the Bonds, for the securing of the observance or performance of all the terms, provisions and conditions therein and herein contained and for the equal and proportionate benefit and security of all and singular the present and future Holders of the Bonds, without preference, priority, prejudice or distinction as to lien or otherwise of any Bond over any other Bond, to the end that each Holder of a Bond shall have the same rights, privileges and lien under and by virtue of this Trust Indenture, except as hereinafter otherwise specifically provided;

AND UPON THE CONDITION THAT, if the Authority shall cause to be paid fully and promptly and indefeasibly when due all of its indebtedness, liabilities, obligations and sums at any time secured hereby, including interest, the Trustee's fees and reasonable expenses (including reasonable attorneys' fees and expenses), and shall promptly, faithfully and strictly keep, perform and observe, or cause to be kept, performed and observed, all of its covenants, obligations, warranties and agreements contained herein, then and in such event, this Trust Indenture shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said income and Revenues hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Holders, from time to time, of the said Bonds, or any part thereof, as follows (provided that in the performance of the agreements of the Authority herein contained any obligation it may thereby incur for the payment of money shall never constitute a general or moral obligation of the State of New York or any political subdivision thereof within the meaning of any state constitutional provision or statutory limitation, and shall not be secured directly or indirectly by the full faith and credit, the general credit or any revenue or taxes of the State of New York or any political subdivision thereof, but shall be payable solely out of the income and Revenues derived under the Participation

ARTICLE I

**DEFINITIONS; COMPUTATIONS; CERTIFICATES
AND OPINIONS; EVIDENCE OF ACTION BY AUTHORITY**

Section 1.01. Definitions of Specific Terms. Unless the context shall clearly indicate some other meaning or may otherwise require, the terms defined in this Section shall, for all purposes of this Indenture and of any indenture, resolution or other instrument amendatory hereof or supplemental hereto and of any certificate, opinion, instrument or document herein or therein mentioned, have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any terms herein defined and vice versa.

“Account” shall mean, as applicable, the Company Account, Interest Account, Principal Account, Redemption Account, Acceleration Account, or any other account referenced herein or established under the terms hereof.

“Act” shall mean the New York State Energy Research and Development Authority Act, Title 9 of Article 8 of the Public Authorities Law of the State of New York, as from time to time amended and supplemented.

“Additional Payments” shall mean the Additional Payments as defined in Section 4.02(f) of the Participation Agreement.

“Adjustable Rate” shall mean any of the following types of interest rates: a Commercial Paper Rate, an Auction Rate, a Daily Rate, a Weekly Rate, a Monthly Rate, a Semi-annual Rate and a Term Rate.

“Administration Fees” shall mean the amounts payable by the Company to the Authority pursuant to Section 4.02(f) of the Participation Agreement to defray a portion of the expenses incurred by the Authority in conducting and administering its special energy project programs and the amount payable as state bond issuance charge pursuant to Section 4.02(f) of the Participation Agreement.

“Affiliate” shall mean any person known to the Auction Agent to be controlled by, in control of or under common control with the Company; provided that no Broker-Dealer controlled by, in control of or under common control with the Company shall be an Affiliate nor shall any corporation or any person controlled by, in control of or in common control with such corporation be an Affiliate solely because a director or executive officer of such Broker-Dealer is also a director of the Company.

“After-Tax Equivalent Rate” on any date of determination shall mean with respect to Auction Rate Bonds, the interest rate per annum equal to the product of (x) Commercial Paper/Treasury Rate on such date and (y) 1.00 minus the Statutory Corporate Tax Rate on such date.

“Agent Member” shall mean a member of, or participant in, the Securities Depository.

“All Hold Rate” shall mean for any subseries of Bonds on any date of determination with respect to Auction Rate Bonds the rate per annum equal to 85% (as such percentage may be adjusted pursuant to Section 3.10) of the lesser of (i) the BMA Index on such date and (ii) the After-Tax Equivalent Rate on such date provided, however, that in no event shall such All Hold Rate exceed the Maximum Allowed Rate.

“Alternate Support Facility” shall mean any Support Facility obtained pursuant to the provisions of Section 6.02 in replacement of an existing Support Facility.

“Applicable Percentage” on any date of determination shall mean the percentage determined as set forth below (as such percentage may be adjusted for Auction Rate Bonds pursuant to Section 3.10) based on the prevailing long-term rating of the Auction Rate Bonds in effect at the close of business on the Business Day immediately preceding such date of determination:

<u>Prevailing Rating</u>	<u>Applicable Percentage</u>
“AAA/Aaa”	175%
“AA/Aa”	175%
“A/A”	175%
“BBB/Baa”	200%
Below “BBB/Baa”	265%

For purposes of this definition, the “prevailing rating” of the Auction Rate Bonds will be (a) “AAA/Aaa,” if the Auction Rate Bonds, have a rating of “AAA” or better by S&P and a rating of “Aaa” or better by Moody’s, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (b) if not “AAA/Aaa,” then “AA/Aa” if the Auction Rate Bonds have a rating of “AA-” or better by S&P and a rating of “Aa3” or better by Moody’s, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (c) if not “AAA/Aaa” or “AA/Aa,” then “A/A” if the Auction Rate Bonds have a rating of “A-” or better by S&P and a rating of “A3” or better by Moody’s, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, (d) if not “AAA/Aaa,” “AA/Aa” or “A/A,” then “BBB/Baa,” if the Auction Rate Bonds have a rating of BBB- or better by S&P and a rating of “Baa3” or better by Moody’s, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below, and (e) if not “AAA/Aaa,” “AA/Aa,” “A/A” or “BBB/Baa,” then below “BBB/Baa,” whether or not the Auction Rate Bonds are rated by any securities rating agency.

If (x) the Auction Rate Bonds, are rated by a rating agency or agencies other than Moody’s or S&P and (y) the Company has delivered on behalf of the Authority to the Trustee and the Auction Agent an instrument designating one or two of such rating agencies to replace Moody’s or S&P, or both, then for purposes of the definition of “prevailing rating” Moody’s or S&P, or both, will be deemed to have been replaced in accordance with such instrument; provided, however, that such instrument must be accompanied by the consent of the applicable Market Agent. For purposes of this definition, S&P’s rating categories of “AAA,” “AA-,” “A-” and “BBB-,” and Moody’s rating categories of “Aaa,” “Aa3,” “A3” and “Baa3,” refer to and include the respective rating categories correlative thereto in the event that either or both of such

rating agencies have changed or modified their generic rating categories. If the prevailing ratings for the Bonds are split between the categories set forth above, the lower rating will determine the prevailing rating.

“Auction” shall mean each periodic implementation of the Auction Procedures for Auction Rate Bonds.

“Auction Agency Agreement” shall mean the Auction Agency Agreement to be entered into between the Company and the Auction Agent with respect to the Auction Rate Bonds, as from time to time amended and supplemented.

“Auction Agent” shall mean any entity appointed as such pursuant to Section 11.21 and its successors and assigns.

“Auction Date” shall mean with respect to each Auction Period, the last Thursday of the immediately preceding Auction Period (or such other day that the applicable Market Agent shall establish as the Auction Date therefor pursuant to Section 3.05); provided, that if such day is not a Business Day, the Auction Date shall be the next succeeding Business Day.

“Auction Period” shall mean for any subseries of Bonds after a Change in the Interest Rate Mode to an Auction Rate, until the effective date of a Change in the Interest Rate Mode or the Stated Maturity, each period from and including the last Interest Payment Date for the immediately preceding Auction Period or Calculation Period, as the case may be, to and including the next succeeding Auction Date or, in the event of a Change in the Interest Rate Mode, to but excluding the effective date of such change, provided, if any day that would be the last day of any such period does not immediately precede a Business Day, such period shall end on the next day which immediately precedes a Business Day.

“Auction Procedures” shall mean with respect to the Auction Rate Bonds the procedures set forth in Sections 3.03 through 3.10.

“Auction Rate” shall mean with respect to Auction Rate Bonds and each Auction Period for such Auction Rate Bonds (other than an initial Auction Period after a Change in the Interest Rate Mode to an Auction Rate Period), the rate of interest per annum determined for the Bonds pursuant to Article III.

“Auction Rate Bonds” shall mean with respect to an Auction Rate Period, any Bonds or subseries of Bonds which bear interest at the Auction Rate.

“Auction Rate Bonds Period Record Date” shall mean, with respect to each Interest Payment Date during an Auction Rate Period, the Business Day immediately preceding such Interest Payment Date.

“Auction Rate Period” shall mean any period during which the Auction Rate Bonds bear interest at an Auction Rate determined pursuant to the implementation of Auction Procedures established under Article III, which period shall commence on the effective date of a Change in the Interest Rate Mode to an Auction Rate and shall extend through the day

immediately preceding the earlier of (a) the effective date of a Change in the Interest Rate Mode or (b) the Stated Maturity.

“Authority” shall mean New York State Energy Research and Development Authority, the public benefit corporation created by the Act, and its successors and assigns.

“Authorized Company Representative” shall mean any officer or other employee of the Company at the time designated to act on behalf of the Company by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Company by its Chairman, President or a Vice President and its Secretary or an Assistant Secretary.

“Authorized Officer” shall mean the Chair, Vice-Chair, President, Vice President, Treasurer, Assistant Treasurer or Secretary of the Authority.

“Available Auction Rate Bonds” shall mean with respect to the Auction Rate Bonds, Available Auction Rate Bonds as defined in Section 3.08.

“Bid” shall mean with respect to the Auction Rate Bonds, Bid as defined in Section 3.06.

“Bidder” shall mean with respect to the Auction Rate Bonds, Bidder as defined in Section 3.06.

“BMA Index” shall mean, as of any date of determination, The Bond Market Association Municipal Swap Index that is most recently released by Municipal Market Data to its subscribers prior to such date of determination; provided, however, that if the BMA Index is unavailable for a period of over twenty-one (21) days preceding such date of determination, references to the BMA Index shall be replaced by the After-Tax Equivalent Rate.

“Bond Counsel” shall mean an attorney or firm or firms of attorneys, satisfactory to the Authority, nationally recognized and experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

“Bond Fund” shall mean the special trust fund of the Authority designated as “Consolidated Edison Company of New York, Inc. Project Bond Fund” created and established under, and to be held and administered by the Trustee as provided in, Section 9.01 and, unless the context shall clearly indicate otherwise, shall include the “Interest Account,” the “Principal Account,” the “Redemption Account” and the “Acceleration Account” created and established therein.

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement, dated November __, 2010, among the Authority, the Company and the underwriters named therein.

“Bond Purchase Fund” shall mean the Bond Purchase Fund established pursuant to the Bond Purchase Trust Agreement.

“Bond Purchase Trust Agreement” shall mean the Bond Purchase Trust Agreement dated as of the date hereof between the Authority and the Registrar and Paying Agent, as from time to time amended or supplemented.

“Bond Year” shall have the meaning set forth in the Tax Regulatory Agreement.

“Bondholder”, “Holder of a Bond” or “Holder” shall mean any registered owner of a Bond.

“Bonds” shall mean, the “Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project)” issued as authorized in Section 2.02 at any time Outstanding.

“Broker-Dealer” shall mean any broker-dealer (as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures (i) that is an Agent Member (or an affiliate of an Agent Member), (ii) that has been selected by the Auction Agent and the Company with the consent of the Authority, and (iii) that has entered into a Broker-Dealer Agreement with the Auction Agent and the Company that remains effective.

“Broker-Dealer Agreement” shall mean each agreement applicable to the Auction Rate Bonds, between a Broker-Dealer, the Company and the Auction Agent pursuant to which the Broker-Dealer, among other things, agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended and supplemented.

“Business Day” shall mean any day other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which is located the principal corporate trust office of the Trustee or the office of an issuer of a Support Facility at which demands for a draw on, or borrowing or payment under, the Support Facility will be made.

“Calculation Period” shall mean (a) during any Commercial Paper Rate Period, following a Change in the Interest Rate Mode to a Commercial Paper Rate Period, the period from and including the effective date of the Change in the Interest Rate Mode to a Commercial Paper Rate Period to but not including any day not more than 270 days thereafter which is a day immediately preceding a Business Day established by the applicable Remarketing Agent pursuant to Section 3.02 and, thereafter, any Calculation Period established by the Remarketing Agent pursuant to Section 3.02 which shall end on a day not later than 270 days from the commencement thereof; (b) during any Daily Rate Period, the period from and including a Business Day to but not including the next succeeding Business Day; (c) during any Weekly Rate Period, following a Change in the Interest Rate Mode to a Weekly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to and including the following Tuesday, and, thereafter, the period from and including Wednesday of each week to and including the following Tuesday; (d) during any Monthly Rate Period, following a Change in the Interest Rate Mode to a Monthly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to but excluding the first Business Day of the following month, and thereafter, each period from and including the first Business Day of the month to but

excluding the first Business Day of the following month; (e) during any Semi-annual Rate Period, following a Change in the Interest Rate Mode to a Semi-annual Rate, the period from and including the effective date of the Change in the Interest Rate Mode to but excluding the next succeeding Interest Payment Date and, thereafter, each period from and including the day following the end of the last Calculation Period to but excluding the next succeeding Interest Payment Date; (f) during the Initial Term Rate Period, the period from and including the Closing Date to and including October 31, 2012 and during any other Term Rate Period, any period of not less than 365 days from and including the effective date of the Change in the Interest Rate Mode to a Term Rate to and including any day (established by the Authority at the request of the Company pursuant to Section 4.01.1) not later than the day prior to the Stated Maturity; and (g) during any Fixed Rate Period following a Change in the Interest Rate Mode to a Fixed Rate, the period from and including the effective date of the Change in the Interest Rate Mode through the day immediately preceding the Stated Maturity.

“Change in the Interest Rate Mode” shall mean any change in the type of interest rate borne by the Bonds or a subseries of the Bonds pursuant to Section 4.01 or Section 4.02. A change in the Interest Rate Mode shall be deemed to occur on the day following the last day of a Calculation Period applicable to a Term Rate, whether or not the succeeding Calculation Period is a Term Rate Period.

“Change of Preference Law” shall mean any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date hereof which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any Federal tax with respect to, or (b) imposes, or would impose, reduces or would reduce, or increases or would increase any Federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from Federal gross income under Section 103 of the Code.

“Closing Date” shall mean the date on which the Note becomes legally effective, the same being the date on which the Bonds are paid for by and delivered to the original purchasers thereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. Each reference to a Section of the Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applied to the Bonds or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Commercial Paper Dealers” means the commercial paper dealers specified by the Authority at the request of the Company at the time of any Change in the Interest Rate Mode to an Auction Rate or their respective affiliates or successors, provided that any such entity is a commercial paper dealer.

“Commercial Paper Period Record Date” shall mean, with respect to each Interest Payment Date during a Commercial Paper Rate Period, the Business Day next preceding such Interest Payment Date.

“Commercial Paper Rate” shall mean with respect to each Calculation Period during a Commercial Paper Rate Period, a rate or rates of interest equal to the rate or rates of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate or rates of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such day to remarket the applicable Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate or rates of interest shall not exceed the lesser of 110% of the Commercial Paper Rate Index on and as of such date and the Maximum Allowed Rate.

“Commercial Paper Rate Index” shall mean with respect to the Determination Date of each Calculation Period during a Commercial Paper Rate Period, the average of yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued) all of which shall have a term as near as practicable to such Calculation Period or which are subject to optional or mandatory tender by the owner thereof at the end of a term as near as practicable to such Calculation Period, the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper Rating Category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper Rating Category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a Rating Category that is lower than its highest note or commercial paper Rating Category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper Rating Category which is the same or correlative, in the Indexing Agent’s judgment, to the note or commercial paper Rating Category or the long-term debt Rating Category of the Bonds or (b) have outstanding securities rated by a Rating Agency in the same long-term debt Rating Category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Commercial Paper Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

“Commercial Paper Rate Period” shall mean any period during which the Bonds bear interest at a Commercial Paper Rate or Rates, which period shall commence on the effective date of a Change in the Interest Rate Mode to a Commercial Paper Rate or Rates, as the case may be, and extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode or (b) the Stated Maturity.

“Commercial Paper/Treasury Rate” on any date of determination shall mean with respect to Auction Rate Bonds (i) in the case of any Auction Period of less than forty-nine (49) days, the interest equivalent of the 30-day rate, (ii) in the case of any Auction Period of forty-nine (49) days or more but less than seventy (70) days, the interest equivalent of the 60-day rate, (iii) in the case of any Auction Period of seventy (70) days or more but less than eighty-five (85) days, the arithmetic average of the interest equivalent of the 60-day and 90-day rates, (iv) in the case of any Auction Period of 85 days or more but less than ninety-nine (99) days, the interest equivalent of the 90-day rate, (v) in the case of any Auction Period of ninety-nine (99) days or more but less than 120 days, the arithmetic average of the interest equivalent of the 90-day and 120-day rates, (vi) in the case of any Auction Period of 120 days or more but less than 141 days, the interest equivalent of the 120-day rate, (vii) in the case of any Auction Period of 141 days or more but less than 162 days, the arithmetic average of the interest equivalent of the 120-day and 180-day rates, (viii) in the case of any Auction Period of 162 days or more but less than 183 days, the interest equivalent of the 180-day rate, and (ix) in the case of any Auction Period of 183 days or more, the Treasury Rate for such Auction Period. The foregoing rates shall in all cases, except with respect to the Treasury Rate, be rates on commercial paper placed on behalf of issuers whose corporate bonds are rated “AA” by S&P, or the equivalent of such rating by Moody’s, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or in the event that the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers, to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination.

If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Commercial Paper/Treasury Rate, the Commercial Paper/Treasury Rate shall be determined on the basis of a commercial paper quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers selected by the Authority at the request of the Company to provide such quotation or quotations not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Authority does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “discount rate”) for commercial paper of a given day’s maturity shall be equal to the product of (A) 100 times (B) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 360. In no event shall the Commercial Paper/Treasury Rate be greater than the lesser of 15% or the maximum rate permitted by applicable law.

“Commission” shall mean the Securities and Exchange Commission.

“Company” shall mean Consolidated Edison Company of New York, Inc., and any surviving, resulting or transferee corporation as provided in Section 5.18 of the Participation Agreement.

“Company Account” shall mean the account created pursuant to Section 2.01(a) of the Bond Purchase Trust Agreement.

“Component Issuers” shall mean issuers of securities, the interest on which is excluded from gross income for Federal income tax purposes, selected by the Indexing Agent.

“Computation Date” shall mean each date which is one (1) Business Day prior to any Determination Date.

“Computation Period” shall have the meaning set forth in the Tax Regulatory Agreement.

“Credit Facility” shall mean any Support Facility which provides for the payments referred to in clause (ii) of the definition thereof.

“Credit Facility Issuer” shall mean any bank or banks or other financial institution or institutions, having issued any Credit Facility.

“Current Adjustable Rate” shall mean the interest rate borne by Bonds immediately prior to a Change in the Interest Rate Mode.

“Daily Period Record Date” shall mean, with respect to each Interest Payment Date during a Daily Rate Period, the Business Day next preceding such Interest Payment Date.

“Daily Rate” shall mean with respect to each Calculation Period during a Daily Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such day to remarket the applicable Bonds in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon; provided that such rate of interest shall not exceed the lesser of 110% of the Daily Rate Index on and as of such day and the Maximum Allowed Rate.

“Daily Rate Index” shall mean with respect to the Determination Date of each Calculation Period during a Daily Rate Period, the average of one-day yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent and which have redemption or tender provisions comparable to the then applicable provisions of the Bonds, computed by the Indexing Agent on and as of the Determination Date. If the Bonds are rated by a Rating Agency, each Component Issuer must have outstanding securities rated by a Rating Agency in a short-term debt Rating Category which is the same as the short-term debt Rating Category in which the Bonds are rated. The specific issuers included in the Component Issuers may be changed from time to time by the Indexing Agent in its discretion and shall be issuers whose securities, in the judgment of the Indexing Agent, have characteristics similar to the Bonds. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of

the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Daily Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

“Daily Rate Period” shall mean any period during which Bonds bear interest at a Daily Rate which period shall commence on the effective date of the Change in the Interest Rate Mode to a Daily Rate and shall extend through the earlier of (a) the day immediately preceding the effective date of a Change in the Interest Rate Mode or (b) the Stated Maturity.

“Determination Date” shall mean, for any Calculation Period, the first Business Day occurring during such Calculation Period.

“Direct-Pay Credit Facility” shall mean any Credit Facility which by its terms permits the Trustee to draw moneys thereunder for deposit in the Bond Fund.

“Event of Default” shall mean Event of Default as defined in Section 12.01.

“Existing Holder” shall mean with respect to Auction Rate Bonds a person that is listed as the beneficial owner of Auction Rate Bonds in the records of the Auction Agent.

“Fiscal Year” shall mean the fiscal year of the Company as established from time to time by the Company which as of the Closing Date is the twelve-month period commencing on January 1 of each calendar year and ending on December 31 of the next calendar year.

“Fitch” shall mean Fitch Ratings and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or shall be replaced by some other nationally recognized rating agency by the Authority at the request of the Company, “Fitch” shall be deemed to refer to such other nationally recognized rating agency designated by the Authority at the request of the Company.

“Fixed Rate” shall mean, with respect to a Fixed Rate Period, the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such date to remarket the applicable Bonds in a secondary market transaction at a price equal to 100% of the Outstanding principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Fixed Rate Index on and as of such date and 18% per annum.

“Fixed Rate Conversion Date” shall have the meaning set forth in Section 4.02.

“Fixed Rate Index” shall mean with respect to a Fixed Rate Conversion Date, the average of the yield evaluations (on the basis of full coupon securities trading at par with a term approximately equal to the Fixed Rate Period) of securities (whether or not actually issued), the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent and which have a long-term rating by a Rating Agency in the same Rating Category as the Bonds are rated at the time by such

Rating Agency or, if no such bonds are so rated, shall be debt which, in the judgment of the Indexing Agent, is of credit quality comparable to that of the Bonds, computed by the Indexing Agent on and as of the Fixed Rate Conversion Date. In the event that the Indexing Agent fails to compute the Fixed Rate Index and no other qualified municipal securities evaluation service can be appointed Indexing Agent by the Authority, the Fixed Rate Index shall be determined by the applicable Remarketing Agent and shall be 90% of the average yield shown for the most recent calendar month for United States Treasury notes or bonds having the same number of years to maturity as the number of 12-month periods (or months if the Fixed Rate Period is less than one year) in the Fixed Rate Period, as published in the Federal Reserve Bulletin in the last issue before the Fixed Rate Conversion Date. If that issue does not contain such a yield, the Fixed Rate Index will be determined by linear interpolation between the yields shown in that issue for United States Treasury notes and bonds having the next shorter and next longer number of years (or months) to maturity. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Fixed Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

“Fixed Rate Period” shall mean any period during which Bonds bear interest at a Fixed Rate, which period shall commence on the effective date of a Change in the Interest Rate Mode to a Fixed Rate, and shall extend through the day immediately preceding the Stated Maturity.

“Fixed Rate Record Date” shall mean, with respect to each Interest Payment Date during a Fixed Rate Period, the fifteenth day of the month next preceding such Interest Payment Date, or, if such day shall not be a Business Day, the next preceding Business Day.

“Fund” shall mean, as applicable, the Bond Fund, the Bond Purchase Fund, the Project Fund, or any other fund referenced herein or established under the terms hereof.

“Governmental Obligations” shall mean any of the following which are non-callable:

(a) direct general obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America; and

(b) bonds, debentures or notes issued by Government National Mortgage Association, Federal Financing Bank, Federal Farm Credit Bank, Federal Land Bank, Federal Home Loan Bank, Farmers Home Administration, Federal Home Mortgage Association or any other comparable Federal agency hereafter created to the extent that said obligations are unconditionally guaranteed by the United States of America.

“Hold Order” shall mean with respect to the Auction Rate Bonds, Hold Order as defined in Section 3.06.

“Indenture” shall mean this Trust Indenture dated as of November 1, 2010 between the Authority and the Trustee, as the same may be amended or supplemented.

“Indexing Agent” shall mean the Indexing Agent appointed in accordance with Section 11.24.

“Initial Term Rate Period” shall mean the Term Rate Period which shall commence on the Closing Date.

“Interest Payment Date” shall mean:

- (a) during each Commercial Paper Rate Period, the Business Day immediately succeeding the last day of any Calculation Period;
- (b) during an Auction Rate Period (i) for an Auction Period of 91 days or less, the Business Day immediately succeeding such Auction Period and (ii) for an Auction Period of more than 91 days, each 13th Thursday after the first day of such Auction Period or the next Business Day if such Thursday is not a Business Day, and the Business Day immediately succeeding the last day of each such Auction Period;
- (c) during each Daily Rate Period, the first Business Day of each month thereof;
- (d) during each Weekly Rate Period, the first Business Day of each month thereof;
- (e) during each Monthly Rate Period, the first Business Day of each month thereof;
- (f) during each Semi-annual Rate Period, (i) the first Business Day of the sixth calendar month following the month in which the first day of such Semi-annual Rate Period occurred, (ii) each anniversary of the date so determined, and (iii) each anniversary of the first day of the first month of such Semi-annual Rate Period;
- (g) during each Term Rate Period (including the Initial Term Rate Period), the November 1 or May 1 next succeeding the first day of a Calculation Period and each November 1 or May 1 thereafter; provided, however, that if the November 1 or May 1 next succeeding the first day of a Calculation Period occurs less than twenty-one (21) days after the first day of such Calculation Period, the first Interest Payment Date shall be the second such date following the first day of such Calculation Period;
- (h) the November 1 or May 1 next succeeding a Fixed Rate Conversion Date and each November 1 or May 1 thereafter; provided, however, that if the November 1 or May 1 next succeeding a Fixed Rate Conversion Date occurs less than twenty-one (21) days after such Fixed Rate Conversion Date, the first Interest Payment Date shall be the second such date following the first day of the Fixed Rate Period;
- (i) a Fixed Rate Conversion Date;

(j) any day on which Bonds are subject to mandatory tender for purchase pursuant to Section 5.02, 5.04, 5.08 or 5.09 or redemption in whole pursuant to Section 5.01, 5.05, 5.06 or 5.07; and

(k) the Stated Maturity;

provided, however, that if any such date determined in any of the foregoing clauses is not a Business Day, the Interest Payment Date shall be the next succeeding day which is a Business Day.

“Investment Securities” shall mean any of the following which at the time are legal investments under the laws of the State of New York for the moneys held hereunder:

(a) Governmental Obligations;

(b) any obligation issued or guaranteed by, or backed by the full faith and credit of, the United States of America (including any certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon);

(c) deposit accounts in, or certificates of deposit issued by, and bankers acceptance of, any bank, trust company or national banking association which is a member of the Federal Reserve System (which may include the Trustee), having capital stock and surplus aggregating not less than \$50,000,000;

(d) deposit accounts in, or certificates of deposit issued by and bankers acceptances of, any bank or trust company having capital stock and surplus aggregating not less than \$50,000,000 and whose obligations are rated not less than “A” or equivalent by Moody’s or S&P;

(e) obligations issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to the authority granted by the Congress of the United States;

(f) commercial paper rated in the highest investment grade or next highest investment grade by Moody’s or S&P;

(g) obligations rated not less than “A” or equivalent by Moody’s or S&P issued or guaranteed by any state of the United States or the District of Columbia, or any political subdivision, agency or instrumentality of any such state or District, or issued by any corporation;

(h) obligations of a public housing authority fully secured by contracts with the United States;

(i) repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or any government bond dealer reporting to, trading with and

recognized as a primary dealer by, the Federal Reserve Bank of New York with respect to any of the foregoing obligations or securities. Any repurchase agreement entered into pursuant to this Indenture shall, by its terms, permit the Trustee to sell the related obligations or securities if the other party to such repurchase agreement shall fail to repurchase promptly such obligation or security on the day required by the repurchase agreement. All such repurchase agreements shall also provide for the delivery of the related obligations or securities to the Trustee or a depository of the Trustee;

(j) money market or bond mutual funds, which funds have a composite investment grade rated not less than “A” or equivalent by Moody’s or S&P;
or

(k) investment agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or any governmental bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which has, or the parent company of which has, long-term debt rated at least “A” or its equivalent by S&P or Moody’s, with respect to any of the obligations or securities specified in (a), (d), (e), (f) and (g) above. Any investment agreement entered into pursuant to this Indenture shall, by its terms provide that (i) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date), and (ii) the investment agreement is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof.

Any such Investment Securities may be held by the Trustee in book entry form, whereby certificated securities are held by an independent custodian and the Trustee is the beneficial owner of all or a portion of such certificated securities.

“Liquidity Facility” shall mean a Support Facility which provides for the payments referred to in clause (i) of the definition thereof.

“Liquidity Facility Issuer” shall mean any bank or banks or other financial institution or institutions, having issued any Liquidity Facility.

“Market Agent” shall mean a firm or group of firms appointed pursuant to Section 11.14 to perform certain duties and obligations hereunder with respect to the Bonds or a subseries of Bonds while such Bonds or subseries are in an Auction Rate Period.

“Market Agent Agreement” shall mean any agreement between the Company and a Market Agent and any similar agreement or agreements entered into among the Company and one or more successor Market Agents, as from time to time amended, pursuant to which the applicable Market Agent undertakes to perform its duties and obligations hereunder while Bonds are in an Auction Rate Period.

“Maximum Allowed Rate” shall mean as of any date the lesser of 15% per annum or the maximum interest rate payable under the Support Facility then in effect, provided, however, that such Maximum Allowed Rate shall not exceed the maximum rate, if any, permitted by applicable law.

“Maximum Auction Rate” shall mean on any date of determination with respect to Auction Rate Bonds, the lesser of the Maximum Allowed Rate and the following: (i) in all cases other than as provided in (ii) or (iii) below, the interest rate per annum equal to the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period and the BMA Index, (ii) with respect to any change in an Auction Period and/or the Standard Auction Period pursuant to Section 3.04, including any automatic reversion to a Standard Auction Period pursuant to Section 3.03, the interest rate per annum equal to the highest of (a) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period, and the BMA Index, (b) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to the Auction Period which is proposed to be established and the BMA Index, and (c) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to the Auction Period in effect immediately prior to such proposed change in the Auction Period and the BMA Index, or (iii) with respect to any Change in the Interest Rate Mode from an Auction Rate pursuant to Section 4.01 or any change from an Auction Rate to a Fixed Rate pursuant to Section 4.02, the interest rate per annum equal to the higher of (a) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period and the BMA Index, and (b) the Applicable Percentage of the higher of the After-Tax Equivalent Rate determined on such date with respect to the Auction Period in effect immediately prior to such proposed change and the BMA Index.

“Monthly Period Record Date” shall mean, with respect to each Interest Payment Date during a Monthly Period, the Business Day next preceding such Interest Payment Date.

“Monthly Rate” shall mean with respect to each Calculation Period during a Monthly Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent, and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such day to remarket the applicable Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Monthly Rate Index on and as of such date and the Maximum Allowed Rate.

“Monthly Rate Index” shall mean with respect to the Determination Date of each Calculation Period during a Monthly Rate Period, the average of 30-day yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper Rating Category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper Rating Category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a

Rating Agency in a Rating Category that is lower than its highest note or commercial paper Rating Category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper Rating Category which is the same or correlative, in the Indexing Agent's judgment, to the note or commercial paper Rating Category or the long-term debt Rating Category of the Bonds or (b) have outstanding securities rated by a Rating Agency in the same long-term debt Rating Category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Monthly Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

"Monthly Rate Period" shall mean any period during which Bonds bear interest at a Monthly Rate which period shall commence with the effective date of the Change in the Interest Rate Mode to a Monthly Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode or (b) the Stated Maturity.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or if Moody's shall be replaced, subject to the definition of "prevailing rating" in the definition of Applicable Percentage, by some other nationally recognized rating agency by the Authority at the request of the Company, "Moody's" shall be deemed to refer to such other nationally recognized rating agency designated by the Authority at the request of the Company.

"Note" shall mean the promissory note of the Company executed by the Company and delivered to the Trustee, to evidence the obligations of the Company to repay the loan to be made by the Authority pursuant to the Participation Agreement.

"Note Payments" shall mean the portion of the Payments required to be made pursuant to Section 4.02 of the Participation Agreement and the Note to be applied to the payment of principal of, premium, if any, and interest on the Bonds.

"Notice of Election to Tender" shall mean the notice given by a Holder of Bonds pursuant to Section 5.03.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Option to Convert" shall mean the Authority's right and option to convert the rate of interest payable on the Bonds from an Adjustable Rate to a Fixed Rate as provided in Section 4.02.

“Order” shall mean with respect to Auction Rate Bonds, an Order as defined in Section 3.06.

“Outstanding”, whether appearing in upper or lower case, when used with respect to any Bond shall mean, as of any date, any Bond theretofore or thereupon being authenticated and delivered pursuant to this Indenture, except:

1. a Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
2. a Bond in lieu of or in substitution for which another Bond shall have been issued under Sections 5.10, 5.11, 7.03 , 7.04 or 7.05; and
3. a Bond or portion thereof deemed to have been paid in accordance with Section 15.01;

provided, however, that with respect to Auction Rate Bonds for the purposes of the Auction Procedures on any Auction Date, Auction Rate Bonds as to which the Company or any person known to the Auction Agent to be an Affiliate of the Company is the Existing Holder thereof shall be disregarded and deemed not to be Outstanding.

“Overdue Rate” shall mean on any date of determination 265% of the higher of the After-Tax Equivalent Rate determined on such date with respect to a Standard Auction Period and the BMA Index on such date of determination; provided that in no event shall the Overdue Rate exceed the Maximum Allowed Rate.

“Participation Agreement” shall mean the Participation Agreement dated as of the date hereof, between the Authority and the Company, as amended and supplemented by Supplemental Participation Agreements from time to time.

“Payments” shall mean collectively the Note Payments and the Additional Payments.

“Payment Default” shall mean the receipt by the Auction Agent of a notice from the Trustee of (i) failure to make payments of principal of and premium, if any, or interest on any subseries of the Bonds when the same shall become due and payable and (ii) the occurrence of a default by the Credit Facility Issuer under the Credit Facility applicable to such subseries of the Bonds.

“Potential Holder” shall mean a person, including any Existing Holder, who may be interested in acquiring a beneficial interest in Auction Rate Bonds in addition to Auction Rate Bonds currently owned by such person, if any.

“Principal Corporate Trust Office” shall mean the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 101 Barclay Street - 21W, New York, New York 10286.

“Project” shall mean any acquisition, purchase, construction, reconstruction, improvement, betterment, extension and equipping, as described in Exhibit A and Exhibit B to the Participation Agreement as the same may be revised from time to time to reflect any changes or substitutions therein, additions thereto, or deletions therefrom permitted by the Participation Agreement.

“Project Fund” shall mean the special trust fund designated as “Consolidated Edison Company of New York, Inc. Series 2010A Project Fund” created and established under, and to be held and administered by the Trustee as provided in, Section 8.01.

“Purchase Price” shall mean the purchase price of Bonds tendered or deemed tendered for purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09, or purchased pursuant to Section 5.02, consisting of the principal amount of such Bonds together with any accrued and unpaid interest plus, in the event Bonds are subject to redemption or tender for purchase pursuant to Section 5.04, any premium which would have been required to be paid as part of the redemption price on any date on which such Bonds are subject to redemption or to tender for purchase if such Bonds were subject to optional redemption pursuant to Section 5.01 on such date. With respect to Bonds tendered for purchase on an Interest Payment Date, Purchase Price shall include any accrued interest on such Bonds which is not otherwise being paid pursuant to Section 9.03(1)(a).

“Rate Index” means the Daily Rate Index, the Fixed Rate Index, the Commercial Paper Rate Index, the Monthly Rate Index, the Semi-annual Rate Index, the Term Rate Index, or the Weekly Rate Index.

“Rating Agency” means Moody’s, if the Bonds are then rated by Moody’s, S&P, if the Bonds are then rated by S&P, and Fitch, if the Bonds are then rated by Fitch.

“Rating Category” shall mean one of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical modifier, plus or minus sign, or otherwise.

“Record Date”, at any time, shall mean each Commercial Paper Period Record Date during a Commercial Paper Rate Period, each Auction Rate Bonds Period Record Date during an Auction Rate Period, each Daily Period Record Date during a Daily Rate Period, each Weekly Period Record Date during a Weekly Rate Period, each Monthly Period Record Date during a Monthly Rate Period, each Semi-annual Period Record Date during a Semi-annual Rate Period, each Term Period Record Date during a Term Rate Period and each Fixed Rate Record Date during a Fixed Rate Period.

“Registrar and Paying Agent” shall mean The Bank of New York Mellon in its separate capacity as Registrar and Paying Agent for the Bonds, or its successors or assigns.

“Remarketing Agent” shall mean the Remarketing Agent or Remarketing Agents, if any, appointed pursuant to Section 11.14, its or their successors or assigns, including without limitation any Market Agent appointed in connection with Auction Rate Bonds.

“Remarketing Agreement” shall mean a remarketing agreement among the Company and the Remarketing Agents to be entered into in connection with the remarketing of the Bonds and any similar agreement or agreements between the Company and one or more successor or subsequent Remarketing Agents, as from time to time amended, including without limitation any Market Agent Agreement, pursuant to which the applicable Remarketing Agent undertakes to perform its duties and obligations hereunder during a period of time specified in such agreement.

“Responsible Officer” shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

“Revenues” shall mean and include all income, revenues and moneys derived by the Authority under the Participation Agreement and the Note (except administrative compensation and indemnification payable under the Participation Agreement), and, without limiting the generality of the foregoing, shall include to the extent provided in this Indenture, earnings on the investment of moneys held under this Indenture and the proceeds of the sale of any such investments. The term “Revenues” shall not include moneys received as proceeds from the sale of the Bonds or any other bonds, notes or evidences of indebtedness or as grants or gifts.

“S&P” shall mean Standard & Poor’s, a division of The McGraw-Hill Companies and its successor or successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency or if S&P shall be replaced, subject to the definition of “prevailing rating” in the definition of Applicable Percentage, by some other nationally recognized rating agency by the Authority at the request of the Company, “S&P” shall be deemed to refer to such other nationally recognized rating agency designated by the Authority at the request of the Company.

“Securities Depository” shall mean The Depository Trust Company and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository pursuant to Section 2.03, then the term shall include any other securities depository, which agrees to follow the procedures required to be followed by a Securities Depository in connection with the Bonds and which is selected by the Authority, with the consent of the Company, the Trustee, the Auction Agent, if any, and the applicable Market Agent or Remarketing Agent pursuant to Section 2.03.

“Securities Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Sell Order” shall mean with respect to Auction Rate Bonds, Sell Order as defined in Section 3.06.

“Semi-annual Period Record Date” shall mean, with respect to each Interest Payment Date during a Semi-annual Rate Period, the fifteenth day of the calendar month next preceding such Interest Payment Date.

“Semi-annual Rate” shall mean with respect to each Calculation Period during a Semi-annual Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such day to remarket the applicable Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Semi-annual Rate Index on and as of such date and the Maximum Allowed Rate.

“Semi-annual Rate Index” shall mean with respect to the Determination Date of each Calculation Period during a Semi-annual Rate Period, the average of six-month yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper Rating Category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper Rating Category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a Rating Category that is lower than its highest note or commercial paper Rating Category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper Rating Category which is the same or correlative, in the Indexing Agent’s judgment, to the note or commercial paper Rating Category or the long-term debt Rating Category of the Bonds or the other debt obligations supported by support facilities issued by the issuer of a Support Facility or (b) have outstanding securities rated by a Rating Agency in the same long-term debt Rating Category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Semi-annual Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

“Semi-annual Rate Period” shall mean any period during which Bonds bear interest at a Semi-annual Rate, which period shall commence on the effective date of a Change in the Interest Rate Mode to a Semi-annual Rate, and shall extend through the day immediately

preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode, or (b) the Stated Maturity.

“Standard Auction Period” shall, initially in any Auction Rate Period, mean an Auction Period of thirty-five (35) days, and after the establishment of a different Standard Auction Period pursuant to Section 3.04, shall mean such different Standard Auction Period.

“State” shall, unless used as a titular reference to a specific state, mean any state of the United States of America.

“Stated Maturity,” with respect to the Bonds shall mean June 1, 2036, provided that, subject to the next sentence, in any case where the date of maturity of, or payment of premium on, interest on, or principal of, the Bonds or the date fixed for redemption of any Bonds shall be on a day other than a Business Day, then payment of interest, principal and premium, if any, need not be made on such date but may be made (without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption. Notwithstanding anything in this Indenture to the contrary, in no event shall the final maturity date of the Bonds extend beyond 35 years from the Closing Date, and the length of any Auction Period shall be reduced at the discretion of the Authority to the extent necessary to ensure compliance with the provisions of this sentence.

“Statutory Corporate Tax Rate” shall mean as of any date of determination the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Code or any successor Section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year, which on the date hereof is .35. Any change in the Statutory Corporate Tax Rate shall be evidenced by a certificate of the Company.

“Submission Deadline” shall mean 1:00 p.m., New York City time, on any Auction Date or such other time on any such Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“Submitted Bid” shall mean with respect to Auction Rate Bonds, Submitted Bid as defined in Section 3.08.

“Submitted Hold Order” shall mean with respect to Auction Rate Bonds, Submitted Hold Order as defined in Section 3.08.

“Submitted Order” shall mean with respect to Auction Rate Bonds, Submitted Order as defined in Section 3.08.

“Submitted Sell Order” shall mean with respect to Auction Rate Bonds, Submitted Sell Order as defined in Section 3.08.

“Substitute Commercial Paper Dealers” shall mean the commercial paper dealers specified by the Authority at the request of the Company at the time of any Change in the Interest Rate Mode to an Auction Rate or their respective affiliates or successors.

“Substitute U.S. Government Securities Dealer” shall mean the dealer or dealers in U.S. government securities specified by the Authority at the request of the Company.

“Sufficient Clearing Bids” shall mean with respect to Auction Rate Bonds, Sufficient Clearing Bids as defined in Section 3.08.

“Supplemental Indenture” shall mean any indenture between the Trustee and the Authority entered into pursuant to and in compliance with the provisions of Article XIV hereof amending or supplementing the provisions of this Indenture as originally executed or as theretofore amended or supplemented.

“Supplemental Participation Agreement” shall mean an agreement supplementing or amending the Participation Agreement entered into pursuant to and in compliance with the provisions of Article XIV.

“Support Facility” shall mean any instrument satisfactory to the Authority entered into or obtained in connection with the Bonds, such as a letter of credit, committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, insurance company, other financial institution or institutions, or any combination of the foregoing which provides for the payment of (i) the Purchase Price on Bonds tendered for purchase pursuant to the provisions hereof and the Bond Purchase Trust Agreement and/or (ii) principal of and interest on all Bonds coming due and payable during the term thereof.

“Support Facility Issuer” shall mean any bank or banks, or other financial institution or institutions which is the issuer of any Support Facility.

“Support Facility Issuer Default” means the occurrence and continuance of one or more of the following events: (a) the failure of the issuer of the Support Facility to pay principal of or interest on the Bonds or the Purchase Price of the Bonds when and to the extent required by a Support Facility; (b) the issuance of an order of liquidation or dissolution of an issuer of the Support Facility; (c) the commencement by an issuer of the Support Facility of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (d) the consent of an issuer of the Support Facility to any relief referred to in the preceding clause (c) in an involuntary case or other proceeding commenced against it; (e) the making by an issuer of the Support Facility of an assignment for the benefit of creditors; (f) the failure of an issuer of the Support Facility to generally pay its debts as they become due; (g) a default by an issuer of the Support Facility under a Support Facility; (h) repudiation of the Support Facility by the issuer of the Support Facility; or (i) the initiation by an issuer of the Support Facility of any actions to authorize any of the foregoing.

“Tax Regulatory Agreement” shall mean the Tax Regulatory Agreement, dated the Closing Date, between the Authority and the Company, and any and all modifications, alterations, amendments and supplements thereto.

“Term Period Record Date” shall mean, with respect to each Interest Payment Date during a Term Rate Period, the fifteenth day of the month next preceding such Interest Payment Date.

“Term Rate” shall mean 1.45% per annum with respect to the Calculation Period which shall commence upon the Closing Date, and with respect to each Calculation Period during any other Term Rate Period, a rate of interest equal to the rate of interest per annum established and certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such day to remarket the applicable Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such rate of interest shall not exceed the lesser of 110% of the Term Rate Index on and as of such date and the Maximum Allowed Rate.

“Term Rate Index” shall mean with respect to the Determination Date of each Calculation Period during a Term Rate Period, other than the Initial Term Rate Period, the average of the yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), having a term approximately equal to the Term Rate Period or which are subject to optional or mandatory tender by the owner thereof at the end of a term approximately equal to the Term Rate Period, the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in one of its two highest long-term debt rating categories, each Component Issuer must have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a Rating Category that is lower than its two highest long-term debt rating categories (and the Bonds are not rated in one of the two highest such categories by the other Rating Agency), each Component Issuer must have outstanding securities rated by a Rating Agency in the same long-term debt Rating Category as the Bonds are rated by that Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Term Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

“Term Rate Period” shall mean any period during which Bonds bear interest at a Term Rate; the first such period shall commence on the Closing Date and shall extend through October 31, 2012.

“Terminating Event” shall mean:

(a) Any event or events under the terms of a Support Facility or any agreement providing for the issuance of such Support Facility which would cause the termination of such Support Facility but would also specifically allow for the mandatory

tender of Bonds pursuant to Section 5.09 with a draw on or borrowing or payment under such Support Facility prior to such termination; or

(b) Receipt by the Trustee of written notice from the financial institution providing any Support Facility following a draw on or borrowing or payment under such Support Facility for payment of interest on the Bonds that the amount so drawn, borrowed or paid has not been reinstated in the amount of such drawing.

“Treasury Rate” on any date, shall mean (i) the yield, calculated in accordance with prevailing industry convention, of the rate on the most recently auctioned direct obligations of the U.S. Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Period, as quoted in *The Wall Street Journal* on such date for the Business Day next preceding such date; or (ii) in the event that any such rate is not published in *The Wall Street Journal*, the bond equivalent yield, calculated in accordance with prevailing industry convention, as calculated by reference to the arithmetic average of the bid price quotations of the most recently auctioned direct obligation of the U.S. Government having a maturity at the time of issuance of 364 days or less with a remaining maturity closest to the length of such Auction Period, based on bid price quotations on such date obtained by the Auction Agent from a U.S. Government Securities Dealer. If any U.S. Government Securities Dealer does not quote a rate required to determine the Treasury Rate, the Treasury Rate shall be determined on the basis of the quotation or quotations furnished by the remaining U.S. Government Securities Dealer or Dealers and any Substitute U.S. Government Securities Dealer or Dealers selected by the Authority at the request of the Company to provide such rate or rates not being supplied by any U.S. Government Securities Dealer or U.S. Government Securities Dealers, as the case may be, or, if the Authority does not select any such Substitute U.S. Government Securities Dealer or Substitute U.S. Government Securities Dealers, by the remaining U.S. Government Securities Dealer or U.S. Government Securities Dealers.

“Trust Estate” shall have the meaning assigned to such term in the first paragraph following the recitals herein.

“Trustee” shall mean the corporation having trust powers appointed by the Authority as Trustee hereunder and serving as such hereunder, and any surviving, resulting or transferee corporation as provided in Section 11.13. References to principal office of the Trustee shall mean the Principal Corporate Trust Office of the Trustee.

“U.S. Government” shall mean the Federal government of the United States of America.

“U.S. Government Securities Dealers” shall mean the Market Agents for any Auction Rate Bonds, or, in lieu of any thereof, their respective affiliates or successors, provided that any such entity is a U.S. Government securities dealer.

“Weekly Period Record Date” shall mean, with respect to each Interest Payment Date during a Weekly Rate Period, the Business Day next preceding such Interest Payment Date.

“Weekly Rate” shall mean with respect to each Calculation Period during a Weekly Rate Period, a rate of interest equal to the rate of interest per annum established and

certified to the Trustee (with a copy to the Authority, the Registrar and Paying Agent and the Company) by a Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate of interest per annum which, in the opinion of such Remarketing Agent, would be necessary on and as of such day to remarket the applicable Bonds in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon; provided that such rate of interest shall not exceed the lesser of 110% of the Weekly Rate Index on and as of such date and the Maximum Allowed Rate.

“Weekly Rate Index” shall mean with respect to the Determination Date of each Calculation Period during a Weekly Rate Period, the average of 30-day yield evaluations at par, determined by the Indexing Agent, of securities (whether or not actually issued), the interest on which is not included in gross income for Federal income tax purposes, of no fewer than ten Component Issuers selected by the Indexing Agent, including issuers of commercial paper, project notes, bond anticipation notes and tax anticipation notes, computed by the Indexing Agent on and as of such day. If the Bonds are rated by a Rating Agency in its highest note or commercial paper Rating Category or one of its two highest long-term debt rating categories, each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its highest note or commercial paper Rating Category or (b) not have outstanding notes or commercial paper rated by a Rating Agency but have outstanding securities rated by a Rating Agency in one of its two highest long-term debt rating categories. If the Bonds are rated by a Rating Agency in a Rating Category that is lower than its highest note or commercial paper Rating Category or its two highest long-term debt rating categories (and the Bonds are not rated in one of such categories by the other Rating Agency), each Component Issuer must (a) have outstanding securities rated by a Rating Agency in its note or commercial paper Rating Category which is the same or correlative, in the Indexing Agent’s judgment, to the note or commercial paper Rating Category or the long-term debt Rating Category of the Bonds or (b) have outstanding securities rated by a Rating Agency in the same long-term debt Rating Category as the Bonds are rated by that Rating Agency and not have any outstanding notes or commercial paper rated by such Rating Agency. The Indexing Agent may change the Component Issuers from time to time in its discretion, subject to the foregoing requirements. In addition, at the request of the Company and upon delivery to the Trustee of an Opinion of Bond Counsel that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for Federal income tax purposes, the Authority, with the consent of the Company, may designate a new method of setting the Weekly Rate Index in the event any of the above-described methods are determined by the Authority to be unavailable, impracticable or unrealistic in the market place.

“Weekly Rate Period” shall mean any period during which the Bonds bear interest at a Weekly Rate, which period shall commence with the effective date of the Change in the Interest Rate Mode to a Weekly Rate and shall extend through the day immediately preceding the earlier of (a) the effective date of another Change in the Interest Rate Mode or (b) the Stated Maturity.

“Winning Bid Rate” shall mean with respect to Auction Rate Bonds, Winning Bid Rate as defined in Section 3.08.

Section 1.02. Definitions of General Terms. Whenever in this Indenture any governmental unit including the Authority or any official, officer, director or department of a governmental unit, is defined or referred to, such definition or reference shall be deemed to include the governmental unit or official, officer, board, agency, commission, body or department succeeding to or in whom or in which is vested, the functions, rights, powers, duties and obligations of such governmental unit, official, officer, director or department, as the case may be, encompassed by this Indenture.

Unless the context shall clearly indicate otherwise or may otherwise require, in this Indenture words importing persons include firms, partnerships, associations, corporations (public and private), public bodies and natural persons, and also include executors, administrators, trustees, receivers or other representatives.

Unless the context shall clearly indicate otherwise or may otherwise require computation on other than an annual basis, in this Indenture whenever any interest rate or rate of interest is defined or referred to, such rate shall be a rate per annum.

Unless the context shall clearly indicate otherwise or may otherwise require, in this Indenture: (i) references to articles, sections and other subdivisions, whether by number or letter or otherwise, are to the respective or corresponding articles, sections and subdivisions of this Indenture, as such articles, sections or subdivisions may be amended from time to time; (ii) the terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms, refer to this Indenture and to this Indenture as a whole and not to any particular article, Section or subdivision hereof; and (iii) the word “heretofore” means before the time of effectiveness of this Indenture; and the word “hereafter” means after the time of effectiveness of this Indenture.

ARTICLE II

AUTHORIZATION OF BONDS

Section 2.01. Limitation on Issuance of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with the provisions of this Article.

Section 2.02. Authorization of Bonds. 1. There is hereby created and established under this Indenture one issue of revenue bonds of the Authority, limited to \$224,600,000 in aggregate principal amount, of "Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project)". In order to distinguish between Bonds which are subject to different interest rate determination methods and other features and to distinguish the portion of the Bonds to be offered or remarketed by any particular Remarketing Agent, the Bonds may be designated and redesignated from time to time by the Authority in such a way as to identify one or more subseries of the Bonds. Such subseries may be designated as subseries A-1, subseries A-2, or subseries A-3, as the case may be, or may be further redesignated as subseries A-1-1, subseries A-2-1, or subseries A-3-1, as the case may be, and so forth. Each Bond shall bear upon the face thereof such designation or redesignation, if any. In the event any series of Bonds is designated as one or more subseries, all references to a series of the Bonds in this Indenture shall refer to each such subseries unless the context otherwise requires.

2. The Bonds shall be secured by the Trust Estate. The lien, pledge, charge and assignment of the Trust Estate created hereby shall be valid and binding from the time of the effectiveness of this Indenture, as set forth in Section 17.11, and the Note Payments made under the Note and the Participation Agreement shall be immediately subject thereto upon receipt by the Trustee.

3. The Bonds are limited obligations of the Authority payable solely from payments to be made by the Company pursuant to the Note and the Participation Agreement and the other moneys, rights and properties pledged hereunder including the proceeds of the Support Facility, if any, hereafter obtained with respect thereto and secured by a pledge from the Authority to the Trustee of the Participation Agreement and the Note. The Bonds shall not be a debt of the State of New York, and the State of New York shall not be liable thereon.

4. The covenants and agreements herein set forth to be performed by the Authority shall be for the benefit, security and protection of any Holder of the Bonds.

5. Neither the Trustee nor any Holder of the Bonds shall be required to see that the moneys derived from such Bonds are applied to the purpose or purposes for which such Bonds are issued.

6. The Bonds shall be issued under this Indenture for the purpose of paying a portion of the redemption price of the Prior Bonds.

7. The Bonds bearing a Commercial Paper Rate, a Daily Rate, a Weekly Rate or a Monthly Rate shall be fully registered Bonds in the denomination of \$100,000 or any integral multiple thereof. The Bonds bearing an Auction Rate shall be fully registered Bonds in

the denomination of \$25,000 or any integral multiple thereof. The Bonds bearing a Semi-annual Rate, a Term Rate or a Fixed Rate shall be fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof.

8. The Bonds shall be numbered consecutively from “2010A- [insert “1, 2 or 3”, as appropriate]-1” upwards as issued, or as otherwise provided by the Registrar and Paying Agent. If the Bonds are redesignated to identify one or more additional subseries, the Bonds shall be numbered in accordance with their subseries designation. The Bonds shall mature on the Stated Maturity.

9. The Bonds shall be initially issued in fully registered form, without coupons, and dated their date of first authentication and delivery.

10. Upon any partial Change in the Interest Rate Mode for the Bonds from an Auction Rate for an Auction Rate Period, there shall be Outstanding an aggregate principal amount of not less than \$10,000,000 of Auction Rate Bonds for any remaining subseries of Bonds subject to an Auction Rate and in the applicable denominations set forth in Section 2.02.7.

Section 2.03. Global Form; Securities Depository. 1. Except as otherwise provided in this Section 2.03, the Bonds in the form of one separate global bond for each subseries shall be registered in the name of the Securities Depository or its nominee and ownership thereof shall be maintained in book entry form by the Securities Depository for the account of the Agent Members thereof.

Except as provided in subsections (3) and (4) of this Section 2.03, the Bonds of any subseries may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected or approved by the Authority, with the consent of the Company, the Trustee, the Auction Agent, if any, and the applicable Remarketing Agent for such subseries, or to a nominee of such successor Securities Depository. Each global certificate for the Bonds shall bear a legend substantially to the following effect: “Except as otherwise provided in Section 2.03 of the Indenture, this global bond may be transferred, in whole but not in part, only to the Securities Depository as defined in the Indenture or a nominee of the Securities Depository or to a successor Securities Depository or to a nominee of a successor Securities Depository.”

2. The Authority, the Company, the Trustee, the Registrar and Paying Agent, the Auction Agent, if any, and the applicable Remarketing Agent shall have no responsibility or obligation with respect to:

- (a) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Bonds;
- (b) the delivery to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository or its nominee as registered owner, of any notice with respect to the Bonds;

(c) the payment to any Agent Member, beneficial owner of the Bonds or other person, other than the Securities Depository or its nominee as registered owner, of any amount with respect to the principal or premium, if any, or interest on the Bonds;

(d) its acceptance of any consent given by the Securities Depository or other action taken by the Securities Depository as registered owner; or

(e) the selection by the Securities Depository or any Agent Members of any beneficial owners to receive payment in the event of a partial redemption of Bonds, except for the Trustee's obligations under Section 5.12.

So long as the certificates for the Bonds of any subseries issued under the Indenture are not issued pursuant to subsection (4) of this Section 2.03, the Authority, the Company, the Trustee, the Auction Agent, if any, the applicable Remarketing Agent and the Registrar and Paying Agent may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such series or subseries of Bonds for all purposes whatsoever, including without limitation:

(a) the payment of principal and premium, if any, and interest on such series or subseries of the Bonds;

(b) giving notices of redemption and other matters with respect to such series or subseries of the Bonds; and

(c) registering transfers with respect to such series or subseries of the Bonds.

Payment by the Trustee of principal or redemption price, if any, of and premium, if any, and interest on such Bonds to or upon the order of the Securities Depository or its nominee during any period when it is the registered owner of such Bonds shall be valid and effective to satisfy and discharge fully the Authority's obligation with respect to the amounts so paid.

3. (a) The Authority may discontinue the use of a Securities Depository for the Bonds at the time of a Change in the Interest Rate Mode.

(b) Registered ownership of the Bonds may be transferred on the registration books of the Authority maintained by the Registrar and Paying Agent and the Bonds may be delivered in physical form to the following: (i) any successor Securities Depository or its nominee; or (ii) any person, upon (A) the resignation of the Securities Depository or (B) the termination by the Authority of the use of the Securities Depository from its functions as depository as set forth in this section, or (C) upon any Change in the Interest Rate Mode to any Adjustable Rate other than an Auction Rate.

(c) Upon any Change in the Interest Rate Mode to an Auction Rate, the Registrar and Paying Agent shall register the Auction Rate Bonds in the name of the Securities Depository or its nominee and on the effective date of such change provide the Company with a list of the Existing Holders of the Auction Rate Bonds.

4. If at any time the Securities Depository notifies the Authority and the Company that it is unwilling or unable to continue as Securities Depository with respect to the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Securities Depository is not appointed by the Authority with the consent of the Company, the Trustee, the Auction Agent, if any, and the applicable Remarketing Agent, within ninety (90) days after the Authority and the Company receive notice or become aware of such condition, as the case may be, this Section shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds of such series or subseries as provided below. In addition, the Authority may determine at any time, at the request of the applicable Remarketing Agent, that the Bonds shall no longer be represented by global bonds and that the provisions of subsections (1) and (2) above shall no longer apply to such series or subseries of Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds of such series or subseries as provided below. Certificates for the Bonds of any series or subseries issued in exchange for a global bond pursuant to this subsection shall be registered in such names in authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such certificates representing the Bonds of such series or subseries to the persons in whose names such Bonds are so registered on the Business Day immediately preceding the first day of an Auction Period (with respect to Auction Rate Bonds during any Auction Rate Period), or the effective date of a Change in the Interest Rate Mode (with respect to any other Change in the Interest Rate Mode), as the case may be.

5. The Authority and the Trustee are hereby authorized to enter into any arrangements determined necessary or desirable with any Securities Depository in order to effectuate this Section and both of them shall act in accordance with this Indenture and any such agreement. Without limiting the generality of the foregoing, any such arrangements may alter the manner of effecting delivery of Bonds and the transfer of funds for the payment of Bonds to the Securities Depository.

Section 2.04. Limitations on Transfer. So long as the ownership of any Auction Rate Bonds is maintained in book-entry form by the Securities Depository, a beneficial owner or an Existing Holder may sell, transfer or otherwise dispose of Auction Rate Bonds only pursuant to a Bid or Sell Order placed in an Auction or to a Broker-Dealer, provided, however, that (a) sale, transfer or other disposition of Auction Rate Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Auction Rate Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.04 if such Broker-Dealer remains the Existing Holder of the Auction Rate Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition and (b) in the case of all transfers other than pursuant to Auctions such Broker-Dealer to whom such transfer is made shall advise the Auction Agent of such transfer.

Section 2.05. Application of Bond Proceeds. The proceeds of sale of the Bonds shall be deposited with the Trustee for deposit in the Project Fund to be paid out in accordance with Section 8.01.

Section 2.06. Delivery of the Bonds. The Bonds shall be executed by the Authority substantially in the form prescribed by Section 16.01 and in the manner herein set forth and shall be deposited with the Trustee for authentication, but before the Bonds shall initially be delivered by the Trustee, there shall be filed with the Trustee the following:

(a) an order executed by an Authorized Officer directing the authentication and delivery of the Bonds to or upon the order of the Securities Depository or its nominee, upon payment to the Trustee of the purchase price therein set forth;

(b) a fully executed counterpart of this Indenture;

(c) a fully executed counterpart of the Participation Agreement;

(d) a fully executed counterpart of the Bond Purchase Trust Agreement;

(e) the fully executed Note;

(f) a fully executed counterpart of the Tax Regulatory Agreement;

(g) an opinion of counsel to the Company, addressed to the Underwriters (as defined in the Bond Purchase Agreement), with reliance letter addressed to the Authority, the Trustee, substantially to the effect, and dated as, required by Section 8(d)(15)(ii) of the Bond Purchase Agreement; and

(h) an opinion of Bond Counsel to the Authority and the Trustee (i) as to the validity of the Bonds and (ii) that all conditions precedent to the issuance of the Bonds have been met.

When the documents mentioned in clauses (a) to (i), inclusive, of this Section shall have been filed with the Trustee, and when the Bonds shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver the Bonds to the Securities Depository, but only upon payment to the Trustee of the purchase price of the Bonds specified in said order.

ARTICLE III

INTEREST ON BONDS

Section 3.01. Interest on Bonds – General. 1. Interest accruing on Bonds bearing interest at a Commercial Paper Rate, a Daily Rate, a Weekly Rate, a Monthly Rate or a Semi-annual Rate, shall be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. Interest accruing on Bonds bearing interest at a Term Rate or a Fixed Rate shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty (30) day months. Interest accruing on Bonds bearing interest at an Auction Rate during an Auction Period of 180 days or less shall be computed on the basis of a 360-day year for the number of days actually elapsed. Interest accruing on Bonds bearing interest at an Auction Rate during an Auction Period of over 180 days shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty (30) day months. Bonds shall bear interest from the date of issuance thereof payable in arrears on each Interest Payment Date. The Bonds issued upon registration of transfers or exchanges of Bonds shall bear interest from the Interest Payment Date next preceding their date of authentication, unless the date of authentication is an Interest Payment Date in which case such Bonds shall bear interest from such date, or unless the date of authentication is after the Record Date next preceding the next succeeding Interest Payment Date, in which case such Bonds shall bear interest from such next succeeding Interest Payment Date.

2. The Bonds shall initially bear interest at a Term Rate, for a Calculation Period in excess of 13 months, during a Term Rate Period. The Bonds shall bear interest at 1.45% per annum for the period from and including the Closing Date to and including October 31, 2012. From and after any Change in the Interest Rate Mode pursuant to Section 4.01 or 4.02, the Bonds with respect to which such change is effective shall bear interest determined in accordance with the provisions of this Indenture pertaining to the new Adjustable Rate or the Fixed Rate, as the case may be. Bonds shall bear interest for each Calculation Period, Auction Period or Fixed Rate Period, as the case may be, at the rate of interest per annum for such Calculation Period, Auction Period or Fixed Rate Period established in accordance with this Indenture. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his or her address as it appears on the registration books kept by the Registrar and Paying Agent pursuant to the Indenture at the close of business on the applicable Record Date; provided, that (i) while the Securities Depository is the registered owner of the Bonds, all payments of principal of, premium, if any, and interest on the Bonds shall be paid to the Securities Depository or its nominee by wire transfer, (ii) prior to and including a Fixed Rate Conversion Date, interest on the Bonds shall be payable to any registered owner of at least one million dollars (\$1,000,000) in aggregate principal amount of Bonds by wire transfer, upon written notice received by the Registrar and Paying Agent at least five (5) days prior to the applicable Record Date, from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) during a Commercial Paper Rate Period, interest shall be payable on the Bonds only upon presentation and surrender thereof to the Registrar and Paying Agent upon purchase thereof pursuant to Section 5.03 and if such presentation and surrender is made by 2:00 p.m. (New York City time) such payment shall be by wire transfer. If and to the extent that there shall be a default in the payment of the interest due on any Interest Payment Date, such interest

shall cease to be payable to the person in whose name each Bond of such series was registered on such applicable Record Date and shall be payable, when and if paid to the person in whose name each Bond of such series is registered at the close of business on the record date fixed therefor by the Trustee, which shall be the fifth Business Day next preceding the date of the proposed payment. Except as provided above, payment of the principal of and premium, if any, on all Bonds shall be made upon the presentation and surrender of such Bonds at the principal office of the Registrar and Paying Agent as the same shall become due and payable. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

3. Not less than one Business Day prior to each Computation Date and two (2) Business Days prior to a Fixed Rate Conversion Date, the Indexing Agent shall establish and provide to the applicable Remarketing Agent the related Rate Index as set forth in the definition of such Rate Index in Section 1.01; provided that, for each Calculation Period during a Daily Rate Period, the Indexing Agent shall establish and provide the related Rate Index to the applicable Remarketing Agent on each Determination Date; and provided further that, for each Calculation Period during a Monthly Rate Period, the Indexing Agent shall establish and provide the related Rate Index to the applicable Remarketing Agent not later than each Computation Date. Notwithstanding the foregoing, in the event that the applicable Remarketing Agent, in its sole judgment, shall determine on a Determination Date that any Daily Rate Index, Weekly Rate Index or any Commercial Paper Rate Index so established is sufficiently non-representative of current market conditions that the Bonds may not be remarketed at par if such rate is set at a rate not greater than 110% of the applicable Rate Index, the applicable Remarketing Agent may establish a new Rate Index on a Determination Date in accordance with the procedures and standards described in the definition of such Rate Index and for purposes of such Rate Index so established, all references to Indexing Agent in this Indenture shall be deemed to refer to the applicable Remarketing Agent. On any date when any Weekly Rate Index or any Commercial Paper Rate Index is established by a Remarketing Agent pursuant to this paragraph, such Rate Index shall have the respective meaning set forth in Section 1.01 (except as otherwise provided in the preceding sentence); provided that for any Commercial Paper Rate Index, the applicable Remarketing Agent shall select securities (whether or not actually issued) having a term approximately equal to the applicable Commercial Paper Rate Period or which are subject to optional or mandatory tender by the owner thereof at the end of a term approximately equal to (or as close thereto as is practicably available) the applicable Commercial Paper Rate Period. The foregoing to the contrary notwithstanding, no Rate Index shall be established for the Calculation Period commencing on the Closing Date.

4. By 12:00 noon (New York City time) on each Determination Date or by 3:00 p.m. (New York City time) on each Auction Date, as the case may be, the applicable Remarketing Agent or the Auction Agent, as the case may be, shall make available to the Authority, the Trustee, the Registrar and Paying Agent, any issuer of a Support Facility, the Company, any Broker-Dealer or any registered owner of a Bond the interest rate or rates determined on such Determination Date or Auction Date.

5. If for any reason on any Determination Date other than the Determination Date for the Calculation Period which shall commence upon the Closing Date (A) any rate of interest for a Calculation Period is not determined by the applicable Remarketing Agent, (B) no

Remarketing Agent is serving as such hereunder or (C) the rate so determined is held to be invalid or unenforceable by a final judgment of a court of competent jurisdiction, (i) during any Daily Rate Period, the interest rate for the next succeeding Calculation Period shall be the last interest rate in effect, or, if a Daily Rate is not determined by the applicable Remarketing Agent hereunder for five or more consecutive Business Days on the next and each succeeding Determination Date, the Daily Rate shall be a rate per annum equal to 80% of the latest 30-day dealer taxable commercial paper rate published by the Federal Reserve Bank of New York on or immediately before such Determination Date, (ii) during any Weekly Rate Period, the interest rate for the next succeeding Calculation Period shall be the last interest rate in effect, or, if a Weekly Rate is not determined by the applicable Remarketing Agent for two or more consecutive Calculation Periods, the Weekly Rate shall be equal to 85% of the latest 30-day dealer taxable commercial paper rate published by the Federal Reserve Bank of New York on or before the day next preceding such Determination Date, (iii) during any Monthly Rate, Semi-annual Rate or Term Rate Period, the interest rate per annum for the next succeeding Calculation Period shall be equal to 85% of the rate listed in the table most recently circulated by the United States Treasury Department known as "Table [applicable dates shown on the most recent Table], Maximum Interest Rate Payable on United States Treasury Certificates of Indebtedness, Notes and Bonds-State and Local Government Series Subscribed for During Period [applicable dates shown on the most recent Table]" or any substantially equivalent table circulated by the United States Treasury Department for the maturity most closely approximating the Calculation Period, and (iv) during any Commercial Paper Rate Period, the next succeeding Calculation Period shall be a Calculation Period which shall consist of the period from and including the prior Interest Payment Date to but excluding the first Business Day of the following calendar month and the Commercial Paper Rate shall be equal to 85% of the interest rate applicable to 90-day United States Treasury Bills determined on the basis of the average per annum discount rate at which such 90-day Treasury Bills shall have been sold at the most recent Treasury auction within the thirty (30) days next preceding such Calculation Period, or if there shall have been no such auction within the thirty (30) days next preceding such Calculation Period, the Commercial Paper Rate shall be equal to the rate of interest borne by such Bond during the next preceding Calculation Period for such Bond. The rate of interest or Calculation Period and related Commercial Paper Rate shall be established pursuant to this subsection 5 until the applicable Remarketing Agent again determines the rates of interest or Calculation Periods and related Commercial Paper Rates in accordance with this Indenture. The Trustee shall, upon the direction of the Company, select any person otherwise meeting the qualifications of Section 11.14 to obtain, calculate and prepare any of the information required by this subsection 5.

6. The determination of any rate of interest for a subseries of Bonds by a Remarketing Agent in accordance with this Indenture or by the Auction Agent in accordance with the Auction Procedures applicable to Auction Rate Bonds, or the establishment of Calculation Periods or Auction Periods by a Remarketing Agent as provided in this Indenture shall be conclusive and binding upon the Authority, the Company, the Trustee, the Registrar and Paying Agent, such Remarketing Agent, the Auction Agent, any issuer of a Support Facility, the Broker-Dealers for such subseries of Bonds and the registered or beneficial owners of such subseries of Bonds. Failure of such Remarketing Agent, the Trustee, the Registrar and Paying Agent, the Auction Agent or the Securities Depository or any Securities Depository participant to give any of the notices described in this Indenture, or any defect therein, shall not affect the interest rate to be borne by any of the Bonds nor the applicable Calculation Period or Auction

Period nor in any way change the rights of the registered owners of the Bonds to tender their Bonds for purchase or to have them redeemed in accordance with this Indenture.

7. No transfer or exchange of Bonds shall be required to be made by the Registrar and Paying Agent after a Record Date until the next succeeding Interest Payment Date.

8. Except as otherwise provided in this subsection 8, the Trustee shall calculate and notify the Registrar and Paying Agent of the amount of interest due and payable on each Interest Payment Date or date on which a Bond is subject to purchase by 10:00 a.m. (New York City time) on the Business Day next preceding such Interest Payment Date or date set for purchase, as the case may be, unless such date is a date on which the interest rate is determined, in which case the amount of interest due and payable shall be calculated by 12:15 p.m. (New York City time) on such date. In preparing such calculation the Trustee may conclusively rely on calculations or other services provided by the Auction Agent, the applicable Remarketing Agent, the Company or any person or persons selected by the Trustee in its discretion. During a Commercial Paper Rate Period, the applicable Remarketing Agent shall notify the Trustee, the Registrar and Paying Agent and the Company of the amount of interest due and payable on each Interest Payment Date by 10:00 a.m. (New York City time) on the Business Day next preceding such Interest Payment Date.

9. Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by any Bond exceed the Maximum Allowed Rate.

10. Notwithstanding anything in this Indenture to the contrary, if Bonds have been in a Term Rate Period and there has been a failure to pay the Purchase Price of such Bonds on the Business Day immediately following a Calculation Period, such Bonds shall continue, to the extent permitted by applicable law, to bear interest at the then-existing Term Rate until such Purchase Price has been paid.

Section 3.02. Commercial Paper Rate. 1. During any Commercial Paper Rate Period, at or prior to 12:00 noon (New York City time) on each Determination Date, each Remarketing Agent shall establish Calculation Periods and related Commercial Paper Rates. In determining Calculation Periods, each Remarketing Agent shall take the following factors into account: (i) existing short-term taxable and tax-exempt market rates and indices of such short-term rates, (ii) the existing market supply and demand for short-term tax-exempt securities, (iii) existing yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Bonds, (iv) general economic conditions, (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Bonds and (vi) any information available to such Remarketing Agent pertaining to the Company regarding any events or anticipated events which could have a direct impact on the marketability of or interest rates on the Bonds. Each Remarketing Agent shall select the Calculation Periods and the applicable Commercial Paper Rates that, together with all other Calculation Periods and related Commercial Paper Rates, in the sole judgment of the applicable Remarketing Agent, will result in the lowest overall borrowing cost on the Bonds or are otherwise in the best financial interests of the Company, as determined in consultation with the Company. Any Calculation Period established hereunder may not extend beyond the second

Business Day next preceding the expiration date of the Support Facility or the day prior to the Stated Maturity.

2. The Authority, at the request of the Company, may place such limitations upon the establishment of Calculation Periods pursuant to subsection 1 hereof as may be set forth in a written direction from the Authority, which direction must be received by the Trustee and the applicable Remarketing Agent prior to 10:00 a.m. (New York City time) on the day prior to any Determination Date to be effective on such date, but only if the Trustee receives an Opinion of Bond Counsel to the effect that such action is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

Section 3.03. Auction Rate Period - Auction Rate: Auction Period – General. 1. During any Auction Rate Period, the Auction Rate Bonds shall bear interest at the Auction Rate determined as set forth in this Section 3.03 and Sections 3.04 through 3.10. The initial Auction Period for each subseries of the Bonds immediately after any Change in the Interest Rate Mode to an Auction Rate, shall be a period from and including the effective date of such Change in the Interest Rate Mode to and including the initial Auction Date which shall be determined by the Authority, with notice to the Trustee, on or prior to the effective date of the Change in the Interest Rate Mode. The Auction Rate for any initial Auction Period immediately after any Change in the Interest Rate Mode to an Auction Rate, shall be the rate of interest per annum determined by the applicable Remarketing Agent, with notice to the Trustee, the Authority, the Registrar and Paying Agent and the Company, on a date not later than the effective date of such Change in the Interest Rate Mode as the minimum rate of interest which, in the opinion of such Remarketing Agent, would be necessary as of such date to market Auction Rate Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed the Maximum Allowed Rate. For any other Auction Period, the Auction Rate shall be the rate of interest per annum that results from implementation of the Auction Procedures. If on any Auction Date, the Auction Agent shall fail to determine, or for any reason fail to timely provide, a rate of interest pursuant to the Auction Procedures, the Auction Rate for the next succeeding Auction Period shall be extended at the same rate and such Auction Period and each succeeding Auction Period shall be a seven-day Auction Period until an Auction Period for which the Auction Agent shall determine and timely provide the rate of interest pursuant to the Auction Procedures; provided, that, after three such periods during which such failure occurs, the Auction Rate shall become the Maximum Auction Rate until an Auction Period for which the Auction Agent shall determine and timely provide the rate of interest pursuant to the Auction Procedures. Determination of an Auction Rate pursuant to the Auction Procedures shall be suspended upon a Change in the Interest Rate Mode or the occurrence of a Payment Default. The Auction Rate for any Auction Period or remaining portion thereof following the occurrence of a Payment Default shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date. Upon the occurrence of a Payment Default that has not been waived or cured on or prior to any Auction Date, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Auction Rate for the next succeeding Auction Period shall equal the Overdue Rate on and as of such Auction Date. In the event of the suspension of the Auction Procedures due to a Payment Default, the Auction Procedures shall resume two (2) Business Days after the date on which the Auction Agent receives notice from

the Trustee that the Payment Default has been cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter. The Overdue Rate shall be determined by the Trustee on each succeeding Auction Date.

2. Auction Periods may be established pursuant to Section 3.04 at any time unless a Payment Default has occurred and has not been cured or waived. Each Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to Section 3.04 and each Auction Period which immediately succeeds a non-Standard Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to Section 3.04.

Section 3.04. Auction Rate Period - Auction Rate Bonds: Change of Auction Period by Authority. 1. During an Auction Rate Period the Authority, at the request of the Company, may change the length of a single Auction Period or the Standard Auction Period by means of a written notice delivered at least ten (10) days prior to the Auction Date for such Auction Period to the Trustee, the applicable Market Agent, the Auction Agent and the Company in substantially the form furnished to the Trustee and the Auction Agent at the time of a Change in the Interest Rate Mode to an Auction Rate. Any Auction Period or Standard Auction Period established by the Authority pursuant to this Section 3.04 may not exceed 365 days in duration. If such Auction Period will be of less than twenty-eight (28) days, such notice shall be effective only if it is accompanied by a written statement of the Registrar and Paying Agent, the Trustee, the applicable Market Agent and the Auction Agent to the effect that they are capable of performing their duties hereunder and under the related Market Agreement and the Auction Agency Agreement with respect to such Auction Period. If such notice specifies a change in the length of the Standard Auction Period, such notice shall be effective only if it is accompanied by the written consent of such Market Agent to such change. The length of an Auction Period or the Standard Auction Period may not be changed pursuant to this Section 3.04 unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period or Standard Auction Period or if a Payment Default has occurred and has not been cured.

2. The change in length of an Auction Period or the Standard Auction Period by the Authority at the request of the Company shall take effect only if (A) the Trustee, any Credit Facility Issuer and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Authority, on behalf of the Company, by telecopy or similar means in substantially the form furnished to the Trustee and the Auction Agent at the time of a Change in the Interest Rate Mode to an Auction Rate authorizing establishment of and specifying the length of the new Auction Period or the Standard Auction Period, which shall be specified in such certificate, and confirming that Bond Counsel expects to be able to give an Opinion of Bond Counsel on the first day of the Auction Period for which such change is being requested, (B) the Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that a Payment Default has occurred, (C) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period, and (D) the Trustee, any Credit Facility Issuer and the Auction Agent receive by 9:30 a.m. (New York City time) on the first day of such Auction Period, an Opinion of Bond Counsel to the effect that the change in the Auction Period or the Standard Auction Period is authorized by this Indenture, is permitted under the Act

and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for Federal income tax purposes. If the condition referred to in (A) above is not met, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures and the next succeeding Auction Period shall be a Standard Auction Period. If any of the conditions referred to in (B), (C) or (D) above is not met, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined as of such Auction Date and the next succeeding Auction Period shall be a seven day Auction Period.

3. On the Auction Date immediately preceding the effective date of any change in the length of an Auction Period or the Standard Auction Period, any Auction Rate Bonds which are not the subject of a specific Order shall be deemed to be subject to a Sell Order.

4. In the event of a Change in the Interest Rate Mode to an Auction Rate, the Authority, at the request of the Company, shall determine the length of the initial Auction Period and may change the length of a single or the Standard Auction Period by means of a written notice delivered on or prior to the effective date of such Change in the Interest Rate Mode to an Auction Rate to the Trustee, the applicable Market Agent, the Auction Agent and the Credit Facility Issuer. Notwithstanding anything to the contrary in paragraphs 1 and 2 of this Section 3.04, the determination of the initial Auction Period shall take effect on the effective date of such Change in the Interest Rate Mode to an Auction Rate. Notwithstanding anything to the contrary in paragraphs 1 and 2 of this Section 3.04, the change in the length of a single Auction Period or the Standard Auction Period shall take effect only if the Trustee, the Credit Facility Issuer and the Auction Agent receive on the effective date of such Change in the Interest Rate Mode to an Auction Rate, an Opinion of Bond Counsel to the effect that the change in the Auction Period or the Standard Auction Period is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for Federal income tax purposes.

Section 3.05. Auction Rate Period - Auction Rate Bonds: Change of Auction Date by Market Agent. During an Auction Rate Period the Market Agent for a subseries of Bonds, with the written consent of the Company, may change, in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date, the Auction Date for all future Auction Periods relating to the applicable subseries of Bonds to a different day, so long as the first such Auction Date will be a Business Day in the calendar week in which the next succeeding Auction Date is then scheduled to occur. If a change in an Auction Date is undertaken in conjunction with a change in an Auction Period and the conditions for the establishment of such change in Auction Period are not met, the Auction Date may be, and the next succeeding Auction Period may be adjusted to end on, a Business Day in the calendar week in which such Auction Date was scheduled to occur and such Auction Period was scheduled to end to accommodate the change in the Auction Date. Such Market Agent shall communicate its determination to change an Auction Date by means of a written notice delivered at least ten (10) days prior to the Auction Date immediately preceding such Auction Date, or with respect to a Change in the Interest Rate Mode to an Auction Rate on or prior to the effective date of such Change in the Interest Rate Mode, to the Authority, the Trustee, the Auction Agent and the Company which shall state (i) the determination of such Market Agent to change the Auction Date, (ii) the new Auction Date and (iii) the date on which

such Auction Date shall be changed. If as a result of any proposed change in the Auction Date any Auction Period would be less than twenty-eight (28) days in duration, such notice shall be effective only if it is accompanied by a written statement of the Auction Agent, the Registrar and Paying Agent and the Trustee to the effect that they are capable of performing their duties hereunder and under the Auction Agency Agreement with respect to any such Auction Period.

Section 3.06. Auction Rate Period - Auction Rate Bonds: Orders by Existing Holders and Potential Holders. (a) Prior to the Submission Deadline on each Auction Date during the Auction Rate Period, the following orders may be submitted:

(i) each Existing Holder may submit to the Broker-Dealer by telephone or otherwise information as to:

(A) the principal amount of Auction Rate Bonds, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period;

(B) the principal amount of Auction Rate Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell if the Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Existing Holder and/or

(C) the principal amount of Auction Rate Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Auction Period;

(ii) one or more Broker-Dealers may contact Potential Holders by telephone or otherwise to determine the principal amount of Auction Rate Bonds which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Auction Period shall not be less than the interest rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (i)(A), (i)(B) or (i)(C) or clause (ii) above is hereinafter referred to as an "Order" and collectively as "Orders" and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder", and collectively as "Bidders"; an Order containing the information referred to in clause (i)(A) above is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders"; an Order containing the information referred to in clause (i)(B) or clause (ii) above is hereinafter referred to as a "Bid" and collectively as "Bids"; and an Order containing the information referred to in clause (i)(C) above is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders". The submission by a Broker-Dealer of an Order to the Auction Agent shall likewise be referred to herein as an "Order" and collectively as "Orders".

Orders may be submitted in principal amounts of \$25,000 or any integral multiple thereof.

(b) (i) Subject to the provisions of Section 3.07, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the principal amount of Auction Rate Bonds specified in such Bid if the Auction Rate determined on such Auction Date shall be less than the interest rate per annum specified therein; or

(B) such principal amount or a lesser principal amount of Auction Rate Bonds to be determined as set forth in subsection (a)(iv) of Section 3.09 if the Auction Rate determined on such Auction Date shall be equal to the interest rate per annum specified therein; or

(C) such principal amount or a lesser principal amount of Auction Rate Bonds to be determined as set forth in subsection (b)(iii) of Section 3.09 if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions of Section 3.07, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the principal amount of Auction Rate Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Auction Rate Bonds as set forth in subsection (b)(iii) of Section 3.09 if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of Section 3.07, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(A) the principal amount of Auction Rate Bonds specified in such Bid if the Auction Rate determined on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Auction Rate Bonds as set forth in subsection (a)(v) of Section 3.09 if the Auction Rate determined on such Auction Date shall be equal to such specified rate.

Section 3.07. Auction Rate Period - Auction Rate Bonds: Submission of Orders by Broker-Dealers to Auction Agent. (a) During an Auction Rate Period each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer, and shall specify with respect to each such Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Auction Rate Bonds that are subject to such Order;

(iii) to the extent that such Bidder is an Existing Holder:

(A) the principal amount of Auction Rate Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(B) the principal amount of Auction Rate Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid;
and

(C) the principal amount of Auction Rate Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(iv) to the extent such Bidder is a Potential Holder, the principal amount of Auction Rate Bonds subject to any Bid placed by such Potential Holder and the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(c) If an Order or Orders covering all Auction Rate Bonds held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Auction Rate Bonds held by such Existing Holder and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a change in the length of the Auction Period or Standard Auction Period in accordance with Section 3.04 hereof or an amendment or supplement to the Indenture or the Participation Agreement in accordance with Section 14.02 or 14.07 hereof, as the case may be, and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Auction Rate Bonds that are subject to such change in the length of the Auction Period or Standard Auction Period or amendment or supplement, as the case may be, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Holder covering the principal amount of Auction Rate Bonds subject to such change or amendment or supplement and not subject to Orders submitted to the Auction Agent.

(d) Neither the Authority, the Company, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(e) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Auction Rate Bonds held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including the principal amount of Auction Rate Bonds held by such Existing Holder, and, if the aggregate principal amount of Auction Rate Bonds subject to such Hold Orders exceeds the aggregate principal amount of Auction Rate Bonds held by such Existing Holder, the aggregate principal amount of Auction Rate Bonds subject to each such Hold Order shall

be reduced pro rata to cover the aggregate principal amount of Auction Rate Bonds held by such Existing Holder;

(ii) (A) any Bid shall be considered valid up to and including the excess of the principal amount of Auction Rate Bonds held by such Existing Holder over the aggregate principal amount of Auction Rate Bonds subject to any Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Auction Rate Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and, the principal amount of Auction Rate Bonds subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of Auction Rate Bonds equal to such excess;

(C) subject to clauses (A) and (B) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(D) in any such event, the aggregate principal amount of Auction Rate Bonds, if any, subject to any portion of Bids not valid under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(iii) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Auction Rate Bonds held by such Existing Holder over the aggregate principal amount of Auction Rate Bonds subject to valid Hold Orders referred to in paragraph (i) of this subsection (e) and valid Bids referred to in paragraph (ii) of this subsection (e).

(f) If more than one Bid for Auction Rate Bonds is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid for Auction Rate Bonds with the rate and principal amount therein specified.

(g) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Auction Rate Bonds not equal to \$25,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Auction Rate Bonds not equal to \$25,000 or an integral multiple thereof shall be rejected.

Section 3.08. Auction Rate Period - Auction Rate Bonds: Determination of Sufficient Clearing Bids, Winning Bid Rate and Auction Rate. (a) During an Auction Rate Period not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a

“Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, or as a “Submitted Order”) and shall determine:

(i) the excess of the total principal amount of Auction Rate Bonds over the aggregate principal amount of Auction Rate Bonds subject to Submitted Hold Orders (such excess being hereinafter referred to as the “Available Auction Rate Bonds”); and

(ii) from the Submitted Orders whether the aggregate principal amount of Auction Rate Bonds subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Auction Rate exceeds or is equal to the sum of:

(A) the aggregate principal amount of Auction Rate Bonds subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Auction Rate; and

(B) the aggregate principal amount of Auction Rate Bonds subject to Submitted Sell Orders

(in the event of such excess or such equality (other than because the sum of the principal amounts of Auction Rate Bonds in clauses (A) and (B) above is zero because all of the Auction Rate Bonds are subject to Submitted Hold Orders), such Submitted Bids by Potential Holders are hereinafter referred to collectively as “Sufficient Clearing Bids”); and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the “Winning Bid Rate”) which if:

(A) (I) each Submitted Bid from Existing Holders specifying such lowest rate and (II) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus requiring such Existing Holders to continue to hold the principal amount of Auction Rate Bonds that are the subject of such Submitted Bids; and

(B) (I) each Submitted Bid from Potential Holders specifying such lowest rate and (II) all other Submitted Bids from Potential Holders specifying lower rates were accepted, would result in such Existing Holders described in clause (A) above continuing to hold an aggregate principal amount of Auction Rate Bonds which, when added to the aggregate principal amount of Auction Rate Bonds to be purchased by such Potential Holders described in clause (B) above, would equal not less than the Available Auction Rate Bonds.

(b) Promptly after the Auction Agent has made the determinations pursuant to subsection (a) of this Section 3.08, the Auction Agent, by telecopy confirmed in writing, shall advise the Company, the Trustee and the Broker-Dealers of the Maximum Auction Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Period as follows:

(i) if Sufficient Clearing Bids exist, the Auction Rate for the next succeeding Auction Period therefor shall be equal to the Winning Bid Rate so determined;

(ii) if Sufficient Clearing Bids do not exist (other than because all of the Auction Rate Bonds are the subject of Submitted Hold Orders), the Auction Rate for the next succeeding Auction Period therefor shall be equal to the Maximum Auction Rate; and

(iii) if all of the Auction Rate Bonds are subject to Submitted Hold Orders, the Auction Rate for the next succeeding Auction Period therefor shall be equal to the All Hold Rate.

Section 3.09. Auction Rate Period - Auction Rate Bonds: Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Rate Bonds. During an Auction Rate Period Existing Holders shall continue to hold the principal amounts of Auction Rate Bonds that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to subsection (a) of this Section 3.09, the Submitted Bids and Submitted Sell Orders shall be accepted or rejected, and the Auction Agent shall take such other actions as are set forth below:

(a) If Sufficient Clearing Bids exist, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraphs (e) and (f) of this Section 3.09, Submitted Bids shall be accepted or rejected as follows in the following order of priority:

(i) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(ii) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(iii) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(iv) each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus requiring such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bid, unless the aggregate principal amount of Auction Rate Bonds subject to all such Submitted Bids shall be greater than the principal amount of Auction Rate Bonds (the "remaining principal amount") equal to the excess of Available Auction Rate Bonds over the aggregate principal amount of the Auction Rate Bonds subject to Submitted Bids described in paragraphs (ii) and (iii) of this subsection (a), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of Auction Rate Bonds subject to such

Submitted Bid, but only in an amount equal to the principal amount of Auction Rate Bonds obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of Auction Rate Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Auction Rate Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(v) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Auction Rate Bonds obtained by multiplying the excess of the Available Auction Rate Bonds over the aggregate principal amount of Auction Rate Bonds subject to Submitted Bids described in paragraphs (ii), (iii) and (iv) of this subsection (a) by a fraction the numerator of which shall be the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the principal amount of Auction Rate Bonds subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(b) If Sufficient Clearing Bids do not exist (other than because all of the Auction Rate Bonds are subject to Submitted Hold Orders), subject to the provisions of subsection (e) of this Section 3.09, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus requiring each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids;

(ii) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of Auction Rate Bonds subject to such Submitted Bids; and

(iii) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus requiring each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Auction Rate Bonds subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Auction Rate Bonds obtained by multiplying the aggregate principal amount of Auction Rate Bonds subject to Submitted Bids described in paragraph (ii) of this subsection (b) by a fraction, the numerator of which shall be the aggregate principal amount of Auction Rate Bonds held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Auction Rate Bonds subject to all such Submitted Bids and Submitted Sell Orders.

(c) If all Auction Rate Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(d) If (i) the Auction Agent shall fail to determine, or for any reason fail to timely provide, an interest rate pursuant to the Auction Procedures or (ii) the conditions set forth in subsection 2 of Section 3.04 to effect a change in the Auction Period are not met, all Submitted Bids and Submitted Sell Orders shall be rejected and the existence of Sufficient Clearing Bids shall be of no effect.

(e) If, as a result of the procedures described in subsection (a) or (b) of this Section 3.09, any Existing Holder would be required to sell, or any Potential Holder would be required to purchase, a principal amount of Auction Rate Bonds that is not equal to \$25,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such Auction Rate Bonds to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount purchased or sold by each Existing Holder or Potential Holder shall be equal to \$25,000 or an integral multiple thereof.

(f) If, as a result of the procedures described in subsection (a) of this Section 3.09, any Potential Holder would be entitled or required to purchase less than \$25,000 in aggregate principal amount of Auction Rate Bonds, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate Auction Rate Bonds for purchase among Potential Holders so that only Auction Rate Bonds in principal amounts of \$25,000 or an integral multiple thereof are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Auction Rate Bonds.

(g) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amounts of Auction Rate Bonds to be purchased and the aggregate principal amounts of Auction Rate Bonds to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of Auction Rate Bonds to be sold differs from such aggregate principal amount of Auction Rate Bonds to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers or Auction Rate Bonds such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers of Auction Rate Bonds such Broker-Dealer shall receive, as the case may be, Auction Rate Bonds.

(h) None of the Authority, the Company or any Affiliate thereof may submit an Order in any Auction except as set forth in the next sentence. Any Broker-Dealer that is an Affiliate of the Company may submit Orders in an Auction but only if such Orders are not for its own account, except that if such affiliated Broker-Dealer holds Auction Rate Bonds for its own account, it must submit a Sell Order on the next Auction Date with respect to such Auction Rate Bonds.

Section 3.10. Auction Rate Period - Auction Rate Bonds: Adjustment in Percentage. 1. During an Auction Rate Period, the Market Agent for a subseries of Bonds may adjust the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate for such subseries of Bonds if any such adjustment is necessary, in the judgment of such Market Agent, to reflect any Change of Preference Law such that the All Hold Rate and Maximum Auction Rate shall have substantially equal market values before and after such Change of Preference Law. In making any such adjustment, such Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates, (ii) the market supply and demand for short-term tax-exempt securities, (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Bonds, (iv) general economic conditions and (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Bonds.

2. A Market Agent shall communicate its determination to adjust the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate pursuant to subsection 1 hereof by means of a written notice delivered at least ten days prior to the Auction Date on which such Market Agent desires to effect the change to the Authority, the Trustee, the Auction Agent and the Company. Such notice is required to state the determination of such Market Agent to change such percentage and the date such adjustment is proposed to take effect (which date shall be an Auction Date). Such notice shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on such Auction Date to the effect that such adjustment is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Auction Rate Bonds from gross income for Federal income tax purposes. The Auction Agent is required to mail notice thereof to the Existing Holders within two Business Days of receipt thereof.

3. An adjustment in the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate shall take effect on an Auction Date only if (A) the Trustee, any Credit Facility Issuer and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding such Auction Date, a certificate from the applicable Market Agent by telecopy or similar means, (i) authorizing the adjustment of the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate which shall be specified in such authorization, and (ii) confirming that Bond Counsel expects to be able to give an opinion on such Auction Date to the effect that the adjustment in the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Auction Rate Bonds from gross income for Federal income tax purposes, and (B) the Trustee, any Credit Facility Issuer and the Auction Agent receive by 9:30 a.m. (New York City time) on such Auction Date, an Opinion of Bond Counsel to the effect that the adjustment in the percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Auction Rate Bonds from gross income for Federal income tax purposes. If the

condition referred to in (A) above is not met, the existing percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate shall remain in effect and the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures. If the condition referred to in (B) above is not met, the existing percentage used in determining the All Hold Rate and the Applicable Percentages used in determining the Maximum Auction Rate shall remain in effect and the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined on such Auction Date and the Auction Period shall be a seven-day Auction Period.

ARTICLE IV

CHANGES IN THE INTEREST RATE MODE

Section 4.01. Optional Conversion to an Adjustable Rate by Authority. 1. (A) At the times specified below, the Bonds of any subseries, in whole or in part, shall cease to bear interest at the Adjustable Rate then borne by the Bonds and shall bear interest at such Adjustable Rate to be specified as hereinafter provided by the Authority, at the written request of the Company, in a written notice delivered at least thirty (30) days prior to the proposed effective date of the Change in the Interest Rate Mode to the Trustee, the applicable Remarketing Agent, any Support Facility Issuer for such Bonds, the Registrar and Paying Agent and the Company (and to the Auction Agent, Market Agent and the Securities Depository if such Change in the Interest Rate Mode is to or from an Auction Rate) in substantially the form attached hereto as, or containing substantially the information contained in Exhibit A hereto. The written notice of the Authority must further state that the Indenture provides that the conversion is conditioned on the Bonds being rated no less than "A" by S&P, "A2" by Moody's or "A" by Fitch as of the effective date of the Change in the Interest Rate Mode. A Change in the Interest Rate Mode may only be effected on a day on which the affected Bonds may be redeemed at the option of the Authority. A Change in the Interest Rate Mode shall not occur during the Initial Term Rate Period.

(B) [Intentionally Omitted]

(C) In the case of any Change in the Interest Rate Mode to a Term Rate, at least 15 days prior to the proposed effective date of the Change in Interest Rate Mode, the Authority, at the written request of the Company, shall notify the Trustee of the length of the Calculation Period and, unless otherwise specified, such Calculation Period shall thereafter apply to the Bonds until a Change in the Interest Rate Mode effected pursuant to Section 4.01 or Section 4.02. Notwithstanding the foregoing, after the Initial Term Rate Period, no Calculation Period shall be established during a Term Rate Period unless the Trustee shall receive by 2:00 p.m., New York City time, on the first day of such Calculation Period, evidence satisfactory to it that the Bonds shall be rated at least "A" by S&P or "A2" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency on such date. Any change in the Calculation Period during a Term Rate Period shall be deemed an optional conversion pursuant to this Section 4.01 and may not be made unless all the requirements of a conversion pursuant to this Section 4.01 are met.

2. The Trustee shall mail, or cause the Registrar and Paying Agent to mail, the notice received pursuant to clause (A) of this Section 4.01.1 to the Holders at least 15 days prior to the proposed effective date of the Change in the Interest Rate Mode.

3. A Change in the Interest Rate Mode to an Adjustable Rate shall be effective pursuant to subsection 1 of this Section 4.01 only if

(A) with respect to any Change in the Interest Rate Mode from an Auction Rate, the Trustee and the Auction Agent, if any, shall receive:

(i) a certificate of an Authorized Company Representative by no later than the tenth day prior to the effective date of such Change in the Interest Rate Mode stating that a written agreement between the Company and the applicable Remarketing Agent to remarket the Bonds on such effective date at a price of 100% of the principal amount thereof has been entered into, which agreement (i) may be subject to such reasonable terms and conditions imposed by such Remarketing Agent which in the judgment of that Remarketing Agent reflect the current market standards regarding investment banking risk and (ii) must include a provision requiring payment by such Remarketing Agent in same-day funds for any Bond tendered or deemed tendered; and if a Liquidity Facility is required by Section 4.01.3(D), a Liquidity Facility, meeting the requirements of this Indenture and the Participation Agreement, has or will be obtained by the Company with respect to the Bonds and by its terms, be in effect on or prior to the effective date of such Change in the Interest Rate Mode; and

(ii) by 11:00 a.m. (New York City time) on the second Business Day prior to the effective date of such Change in the Interest Rate Mode by telecopy or other similar means, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit B hereto, from the Authority on behalf of the Company (y) authorizing the establishment of the new Adjustable Rate and (z) confirming that Bond Counsel has advised the Authority that it expects to be able to give an opinion on the effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the affected Bonds from gross income for Federal income tax purposes;

(B) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to an Auction Rate), shall receive by 4:00 p.m., New York City time, on the effective date of such Change in the Interest Rate Mode, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit C hereto, from an Authorized Company Representative that all of the Bonds tendered or deemed tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance with the Remarketing Agreement, from the proceeds of a Support Facility, or from funds deposited with the Trustee or the Registrar and Paying Agent;

(C) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to or from an Auction Rate) shall receive, by 9:30 a.m. (New York City time) on the effective date of such Change in the Interest Rate Mode, an Opinion of Bond Counsel to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for Federal income tax purposes;

(D) with respect to any Change in the Interest Rate Mode to an Adjustable Rate (other than to an Auction Rate or a Term Rate for a Calculation Period in excess of thirteen months), the Trustee shall receive a Liquidity Facility meeting the requirements of this Indenture

and the Participation Agreement on or prior to the effective date of such Change in the Interest Rate Mode which is, by its terms, in effect on or prior to such effective date; and

(E) with respect to any Change in the Interest Rate Mode to an Adjustable Rate, the Trustee shall receive by 2:00 p.m. (New York City time), on the effective date of such Change in the Interest Rate Mode, evidence satisfactory to it that the Bonds to be converted shall be rated at least "A" by S&P or "A2" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency on the effective date of such Change in the Interest Rate Mode.

If any of the conditions referred to in (A)(i) or (ii) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Auction Rate Bonds. If any of the conditions referred to in (B), (C), (D) or (E) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined on such Auction Date and the Auction Period shall be a seven-day Auction Period. If any of the conditions referred to in (B), (C), (D) or (E) above is not met with respect to any Change in the Interest Rate Mode from a Term Rate, the Bonds shall continue to bear interest at the current Term Rate, and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such current Term Rate; provided, however, that notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase on the date that would have been the effective date of the new interest rate mode if all of such conditions were met on such date. If any of the conditions referred to in (B), (C), (D) or (E) above is not met with respect to any Change in the Interest Rate Mode from an Adjustable Rate (other than an Auction Rate or a Term Rate), the Bonds shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such Current Adjustable Rate; provided, however, that notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase on the date that would have been the effective date of the new interest rate mode if all of such conditions were met on such date. If any of the foregoing conditions for a Change in the Interest Rate Mode from a Term Rate is not met, the Trustee shall mail, or cause the Registrar and Paying Agent to mail to the Authority, the Company and the Holders notice thereof in substantially the form attached hereto as, or containing substantially the information contained in, **Exhibit D** hereto within three (3) Business Days after the failure to meet any of such conditions.

Section 4.02. Optional Conversion to a Fixed Rate. 1. Effective after the Initial Term Rate Period, the Authority reserves the right, at the request of the Company, to fix the rate of interest per annum which Bonds will bear, in whole or in part, for the balance of the term thereof, provided that such right may only be exercised effective on a date on which the Bonds may be redeemed at the option of the Authority. In the event the Authority, at the request of the Company, as herein provided, exercises its Option to Convert, the Bonds so converted shall cease to bear interest at the Adjustable Rate then borne by the Bonds and shall bear interest at a Fixed Rate until maturity, subject to the terms and conditions hereof (the date on which a Fixed Rate shall take effect being herein called a "Fixed Rate Conversion Date").

2. The Trustee shall mail, or cause the Registrar and Paying Agent to mail, the notice received pursuant to subsection 1 of this Section 4.02 to the Holders at least 15 days prior to the proposed effective date of the Change in the Interest Rate Mode.

3. A Fixed Rate shall take effect only if

(A) with respect to a change to a Fixed Rate from an Auction Rate, the Trustee and the Auction Agent shall receive:

(i) a certificate of an Authorized Company Representative by no later than the tenth day prior to a Fixed Rate Conversion Date stating that a written agreement has been entered into by the Company and the applicable Remarketing Agent to remarket the Bonds affected on a Fixed Rate Conversion Date at a price of 100% of the principal amount thereof, which written agreement (i) may be subject to reasonable terms and conditions imposed by such Remarketing Agent which in the judgment of that Remarketing Agent reflect current market standards regarding investment banking risk and (ii) must include a provision requiring payment by such Remarketing Agent in same-day funds for any Auction Rate Bonds tendered or deemed tendered; and

(ii) by 11:00 a.m. (New York City time) on the second Business Day prior to a Fixed Rate Conversion Date, by telecopy or other similar means, a certificate on behalf of the Company in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit B hereto, from the Authority (y) authorizing the establishment of a Fixed Rate and (z) confirming that Bond Counsel has advised the Authority that it expects to be able to give an opinion on a Fixed Rate Conversion Date to the effect that the change to a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for Federal income tax purposes; and

(B) with respect to any change to a Fixed Rate the Trustee (and the Auction Agent in the case of any change to a Fixed Rate from an Auction Rate) receives on a Fixed Rate Conversion Date:

(i) by 9:30 a.m. (New York City time) an Opinion of Bond Counsel to the effect that the conversion to a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for Federal income tax purposes;

(ii) by 4:00 p.m. (New York City time) a certificate in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit C hereto, from an Authorized Company Representative that all of the Bonds tendered or deemed tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance with the Remarketing Agreement, from the proceeds of a Support Facility, or from funds deposited with the Trustee or the Registrar and Paying Agent; and

(iii) by 2:00 p.m. (New York City time) evidence satisfactory to it that the Bonds to be converted shall be rated at least “A” by S&P or “A2” by Moody’s or “A” by Fitch or an equivalent rating by any nationally recognized rating agency on the Fixed Rate Conversion Date.

If any of the conditions referred to in (A)(i) or (A)(ii) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate to a Fixed Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Auction Rate Bonds. If any of the conditions referred to in (B) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate to a Fixed Rate, the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate as determined as of such Auction Date and the Auction Period shall be a seven-day Auction Period. If any of the conditions referred to in (B) above is not met with respect to any Change in the Interest Rate Mode from a Term Rate to a Fixed Rate, the Bonds shall continue to bear interest at the current Term Rate and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such current Term Rate. If any of the conditions referred to in (B) above is not met with respect to any other Change in the Interest Rate Mode from an Adjustable Rate (other than an Auction Rate or a Term Rate) to a Fixed Rate, the Bonds shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such Current Adjustable Rate; provided, however, that (i) notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase on the date that would have been the effective date of the Fixed Rate if all of such conditions were met on such date, and (ii) after the failure to meet such conditions, the Bonds shall be subject to redemption on any Business Day, in whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any, pursuant to the terms of Section 5.10 hereof. If any of the foregoing conditions for a Change in the Interest Rate Mode from a Term Rate to a Fixed Rate is not met, the Trustee shall mail, or cause the Registrar and Paying Agent to mail to the Authority, the Company and the Holders notice thereof in substantially the form attached hereto as, or containing substantially the information contained in, Exhibit D hereto within three (3) Business Days after the failure to meet any of such conditions.

Section 4.03. Conversion Generally. 1. In the event of a Change in the Interest Rate Mode on less than all the Bonds of a subseries to or from an Auction Rate, the minimum aggregate principal amount of Bonds of a subseries that continue to bear, or are adjusted to bear interest at an Auction Rate for an Auction Rate Period, shall not be less than \$10,000,000 for such Auction Rate Bonds.

2. Upon any Change in the Interest Rate Mode, the Authority and the Trustee, shall take all steps necessary to comply with any agreement entered into with a Securities Depository or its nominee pursuant to Section 2.03(5) with respect to such Change in the Interest Rate Mode, including, without limitation, the purchase and designation of sufficient CUSIP numbers to comply with the requirements of such Securities Depository following any such Change in the Interest Rate Mode.

3. If the interest rate on less than all Bonds of any subseries is to be converted to a new Adjustable Rate pursuant to Section 4.01 or to a Fixed Rate pursuant to

Section 4.02, the particular Bonds of such subseries to be converted shall be chosen by the Trustee by lot, or the Trustee shall direct the Registrar and Paying Agent to so choose by lot; provided, however, that the portion of any Bond to be converted shall be in the principal amount of \$100,000 or any integral multiple of such amount during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, \$25,000 or any integral multiple thereof during an Auction Rate Period, or \$5,000 or any integral multiple thereof at any other time and that, in selecting Bonds for conversion, the Trustee or Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such registered Bond in excess of \$100,000 by \$100,000 during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, \$25,000 during an Auction Rate Period, and \$5,000 at any other time (such amounts being hereinafter referred to as the "applicable units of principal amount"). If it is determined that one or more, but not all of the \$100,000, \$25,000 or \$5,000 units of principal amount represented by any such Bond is to be converted, then upon notice of intention to convert such \$100,000, \$25,000 or \$5,000 unit or units pursuant to Sections 4.01 or 4.02, as the case may be, the Holders of such Bonds shall forthwith surrender such Bonds to the Registrar and Paying Agent for (1) payment of the purchase price (including the premium, if any, and accrued and unpaid interest to the date fixed for conversion) of the \$100,000, \$25,000 or \$5,000 unit or units of principal amount called for conversion and (2) exchange for a new Bond or Bonds of the same subseries in the aggregate principal amount of the balance of the principal of such Bonds not subject to conversion. If the Holders of any such Bond of a denomination greater than \$100,000, \$25,000 or \$5,000 shall fail to present such Bond to the Registrar and Paying Agent, for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for conversion to the extent of the \$100,000, \$25,000 or \$5,000 unit or units of principal amount subject to such conversion (and to that extent only).

4. Notwithstanding anything in this Article IV to the contrary, the Authority may not effect a Change in the Interest Rate Mode pursuant to Section 4.01 or 4.02 if such action would require the payment of a premium as part of the Purchase Price upon purchase of Bonds pursuant to Section 5.04 unless there shall have been deposited the full amount of such premium in trust with the Trustee prior to any notification of a Change in the Interest Rate Mode pursuant to Section 4.01 or 4.02.

ARTICLE V

REDEMPTION AND PURCHASE OF BONDS

Section 5.01. Optional Redemption. The Bonds shall be subject to redemption, in whole or in part, at the option of the Authority upon the request of the Company, from related payments made by the Company pursuant to Section 6.01 of the Participation Agreement and any other moneys held by the Trustee and available to be applied to the redemption of Bonds as provided in this Section 5.01 and Section 9.03 hereof:

(a) During any Commercial Paper Rate Period, such Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof, at a redemption price equal to 100% of the principal amount.

(b) During any Auction Rate Period, Auction Rate Bonds shall be subject to redemption on the Business Day immediately succeeding each Auction Date, as a whole or in part, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption.

(c) During any Daily Rate Period, such Bonds shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any.

(d) During any Weekly Rate Period, such Bonds shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any.

(e) During any Monthly Rate Period, such Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof.

(f) During any Semi-annual Rate Period, such Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof.

(g) During any Term Rate or Fixed Rate Period, such Bonds shall be subject to redemption in whole or in part at any time as follows: after the No-Call Period shown below, which shall begin on the first day of the Calculation Period applicable to such Bonds or on a Fixed Rate Conversion Date, as the case may be, and end on the enumerated anniversary thereof, at a redemption price equal, initially, to the principal amount thereof, plus a premium equal to the percentage of the principal amount to be redeemed shown in the Initial Premium column, plus accrued and unpaid interest if paid on a Business Day other than an Interest Payment Date. The premium percentage, if any, shall decline by the percentage shown in the Reduction in Premium column on each anniversary of the date on which such Bonds are first redeemable until the Bonds shall be redeemable without premium.

Calculation Period or Period to Maturity
Applicable to Subject Bonds

<u>Equal to or Greater Than</u>	<u>But Less Than</u>	<u>No-Call Period</u>	<u>Initial Premium</u>	<u>Reduction in Premium</u>
18 years	N/A	8 Years	1 1/2%	1/2%
12 years	18 Years	6 Years	1	1/2
7 Years	12 Years	3 Years	0	0
5 Years	7 Years	2 Years	0	0
4 Years	5 Years	2 Years	0	0
3 Years	4 Years	2 Years	0	0
0 Years	3 Years	Not callable		

If upon establishment of a Term Rate Period or a Fixed Rate Period, as the case may be, the applicable Remarketing Agent certifies to the Trustee, Bond Counsel and the Authority in writing that the foregoing schedule is not consistent with then-prevailing market conditions, the Authority at the request of the Company may revise the foregoing Initial Premium, Reductions in Premium and No-Call Periods with respect to Bonds for which a Term Rate Period or Fixed Rate Period is then being established without the approval of the Holders to reflect then-prevailing market conditions, upon receipt of an Opinion of Bond Counsel to the effect that any revisions pursuant to this paragraph, either by itself or in conjunction with the establishment of a Calculation Period for a Term Rate Period or a Fixed Rate Period, as the case may be, are made in accordance with this Indenture, is permitted under the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

Section 5.02. Purchase in Lieu of Redemption. Following the Initial Term Rate Period, whenever Bonds have been called for redemption pursuant to Section 5.01 hereof, the Company may, by written notice to the Authority and the Trustee delivered in advance of the redemption date for the Bonds, elect to purchase such bonds in lieu of redemption with the effect that the payment made by the Company pursuant to Section 6.01 of the Participation Agreement shall be considered the payment by the Company of the Purchase Price for the Bonds and from and after the redemption date the Company shall be deemed to be the owner of the Bonds which shall continue to be outstanding subject to the terms and conditions of the Indenture.

Section 5.03. Tender for and Purchase upon Election of Holder. 1. During any Daily Rate Period or Weekly Rate Period, any Bond or portion thereof in a principal amount equal to an authorized denomination (so long as the principal amount not purchased is an authorized denomination) shall be purchased on the demand of the Holder thereof on any Business Day at the Purchase Price, upon delivery to the Registrar and Paying Agent and the applicable Remarketing Agent at their respective principal offices, by the close of business on any Business Day of a Notice of Election to Tender in substantially the form attached hereto as, or containing substantially the information contained in, **Exhibit E** hereto; provided, however, that the substance of such Notice of Election to Tender must also be given telephonically to the applicable Remarketing Agent prior to or simultaneously with delivery of such written Notice of Election to Tender to such Remarketing Agent. The date on which such Bond shall be purchased, at the request of the Holder thereof (i) if the Bond then bears interest at a Daily Rate, shall be the date of delivery of such Notice of Election to Tender if such Notice of Election to

Tender is delivered to the Registrar and Paying Agent and the applicable Remarketing Agent by 10:00 a.m.(New York City time) on such date or may be any Business Day thereafter, and (ii) if the Bond then bears interest at a Weekly Rate, shall be a Business Day not prior to the 7th day next succeeding the date of the delivery of such Notice of Election to Tender to the Registrar and Paying Agent and the Remarketing Agent.

2. During any Monthly Rate Period or Semi-annual Rate Period, any Bond or portion thereof in a principal amount equal to an authorized denomination (so long as the principal amount not purchased is an authorized denomination) shall be purchased on the demand of the Holder thereof on the first Business Day following each Calculation Period at the Purchase Price, upon delivery to the Registrar and Paying Agent and the applicable Remarketing Agent, at their respective principal offices of a Notice of Election to Tender in substantially the form attached hereto as or containing substantially the information contained in **Exhibit E** on or prior to a Business Day which is not less than ten (10) days, in the case of Bonds bearing interest at a Semi-annual Rate, or seven (7) days, in the case of Bonds bearing interest at a Monthly Rate, prior to the proposed date of purchase; provided, however, that the substance of such Notice of Election to Tender must also be given telephonically to the applicable Remarketing Agent prior to or simultaneously with delivery of such written Notice of Election to Tender to such Remarketing Agent.

3. Immediately upon receipt of a Notice of Election to Tender delivered pursuant to the provisions of this Section 5.03, the Registrar and Paying Agent shall notify, or cause to be notified, the Trustee, the Company, the Authority and the applicable Remarketing Agent, by telephone, promptly confirmed in writing, of such receipt, specifying the contents thereof.

4. Any Notice of Election to Tender shall be irrevocable. If a Holder fails to deliver the Bonds referred to in such notice to the Registrar and Paying Agent, such Bonds shall nevertheless be deemed to have been purchased on the date established for the purchase thereof, no interest shall accrue on such Bonds from and after the date of purchase and such Holder shall have no rights hereunder thereafter as the owner of such Bonds except the right to receive the purchase price of such Bonds.

5. A Holder may not tender a Bond to the Registrar and Paying Agent pursuant to this Section while such Bond bears interest at an Auction Rate, Commercial Paper Rate, Term Rate or Fixed Rate.

Section 5.04. Mandatory Tender for Purchase upon Change in the Interest Rate Mode or on Business Day Following Certain Calculation Periods. 1. Upon a Change in the Interest Rate Mode, the Bonds shall be subject to mandatory tender at the Purchase Price, for purchase in accordance with the terms hereof, on the effective date of such Change in the Interest Rate Mode or, if a Notice of Change in the Interest Rate Mode has been sent to Holders of the Bonds, on the effective date designated in such notice, whether or not the conditions for a Change in the Interest Rate Mode have been met.

2. During any Term Rate Period or Commercial Paper Rate Period, the Bonds shall be subject to mandatory tender for purchase in accordance with the terms hereof on

the Business Day immediately following each Calculation Period, each at a price equal to the Purchase Price. With respect to the Initial Term Rate Period, the Bonds shall be subject to mandatory tender for purchase on November 1, 2012.

3. Notice of mandatory tender for purchase upon a Change in the Interest Rate Mode shall be in substantially the form attached hereto as, or contain substantially the information contained in, **Exhibit A** hereto.

4. Any such notice of mandatory tender for purchase required by this Section 5.04 shall be given by the Trustee, in the name of the Authority, or the Trustee shall cause the Registrar and Paying Agent to give such notice (with copies thereof to be given to the Remarketing Agent, the Registrar and Paying Agent, the Company, and in the case of Auction Rate Bonds, the Auction Agent and the Authority) by first-class mail to the Holders of the Bonds subject to purchase at their addresses shown on the books of registry. Notwithstanding the foregoing, no notice under this Section 5.04 shall be required in the case of a redemption to be effected on the date following the last day of the Initial Term Rate Period.

5. Bonds held by or for the account of the Company or the issuer of a Support Facility are not subject to mandatory tender for purchase pursuant to this Section 5.04.

Section 5.05. Extraordinary Optional Redemption. During any Term Rate Period other than the Initial Term Rate Period or Fixed Rate Period, the Bonds are also subject to redemption prior to maturity in whole at any time at the option of the Authority, exercised at the direction of the Company, upon notice given as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with unpaid interest accrued thereon to the date fixed for redemption, in any of the following events:

(i) All or substantially all of the Project shall have been damaged or destroyed or title to, or the temporary use of, all or a substantial portion of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority, as in each case renders the Project unsatisfactory to the Company for its intended use;

(ii) Unreasonable burdens or excessive liabilities shall have been imposed upon the Authority or the Company with respect to all or substantially all of the Project, including without limitation the imposition of Federal, state or other ad valorem property, income or other taxes other than ad valorem taxes in effect on the date of original issuance of the Bonds levied upon privately owned property used for the same general purpose as the Project; or

(iii) Any court or regulatory or administrative body shall enter or adopt, or fail to enter or adopt, a judgment, order, approval, decree, rule or regulation, as a result of which the Company elects to cease operation of all or substantially all of the Project.

Section 5.06. Special Tax Redemption Provisions. 1. During any Semi-annual Rate Period, Term Rate Period or Fixed Rate Period, the Bonds shall be subject to mandatory redemption as a whole (provided, however, that the Bonds shall be redeemed in part

if the Company obtains an Opinion of Bond Counsel to the effect that, by redeeming such portion of the Bonds, the interest on the remaining Bonds will not be included for Federal income tax purposes in the gross income of any owner of the Bonds (other than an owner who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a)(1) of the Code)) at any time at a redemption price equal to 100% of the principal amount thereof, together with unpaid interest accrued thereon to the redemption date, if, in a published or private ruling of the Internal Revenue Service or in a final, nonappealable judicial decision by a court of competent jurisdiction (provided that the Company has been afforded the opportunity to participate at its own expense in the proceeding resulting in such ruling or in the litigation resulting in such decision, as the case may be), it is determined that, as a result of a failure by the Company to observe any covenant, agreement or representation in the Participation Agreement or the Tax Regulatory Agreement, interest on the Bonds is included for Federal income tax purposes in the gross income (as defined in Section 61 of the Code) of any owner of a Bond (other than a “substantial user” of the Project or a “related person” within the meaning of Section 147(a)(1) of the Code), and, in such event, the Bonds shall be subject to such mandatory redemption not more than 180 days after receipt by the Trustee of notice of such published or private ruling or judicial decision and a demand for redemption of the Bonds. The occurrence of an event requiring the redemption of the Bonds under this paragraph does not constitute an event of default under the Note or under this Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

2. During any Semi-annual Rate Period, Term Rate Period or Fixed Rate Period, the Bonds may be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon to the redemption date, if the Company has determined, on the basis of the written advice of Bond Counsel that, as a result of any action taken or expected to be taken, or a failure to take action, a reasonable risk exists that interest on the Bonds will not be excludable from gross income for Federal tax purposes. Such conclusion and certification shall be evidenced by delivery to the Trustee of a written certificate of an Authorized Company Representative to the effect that the Company has reached such conclusion, together with a copy of such written advice of Bond Counsel. The occurrence of an event permitting the redemption of the Bonds under this paragraph does not constitute an event of default under the Note or under this Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

3. During any Semi-annual Rate Period, Term Rate Period or Fixed Rate Period, the Bonds will also be subject to mandatory redemption at a redemption price equal to one hundred three percent (103%) of the principal amount thereof plus unpaid interest accrued thereon to the redemption date if the Company reasonably concludes and certifies to the Trustee that the business, properties, condition (financial or otherwise), operations or business prospects of the Company will be materially and adversely affected unless the Company takes or omits to take a specified action and that the Company has been advised in writing by Bond Counsel that the specified action or omission would cause the use of the Project to be such that, pursuant to Section 150 of the Code, the Company would not be entitled to deduct the interest on the Bonds for purposes of determining the Company’s Federal taxable income, for a period of not less than ninety (90) consecutive or nonconsecutive days during a twelve-month period. Such conclusion

and certification shall be evidenced by delivery to the Trustee of a written certificate of an Authorized Company Representative to the effect that the Company has reached such conclusion, together with a certified copy of a resolution of the Board of Trustees of the Company authorizing such certificate and a copy of such written advice of Bond Counsel. In the event that the Bonds become subject to redemption as provided in this paragraph, the Bonds will be redeemed in whole unless redemption of a portion of the Bonds outstanding would, in the Opinion of Bond Counsel, have the result that interest payable on the Bonds remaining outstanding after such redemption would be deductible for purposes of determining the Federal taxable income of the Company, and, in such event, the Bonds to be redeemed shall be selected (in the principal amount of \$5,000 or any integral multiple thereof) by lot, in such amount as is necessary to accomplish that result. The occurrence of an event requiring the redemption of the Bonds under this paragraph does not constitute an event of default under the Note or under this Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

Section 5.07. Redemption at Demand of the State of New York. Under the provisions of Section 1864 of the Act, the State of New York may, upon furnishing sufficient funds therefor, require the Authority to redeem, prior to maturity, as a whole, the Bonds on any Interest Payment Date not less than twenty years after the Closing Date at a redemption price of 105% of their face value and accrued interest or at such lesser redemption price as may be provided for a redemption at that time pursuant to Section 5.01 hereof. The Authority shall deposit any such funds received by it with the Trustee. During any period during which no Direct-Pay Credit Facility is in effect, the Trustee shall deposit any such funds in the Bond Fund and, upon notice published in the manner provided in Section 1864 of the Act, shall apply such funds to the redemption of the Bonds. During any period in which a Direct-Pay Credit Facility is in effect, the Trustee shall deposit any such funds received by it in a segregated sub-account in the Bond Fund, and upon notice published in the manner provided in Section 1864 of the Act, shall draw moneys under the related Credit Facility pursuant to Article IX and apply such payment to the redemption of the Bonds at the price and in the manner specified in the preceding sentence. Upon the application of such Credit Facility payments, the Trustee shall pay the funds furnished by the State of New York to the issuer of the Credit Facility with instructions to apply such funds to the reimbursement of the issuer of the Credit Facility for such Credit Facility payment. Upon such redemption and notwithstanding anything to the contrary in this Indenture, the Trustee shall assign the Note relating to the Bonds to or as directed by the Authority.

Section 5.08. Mandatory Tender for Purchase Upon Expiration of any Support Facility or Upon Delivery of an Alternate Support Facility. 1. Except as otherwise set forth in the last sentence of this subsection 1, on the second Business Day next preceding the date of expiration of any Support Facility, the Bonds to which such Support Facility applies shall be subject to mandatory purchase at the Purchase Price, unless on or prior to the 20th day prior to such date of expiration the Company on behalf of the Authority has furnished to the Trustee (i) a notice that such Support Facility will be extended and (ii) delivery of an extension of such Support Facility that shall be in effect one day prior to the Conversion Date; provided in addition that such Support Facility shall continue to meet the requirements of Section 6.01. The Bonds shall also be subject to mandatory purchase at the Purchase Price, on the date there is delivered an Alternate Support Facility relating to such Bonds meeting the requirements of Section 6.02.

No tender for purchase of any Bonds shall be required pursuant to this Section 5.08 during an Auction Rate Period or a Fixed Rate Period.

2. Notice of the mandatory tender for purchase pursuant to this Section 5.08 shall be given on or prior to the 15th day before the expiration date of the expiring Support Facility or on or prior to the 15th day before the delivery of any Alternate Support Facility, as the case may be, by the Trustee in the name of the Authority (with copies thereof given to the Authority, the Remarketing Agent, the issuer of a Support Facility, the Company and the Registrar and Paying Agent) by first-class mail to the Holders of the Bonds subject to mandatory tender for purchase at their addresses shown on the books of registry. Such notice shall be in substantially the form attached hereto as, or contain substantially the information contained in, **Exhibit F** hereto.

3. Bonds held by or for the account of the Company or the issuer of a Liquidity Facility are not subject to mandatory tender for purchase pursuant to this Section 5.08.

Section 5.09. Mandatory Tender Upon Occurrence of any Terminating Event. 1. Except as otherwise set forth in the last sentence of this subsection 1, upon the occurrence of any Terminating Event with respect to the Bonds, the Bonds shall be subject to mandatory tender for purchase at the Purchase Price on a Business Day selected by the Trustee; provided, however, that (i) such mandatory tender shall not occur later than the 5th day after receipt of notice of the Terminating Event by the Trustee and (ii) such mandatory tender date shall be a Business Day. Bonds will not be subject to mandatory tender for purchase pursuant to this Section 5.09 during any Auction Rate Period or any Fixed Rate Period.

2. Notice of the mandatory tender for purchase required by this Section 5.09 shall be in substantially the form attached hereto as, or contain substantially the information contained in, **Exhibit F** hereto and shall be given to the Holders of the applicable subseries of Bonds subject to mandatory tender for purchase at their addresses shown on the books of registry on or before the first Business Day after receipt of notice of a Terminating Event from the issuer of the applicable Support Facility by the Trustee, in the name of the Authority, or the Trustee shall cause the Registrar and Paying Agent to give such notice, by first-class mail to the Holders of the Bonds subject to purchase at their address shown on the books of registry (with copies thereof given to the Authority, the applicable Remarketing Agent, the Company and the Registrar and Paying Agent).

3. Bonds held by or for the account of the Company or the issuer of a Liquidity Facility are not subject to mandatory tender for purchase pursuant to this Section 5.09.

Section 5.10. General Provisions Applicable to Mandatory and Optional Tenders for Purchase of Bonds. 1. If interest has been paid on the Bonds, or an amount sufficient to pay interest thereon has been deposited in the Bond Fund, or an amount sufficient to pay accrued interest thereon, if any, has been set aside in the Bond Purchase Fund held under the Bond Purchase Trust Agreement, and the Purchase Price shall be available in the Bond Purchase Fund for payment of Bonds subject to tender for purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09, and if any Holder fails to deliver or does not properly deliver the Bonds to the Registrar and Paying Agent for which a Notice of Election to Tender has been properly filed or which are

subject to mandatory tender for purchase on the purchase date therefor, such Bonds shall nevertheless be deemed tendered and purchased on the date established for the purchase thereof, no interest shall accrue on such Bonds from and after the date of purchase and such former Holders shall have no rights hereunder as the registered owners of such Bonds, except the right to receive the Purchase Price of and interest to the purchase date, if any, on such Bonds upon delivery thereof to the Registrar and Paying Agent in accordance with the provisions hereof. The purchaser of any such Bonds remarketed by the Remarketing Agent, or the issuer of any Support Facility, to the extent Bonds are purchased with the proceeds of a draw on, or borrowing or payment under, the Support Facility, shall be treated as the registered owner thereof for all purposes of the Indenture. The payment of the Purchase Price of Bonds pursuant to Section 5.03 shall be subject to delivery of such Bonds duly endorsed in blank for transfer or accompanied by an instrument of transfer thereof in form satisfactory to the Registrar and Paying Agent executed in blank for transfer at the principal office of the Registrar and Paying Agent at or prior to 10:00 a.m. (11:30 a.m. for Bonds bearing interest at the Weekly Rate and 12:00 noon, for Bonds bearing interest at the Daily Rate) (New York City time), on a specified purchase date. The Registrar and Paying Agent may refuse to make payment with respect to any Bonds tendered for purchase pursuant to Sections 5.03, 5.04, 5.08 or 5.09 not endorsed in blank or for which an instrument of transfer satisfactory to the Registrar and Paying Agent has not been provided.

2. The Purchase Price of Bonds subject to tender for purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09 in an aggregate principal amount of at least one million dollars (\$1,000,000) shall be payable in immediately available funds or by wire transfer upon written notice from the Holder thereof containing the wire transfer address (which shall be in the continental United States) to which such Holder wishes to have such wire directed, if such written notice is received by the Registrar and Paying Agent not less than five (5) days prior to the related purchase date.

3. Bonds subject to mandatory tender for purchase pursuant to Sections 5.08 or 5.09 shall not be remarketed unless and until an Alternate Support Facility meeting the requirements of Section 6.02 of the Indenture is in full force and effect with respect to such Bonds; provided, however, that Bonds may be remarketed and no such Alternate Support Facility is required to be in effect if, at the time the Bonds are sought to be remarketed, such Bonds bear interest at an Auction Rate or a Fixed Rate or a Term Rate Period in excess of thirteen months.

4. In the event Bonds tendered for purchase pursuant to Section 5.03 or 5.04 shall be paid from a drawing under a Liquidity Facility, such Bonds shall not be remarketed unless and until the Trustee or the Registrar and Paying Agent has been notified by the Liquidity Facility Issuer and, upon receipt of such notice, the Trustee or the Registrar and Paying Agent has notified the applicable Remarketing Agent that the amount available for a drawing under such Liquidity Facility has been restored.

Section 5.11. Selection of Bonds to be Redeemed. A redemption of Bonds shall be a redemption of the whole or of any part of the Bonds from any funds available for that purpose in a principal amount equal to an authorized denomination (so long as the principal amount not redeemed is an authorized denomination). If less than all Bonds of any subseries shall be redeemed, the particular Bonds to be redeemed shall be chosen by the Trustee, or the

Trustee shall direct the Registrar and Paying Agent to so choose, as hereinafter provided. If less than all the Bonds of any subseries shall be called for redemption under any provision of this Indenture permitting such partial redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected (a) first, from Bonds held or owned by or for the issuer of a Support Facility pursuant to any Support Facility, (b) second, from Bonds for which the Registrar and Paying Agent has received, prior to such selection, a Notice of Election to Tender requiring the Registrar and Paying Agent to purchase such Bonds on the date on which the Bonds being selected are to be redeemed and (c) third, from all other Bonds then Outstanding, by lot by the Trustee or, upon direction of the Trustee, by lot by the Registrar and Paying Agent; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$100,000 or any integral multiple thereof during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, \$25,000 or any integral multiple thereof during an Auction Rate Period, or \$5,000 or any integral multiple thereof at any other time and that, in selecting Bonds for redemption, the Trustee or Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such registered Bond in excess of \$100,000 by \$100,000 during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, \$25,000 during an Auction Rate Period, and \$5,000 at any other time (such amounts being hereinafter referred to as the "applicable units of principal amount"). If it is determined that one or more, but not all of the \$100,000, \$25,000 or \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$100,000, \$25,000 or \$5,000 unit or units, the Holders of such Bonds shall forthwith surrender such Bonds to the Registrar and Paying Agent for (1) payment of the redemption price (including the redemption premium, if any, and accrued interest to the date fixed for redemption) of the \$100,000, \$25,000 or \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the same subseries of the aggregate principal amount of the unredeemed balance of the principal of such Bonds. If the Holders of any such Bond of a denomination greater than \$100,000, \$25,000 or \$5,000 shall fail to present such Bond to the Registrar and Paying Agent, for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the \$100,000, \$25,000 or \$5,000 unit or units of principal amount called for redemption (and to that extent only).

Section 5.12. Notice of Redemption. 1. Notice of redemption shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail at least fifteen (15) days prior to the date fixed for redemption to the Holders of the Bonds to be redeemed at the addresses shown on the registration books maintained by the Registrar and Paying Agent. A copy of such notice of redemption shall be given by the Trustee to the Support Facility Issuer and the Auction Agent (if any) at least thirty (30) days prior to the date fixed for redemption. Any redemption may be conditioned on the receipt of moneys by the Registrar and Paying Agent sufficient to pay the redemption price on the redemption date of Bonds called for redemption, if the notice of redemption so states. Notwithstanding the foregoing, no notice under this Section 5.12 shall be required in the case of a redemption to be effected on the date following the last day of the Initial Term Rate Period.

2. The Registrar and Paying Agent shall not be required to transfer or exchange Bonds during any period beginning at the opening of business fifteen (15) days before

the day of mailing of a notice of redemption and ending at the close of business on the day fixed for redemption; provided, however, that the foregoing shall not apply during a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period or an Auction Rate Period.

3. Each notice of redemption shall state: (i) the full title of the Bonds, the redemption date, the place of redemption and the redemption price payable upon such redemption; (ii) that the interest on the Bonds, or on the principal amount thereof to be redeemed, shall cease to accrue from and after such redemption date; and (iii) that on said date there will become due and payable on the Bonds the principal amount thereof to be redeemed and the interest accrued on such principal amount to the redemption date, if any, and the premium, if any, thereon. Each notice of redemption mailed to the Holder of the Bonds shall, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof and the distinctive numbers of the Bonds to be redeemed and that such Bonds must be surrendered to the Trustee in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Bond of the same subseries equaling in principal amount that portion of the principal sum not to be redeemed of the Bonds to be surrendered. The failure to give notice to any Holder of a Bond or any defects in such notice shall not affect the proceedings for the redemption of the Bonds for which notice has been properly given.

Section 5.13. Bonds Purchased for Account of Liquidity Facility Issuer. Bonds subject to purchase pursuant to Section 5.03, 5.04, 5.08 or 5.09 shall be deemed to be purchased by the Company except to the extent the Liquidity Facility expressly provides that the Bonds are to be purchased by the issuer of the Liquidity Facility in which event such Bonds shall be deemed to be purchased by the issuer of the Liquidity Facility in a principal amount equal to the amount of a draw on, or borrowing or payment under, the Liquidity Facility for the payment of Bonds subject to purchase, upon the deposit with the Registrar and Paying Agent of the proceeds of such draw on, or borrowing or payment under, the Liquidity Facility in an amount equal to the principal of such Bonds plus accrued interest thereon to the purchase date, and such Bonds shall not be deemed paid and shall remain outstanding hereunder until the issuer of the Liquidity Facility has been reimbursed for such draws on, or borrowings or payments under, the Liquidity Facility to pay such principal and interest. Unless the issuer of any Liquidity Facility shall otherwise direct, any Bonds purchased by the issuer of the Liquidity Facility shall be immediately registered in the name of the Company except to the extent the Liquidity Facility expressly provides that the Bonds are to be purchased by the issuer of the Liquidity Facility in which event such Bonds shall be registered in the name of the issuer of the Liquidity Facility as a Holder and the issuer of the Liquidity Facility shall have all rights of a Holder of Bonds under this Indenture.

Section 5.14. Effect of Redemption. If the Bonds (or portions thereof) have been duly called for redemption and notice of the redemption thereof has been duly given or provided for as hereinbefore provided and if moneys for the payment of the Bonds (or of the principal amount thereof to be redeemed) and the interest to accrue to the redemption date on the Bonds (or of the principal amount thereof to be redeemed), if any, and the premium, if any, thereon are held for the purpose of such payment by the Trustee, then the Bonds (or the principal amount thereof to be redeemed) shall on the redemption date designated in such notice, become due and payable and interest on the Bonds (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue from such date and the Holder thereof shall thereafter

have no rights hereunder as the Holder of such Bonds (or the principal amount thereof to be redeemed) except to receive the principal amount thereof and premium, if any, and interest thereon to the redemption date.

Section 5.15. Cancellation of Redeemed Bonds. Any Bonds surrendered or redeemed pursuant to the provisions of this Article shall be cancelled by the Registrar and Paying Agent.

ARTICLE VI

SUPPORT FACILITY

Section 6.01. Support Facility - General. (1) Pursuant to the Participation Agreement, the Company has agreed not to request that the interest rate mode applicable to the Bonds be adjusted to an Adjustable Rate or a Fixed Rate unless on the effective date of the applicable Change in the Interest Rate Mode the Bonds to be converted shall be rated at least "A" by S&P or "A2" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency. Subject to the requirements of the Participation Agreement, such rating of the Bonds may, but is not required to, be achieved by obtaining a Support Facility which meets the requirements of this Article VI. The Company has further agreed to maintain a Liquidity Facility meeting the requirements of the Participation Agreement with respect to the Bonds at all times, except with respect to Bonds bearing interest at an Auction Rate, a Fixed Rate or a Term Rate for a Calculation Period in excess of thirteen months. A Liquidity Facility also must be in effect on or prior to the effective date of any Change in the Interest Rate Mode from an Auction Rate to another Adjustable Rate (other than a Change in the Interest Rate Mode to an Auction Rate or to a Term Rate Period in excess of thirteen months). The Trustee shall be furnished with a certified copy of any Support Facility obtained pursuant to this Section 6.01.

Any Support Facility Issuer not located in New York State shall provide the Trustee with a list of holidays on which it is closed through the next succeeding January 1 at the beginning of the term of such Support Facility and by January 1 of each year thereafter.

(2) Notwithstanding any other provision in this Indenture, upon the occurrence of an Event of Default and so long as no Support Facility Issuer Default has occurred and is continuing, then, in all such events, the Credit Facility Issuer shall be deemed to be the sole Holder of the Bonds the payment of which such Credit Facility supports when the approval, consent, direction or any other action of the Holders of such Bonds is required or may be exercised under this Indenture (except with respect to approvals, consents, directions or other actions requiring the consent of all Holders set forth in Section 14.02 and Section 14.07), including, without limitation, (i) the right to control and direct the declaration of principal of and accrued interest on all the Bonds then Outstanding to be due and payable immediately pursuant to Section 12.03, and (ii) the right to rescind and annul any such declaration in clause (i) of this paragraph and its consequences pursuant to Section 12.03.

(3) The Trustee shall deliver to the Company written notice of any draw on or borrowing or payment under a Support Facility.

Section 6.02. Alternate Support Facility. (1) At any time, the Authority may, at the request of the Company, provide for the delivery to the Trustee of an Alternate Support Facility for a subseries of Bonds. The termination date of such Alternate Support Facility shall be a date not earlier than 364 days from its date of issuance, and may be subject to earlier termination upon the occurrence of (i) a Terminating Event or another event of default under the related reimbursement agreement or other corresponding agreement relating to such Alternate Support Facility, (ii) the issuance of a subsequent Alternate Support Facility for the applicable subseries of Bonds, (iii) payment in full of the Outstanding Bonds or (iv) a Change in the

Interest Rate Mode of the applicable subseries of Bonds. Any such Alternate Support Facility shall specifically allow, in the case of the occurrence of any event or events which under the terms of such Alternate Support Facility or any agreement providing for the issuance thereof would cause the termination or expiration of such Alternate Support Facility, for the mandatory tender of the applicable Bonds pursuant to Section 5.09 with a draw on or borrowing or payment under such Alternate Support Facility prior to such termination or expiration. On or prior to the date of the delivery of an Alternate Support Facility to the Trustee, the Company shall furnish to the Trustee on behalf of the Authority (a) an Opinion of Bond Counsel stating that the delivery of such Alternate Support Facility to the Trustee is authorized under this Indenture and complies with the terms hereof and (b) confirmation from S&P, if the Bonds are then rated by S&P, from Moody's, if the Bonds are then rated by Moody's, from Fitch, if the Bonds are then rated by Fitch, or another rating agency, if the Bonds are then rated by such rating agency, to the effect that such rating agency has reviewed the proposed Alternate Support Facility and that the substitution of the proposed Alternate Support Facility for the Support Facility will not, by itself, result in a reduction or withdrawal of its long or short-term rating of the applicable Bonds below the Rating Category of S&P, Moody's or Fitch or such other rating agency, as the case may be, then in effect with respect to such Bonds. Nothing contained herein shall prevent the Authority, at the request of the Company, from delivering an Alternate Support Facility in substitution for a Support Facility which will result in a decline in the short-term or long-term rating or both assigned to the applicable Bonds by Moody's, S&P or Fitch or such other rating agency as a result of the Alternate Support Facility; provided, that the Opinion of Bond Counsel referred to in the preceding sentence is obtained; provided that such opinion shall also be to the effect that delivery of such Alternate Support Facility will not adversely affect the exclusion from gross income of interest on the applicable Bonds for Federal income tax purposes.

(2) On the date there is delivered an Alternate Support Facility, all Bonds that are Outstanding are subject to mandatory tender for purchase pursuant to Section 5.08. The Authority, or the Company on behalf of the Authority, shall deliver notice to the Trustee of the substitution of an Alternate Support Facility at least thirty (30) days before the date of substitution. The Trustee shall deliver notice to the registered owners of the substitution at least fifteen (15) days before the date of substitution.

Section 6.03. Trustee not Responsible for Enforcement of Support Facility. The Trustee shall have no responsibility with respect to the enforcement of any Support Facility obtained hereunder.

Section 6.04. Qualification of Support Facility Issuer's Right to Consent. A Support Facility Issuer's right to consent or direct action pursuant to the provisions of this Indenture shall not exist when a Support Facility Issuer Default has occurred and is continuing.

ARTICLE VII

GENERAL TERMS AND PROVISIONS OF BONDS

Section 7.01. Execution and Authentication of Bonds. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of its Chair, Vice-Chair, President, Treasurer or any Vice President and shall be sealed with the seal of the Authority, or in lieu thereof shall bear a lithographed, engraved or otherwise reproduced facsimile of such seal attested by the manual or facsimile signature of its Vice President, Treasurer, Secretary or an Assistant Secretary.

Bonds bearing the manual signature of the officer of the Authority authorized to execute such Bonds in office on the date of such manual signing thereof and Bonds bearing the facsimile signature of the officer of the Authority authorized to execute such Bonds in office on the date of the reproducing of such facsimile signature on such Bonds, shall be valid and binding obligations in accordance with their terms, notwithstanding that before the delivery thereof and payment therefor the person whose signature appears thereon shall have ceased to be such officer.

Only Bonds having endorsed thereon a certificate of authentication substantially in the form set forth in Article XVI, duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bonds shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon a Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture and that the Holder thereof is entitled to the benefits of this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Trustee.

Section 7.02. Books of Registry. The Registrar and Paying Agent shall keep or cause to be kept at its principal office books (herein referred to as the "books of registry" or "registration books") for the registration and transfer of the Bonds. Upon presentation at its principal office for such purpose the Registrar and Paying Agent, under such reasonable regulations as it may prescribe, shall register or transfer, or cause to be registered or transferred, on said books of registry, the Bonds as hereinafter set forth. The books of registry shall at all times during business hours be open for inspection by the Authority, the Company and the Trustee or their duly authorized agents or representatives.

Section 7.03. Transfer, Registration and Exchange of Bonds. The transfer of the Bonds may be registered only upon the books of registry required to be kept pursuant to Section 7.02 upon surrender thereof to the Registrar and Paying Agent, together with an assignment duly executed by the Holder thereof or his or her duly authorized agent and accompanied by a guarantee of signature, each in such form as shall be satisfactory to the Registrar and Paying Agent. Upon any such registration of transfer the Authority shall execute and the Trustee shall authenticate and deliver in exchange for such Bonds a new Bond or Bonds registered in the name of the transferee or transferees for a like aggregate principal amount, of any denomination or denominations authorized by this Indenture. No transfer of any Bond shall be effective until entered on the books of registry.

Any Bond surrendered in any such registration of transfer shall forthwith be cancelled by the Trustee. Any Bonds registered and transferred to a new Holder pursuant to this Section shall be delivered to the Holder at the principal office of the Registrar and Paying Agent or sent by first-class mail to the Holder at his or her request, risk and expense.

Bonds, upon surrender thereof at the principal corporate trust office of the Registrar and Paying Agent, together with an assignment duly executed by the Holder or his or her authorized agent and accompanied by a guarantee of signature, each in such form as shall be satisfactory to the Registrar and Paying Agent, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of Bonds of any denomination or denominations authorized by this Indenture and in the same form as the Bonds surrendered for exchange. All Bonds so surrendered pursuant to this Section shall be cancelled by the Trustee.

Any Bonds to be delivered to the Holder upon any such exchange shall be delivered to the Holder at the principal office of the Registrar and Paying Agent or sent by first-class mail to the Holder thereof at his or her request, risk and expense.

Any taxes or other governmental charges required to be paid with respect to the registration of transfer or exchange of the Bonds shall be paid by the Holder requesting registration of such transfer or exchange, as a condition precedent to the exercise of such privilege. The Authority or the Registrar and Paying Agent, or both, may charge the Company for every registration of transfer or exchange sufficient to reimburse it for any and all costs required to be paid in respect thereof.

Section 7.04. Mutilated, Lost, Stolen, or Destroyed Bonds. In the event any Bond shall be lost, stolen, destroyed, wholly or in part, or so defaced as to impair its value to the Holder, the Trustee shall, upon compliance with the terms provided by law, authenticate and deliver a new Bond of like subseries or series, date and tenor in exchange or replacement therefor against delivery for cancellation of such mutilated Bond, or in lieu of and in replacement of a destroyed, stolen or lost Bond, and upon payment by the Holder of the reasonable expenses of the Registrar and Paying Agent and the Authority and the reasonable charges of the Trustee and Registrar and Paying Agent in connection therewith and, in the event that the Bond is destroyed, stolen or lost, the Holder's filing with the Registrar and Paying Agent of evidence satisfactory to it that the Bond was destroyed, stolen or lost, of the Holder's ownership thereof, and furnishing the Registrar and Paying Agent such security and indemnity as is satisfactory to it which shall name the Authority as an additional indemnified party. Any replacement Bond issued under the provisions of this Section in exchange or substitution for the defaced, mutilated or partly destroyed Bond or in substitution for the allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Indenture as was the original Bond in lieu of which such replacement Bond is issued. Each such replacement Bond shall be prepared in substantially the same manner as the original.

Notwithstanding the foregoing provisions of this Section, if the lost, stolen, destroyed, defaced or mutilated Bond has matured or been called for redemption and the date fixed for redemption thereof has arrived, at the option of the Authority, payment of the amount due thereon may be made without the issuance of any replacement Bond upon receipt of like evidence, indemnity, security and payment of expenses and the surrender for cancellation of the

defaced or mutilated or partly destroyed Bond and upon such other conditions as the Trustee may prescribe.

Except as provided in this sentence and as permitted in the following paragraph, any replacement Bond shall be in the form of the Bond being replaced, and be dated the date of its issuance and bear such number as shall be assigned thereto by the Registrar and Paying Agent, with such subseries designation, if any, as may be deemed appropriate by the Registrar and Paying Agent. The Registrar and Paying Agent shall make an appropriate notation in the books of registry that a replacement Bond has been issued in exchange or substitution for the defaced, mutilated, lost, stolen, or wholly or partly destroyed Bond.

There may be imprinted or affixed on the face and the panel portion of any duplicate Bond a mark to identify such Bond as a replacement Bond.

Prior to arranging for the preparation or printing of a replacement Bond, the Trustee and the Registrar and Paying Agent may require a deposit by the Holder to secure the Trustee, the Registrar and Paying Agent and the Authority for costs and expenses incurred by them in the preparation, printing, execution and issuance of such replacement Bond.

Any amount of such deposit received by the Registrar and Paying Agent in excess of the amount required to reimburse the Registrar and Paying Agent, the Trustee or the Authority for costs and expenses shall be returned to the party which made the deposit.

Any defaced, mutilated or partly destroyed Bond surrendered to the Registrar and Paying Agent in substitution for a new Bond pursuant to this Section shall be cancelled by the Trustee.

Section 7.05. Temporary Bonds. Pending the preparation of definitive Bonds, interim receipts or certificates (herein referred to as “temporary Bonds”) may initially be issued, exchangeable for definitive Bonds when the latter are ready for delivery. Such temporary Bonds may be printed, lithographed or typewritten, shall be of such denomination or denominations as may be determined by the Authority and may contain such references to any of the provisions of this Indenture as may be appropriate. If temporary Bonds are issued, the Authority will cause to be furnished duly executed definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation at the principal office of the Trustee in exchange for definitive Bonds and without charge for such exchange, and the Registrar and Paying Agent shall deliver in exchange for such temporary Bonds so surrendered an equal aggregate principal amount of definitive duly executed Bonds, of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

Nothing in this Indenture shall prevent the Authority from delivering, and the Authority is hereby expressly permitted to deliver, Auction Rate Bonds in typewritten form to the Securities Depository as registered owner thereof.

Section 7.06. Disposition of Bonds. Any Bond surrendered to the Registrar and Paying Agent for payment shall be cancelled upon such payment by the Trustee. The Trustee shall dispose of any cancelled Bond which has been paid and which bears any date two (2) years prior to the date of disposition in accordance with the Trustee’s procedures in effect for

the disposition of cancelled securities as of the date of such disposition. When the Trustee shall dispose of any Bond, it shall deliver a certificate of such disposition to the Authority and the Company.

ARTICLE VIII

ESTABLISHMENT OF THE PROJECT FUND

Section 8.01. Project Fund. 1. There is hereby created and established a special trust fund to be designated "Consolidated Edison Company of New York, Inc. Series 2010A Project Fund" (hereinafter referred to as the "Project Fund") to be held by the Trustee. All income or gain on moneys deposited in the Project Fund shall be retained therein.

2. The proceeds of the sale of Bonds issued hereunder shall be deposited into the Project Fund.

3. The moneys on deposit from time to time in the Project Fund shall be held under and subject to this Indenture, but shall not be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the Holders of the Bonds and shall not be available for the payment of Bonds within the meaning of the Indenture, and shall be used and applied solely for the purpose of refunding the Prior Bonds in accordance with the remaining provisions of this Section.

4. The Trustee is authorized and directed to make payments from the Project Fund to pay the redemption price of the Prior Bonds or costs incurred in connection therewith, upon receipt of a letter or letters signed by an Authorized Company Representative so directing.

ARTICLE IX

**CREATION OF SPECIAL FUNDS AND ACCOUNTS;
APPLICATION AND INVESTMENT OF REVENUES**

Section 9.01. Creation of Funds and Accounts. (a) The following fund and the following accounts therein, which shall be a special fund and accounts to be held by the Trustee, are hereby created and designated as set forth below:

Bond Fund

- (i) Interest Account
- (ii) Principal Account
- (iii) Redemption Account
- (iv) Acceleration Account

The designation of each fund and account set forth above shall include the term "Consolidated Edison Company of New York, Inc. Series 2010A," which term shall precede the designation as set forth above. Such fund and each such account is, however, sometimes referred to herein as set forth above.

Separate funds and accounts shall be maintained, pursuant to the provisions of this Article IX, for subseries of Bonds that bear interest at interest rate modes not covered by a Liquidity Facility.

(b) The Bond Fund and the accounts therein shall be held in the custody of the Trustee. All moneys required to be deposited with or paid to the Trustee under any provision of this Indenture shall be held by the Trustee in trust and applied only in accordance with the provisions of this Indenture and shall be trust funds for the purposes specified in this Indenture.

Section 9.02. Deposit of Note Payments. The Trustee shall deposit the Note Payments or other money set forth below in the Bond Fund and credit the Accounts set forth below in the order set forth below:

The Company shall pursuant to Sections 4.02, 4.03 and 4.04 of the Participation Agreement deposit, or cause to be deposited, the following in immediately available funds with the Trustee as the Note Payments become due or are declared to be immediately due and payable under the Participation Agreement and the Note unless sufficient amounts are then available in such Accounts to make the required payments therefrom:

(a) No later than 12:00 noon (New York City time) on the Business Day next preceding each Interest Payment Date, into the Bond Fund for credit to the Interest Account an aggregate amount of funds available on the next Business Day in The City of New York equal to the aggregate amount required for the payment of the interest payable on the Bonds, on such Interest Payment Date.

In the event a Direct-Pay Credit Facility is in place, amounts required to be deposited in the Bond Fund for credit to the Interest Account shall be derived solely from the following sources of funds in the priority indicated and shall be so deposited and credited to the Interest Account on the date indicated:

(I) First, on each Interest Payment Date, the proceeds of a draw, borrowing or payment under the Direct-Pay Credit Facility in respect of interest payable on such Interest Payment Date; and

(II) Second, on each Interest Payment Date, any other moneys provided by the Company pursuant to the preceding paragraph for such purpose.

The Trustee shall deposit the proceeds of a draw, borrowing or payment under a Direct-Pay Credit Facility in a segregated sub-account of the Interest Account in the Bond Fund and such proceeds shall not be commingled with moneys in any other Account or sub-account or derived from any other source.

(b) (i) During an Auction Rate Period, no later than 12:00 noon (New York City time) on the second Business Day next preceding each Auction Date, into the Bond Fund for credit to the Redemption Account an aggregate amount of funds available on the next Business Day in The City of New York equal to the aggregate amount required to pay the principal of and premium, if any, and accrued interest on any Auction Rate Bonds, called for redemption; provided, however if the scheduled date of such deposit to the Redemption Account by the Company is not a Business Day then the date for such deposit to the Redemption Account by the Company shall be the first Business Day immediately preceding the scheduled date of such deposit to the Redemption Account by the Company.

(ii) Other than during an Auction Rate Period, on the last Business Day prior to the day on which any redemption is to occur or on the last Business Day prior to the Stated Maturity, into the Bond Fund for credit to the Redemption Account or the Principal Account, as appropriate, the amount required to pay principal of and premium, if any, and accrued interest on any Bonds called for redemption or at the Stated Maturity, the amount required to pay the principal of the Bonds.

In the event a Direct-Pay Credit Facility is in place, amounts required to be deposited in the Bond Fund for credit to the Redemption Account or the Principal Account, as appropriate, shall be derived solely from the following sources of funds in the priority indicated and shall be so deposited and credited in the Redemption Account or the Principal Account, as appropriate, on the date indicated:

(I) First, on the date any redemption is scheduled to occur and on the Stated Maturity, the proceeds of a draw, borrowing or payment under the Direct-Pay Credit Facility in respect of the amounts described in the preceding paragraph; and

(II) Second, on the date any redemption is scheduled to occur and on the Stated Maturity, any other moneys provided by the Company pursuant to the preceding paragraph for such purpose.

The Trustee shall deposit the proceeds of a draw, borrowing or payment under a Direct-Pay Credit Facility in a segregated sub-account of the Redemption Account or Principal Account, as the case may be, in the Bond Fund and such proceeds shall not be commingled with moneys in any other Account or sub-account or derived from any other source.

If other moneys are received by the Trustee as advance payments of Note Payments to be applied to the redemption of all or a portion of the Bonds, such moneys shall be deposited in the Bond Fund for credit to the Redemption Account therein.

(c) Immediately following the declaration of principal of and accrued interest on the Bonds then Outstanding to be immediately due and payable pursuant to Section 12.03, into the Bond Fund for credit to the Acceleration Account, the amount required to pay principal of and accrued interest on such Bonds.

In the event a Direct-Pay Credit Facility is in place, amounts required to be deposited in the Bond Fund for credit to the Acceleration Account shall be derived solely from the following sources of funds in the priority indicated and shall immediately be so deposited and credited in the Acceleration Account:

(I) First, the proceeds of a draw, borrowing or payment under the Direct-Pay Credit Facility in respect of principal of and accrued interest on the Bonds; and

(II) Second, any other moneys provided by the Company pursuant to the preceding paragraph for such purpose.

The Trustee shall deposit the proceeds of a draw, borrowing or payment under a Direct-Pay Credit Facility in a segregated sub-account of the Acceleration Account in the Bond Fund and such proceeds shall not be commingled with moneys in any other Account or sub-account or derived from any other source.

Notwithstanding anything in this Section 9.02 to the contrary, the Trustee may not draw under a Direct-Pay Credit Facility to pay amounts due in respect of (i) Bonds held by the Support Facility Issuer, the Authority or the Company, or (ii) Bonds not covered by the Direct-Pay Credit Facility.

Section 9.03. Application of Moneys in the Bond Fund and the Bond Purchase Fund. 1. The Bond Fund shall be used for the purpose of making scheduled payments of principal of and interest on the Bonds, of making payments of principal of and premium, if any, and accrued interest on Bonds then subject to redemption in the manner herein provided and of making payments of principal of and accrued interest on the Bonds then Outstanding that have been declared to be immediately due and payable pursuant to Section 12.03. The moneys in the Bond Fund shall be applied as follows:

(a) Interest Account. Subject to the succeeding sentence, on each Interest Payment Date, the Trustee shall apply the amount of moneys then credited to the Interest Account equal to the interest then payable on the Bonds to the payment of such interest on such Interest Payment Date. In the event a Direct-Pay Credit Facility is in place, the Trustee shall request a draw, borrowing or payment under the Direct-Pay Credit Facility

in accordance with the terms thereof in an amount equal to the amount required to pay the interest payable on the Outstanding Bonds on such Interest Payment Date and shall notify the Company of the amount and date of such request. If sufficient funds are not available under Section 9.02(a)(I) to pay such interest, the Trustee shall apply funds, if any, available pursuant to Section 9.02(a)(II), to the extent necessary, to such payment of interest. If the interest on the Bonds has been paid in full when due and all payments required under the Direct-Pay Credit Facility have been made, the Trustee shall apply remaining funds, if any, available pursuant to Section 9.02(a)(II) in an amount not to exceed the amount of the draw or borrowing under the Direct-Pay Credit Facility to reimburse the Credit Facility Issuer for such draw or borrowing after such draw or borrowing has been honored by the Credit Facility Issuer.

(b) Principal Account. Subject to the succeeding sentence, on the Stated Maturity, the Trustee shall apply the amount of moneys then credited to the Principal Account equal to the principal amount of Bonds then payable to the payment of such principal on such date. In the event a Direct-Pay Credit Facility is in place, the Trustee shall request a draw, borrowing or payment under the Direct-Pay Credit Facility in accordance with the terms thereof in the amount required, to pay such principal amount and shall notify the Company of the amount and date of such request. If sufficient funds are not available under Section 9.02(b)(I) to pay such principal, the Trustee shall apply funds, if any, available pursuant to Section 9.02(b)(II), to the extent necessary, to such payment. If the principal of the Bonds has been paid in full when due and all payments required under the Direct-Pay Credit Facility have been made, the Trustee shall apply remaining funds, if any, available pursuant to Section 9.02(b)(II) in an amount not to exceed the amount of the draw or borrowing under the Direct-Pay Credit Facility to reimburse the Credit Facility Issuer for such draw or borrowing after such draw or borrowing has been honored by the Credit Facility Issuer.

(c) Redemption Account. The Trustee shall redeem on the date set for the redemption thereof, as provided in Article V of this Indenture, a principal amount of Bonds then subject to redemption. Subject to the following sentence, the Trustee shall apply an amount credited to the Redemption Account equal to the principal amount and premium, if any, of Bonds then subject to redemption, together with accrued interest thereon to the redemption date, to the payment of such Bonds on the redemption date from funds described in Section 9.02(b).

In the event a Direct-Pay Credit Facility is in place, the Trustee shall request a draw under the Direct-Pay Credit Facility in accordance with the terms thereof, in an amount equal to the amount required to pay the principal amount and premium, if any, of Bonds then to be redeemed, together with accrued interest thereon to the date set for redemption and shall notify the Company of the date and amount of such request. If sufficient amounts to make such payment are not available under Section 9.02(b)(I), the Trustee shall apply amounts, if any, available pursuant to Section 9.02 (b)(II), to the extent necessary, to such payment. Such redemption shall be made pursuant to the provisions of Article V. If the redemption price of the Bonds equal to the principal amount of Bonds then to be redeemed, together with premium, if any, and accrued interest thereon has been paid in full on the redemption date and all payments required under the Direct-Pay Credit Facility have been made, the Trustee shall apply remaining

funds, if any, available pursuant to Section 9.02(b)(II) in an amount not to exceed the amount of the draw or borrowing under the Direct-Pay Credit Facility to reimburse the Credit Facility Issuer for such draw or borrowing after such draw or borrowing has been honored by the Credit Facility Issuer.

Upon the retirement of any portion of the Bonds by redemption pursuant to the provisions of this Section 9.03, the Trustee shall file with the Authority and the Company a statement stating the amounts of the Bonds so redeemed and setting forth the date of their redemption and the amount paid as principal, premium and interest thereon. The expenses in connection with the redemption of the Bonds shall be paid by the Company as Additional Payments.

All moneys in the Redemption Account on the last Business Day prior to the Stated Maturity shall be transferred to the Principal Account.

(d) Acceleration Account. The Trustee shall immediately apply an amount credited to the Acceleration Account equal to the principal amount of and accrued interest on the Bonds then Outstanding that have been declared to be immediately due and payable pursuant to Section 12.03 from funds described in Section 9.02(c).

In the event a Direct-Pay Credit Facility is in place, the Trustee shall request a draw under the Direct-Pay Credit Facility in accordance with the terms thereof, in an amount equal to the amount required to pay the principal amount of and accrued interest of the Bonds then Outstanding that have been declared to be immediately due and payable pursuant to Section 12.03 and shall notify the Company of the date and amount of such request. If sufficient amounts to make such payment are not available under Section 9.02(c)(I), the Trustee shall apply amounts, if any, available pursuant to Section 9.02(c)(II), to the extent necessary, to such payment. If the principal of and interest on the Bonds has been paid in full after such Bonds have been declared to be immediately due and payable and all payments required under the Direct-Pay Credit Facility have been made, the Trustee shall apply remaining funds, if any, available pursuant to Section 9.02(c)(II) in an amount not to exceed the amount of the draw or borrowing under the Direct-Pay Credit Facility to reimburse the Credit Facility Issuer for such draw or borrowing after such draw or borrowing has been honored by the Credit Facility Issuer.

2. Bond Purchase Fund. Pursuant to Section 4.02(d) of the Participation Agreement, the Company has agreed that the Company shall, to the extent not paid from a draw or payment under a Liquidity Facility, provide funds to the Trustee for payment to, or provide funds directly to, the Registrar and Paying Agent for deposit in the Bond Purchase Fund and credit to the Company Account therein established under the Bond Purchase Trust Agreement to be applied to the payment of the Purchase Price of any Bond pursuant to the Bond Purchase Trust Agreement to the extent not otherwise provided from the sources described in the Bond Purchase Trust Agreement.

In the event sufficient funds are not available under Section 2.03(a)(i) of the Bond Purchase Trust Agreement to pay such Purchase Price on the date of purchase of any Bonds pursuant to Section 5.03, 5.04, 5.08 or 5.09 hereof, the Registrar and Paying Agent on or prior to the time specified in the Bond Purchase Trust Agreement shall direct the Trustee to request a

draw or payment under the Liquidity Facility in accordance with the terms thereof in the amount required, together with amounts, if any, available under Section 2.03(a)(i) of the Bond Purchase Trust Agreement, to pay the Purchase Price of such Bonds on such date of purchase. The Trustee shall on or prior to the time specified in the Bond Purchase Trust Agreement request such draw or payment under the Liquidity Facility in accordance with the terms thereof and shall on or prior to the time specified in the Bond Purchase Trust Agreement transfer the proceeds of such draw or payment to the Registrar and Paying Agent, who shall cause the proceeds of such draw or payment to be deposited in the Bond Purchase Fund under the Bond Purchase Trust Agreement and credited to the Liquidity Facility Proceeds Account therein. The Registrar and Paying Agent shall notify the Company of the amount and date of such request. The Registrar and Paying Agent shall promptly notify the Company in the event that it has not received any amounts requested under a Support Facility prior to the time specified in the Bond Purchase Trust Agreement on any date a Purchase Price is due.

The Remarketing Agent for a subseries of Bonds shall notify the Registrar and Paying Agent and the Trustee, at or prior to 11:00 a.m. (New York City time) on a specified purchase date, of the amount of the proceeds of the related remarketing, and shall specify whether remarketing proceeds (excluding any such proceeds from the Company, the Authority or an affiliate of either) equal to the full amount of the Purchase Price payable on such purchase date are held by such Remarketing Agent and will be available on such purchase date for the payment of such Purchase Price, and, if the amount of such remarketing proceeds that will be available on such purchase date for the payment of such Purchase Price shall not be equal to the full amount of the Purchase Price payable on such purchase date, such notice shall specify the amount of the deficiency. By 11:30 a.m. (New York City time) on such purchase date, the Remarketing Agent shall pay to the Registrar and Paying Agent, for deposit in the Bond Purchase Fund and credit to the Remarketing Proceeds Account, an aggregate amount of such remarketing proceeds equal to the amount stated in such notice to be available on such purchase date for the payment of such Purchase Price.

Notwithstanding anything in this Section 9.03 to the contrary, the Trustee may not draw under a Direct-Pay Credit Facility to pay amounts due in respect of (i) Bonds held by the Support Facility Issuer, the Authority or the Company, or (ii) Bonds not covered by the Direct-Pay Credit Facility.

Section 9.04. Investment of Funds. Moneys in the Bond Fund and the accounts in such fund shall be invested and reinvested by the Trustee, at the written direction of the Company, so long as the Company is not in default hereunder or under the Participation Agreement, to the extent reasonable and practicable in Investment Securities selected by the Company and maturing in the amounts and at the times as determined by the Company so that the payments required to be made from such funds and accounts may be made when due and subsequent to the occurrence of an Event of Default hereunder or under the Participation Agreement, the Trustee shall hold moneys in the Bond Fund uninvested. Investment earnings shall be considered on deposit in any Fund or Account as of the date they are actually received by the Trustee. Notwithstanding the foregoing, so long as a Direct-Pay Credit Facility is in effect, moneys in the Bond Fund, except for proceeds of refunding bonds, shall be held uninvested.

Moneys on deposit in the Project Fund shall be invested and reinvested by the Trustee at the express direction of the Company, promptly confirmed in writing (which may be provided by telecopy), so long as the Company is not in default under the Participation Agreement, to the extent reasonable and practicable, in Investment Securities maturing in such amounts and at such times as it is anticipated by the Company that such moneys will be required to pay the redemption price of the Prior Bonds.

The Trustee, with the consent of the Company, shall be authorized to sell any investment when necessary to make the payments to be made from the funds and accounts therein. All earnings on and income from moneys in said funds and accounts (other than the Project Fund) created hereby shall be considered to be Revenues and shall be held in the respective account in the Bond Fund for use and application as are all other moneys deposited in such accounts. The Trustee shall, in the statement required by Section 11.07, set forth the Investment Securities held separately in, and the earnings realized on investment for, each fund and account hereunder. The Trustee shall not be liable for any depreciation in the value of the Investment Securities acquired hereunder or any loss suffered in connection with any investment of funds made by it in accordance herewith, including, without limitation, any loss suffered in connection with the sale of any investment pursuant hereto.

The Trustee may make any such investments through its own investment department upon written direction of the Company.

All Investment Securities shall constitute a part of the respective fund and accounts therein from which the investment in Investment Securities was made.

ARTICLE X

PARTICULAR COVENANTS OF THE AUTHORITY

Section 10.01. Payment of Principal of and Interest and Redemption Premium on Bonds. The Authority will promptly pay solely from the Note Payments and other moneys held by the Trustee and available therefor, the principal of, and the interest on, every Bond issued under and secured by the Indenture and any premium required to be paid for the retirement of said Bonds by redemption, at the places, on the dates and in the manner specified in this Indenture and in said Bonds according to the true intent and meaning thereof, subject, however, to the provisions of Section 2.02.3.

Section 10.02. Performance of Covenants. The Authority will faithfully perform at all times all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond and in all proceedings of the Authority pertaining thereto.

Section 10.03. Further Instruments. The Authority will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Indenture; provided, however, that no such instruments or actions shall pledge the credit of the Authority or the State of New York or the taxing power of the State of New York or otherwise be inconsistent with the provisions of Section 2.02.3.

Section 10.04. Inspection of Project Books. All books and documents in the possession of the Authority relating to the Project or the Participation Agreement shall at all times be open to inspection by such accountants or other agents as the Trustee may from time to time designate.

Section 10.05. No Extension of Time of Payment of Interest. In order to prevent any accumulation of claims for interest after maturity, the Authority will not directly or indirectly extend or assent to the extension of the time of payment of any claims for interest on, any of the Bonds and will not directly or indirectly be a party to or approve any such arrangement by purchasing such claims for interest or in any other manner. In case any such claim for interest shall be extended in violation hereof, such claim for interest shall not be entitled, in case of any default hereunder, to the benefit or security of the Indenture except subject to the prior payment in full of the principal of, and premium, if any, on, all Bonds issued and outstanding hereunder, and of all claims for interest which shall not have been so extended or funded.

Section 10.06. Trustee's, Auction Agent's, Remarketing Agent's, Broker-Dealers' Registrar and Paying Agent's and Indexing Agent's Fees, Charges and Expenses. Pursuant to the provisions of Section 4.02 of the Participation Agreement, the Company has agreed to pay the fees and the expenses (including, in the case of the Trustee, the Registrar and Paying Agent and the Remarketing Agents, the reasonable fees and expenses of counsel and accountants) of the Trustee, the Registrar and Paying Agent, Indexing Agent, Remarketing Agents and in the case of Auction Rate Bonds, the Auction Agent and Broker-Dealers, in the amounts set forth more fully therein, and the Authority shall have no liability for the payment of

any fees or expenses of the Trustee, the Registrar and Paying Agent, Indexing Agent, Remarketing Agents and in the case of Auction Rate Bonds, the Auction Agent and Broker-Dealers.

Section 10.07. Agreement of the State of New York. In accordance with the provisions of subdivision 11 of Section 1860 of the Act, the Authority, on behalf of the State of New York, does hereby pledge to and agree with the Bondholders that the State of New York will not limit or alter the rights and powers vested by the Act in the Authority to fulfill the terms of any contract made with Bondholders, or in any way impair the rights and remedies of such Bondholders, until the Bonds, together with the premium and interest thereon, with (to the extent permitted by law) interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Bondholders, are fully met and discharged.

Section 10.08. Recording and Filing. Pursuant to the Participation Agreement, the Company covenants that it will cause all financing statements related to this Indenture and all supplements thereto and the Participation Agreement and all supplements thereto, as well as such other security agreements, financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be recorded and filed in such manner and in such places as may from time to time be required by law in order to preserve and protect fully the security of Holders and the rights of the Trustee hereunder, and to take or cause to be taken any and all other action necessary to perfect the security interest created by this Indenture. The Company is obligated under Section 5.08 of the Participation Agreement to file all such financing statements and other security agreements. The Trustee is hereby authorized to file all financing statements in the event that the Company does not file them.

Section 10.09. Rights Under the Participation Agreement and the Note. The Participation Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Authority and the Company and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Company thereunder. Subsequent to the issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, neither the Participation Agreement nor the Note may be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article XIV hereof. The Authority agrees that the Trustee, in its name or in the name of the Authority, may enforce all rights of the Authority and all obligations of the Company under and pursuant to the Participation Agreement and the Note for and on behalf of the Holders, whether or not the Authority is in default hereunder. The Note heretofore delivered to the Trustee evidences the obligations of the Company to make certain specified payments under the Participation Agreement. Nothing herein contained shall be construed to prevent the Authority from enforcing directly any or all of its rights to administrative compensation or indemnification under the Participation Agreement.

ARTICLE XI

CONCERNING THE TRUSTEE; APPOINTMENT OF REGISTRAR AND PAYING AGENT, REMARKETING AGENT, AUCTION AGENT AND INDEXING AGENT

Section 11.01. Appointment of Trustee. The Bank of New York Mellon is hereby appointed the Trustee hereunder and by the execution of this Indenture accepts such appointment and without further act, deed or conveyance, shall be fully vested with all the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder.

The Trustee shall set up suitable accounts for the deposit of the Note Payments and for the payment of the Bonds and the interest thereon and for all other payments provided or required by this Indenture, including, without limiting the generality of any of the foregoing, setting up of the Funds created by Articles VIII and IX.

Section 11.02. Indemnification of Trustee as Condition for Remedial Action. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Trustee shall be reimbursed from the Additional Payments required to be made pursuant to the Participation Agreement for all costs and expenses, outlays and counsel fees and other reasonable disbursements incurred in connection therewith. If the Company shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference over the Bonds; provided, however, that the proceeds of a Support Facility or of remarketing of Bonds shall be applied solely as set forth elsewhere herein and in such Support Facility and shall not be applied to the reimbursement set forth in this Section 11.02. Notwithstanding the foregoing, the Trustee shall make all payments of principal of and premium, if any, and interest on the Bonds then Outstanding when due, when called for redemption or when declared to be immediately due and payable pursuant to this Indenture and of the Purchase Price of the Bonds in accordance with this Indenture.

Section 11.03. Trustee Not Liable for Failure of the Authority or Company to Act. The Trustee shall not be liable or responsible because of the failure of the Authority or the Company or any of their employees or agents to make any collections or deposits or to perform any act herein required of the Authority or the Company. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Indenture. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 11.04. Certain Duties and Responsibilities of the Trustee. (a) Except during the continuance of an Event of Default specified in Section 12.01 of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08,

(1) the Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(b) In case an Event of Default specified in Section 12.01 has occurred and is continuing of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in such exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) None of the provisions of this Indenture shall be construed to relieve the Trustee from liability for negligent action, negligent failure to act, or willful misconduct, except that

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be proved that the Trustee was negligent;

(3) in the absence of bad faith on its part, the Trustee shall be protected and shall incur no liability in acting or proceeding or in not acting or not proceeding upon any resolution, order, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher requisition, bond or other paper or document which the Trustee shall believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements;

(4) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less

than a majority in aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the provisions of this Indenture; and

(5) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right to reasonably require, in respect of the payment or withdrawal of any moneys or the taking of any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof as a condition of such action by the Trustee.

(e) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers, and shall not be responsible for any negligence or misconduct on the part of any such attorney, agent or receiver appointed by it if the Trustee shall have exercised due care and diligence in appointing or selecting such person, and shall be entitled to the advice of counsel of its selection concerning all matters of the trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney or attorneys (who may be the attorney or attorneys for the Authority or the Company), approved by the Trustee in the exercise of reasonable care, and the Trustee shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

(f) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon a certificate of an Authorized Company Representative or an Authorized Officer.

(g) The Trustee shall not be accountable for the use by the Company of any proceeds of the Bonds authenticated or delivered hereunder.

(h) The Trustee shall not be required to give any bonds or surety in respect of the execution of its trusts and powers hereunder.

(i) The Trustee may treat and deem the Holder of any Bonds as set forth in the books of the registry hereunder as the absolute owner thereof.

(j) Notwithstanding any other provision of this Indenture, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant

to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Holders as if there were no Support Facilities.

Section 11.05. Limitations on Obligations and Responsibilities of Trustee. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Company, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee, except as to the acceptance of the trusts by its execution of this Indenture and the performance of its responsibilities hereunder, shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Indenture, or in respect of the validity of the Bonds or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein or in the Participation Agreement, the Remarketing Agreement, the Auction Agency Agreement, the Broker-Dealer Agreement or any Support Facility imposed upon the Authority, the Company, the issuer of any Support Facility, or any party other than itself in its capacity as Trustee, or any covenants herein contained on the part of any party other than itself in its capacity as Trustee to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Section 11.06. Compensation and Indemnification of Trustee. The Company has agreed in the Participation Agreement (1) to pay to the Trustee from time to time such compensation for all services rendered by it hereunder or shall from time to time be agreed in writing (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); (2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and (3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Section 11.07. Statements from Trustee. It shall be the duty of the Trustee, on or about the fifteenth (15th) day of each month, and at such other reasonable time or times as may be determined by the Authority or the Company, to file with the Authority, upon the written request thereof, and the Company a statement setting forth in respect of the preceding calendar month:

- (a) the amount withdrawn or transferred by it and the amount received by it and held on account of each Fund under the provisions of this Indenture;
- (b) the amount on deposit with it at the end of such calendar month to the credit of each such Fund or Account;

(c) a monthly account of reconciliation and income which includes a brief description of all obligations held by it as an investment of moneys in each such Fund or Account;

(d) the amount applied to the redemption of the Bonds under the provisions of Article V and Section 9.03 and the amount of the Bonds remaining Outstanding; and

(e) any other information which the Authority or the Company may reasonably request.

All records and files pertaining to the Bonds and the Company in the custody of the Trustee shall be open at all reasonable times upon prior notice to the inspection of the Authority, the Company and their agents and representatives.

Section 11.08. Notice of Default. Except upon the happening of any Event of Default specified in clauses (a) through (d), inclusive, of Section 12.01, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default hereunder, unless a Responsible Officer of the Trustee shall have actual knowledge thereof or be specifically notified in writing of such Event of Default by the issuer of any Support Facility, any Remarketing Agent, the Auction Agent or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding and such written notice shall state that it is a "notice of default."

Section 11.09. Trustee May Deal in Bonds. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in the Bonds issued under and secured by this Indenture, and may join in the capacity of a Holder of a Bond in any action which any Holder of a Bond may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

Section 11.10. Trustee Not Responsible For Recitals. The recitals, statements and representations contained herein and in the Bonds shall be taken and construed as made by and on the part of the Authority, and not by the Trustee, and the Trustee assumes, and shall be under, no responsibility for the correctness of the same or for the recording or re-recording or filing or refiling of the Indenture or any supplements thereto or any instruments of further assurance (including financing statements) except as otherwise provided herein. The Trustee makes no representations as to the value of any property pledged hereunder to the payment of Bonds or as to the title of the Authority or the Company thereto or as to the validity, sufficiency or adequacy of the security afforded thereby or hereby or as to the validity of this Indenture, the Note, the Participation Agreement, any Support Facility or of the Bonds.

Section 11.11. Qualification of the Trustee. There shall at all times be a Trustee hereunder which shall be a trust company or bank in good standing located in or incorporated under the laws of the State of New York, duly authorized to exercise trust powers and subject to examination by Federal or State authority, and having reported capital and surplus of not less than \$75,000,000. The Trustee hereunder shall not be required to maintain, and any

successor Trustee shall not be required to have, an office in the city in which the principal corporate trust office of the initial Trustee hereunder is located.

If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 11.11, it shall resign immediately in the manner and with the effect specified in Section 11.12.

Section 11.12. Resignation and Removal of Trustee. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 11.13.

(b) The Trustee may resign at any time by giving written notice thereof to the Authority, any Credit Facility Issuer and the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the retiring Trustee, at the expense of the Company, may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by demand of the Holders of a majority in principal amount of the Bonds then Outstanding, signed in person by such Holders or by their attorneys, legal representatives or agents and delivered to such Trustee, the Authority and the Company (such demand to be effective only when received by the Trustee, the Authority and the Company).

(d) If at any time:

(1) the Trustee shall cease to be eligible under Section 11.11 and shall fail to resign after written request by the Authority or by a Holder who shall have been a bona fide Holder for at least six months,

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or

(3) the Trustee shall breach any trust or obligation hereunder,

then, in any such case, (i) the Authority may remove, and the Company may, so long as no Event of Default shall have occurred and be continuing, direct the Authority to remove, the Trustee, or (ii) any Holder who has been a bona fide Holder for at least six months may, on behalf of herself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause, the Authority shall promptly appoint a successor; the Company or the issuer of any Support Facility or both of them, having the right to request the appointment of a particular qualified institution as

such successor. Within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee may be appointed by an instrument or concurrent instruments in writing executed by the Holders of a majority in principal amount of the Bonds then Outstanding delivered to the Authority and the retiring Trustee, and, upon such delivery, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Authority.

(f) The Authority shall give notice to the Trustee, the Company, the applicable Remarketing Agents, the Registrar and Paying Agent, the Auction Agent, if any, and the Bondholders of each resignation and each removal of a Trustee and each appointment of a successor Trustee in the manner set forth in Section 17.03 with respect to Bondholders and Section 17.09 with respect to the Company, the Auction Agent and the applicable Remarketing Agents. Each notice shall include the name and address of the Principal Corporate Trust Office of the successor Trustee.

(g) The Trustee at any time other than during the continuance of an Event of Default and for any reason may be removed by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed.

Section 11.13. Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Authority and the Company, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts and subject to all the duties and obligations, of its predecessor; but such predecessor shall, nevertheless, on written request of its successor or of the Authority and upon payment of expenses, charges and other disbursements of such predecessor which are payable pursuant to the provisions of Sections 11.02 and 11.06, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor, subject, nevertheless, to its first lien and preference provided for in Sections 11.02 and 11.06. Should any instrument in writing from the Authority be required by any successor Trustee for more fully vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Authority.

Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State of New York, duly authorized to exercise trust powers and subject to examination by Federal or State authority, having a reported capital and surplus of not less than \$75,000,000.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Indenture and otherwise qualified to act as Trustee hereunder with or into which the bank or trust company acting as Trustee may be converted, merged or consolidated, or to which the corporate trust

business assets as a whole or substantially as a whole of such bank or trust company may be sold, shall be deemed the successor of the Trustee.

Section 11.14. Appointment of Remarketing Agents. A Remarketing Agent or Agents shall be appointed by the Authority for the Bonds prior to the end of the Initial Term Rate Period, and the Remarketing Agent or Agents shall enter into a Remarketing Agreement or Agreements to perform remarketing services as provided in such agreement or agreements. A Remarketing Agent for any subseries, including any successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$50,000,000, and be authorized by law to perform all the duties imposed upon it by this Indenture, the Bond Purchase Trust Agreement and the Remarketing Agreement. A Remarketing Agent may be removed at any time by the Authority, upon thirty (30) days' notice, acting at the written direction of the Company by an instrument signed by the Authority and filed with the Trustee, the Registrar and Paying Agent, the Remarketing Agent and the Company. Except during a Term Rate Period of greater than thirteen months or a Fixed Rate Period, if there shall not be at least one Remarketing Agent serving as such for any subseries of Bonds following the effective date of a proposed removal of a Remarketing Agent for such subseries, no such removal shall take effect until the appointment of a successor Remarketing Agent for such subseries of Bonds. The Remarketing Agent for any subseries of Bonds may resign upon thirty (30) days written notice delivered to the Company, the Authority, the Trustee, the Registrar and Paying Agent and the issuer of any Support Facility. The Company shall use its best efforts to cause the Authority to appoint a successor Remarketing Agent that is a qualified institution, effective as of the effectiveness of any such resignation or removal. Each successor Remarketing Agent shall be a qualified institution selected and appointed by the Authority, upon the written request and with the approval of the Company. If there shall be more than one Remarketing Agent serving as such for a subseries of Bonds, the Authority, at the request of the Company, shall designate one such Remarketing Agent as "Remarketing Representative" to act on behalf of all Remarketing Agents for such subseries, and each other Remarketing Agent shall agree in writing to accept the determinations of such Remarketing Representative.

Section 11.15. Appointment of Registrar and Paying Agent. The Bank of New York Mellon in New York, New York is hereby appointed by the Authority to serve as the Registrar and Paying Agent hereunder. The Company shall have the right to request the appointment of an institution meeting the requirements of Section 11.19 to serve as successor thereto in the event of the removal or resignation of such Registrar and Paying Agent.

The Trustee hereby appoints any Registrar and Paying Agent appointed hereunder as authenticating agent.

Section 11.16. General Provisions Regarding Registrar and Paying Agent.

(a) The Registrar and Paying Agent shall:

(i) hold all Bonds delivered to it for purchase hereunder in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for

the account of or to the order of such Holders and deliver said Bonds in accordance with the provisions of this Indenture;

(ii) hold all moneys delivered to it for the purchase of Bonds, in trust for the benefit of the person or entity who has delivered such moneys until the Bonds purchased with such moneys have been delivered to or for the account of such person or entity as provided in this Indenture;

(iii) maintain the books of registry and keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Trustee, the Remarketing Agent, the Authority and the Company at all reasonable times; and

(iv) perform the duties and undertake the obligations assigned to them in Sections 7.02 through 7.06;

(b) The Registrar and Paying Agent may deem and treat the Holder of any Bonds as set forth in the books of registry hereunder as the absolute owner thereof;

(c) The Registrar and Paying Agent may in good faith hold any other form of indebtedness issued by the Authority or any security issued by the Company, or any affiliate of the Company; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof; and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of such Registrar and Paying Agent for any real or apparent conflict of interest by reason of any such actions; and

(d) The Registrar and Paying Agent agrees to cooperate with the Trustee and the Company in preparing and conveying information necessary for drawings under any Support Facility. To the extent that any other certificate to be submitted by the Trustee to an issuer of a Support Facility in connection with a drawing under the Support Facility requires the Trustee to state that the Registrar and Paying Agent has certified certain information to the Trustee, the Registrar and Paying Agent agrees to provide such certification to the Trustee to the extent such information is known to it.

Section 11.17. Payment of Registrar and Paying Agent; Indemnification. The Authority will cause the Company to agree in the Participation Agreement to pay all reasonable fees, charges and expenses of the Registrar and Paying Agent for acting under and pursuant to this Indenture. In addition, the Authority will cause the Company to agree in the Participation Agreement to indemnify the Registrar and Paying Agent and its directors, officers and employees against and save them harmless from any and all losses, costs, charges, expenses, judgments and liabilities incurred while carrying out the transactions contemplated by this Indenture, except that said indemnity does not apply to the extent that they are caused by the negligent action, negligent failure to act or willful misconduct of the Registrar and Paying Agent or its directors, officers, employees or agents.

Section 11.18. Registrar and Paying Agent's Performance; Duty of Care. The duties and obligations of the Registrar and Paying Agent shall be determined solely by the

provisions of this Indenture. None of the provisions of this Indenture shall be construed to relieve the Registrar and Paying Agent from liability for negligent action, negligent failure to act or willful misconduct, except that (a) the Registrar and Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and, in the absence of bad faith on the part of the Registrar and Paying Agent, the Registrar and Paying Agent may conclusively rely, as to the truth of the statements expressed therein, upon any document furnished to the Registrar and Paying Agent and conforming to the requirements of this Indenture and the Registrar and Paying Agent may conclusively rely and shall be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties, provided that, in the case of any such document which by any provision of this Indenture is specifically required to be furnished to the Registrar and Paying Agent, the Registrar and Paying Agent shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture, and (b) no provisions of this Indenture shall require the Registrar and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Registrar and Paying Agent may act upon the opinion or advice of any attorney or attorneys (who may be the attorney or attorneys for the Authority or the Company), approved by the Trustee in the exercise of reasonable care, and the Registrar and Paying Agent shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

Section 11.19. Qualifications of Registrar and Paying Agent. The Registrar and Paying Agent, including any successor appointed pursuant to this Indenture, shall be a bank with trust powers and a corporation duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital and unimpaired surplus of at least \$50,000,000 and authorized by law to exercise trust powers and perform all the duties imposed upon it by this Indenture. Unless the Bonds bear an Auction Rate, or a Fixed Rate, the Registrar and Paying Agent shall have an office or agency in New York, New York capable of performing its obligations hereunder.

Section 11.20. Resignation or Removal of Registrar and Paying Agent and Successor to Registrar and Paying Agent; Termination of Registrar and Paying Agent's Obligations. The Registrar and Paying Agent may at any time resign and be discharged of the duties and obligations created hereunder and under the Bond Purchase Trust Agreement by giving at least sixty (60) days' notice to the Authority, the Company, the Trustee, the Credit Facility Issuer and the Remarketing Agent. The Registrar and Paying Agent may be removed at any time upon and pursuant to the request of the Company by an instrument, signed by the Authority and filed with the Trustee, the Credit Facility Issuer and the Registrar and Paying Agent and the Company, provided that such removal shall not take effect until the appointment of a successor Registrar and Paying Agent. The Authority at the request of the Company shall appoint a successor Registrar and Paying Agent effective as of the effectiveness of any such resignation or removal. Each successor Registrar and Paying Agent shall be a qualified institution selected by the Company and, so long as a Credit Facility is in effect and no Support Facility Issuer Default has occurred and is continuing, the issuer of a Support Facility, and approved and appointed by the Authority.

In the event of the resignation or removal of the Registrar and Paying Agent, the Registrar and Paying Agent shall pay over and deliver any moneys and Bonds held by it in such capacity to its successor or, if there is no successor, to the Trustee. In the event that there is no successor to the Registrar and Paying Agent on the effective date of its resignation, the entity acting as Trustee shall perform the functions of the Registrar and Paying Agent; provided that moneys held by the Trustee pursuant to this paragraph shall not be deemed to be held by the Trustee in its capacity as Trustee.

Section 11.21. Appointment of Auction Agent; Qualifications of Auction Agent, Resignation; Removal. On or before the effective date of a Change in the Interest Rate Mode to an Auction Rate, an Authorized Officer of the Authority upon the written direction of an Authorized Company Representative shall appoint an Auction Agent for the Bonds. The Auction Agent shall evidence its acceptance of such appointment by entering into an Auction Agency Agreement with the Company. The Auction Agent shall be (a) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, in The City of New York and having a combined capital stock, surplus and undivided profits of at least \$25,000,000 or (b) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$25,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Auction Agency Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least ninety (90) days' notice to the Trustee, the Company, the Authority, and in the case the Auction Agent is also serving as Trustee, to any Remarketing Agent. During the Auction Rate Period, the Auction Agent may be removed at any time by the Authority acting at the request of the Company by an instrument signed by the Authority and filed with the Company, the Auction Agent, any Remarketing Agent and the Registrar and Paying Agent upon at least ninety (90) days' notice; provided that if required by a Remarketing Agent, an agreement shall be entered into with a successor Auction Agent.

If the Auction Agent shall fail to determine, or for any reason fail to timely provide, a rate of interest pursuant to the Auction Procedures for three consecutive Auction Periods, the Authority shall use its best efforts to remove the then-existing Auction Agent and appoint a successor Auction Agent in accordance with this Indenture and the then-existing Auction Agency Agreement.

Section 11.22. Appointment of Broker-Dealers. Prior to any Change in the Interest Rate Mode to an Auction Rate Period, the Company with the approval of the Authority shall appoint an initial Broker-Dealer and any additional initial Broker-Dealers. Thereafter, the Company may select, with the approval of the Authority, from time to time one or more additional persons to serve as Broker-Dealers under Broker-Dealer Agreements. Notwithstanding anything in this Indenture or the Auction Agency Agreement to the contrary, the Authority may substitute any Broker-Dealer for a subseries with a new Broker-Dealer in a written direction, provided at the request of the Company, to the Auction Agent and to the Broker-Dealer to be substituted at any time not less than thirty (30) days in advance of the date of substitution.

Section 11.23. Appointment of Additional Paying Agents; Each Paying Agent to Hold Money in Trust. The Authority may at the request of the Company appoint an additional Paying Agent or Paying Agents for the Bonds. Each such Paying Agent shall hold in trust subject to the provisions of the Indenture for the benefit of the Holders all sums held by such Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds. Any such Paying Agent may be any person or corporation authorized to perform such functions, including to the extent permitted by law, the Company.

Section 11.24. Appointment and Duties of Indexing Agents. Standard & Poor's Securities Evaluations, Inc. is hereby appointed as Indexing Agent for the Bonds for the purpose of calculating each Rate Index defined in Section 1.01. The Authority may, with the approval of the Company, appoint additional or successor Indexing Agents, subject to the conditions set forth in this Section. There may be separate Indexing Agents for the purpose of calculating each Rate Index defined in Section 1.01. The Indexing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority, the Trustee, the Company and the Remarketing Agent under which the Indexing Agent will agree, particularly:

(a) to compute the Daily Rate Index, the Commercial Paper Rate Index, the Weekly Rate Index, the Monthly Rate Index, the Semi-annual Rate Index, the Term Rate Index or the Fixed Rate Index, as the case may be, pursuant to and in accordance with Section 3.01, and to give notice to the Trustee, the Registrar and Paying Agent, the Remarketing Agent and the Company of such Rate Index on the date of the computation thereof in accordance with Section 3.01; and

(b) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Registrar and Paying Agent, the Remarketing Agent and the Company at all reasonable times.

The Indexing Agent will perform the duties provided for in Section 3.01. Whenever the Indexing Agent makes a computation under that Section, it will promptly notify the Trustee, the Registrar and Paying Agent, the Authority, the Remarketing Agent (and during any Auction Rate Period, the Auction Agent), and the Company of the results and date of computation. The Indexing Agent will keep adequate records pertaining to the performance of its duties and allow the Trustee, any Credit Facility Issuer, Registrar and Paying Agent, the Authority, the Remarketing Agent and the Company (and, if appropriate, the Auction Agent) to inspect the records at reasonable times.

Section 11.25. Qualifications of Indexing Agents. Each Indexing Agent shall be a commercial bank, a member of the National Association of Securities Dealers, Inc. or a nationally recognized municipal securities evaluation service authorized by law to perform all the duties imposed upon it by the Indenture. Any Indexing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least sixty (60) days' notice to the Authority, the Company, the Remarketing Agent and the Trustee. The Indexing Agent may be removed at any time, at the written direction of the Company, by an

instrument, signed by the Authority, filed with the Company, the Indexing Agent, the Remarketing Agent, the Trustee, any Credit Facility Issuer and the Registrar and Paying Agent.

ARTICLE XII

**EVENTS OF DEFAULT; REMEDIES UPON
OCCURRENCE THEREOF**

Section 12.01. Events of Default. Each of the following is hereby defined as and declared to be and shall constitute an “Event of Default”:

(a) Payment of the principal of and premium, if any, on any Bond (whether by maturity, proceedings for redemption, purchase in accordance with Article V hereof or the Remarketing Agreement, or otherwise) shall not be made when the same shall become due and payable; or

(b) Payment of any installment of interest on any Bond shall not be made when the same shall become due and payable and such nonpayment shall continue for one (1) Business Day; or

(c) Receipt by the Trustee of written notice from the Support Facility Issuer of the occurrence of a Terminating Event under the Support Facility, if applicable, or the agreement providing for the issuance thereof; or

(d) Receipt by the Trustee of written notice from the Support Facility Issuer following a draw on or borrowing or payment under such Support Facility for the payment of interest on the Bonds that the Support Facility has not been reinstated in the amount so drawn, borrowed or paid; or

(e) Failure by the Authority in the due and punctual performance of any of the covenants, conditions, agreements, provisions or obligations, other than as set forth in (a) and (b) above, contained in the Bonds or in this Indenture or in any Supplemental Indenture on the part of the Authority to be performed, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority, the Company, the Governor, the Comptroller and the Attorney General of the State of New York, by the Trustee or to the Trustee, the Authority and the Company by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding as provided for in Section 12.08; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety (90) day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; or

(f) The occurrence of an event of default as defined in Section 7.01 of the Participation Agreement.

Section 12.02. Notice to Holders and Others Upon Occurrence of an Event of Default or a Payment Default. 1. The Trustee shall give notice to the Bondholders of all Events of Default within sixty (60) days after the Trustee has been notified thereof or is deemed to have notice thereof as provided in Section 11.08, unless the Event of Default shall have been cured before the giving of such notice or unless the Trustee shall deem it in the best interest of the

Holders to defer or withhold notice under this Section; provided, however, that if a notice of an Event of Default is given to any Bondholder, the Trustee shall concurrently therewith cause a copy to be provided to all beneficial owners.

2. So long as ownership of Auction Rate Bonds is maintained in book-entry form by the Securities Depository, upon the occurrence of an Event of Default, the Trustee shall immediately send a notice thereof in substantially the form required by the Auction Agency Agreement to the Auction Agent and to the registered Holders of each series of Bonds by telecopy or similar means.

3. So long as the ownership of Auction Rate Bonds is maintained in book-entry form by the Securities Depository, the Trustee shall immediately send a notice in substantially the form required by the Auction Agency Agreement to the Auction Agent and to the registered Holders of each series of Bonds by telecopy or similar means if an Event of Default has been cured or waived in accordance with this Article XII.

4. Upon the occurrence of a Payment Default, or in the event such Payment Default is cured, the Trustee shall give the Auction Agent the notices referred to in the definition of "Payment Default" and Section 3.03.1 hereof, as the case may be.

Section 12.03. Declaration of Principal and Interest As Due. Notwithstanding the pendency of a mandatory tender under Section 5.09, upon the occurrence of an Event of Default specified in clause (c) or (d) of Section 12.01 of which the Trustee has been notified by the Support Facility Issuer, then the Trustee shall upon the written request or direction of such Support Facility Issuer, unless a Support Facility Issuer Default has occurred and is continuing, declare the principal of and accrued interest on all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become due and be immediately due and payable. Upon the occurrence and continuation of any Event of Default, except for an Event of Default specified in clause (c) or (d) of Section 12.01, of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, then and in every case the Trustee by a notice in writing to the Authority, the Company and (to addresses then specified by the Authority) the Governor, the Comptroller and the Attorney General of the State of New York may with the written consent of the Credit Facility Issuer, (such consent, however, not being required if a Support Facility Issuer Default has occurred and is continuing) if any, and upon the written request or direction of the Credit Facility Issuer, if any, so long as no Support Facility Issuer Default has occurred and is continuing, or, if a Credit Facility is not in effect or a Support Facility Issuer Default has occurred and is continuing, upon the written request or direction of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding (determined in accordance with the provisions of Section 13.03) shall, declare the principal of and accrued interest on all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become due and be immediately due and payable, anything contained in the Bonds or in this Indenture to the contrary notwithstanding. If, however, at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under this Indenture, moneys shall have accumulated in the Bond Fund sufficient to pay the principal of

and any premium (or redemption price) on all Bonds (or portions of the principal amount thereof) then or theretofore required to be redeemed pursuant to any provisions of this Indenture (excluding principal not then due except by reason of the aforesaid declaration) and all arrears of interest and interest then due, if any, upon Bonds then Outstanding and if the fees, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Company under the Participation Agreement and the Note shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other Event of Default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Indenture (other than default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee or the Company shall be taking, or shall be causing to be taken, appropriate action in good faith to effect its cure, and all Events of Default have been rescinded and annulled by the Trustee (or in the case of an Event of Default specified in clause (c) or (d) of Section 12.01, by any Support Facility Issuer), and to the extent a Support Facility is in effect, the issuer of such Support Facility has delivered to the Trustee a written notice to the effect that any amounts drawn, borrowed or paid under such Support Facility to pay accrued interest on the Bonds have been reinstated in the amount of such draw, borrowing or payment, then and in every such case the Trustee may, with the written consent of the Support Facility Issuer, if any, unless a Support Facility Issuer Default has occurred and is continuing, and upon the written request or direction of the Support Facility Issuer, if any, unless a Support Facility Issuer Default has occurred and is continuing, or, if a Support Facility is not in effect or a Support Facility Issuer Default has occurred and is continuing, upon the written request or direction of the Holders of not less than a majority in aggregate principal amount of the Bonds (determined in accordance with the provisions of Section 13.03) then Outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences; provided, however, that notwithstanding any such rescission and annulment during an Auction Rate Period, the Bonds shall continue to bear interest at the Overdue Rate for the applicable period of time determined pursuant to Article III. No such rescission or annulment pursuant to the next preceding sentence shall extend to or affect any subsequent default or impair any right consequent thereto.

Section 12.04. Action by Trustee Upon Occurrence of Event of Default. Upon the occurrence and continuation of an Event of Default the Trustee (i) for and on behalf of the Holders of the Bonds, shall have the same rights hereunder which are possessed by any Holders of the Bonds; (ii) shall be authorized to proceed, in its own name and as trustee of an express trust; (iii) may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest and premium, if any, on the Bonds; (iv) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of such Trustee and of the Bondholders allowed in any judicial proceedings relative to the Company, its creditors, its property or the Bonds; and (v) may, and upon the written request or direction of the Credit Facility Issuer, so long as no Support Facility Issuer Default has occurred and is continuing, or of Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding (determined in accordance with the provisions of Section 13.03), with the prior written consent of the Credit Facility Issuer, unless a Support Facility Issuer Default has occurred and is continuing, shall proceed to protect and enforce all rights of the Holders and the Trustee under and as permitted by this Indenture and the laws of the State of New York, by such means or appropriate judicial proceedings as shall be suitable or

deemed by it most effective in the premises, including the appointment of temporary trustees and any actions, suits or special proceedings at law or in equity or in bankruptcy or by proceedings in the office of any board or officer having jurisdiction, or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture, or in aid of execution of any power granted in this Indenture or to enforce any other legal or equitable right or remedy vested in the Holders of the Bonds or the Trustee by this Indenture or by such laws, or for the appointment of a receiver. All rights of action (including the right to file proofs of claim) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name and as trustee of an express trust without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

In the enforcement of any remedy under this Indenture the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts, then or during any Event of Default becoming, and at any time remaining, due from the Company and unpaid under the Participation Agreement and the Note for principal, premium, interest or otherwise under any of the provisions of this Indenture or of the Bonds, with interest on overdue payments if such interest then is permitted by the laws of the State of New York, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the Company which is in default of its respective obligations under the Participation Agreement and the Note, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. Any such judgment shall be recovered by the Trustee, in its own name and as trustee of an express trust.

Section 12.05. Powers of Trustee With Respect to Participation Agreement and Other Agreements. If the payments required to be paid to the Trustee under the Participation Agreement and the Note or other agreement pledged and assigned hereunder, as the case may be, are not paid when due or upon the happening and continuance of an Event of Default set forth in clause (a) or (b) of Section 12.01, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all payments due and unpaid under the Participation Agreement and the Note or other agreement, as the case may be, and required to be paid to the Trustee and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or the obligor under any other agreement, as the case may be, and collect in the manner provided by law out of the property of the Company or such obligor wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company under the Participation Agreement or an obligor under any other agreement pledged and assigned hereunder, as the case may be, under the Federal Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company under the Participation Agreement and the Note or an obligor under

any other agreement pledged and assigned hereunder, as the case may be, the Trustee, regardless of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and regardless of whether the Trustee shall have made any demand pursuant to the power vested in it by this Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid under the Participation Agreement and the Note by the Company or under such other agreement by such obligor, as the case may be, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Holders allowed in any such judicial proceedings relative to the Company or other obligor, as the case may be, or to the creditors or property of the Company or other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on such claims, and to distribute in accordance with the provisions hereof all amounts received with respect to the claims of the Holders and of the Trustee on their behalf, and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holders any plan of reorganization, arrangement, adjustment or composition of the Authority or the Company affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holders in any such proceeding. In the event of any such reorganization, arrangement, adjustment, composition or liquidation, the Credit Facility Issuer shall have the right to vote on behalf of all Holders who hold such Bonds unless a Support Facility Issuer Default has occurred and is continuing.

The provisions of this Section shall not be construed as in any way limiting the powers of the Trustee, with respect to defaults by the Authority or by the Company under the Participation Agreement and the Note, or an obligor under any other agreement pledged and assigned hereunder, as the case may be, whether such powers be expressly or implicitly granted to the Trustee elsewhere in this Indenture or in the Participation Agreement or the Note or other agreement, as the case may be, or as a denial that the Trustee has any such other powers, but the powers granted to the Trustee by this Section shall be supplemental, additional and cumulative to all other powers possessed by the Trustee with respect to defaults under this Indenture or under the Participation Agreement, the Note or other agreement pledged and assigned hereunder, as the case may be.

Section 12.06. Disposition of Moneys in Event of Insufficiencies in Funds and Accounts. All moneys (other than proceeds of any Support Facility) received by the Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, fees and advances incurred or made by the Trustee hereunder, shall be deposited in the Bond Fund. If at any time the moneys in the Bond Fund shall not be sufficient to pay the interest or principal or premium, if any (or the redemption price), of the Bonds as the same become due and payable (whether at maturity or upon proceedings for the redemption thereof or by acceleration or otherwise), the moneys in such fund, together with any other moneys then

available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article XII or otherwise, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable or shall have been declared due and payable pursuant to the provisions of Section 12.03, all such moneys shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment of the premium, if any, on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of this Indenture.

(b) If the principal of all the Bonds shall have become due and payable or shall have been declared due and payable pursuant to the provisions of Section 12.03, all such moneys shall be applied to the payment of the principal and interest then due and unpaid, with interest on such principal as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable pursuant to the provisions of Section 12.03, and if such declaration shall thereafter have been rescinded and annulled pursuant to the provisions of such Section 12.03, then, subject to the provisions of subparagraph (b) above of this paragraph in the event that the principal of all the Bonds shall later become due and payable or be declared due and payable pursuant to the provisions of Section 12.03, the moneys then held in the Bond Fund shall be applied to the payment of the principal of and premium (or redemption price) on all matured Bonds and all Bonds (or portions of the principal amount thereof) then or theretofore required to be redeemed pursuant to any provisions of this Indenture (excluding principal not then due except by reason of such declaration) and all arrears of interest and interest then due, if any, upon all Bonds then Outstanding, and any moneys thereafter deposited in the Bond Fund shall be applied in accordance with the provisions of Article IX.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of subparagraphs (a) and (b) of this Section, (i) such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; (ii) the deposit of such moneys, in trust for the proper purpose, shall constitute proper application by the Trustee; and (iii) the

Trustee shall incur no liability whatsoever to the Authority, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

Section 12.07. Effect of Delay or Omission; Waiver of Default; Direction of Remedial Proceedings by the Holders. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Anything in this Indenture to the contrary notwithstanding, but subject to Section 6.01(2), the Holders of not less than a majority in principal amount of the Bonds at the time Outstanding (determined in accordance with the provisions of Section 13.03) with, so long as no Support Facility Issuer Default has occurred and is continuing, the prior written consent of the Credit Facility Issuer, shall be authorized and empowered and have the right, by an instrument or concurrent instruments in writing delivered to the Trustee on behalf of the Holders of the Bonds then Outstanding to consent to the waiver of any Event of Default or its consequences, and the Trustee shall waive any Event of Default and its consequences upon the written request of the Holders of such majority with the prior written consent of the Credit Facility Issuer, so long as no Support Facility Issuer Default has occurred and is continuing; provided, however, that there shall not be waived (i) any default in payment of principal or premium when due or (ii) any default in payment when due of interest unless, in either case, prior to such waiver all arrears in principal, premium, if any, and interest, with additional interest, to the extent permitted by law, at the rate then borne by the Bonds (which, in the case of a Payment Default with respect to Auction Rate Bonds shall be the Overdue Rate), and all fees and expenses of the Trustee shall have been paid or provided for; provided, however, that notwithstanding any such waiver, any Auction Rate Bonds shall continue to bear interest at the Overdue Rate until such Payment Default is cured. No such waiver shall extend to or affect any other existing or subsequent default or Event of Default or impair any rights or remedies consequent thereon.

Anything in this Indenture to the contrary notwithstanding, the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds at the time Outstanding (determined in accordance with the provisions of Section 13.03) with, so long as no Support Facility Issuer Default has occurred and is continuing, the prior written consent of the Credit Facility Issuer, shall be authorized and empowered and have the right, by an instrument or concurrent instruments in writing delivered to the Trustee to direct the time and method of conducting any proceeding for any remedy to be taken by the Trustee or available to the Trustee or available to the Holders of the Bonds, or exercising any trust or power conferred upon the

Trustee hereunder provided: (1) such direction shall not be in conflict with any rule of law or with this Indenture or expose the Trustee to personal liability, or be unduly prejudicial to Holders not joining therein, and (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 12.08. Suits or Actions by Holders; Any Holder May Enforce Overdue Payment of His or Her Bond or Interest Thereon. No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless there shall have occurred an Event of Default of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, and such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, with the consent of the Credit Facility Issuer, so long as no Support Facility Issuer Default has occurred and is continuing, shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a period of sixty (60) days either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, the Trustee shall have been indemnified by Holders against the costs, expenses and liabilities to be incurred in compliance with such request, and shall not have received an inconsistent direction from the Credit Facility Issuer, unless a Support Facility Issuer Default has occurred and is continuing, or from the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds and the Trustee shall have refused or neglected to comply with such request within a reasonable time. It is understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by the action of such Holder or Holders to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder except in the manner herein provided; that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of such Outstanding Bonds; and that any individual rights of action or other right given to one or more of such Holders by law are restricted by this Indenture to the rights and remedies herein provided. Notwithstanding the foregoing and subject to Section 11.02, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Bond to receive payment of the principal of, premium, if any, and interest on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, except that no Holder of any such Bond shall have the right to institute any such suit, if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver, or loss of the lien of this Indenture.

Section 12.09. Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee, any Credit Facility Issuer or the Holders of

the Bonds is intended to be exclusive of any other remedy so conferred or reserved or to be exclusive of other remedies now or hereafter existing at law or in equity or by statute, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder to the Trustee, any Credit Facility Issuer or to the Holders of the Bonds or now or hereafter existing at law or in equity or by statute. Every such right, power and remedy given hereunder or by law or in equity or by statute may be exercised from time to time and as often as may be deemed expedient.

Section 12.10. Effect of Abandonment of Proceedings on Default. In case any proceeding taken by the Trustee or the Holders of the Bonds on account of any Event of Default shall have been discontinued or abandoned for any reason, then and in every such case the Authority, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 12.11. Interest on Overdue Amounts. To the extent permitted by law all amounts which are due and payable but which have not been so paid under this Indenture shall bear interest at the then current rate of interest on the Bonds until paid; provided, however, that upon the occurrence of a Payment Default during any Auction Rate Period all amounts which are due and owing but unpaid hereunder shall bear interest at the Overdue Rate until paid.

ARTICLE XIII

**EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND
OWNERSHIP OF BONDS; EXCLUSION OF BONDS
OWNED BY THE AUTHORITY OR THE COMPANY**

Section 13.01. Execution of Requests, Directions and Consents and Other Instruments and Proof of Same; Ownership of Bonds and Proof of Same. Any request, direction, consent or other instrument required by this Indenture to be signed or executed by Holders of Bonds may be signed or executed by such Holders in person or by agent or agents duly appointed in writing, and may be in any number of concurrent writings of substantially similar tenor. Proof of the execution of any such request, direction, consent or other instrument or of a writing appointing any such agent, and of the holding or ownership of Bonds, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee hereunder with regard to any action taken by it under such request, direction, consent or other instrument or of a writing appointing any such agent, if made in the following manner:

- (a) the fact and date of the execution by any person of any such request, direction, consent or other instrument in writing may be proved in any reasonable manner which the Trustee deems sufficient;
- (b) the ownership of Bonds shall be proved by the books of registry kept under the provisions of this Indenture.

Any request, direction, consent or vote of the Holder of any Bond shall bind and be conclusive upon the Holder of such Bond giving such request, direction or consent or casting such vote and upon every future Holder of the same Bond in respect of anything done or suffered to be done by the Trustee or otherwise, or by the Holders of other Bonds, in pursuance of such request, direction, consent or vote, and whether or not such future Holder has knowledge of or information as to such request, direction, consent or vote; provided that any request, direction, consent or vote of the Holder of a Bond required by any of the provisions hereof may be revoked by the Holder giving such request, direction, consent or vote or by a subsequent Holder if such revocation in writing is filed with the Trustee, prior to the time when the request, direction, consent or vote of the percentage of the Holders of the Bonds required by such provision shall have been given and action taken by the Trustee or otherwise, or by the Holders of other Bonds, under authority of such request, direction, consent or vote.

The payment of or on account of principal to or upon the order of the person in whose name the Bonds shall at the time be registered on said books of registry and the payment of interest to or upon the order of any person in whose name the Bonds shall at the time be registered on said books of registry, shall be valid and effectual fully to satisfy and discharge all liability hereunder or upon the Bonds to the extent of the sum or sums so paid.

The Authority at the request of the Company may establish a record date for the taking of any action by the Holders.

Section 13.02. Meetings of Holders. The Trustee or the Holders of not less than twenty percent (20%) in principal amount of the Bonds then Outstanding may at any time call a meeting of the Holders of the Bonds for the purpose of the consenting to, the approving, the requesting, or the directing by the Holders of the Bonds of any action required to be consented to or approved by them hereunder or which they may request or direct hereunder to be taken, or for the making by the Holders of any appointments they may make hereunder, or for the purpose of taking any other action which the Holders may take hereunder, or for any other purpose concerning the payment and security of the Bonds hereunder. Every such meeting shall be held at such place in The City of New York, State of New York, as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted, shall be mailed to the Holders whose names and addresses then appear upon the books of registry by the Registrar and Paying Agent or the Holders calling such meeting, not less than twenty (20) days nor more than sixty (60) days before such meeting. Any meeting of Holders shall, however, be valid without notice if the Holders of all Bonds then Outstanding are present in person or by proxy or if notice is waived before or within thirty (30) days after the meeting by those not so present.

Attendance and voting by Holders at meetings thereof may be in person or by proxy. Holders of Bonds may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to attend and vote at any meeting for them.

Persons named by the Trustee, or elected by the Holders of a majority in principal amount of the Bonds represented at the meeting in person or by proxy in the event the Trustee is not represented at such meeting, shall act as temporary chairman and temporary secretary of any meeting of Holders. A permanent chairman and a permanent secretary of such meeting shall be elected by the Holders of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent chairman of the meeting shall appoint two (2) inspectors of votes who shall count all votes cast at such meeting, except votes on the election of chairman and secretary as aforesaid, and who shall make and file with the secretary of the meeting and the Trustee their verified report of all such votes cast at the meeting.

The Holders of not less than the principal amount of the Bonds required by the provisions hereof to consent to, approve, request or direct any action to be taken at a meeting of Holders, or required by the provisions hereof to make any appointments to be made at such meeting, or required by the provisions hereof to take any other action to be taken at such meeting, must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of such business. Less than a quorum, however, shall have power to adjourn the meeting from time to time without notice of such adjournment other than the announcement thereof at the meeting; provided, however, that if such meeting is adjourned by less than a quorum for more than ten (10) days, notice of such adjournment shall be given by the Trustee at least five (5) days prior to the adjourned date of the meeting.

Any Holder of a Bond shall be entitled in person or by proxy to attend and vote at such meeting as Holder of the Bond or Bonds registered in his or her name without producing such Bond or Bonds. Such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting.

All proxies presented at such meeting shall be delivered to the Inspector of Votes and filed with the Secretary of the meeting. The right of a proxy for a Holder to attend the meeting and act and vote thereat may be proved (subject to the Trustee's right to require additional proof) by a written proxy executed by such Holder as aforesaid.

The officers or nominees of the Trustee may be present or represented at such meeting and take part therein, but shall not be entitled to vote thereat, except for such officers or nominees who are Holders or proxies for Holders (including the Trustee).

The vote at any such meeting of the Holder of any Bond, or his or her proxy, entitled to vote thereat shall be binding upon such Holder and upon every subsequent Holder of such Bond (whether or not such subsequent Holder has notice thereof).

Section 13.03. Exclusion of Bonds Held by or for the Authority, the Company and of Bonds No Longer Deemed Outstanding Hereunder. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent, vote or waiver under this Indenture, any Bonds which are owned by or on behalf of or for the account of the Authority, the Company and, except for the purposes of Section 15.01, any Bonds which are deemed no longer Outstanding hereunder shall be disregarded and not included for the purpose of any such determination, and such Bonds shall not be entitled to vote upon, consent to or concur in any action provided in this Indenture, except that for the purposes of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent, vote or waiver only Bonds which a Responsible Officer of the Trustee knows are owned as aforesaid shall be disregarded. The Trustee may require each Holder of a Bond or Bonds, before such Holder's demand, request, direction, consent, vote or waiver shall be deemed effective, to reveal if the Bonds as to which such demand, request, direction, consent, vote or waiver is made, granted, cast or given are disqualified as provided in this Section.

ARTICLE XIV

**AMENDING AND SUPPLEMENTING THE INDENTURE,
THE PARTICIPATION AGREEMENT, THE REMARKETING AGREEMENT,
AUCTION AGENCY AGREEMENT, BROKER-DEALER AGREEMENTS,
AND BOND PURCHASE TRUST AGREEMENT**

Section 14.01. Amending and Supplementing Indenture Without Consent of Holders. The Authority and the Trustee, from time to time and at any time and without the consent or concurrence of any Holder, may enter into a Supplemental Indenture, (i) to make any changes, supplements, amendments or deletions to this Indenture that may be required to permit the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, of the United States of America or (ii) for any one or more of the following purposes:

- (a) (x) to make any changes or corrections in this Indenture or any Supplemental Indenture as to which the Authority shall have been advised by counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in this Indenture or Supplemental Indenture, or (y) to insert in this Indenture such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable if such provisions shall not materially and adversely affect the rights of the Holders;
- (b) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds;
- (c) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Indenture;
- (d) to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Indenture or any Supplemental Indenture;
- (e) to grant to or confer upon the Holders any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, duties, remedies, power or authority;
- (f) to provide for the issuance of Bonds in book-entry only or coupon form, if at the time permitted by applicable law;
- (g) to provide for the substitution of rating agencies;
- (h) to provide for any new administrative or procedural provisions made necessary or desirable by the issuance of a Support Facility or an Alternate Support Facility, other credit, liquidity or support facility, including, but not limited to, any amendment necessary to obtain a rating on the Bonds based upon such facility; to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Bonds for deposit with a Securities Depository, and, in connection therewith, if

they so determine, to add to the Indenture, such other terms, conditions and provisions as may be required to permit such qualification; and

(i) to make any other changes to this Indenture that take effect with respect to the Bonds of a series immediately following the purchase of the Bonds pursuant to a mandatory tender and such changes are consented to by each provider of a Support Facility (who is not in default under such Support Facility or the agreement providing for the issuance thereof).

No Supplemental Indenture shall be entered into unless in the Opinion of Bond Counsel which shall be delivered to the Trustee (which opinion may be combined with the opinion required by Section 14.04) the execution of such Supplemental Indenture is permitted by the foregoing provisions of this Section and the provisions of such Supplemental Indenture do not materially and adversely affect the rights and interests of the Holders of the Bonds and the Trustee may rely on any such opinion.

Section 14.02. Amending and Supplementing Indenture with Consent of Holders. With the consent of the Holders of a majority in principal amount of the Bonds then Outstanding (determined in accordance with the provisions of Section 13.03), the Authority and the Trustee, with the consent of the Support Facility Issuer (so long as no Support Facility Issuer Default has occurred and is continuing), from time to time and at any time may enter into a Supplemental Indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture, or modifying or amending the rights and obligations of the Authority hereunder, or modifying or amending in any manner the rights of the Holders; provided that, without the specific consent of the Holders of all Bonds Outstanding which would be affected thereby and the Support Facility Issuer, so long as no Support Facility Issuer Default has occurred and is continuing, no Supplemental Indenture amending or supplementing the provisions hereof shall: (a) change the fixed maturity date for the payment of the principal of any Bond, or the dates for the payment of interest thereon or the terms of the purchase or redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the method of calculating the same except as otherwise provided in this Indenture; or (b) reduce the aforesaid percentage of Bonds, the Holders of which are required to consent to any Supplemental Indenture amending or supplementing the provisions of this Indenture; or (c) give to any Bond any preference over any other Bond secured hereby; or (d) authorize the creation of any pledge of payments under the Participation Agreement or Note Payments prior or superior to the pledge of a lien and charge thereon assigned herein for the payment of the Bonds; or (e) effect any change in the purchase or redemption provisions relating to the Bonds; or (f) deprive any Holders in any material respect of the security afforded by this Indenture. A supplement or amendment of the provisions of Article IX hereof with respect to the Bond Fund or any other Funds or Accounts established thereby shall not be deemed a change in the terms of payment; provided that no such supplement or amendment shall, except upon the consent of the Holders of all Bonds Outstanding affected thereby, reduce the amount or amounts required to be deposited in the Bond Fund. Nothing in this paragraph contained, however, shall be construed as making necessary the approval of the Holders of the execution of any Supplemental Indenture authorized by the provisions of Section 14.01.

The proof of the giving of any consent by any Holder required by this Section and of the holding of the Bonds for the purpose of giving consents shall be made in accordance with the provisions of Article XIII. It shall not be necessary that the consent of the Holders approve the particular form of wording of the proposed supplemental amendment or supplement, but it shall be sufficient if such consent approves the substance of the proposed amendment or supplement. After the Holders of the required percentage of Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the Authority shall mail a copy of notice of such consent, postage prepaid, to each Holder at his or her address as it appears upon the books of registry and to the Trustee. Nothing in this paragraph contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this Indenture authorized by this Section. A record of the consents shall be filed with the Trustee, and shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Indenture or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the mailing of the notice required by this paragraph.

Notwithstanding anything in this Indenture to the contrary, the consent of the Holders of the required amount of Bonds shall be deemed given with respect to a Supplemental Indenture if:

(a) (i) the Supplemental Indenture takes effect on a date on which all of the Bonds that are affected by such Supplemental Indenture are subject to mandatory tender for purchase in accordance with this Indenture, (ii) any supplement or amendment effected thereby is consented to in writing by the Remarketing Agent, if any, for such Bonds on or prior to such effective date and is disclosed in the official statement or other disclosure document pursuant to which such Bonds are remarketed and (iii) the Bonds so tendered are purchased;

(b) (i) not less than thirty (30) days before the effective date of the Supplemental Indenture, the Trustee sends a notice of the proposed supplement or amendment to the Holders of the Bonds that are affected by such Supplemental Indenture and the Holders of such Bonds have the right to tender their Bonds for purchase pursuant to Section 5.03 hereof before such effective date, (ii) the Remarketing Agent, if any, for such Bonds consents in writing to the proposed supplement or amendment on or prior to such effective date and (iii) the Bonds so tendered are purchased; or

(c) (i) not less than thirty (30) days before the Auction Date for the Auction Period during which any supplement or amendment to this Indenture shall become effective, the Trustee sends a notice of the proposed supplement or amendment to the Holders of the Auction Rate Bonds that are affected by such supplement or amendment, (ii) the Auction Rate determined for such Auction Rate Bonds at the Auction immediately preceding the effective date of the supplement or amendment is a Winning Bid Rate, and (iii) any supplement or amendment effected thereby is consented to in writing by the Broker-Dealer(s) for such Bonds on or prior to such effective date and is disclosed in the official statement or other disclosure document delivered by the Broker-Dealer(s) to Potential Holders prior to the Auction immediately preceding such effective date; provided, however, that, notwithstanding anything to the contrary in this Indenture,

any Auction Rate Bonds that are not the subject of a specific Hold Order or Bid shall be deemed to be subject to a Sell Order at the Auction immediately preceding such effective date.

Section 14.03. Notation upon Bonds; New Bonds Issued upon Amendments. The Bonds delivered after the effective date of any action taken as provided in this Article, if any, may and shall if required by the Trustee bear a notation as to such action, by endorsement or otherwise and in form approved by the Authority. In that case, upon demand of any Holder at such effective date and upon presentation of Bonds at the principal office of the Trustee or other transfer agent or registrar hereunder for such Bonds, and at such additional offices, if any, as the Authority may select and designate for that purpose, a suitable notation shall be made on the Bonds.

Section 14.04. Effectiveness of Supplemental Indentures. Upon the execution pursuant to this Article by the Authority and the Trustee of any Supplemental Indenture amending or supplementing the provisions of this Indenture and the delivery to the Trustee of an Opinion of Bond Counsel that such Supplemental Indenture is permitted by the provisions of this Article XIV and has been duly executed in accordance with the provisions hereof and applicable law and that the provisions thereof are valid (upon which opinion the Trustee, subject to the provisions of Section 11.04, shall be fully protected in relying), or upon such later date as may be specified in such Supplemental Indenture, (i) this Indenture and the Bonds shall be modified and amended in accordance with such Supplemental Indenture; (ii) the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Authority, the Trustee, and the Holders shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such supplements and amendments; and (iii) all of the terms and conditions of any such Supplemental Indenture shall be a part of the terms and conditions of the Bonds and of this Indenture for any and all purposes.

Section 14.05. Supplemental Indenture Affecting Support Facility Provider. No Supplemental Indenture, or change or amendment to or deletion of any provision in the Indenture, affecting the rights or obligations of the Support Facility Issuer which takes effect while any Support Facility is in effect may, so long as no Support Facility Issuer Default shall have occurred and be continuing in respect to the Support Facility Issuer, be entered into by the Authority and the Trustee or be consented to by the Holders without written consent of each Support Facility Issuer.

Section 14.06. Supplemental Participation Agreements Not Requiring the Consent of the Holders. The Authority and the Company may, with the written consent of the Trustee but without notice to or consent of any Holder, from time to time and at any time, agree to such supplemental agreements supplementing the Participation Agreement or amendments to the Participation Agreement as shall not be inconsistent with the terms and provisions of the Participation Agreement or this Indenture and, in the opinion of the Authority, shall not be detrimental to the interests of the Holders (which Supplemental Participation Agreements shall thereafter form a part of the Participation Agreement):

- (a) to cure any ambiguity or formal defect or omission in the Participation Agreement or in any supplemental agreement;

(b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee;

(c) to provide for any new administrative, security or procedural provisions necessitated by the issuance of an Alternate Support Facility; or

(d) to provide for or add any further changes or corrections that are necessary or desirable to comply with any Supplemental Indenture entered into pursuant to Section 14.01;

provided that no such Supplemental Participation Agreement which takes effect while a Credit Facility is in effect shall, so long as no Support Facility Issuer Default has occurred and is continuing, be effective prior to the receipt by such parties of the written consent of each Credit Facility Issuer.

Section 14.07. Notice and Consent for Supplemental Participation Agreements Requiring the Consent of the Holders. Except for Supplemental Participation Agreements or amendments provided for in Section 14.06, neither the Authority nor the Trustee shall agree or consent, as the case may be, to any Supplemental Participation Agreement or amendment to the Participation Agreement unless notice of the proposed execution of such Supplemental Participation Agreement or amendment shall have been given and the Holders, and, so long as no Support Facility Issuer Default has occurred and is continuing, the Support Facility Issuer shall have consented to and approved the execution thereof in the same manner and form as provided for in Section 14.02 in the case of Supplemental Indentures; provided that no such Supplemental Participation Agreement which materially and adversely affects any issuer of a Support Facility (so long as such Support Facility is in effect) shall be effective prior to the receipt by such parties of the written consent of the issuer of such Support Facility, so long as no Support Facility Issuer Default has occurred and is continuing.

Notwithstanding anything in this Indenture to the contrary, the consent of the Holders of the required amount of Bonds shall be deemed given with respect to any Supplemental Participation Agreement or amendment to the Participation Agreement if:

(a) (i) the Supplemental Participation Agreement or amendment to the Participation Agreement takes effect on a date on which all of the Bonds that are affected by such Supplemental Participation Agreement or amendment to the Participation Agreement are subject to mandatory tender for purchase in accordance with this Indenture, (ii) any supplement or amendment effected thereby is consented to in writing by the Remarketing Agent, if any, for such Bonds on or prior to such effective date and disclosed in the official statement or other disclosure document pursuant to which such Bonds are remarketed and (iii) the Bonds so tendered are purchased;

(b) (i) not less than thirty (30) days before the effective date of the Supplemental Participation Agreement or amendment to the Participation Agreement, the Trustee sends a notice of the proposed supplement or amendment to the Holders of the Bonds that are affected by such supplement or amendment and the Holders of such Bonds

have the right to tender their Bonds for purchase pursuant to Section 5.03 hereof before such effective date, (ii) the Remarketing Agent for such Bonds consents in writing to the proposed supplement or amendment on or prior to such effective date and (iii) the Bonds so tendered are purchased; or

(c) (i) not less than thirty (30) days before the Auction Date for the Auction Period during which any supplement or amendment to the Participation Agreement shall become effective, the Trustee sends a notice of the proposed supplement or amendment to the Holders of the Auction Rate Bonds that are affected by such supplement or amendment, (ii) the Auction Rate determined for such Auction Rate Bonds at the Auction immediately preceding the effective date of the supplement or amendment is a Winning Bid Rate, and (iii) any supplement or amendment effected thereby is consented to in writing by the Broker-Dealer(s) for such Bonds on or prior to such effective date and is disclosed in the official statement or other disclosure document delivered by the Broker-Dealer(s) to Potential Holders prior to the Auction immediately preceding such effective date; provided, however, that, notwithstanding anything to the contrary in this Indenture, any Auction Rate Bonds that are not the subject of a specific Hold Order or Bid shall be deemed to be subject to a Sell Order at the Auction immediately preceding such effective date.

Section 14.08. Effectiveness of Supplemental Participation Agreement. Upon the execution pursuant to this Article and of applicable law by the Authority and the Company of any Supplemental Participation Agreement amending or supplementing the provisions of the Participation Agreement and the delivery to the Trustee of an Opinion of Bond Counsel that such Supplemental Participation Agreement is in due form, has been duly executed in accordance with the provisions hereof and applicable law and that the provisions thereof are valid (upon which opinion the Trustee, subject to the provisions of Section 11.04, shall be fully protected in relying), or upon such later date as may be specified in such Supplemental Participation Agreement, (i) the Participation Agreement shall be modified and amended in accordance with such Supplemental Participation Agreement; (ii) the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Authority and the Company shall thereafter be determined, exercised and enforced thereunder subject in all respects to such supplements and amendments; and (iii) all of the terms and conditions of any such Supplemental Participation Agreement shall be a part of the terms and conditions thereof for any and all purposes.

Section 14.09. Amendments and Supplements to the Remarketing Agreement, Auction Agency Agreement, Broker-Dealer Agreements or Bond Purchase Trust Agreement. Amendments of or supplements to the Remarketing Agreement, the Auction Agency Agreement, any Broker-Dealer Agreement or the Bond Purchase Trust Agreement shall be made only in accordance with the terms thereof.

Section 14.10. Supplemental Participation Agreement Affecting Support Facility Provider. No Supplemental Participation Agreement or amendments to the Participation Agreement affecting the rights or obligations of the Support Facility Issuer which take effect while any Support Facility is in effect may, so long as no Support Facility Issuer Default has occurred and is continuing, be entered into by the Authority and the Company or be consented to by the Holders without written consent of each Support Facility Issuer.

ARTICLE XV

DEFEASANCE; MONEYS HELD FOR PAYMENT OF
DEFEASED BONDS

Section 15.01. Discharge of Liens and Pledges; Bonds No Longer Deemed to be Outstanding Hereunder. Bonds purchased pursuant to Section 5.03, 5.04, 5.08 or 5.09 shall continue to be Outstanding hereunder until such Bonds shall be cancelled in accordance with Section 5.15 or paid at maturity or redeemed pursuant to Article V or otherwise defeased. The obligations of the Authority under this Indenture and the liens, pledges, charges, trusts, covenants and agreements of the Authority, herein made or provided for, shall be, subject to the terms of Section 15.02, fully discharged and satisfied as to the Bonds or portion thereof and the Bonds shall no longer be deemed to be Outstanding hereunder:

(a) when the Bonds shall have been cancelled, or shall have been surrendered for cancellation and are subject to cancellation, or shall have been redeemed by the Trustee from moneys held by it under this Indenture, or

(b) if the Bonds have not been cancelled or so surrendered for cancellation or subject to cancellation, or so redeemed, when (1) payment of the principal of and premium, if any, on the Bonds, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) and of any Purchase Price which is or may become due on such Bonds either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust, and irrevocably appropriating and setting aside exclusively for such payments (A) moneys sufficient to make such payment, or (B) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient and timely moneys to make such payments when due, or (C) a combination of both such moneys and Governmental Obligations, whichever the Authority deems to be in its best interest (2) there shall have been delivered to the Trustee (x) a letter addressed to the Trustee from a nationally recognized firm of independent public accountants verifying the mathematical accuracy of the sufficiency of the deposit made pursuant to (1)(ii) above, (y) an Opinion of Bond Counsel to the effect that upon the provision of payment on the Bonds as described in (1)(ii) above, the Bonds are no longer deemed to be Outstanding under the Indenture and (z) in the case of Bonds bearing interest at a Daily Rate, a Weekly Rate, an Auction Rate, a Monthly Rate and a Semi-annual Rate, written confirmation from S&P, if the Bonds are then rated by S&P, to the effect that the deposit made pursuant to (1)(ii) above will not, by itself, result in a reduction or withdrawal of its short-term or long-term rating of the Bonds below the Rating Category of S&P then in effect with respect to the Bonds.

In addition, all necessary and proper fees, compensation and expenses of the Authority, Trustee and Registrar and Paying Agent pertaining to such Bonds shall have been paid or the payment thereof provided to the satisfaction of the Trustee.

At such time as the Bonds shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Bonds shall cease to accrue interest from the due date thereof (whether such due date occurs by reason of maturity, or upon redemption or prepayment or otherwise) and, except for the purposes of any such payment from such moneys or Governmental Obligations and except, in the case of Auction Rate Bonds, to the extent provided in the definition of Outstanding in Section 1.01 shall no longer be secured by or entitled to the benefits of this Indenture.

Any such moneys so deposited with the Trustee as provided in this Section may at the written direction of the Company also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Trustee pursuant to this Section which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited shall be paid to the Company or if any Bonds are then Outstanding, be deposited in the Bond Fund and credited to the Principal Account as and when realized and collected, for use and application as are other moneys credited to such Account.

Anything in Article XV to the contrary notwithstanding, if moneys or Governmental Obligations have been deposited or set aside with the Trustee pursuant to this Section for the payment of the Bonds, the Bonds shall be deemed to have been paid in full. No amendment to the provisions of this Article shall be made without the consent of the Holders of the Bonds affected thereby.

The Trustee shall promptly surrender any Support Facility (if appropriate for the type of instrument or instruments then serving as Support Facility) to the issuer of such Support Facility for cancellation or shall otherwise take appropriate action to terminate the Support Facility following any such defeasance.

Section 15.02. Release of Indenture, Termination of Right, Title and Interest of Trustee. When the Bonds shall be deemed to be paid in accordance with the provisions of Section 15.01, then and in the case all right, title and interest of the Trustee under this Indenture shall thereupon cease, determine and become void, and the Trustee in such case shall release this Indenture, shall execute such documents to evidence such release as may be reasonably required by the Authority and furnish the Authority with the same, and shall turn over to the Company any surplus moneys and balances remaining in any of the Funds and Accounts created in or held under this Indenture, other than moneys and Governmental Obligations held by it pursuant to Section 15.01 or the provisions of Section 15.03 for the redemption, payment or prepayment of the Bonds; otherwise, this Indenture shall be, continue and remain in full force and effect.

Notwithstanding the satisfaction and discharge of this Indenture, the rights of the Trustee and the Registrar and Paying Agent under Sections 11.02, 11.06 and 11.17 shall survive defeasance of the Bonds hereunder.

Section 15.03. Bonds Not Presented for Payment When Due; Moneys Held for the Bonds after Due Date of Bonds. Subject to the provisions of the next sentence of this paragraph, if the Bonds shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, or otherwise,

and if moneys or Governmental Obligations shall at such due date be held by the Trustee in trust for that purpose sufficient and available to pay the principal of and premium, if any, on the Bonds, together with all interest due on such principal to the due date thereof or to the date fixed for redemption thereof, all liability of the Authority and the Company for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold said moneys or Governmental Obligations without liability to the Holders for interest thereon, in trust for the benefit of the Holders, which thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim of whatever nature on its part on or with respect to the Bonds, including for any claim for the payment thereof. Notwithstanding anything to the contrary in Section 9.04, any moneys or Governmental Obligations held by the Trustee for the Holders after the principal of and premium, if any, and interest on the Bonds or any portion thereof with respect to which such moneys or Governmental Obligations have been so set aside has become due and payable (whether at maturity or upon redemption or prepayment or otherwise) shall be either held uninvested as cash or at the written direction of the Company invested and reinvested in Governmental Obligations which mature on the next Business Day. Any such moneys or Governmental Obligations held by the Trustee for the Holders after the principal of and premium, if any, and interest on the Bonds or any portion thereof with respect to which such moneys or Governmental Obligations have been so set aside has become due and payable (whether at maturity or upon redemption or prepayment or otherwise) shall be deemed abandoned property when such moneys or Governmental Obligations shall have remained unpaid or undelivered to the Holder or Holders entitled thereto for three years from the date the principal of and premium, if any, and interest on the Bonds or any portion thereof has become due and payable and shall be subject to the laws of the State of New York relating to disposition of unclaimed property.

ARTICLE XVI

**FORM OF BONDS
AND ENDORSEMENT AND ASSIGNMENT PROVISIONS**

Section 16.01. Form of Bonds and Endorsement and Assignment Provisions. The form of Bond, the form of the certificate of authentication thereof, the form of endorsement to appear thereon and the form of assignment thereof shall be substantially in the form set forth in Appendix A hereto.

ARTICLE XVII

MISCELLANEOUS

Section 17.01. Benefits of Indenture Limited to Authority, Company, Trustee, Registrar and Paying Agent, Support Facility Issuer, Auction Agent and Holders of the Bonds. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or should be construed to confer upon or give to any person other than the Authority, the Company, the Trustee, the Registrar and Paying Agent, the Support Facility Issuer, the Auction Agent and the Holders of the Bonds any legal or equitable right, remedy or claim under or by reason of or in respect to this Indenture or any covenant, condition, stipulation, promise, agreement or provision herein contained. Unless otherwise expressly set forth herein, this Indenture and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Authority, the Company, the Trustee, the Registrar and Paying Agent, any Support Facility Issuer, the Auction Agent and the Holders of the Bonds as herein and therein provided.

Section 17.02. Indenture a Contract; Indenture Binding Upon Successors or Assigns of the Authority. In consideration of the acceptance of the Bonds by any person who shall hold the same from time to time, each of the obligations, duties, limitations and restraints imposed by this Indenture upon the Authority or any employee thereof shall be deemed to be a covenant between the Authority and every Holder and this Indenture and every provision and covenant hereof shall be a contract by the Authority with the Holders of the Bonds issued hereunder to secure the full and final payment of the principal of, premium, if any, of and the interest on the Bonds executed and delivered hereunder. The provisions of the Act shall be a contract by the Authority with the Holders and the duties of the Authority and any employee thereof under the Act shall be enforceable by the Holders. This Indenture shall be enforceable by the Holders, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. The covenants and agreements herein set forth to be performed by the Authority and any employee thereof, shall be for the benefit, security and protection of the Holders. All the terms, provisions, conditions, covenants, warranties and agreements contained in this Indenture shall be binding upon the assigns of the Authority, and shall inure to the benefit of the Trustee, its successors or substitutes in trust and assigns, and the Holders.

Section 17.03. Notice to Holders of Bonds. Except as is otherwise provided in this Indenture, any provision for the mailing of a notice or other paper to the Holders shall be fully complied with if it is mailed postage prepaid, to the Holder of the Bonds at such Holder's address appearing upon the books of registry kept pursuant to Article VII. The Trustee shall furnish a copy of any notice to a Holder upon a request by the Holder that a copy of such notices be provided directly to the Holder; provided, however, that any failure to provide such a notice to a Holder shall not affect the validity of the provision of the notice in the preceding sentence.

Section 17.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail, publication, or otherwise is required, the giving of such notice may be waived by the person entitled to receive such notice, and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such

waiver. Trustee shall furnish a copy of any notice to a Holder upon a request by the Holder that a copy of such notices be provided directly to the Holder; provided, however, that any failure to provide such a notice to a Holder shall not effect the validity of the provision of the notice in the preceding sentence.

Section 17.05. Effect of Saturdays, Sundays and Non-Business Days. Except as otherwise specifically provided herein, whenever this Indenture requires any action to be taken on a Saturday, Sunday or other day which is not a Business Day, such action shall be taken on the first Business Day occurring thereafter. Except as otherwise specifically provided herein, whenever in this Indenture the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday or other day which is not a Business Day, such time shall continue to run until midnight on the next succeeding Business Day.

Section 17.06. Partial Invalidity. If any one or more of the covenants or agreements or portions thereof provided in this Indenture on the part of the Authority or the Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Indenture and the invalidity thereof shall in no way affect the validity of the other provisions of this Indenture or of the Bonds, but the Holders shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

If any provisions of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable or invalid in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatsoever.

Section 17.07. Law and Place of Enforcement of Indenture. This Indenture shall be construed and interpreted in accordance with the laws of the State of New York and all suits and actions arising out of this Indenture shall be instituted in a court of competent jurisdiction in the State of New York.

Section 17.08. Requests, Approvals and Directions of Authority. Whenever in this Indenture a request, approval, direction or other action is required of the Authority, such request, approval, direction or other action shall be in the form of and evidenced by a certificate of an Authorized Officer of the Authority unless otherwise provided herein.

Section 17.09. Notices, Demands; Requests. Except as otherwise set forth herein, all notices, demands, directions and requests to be given to or made hereunder by the Company, the Authority, the Trustee, the Remarketing Agent, the Auction Agent and the Registrar and Paying Agent shall be given or made in writing and shall be deemed to be properly given or made if sent by first class United States mail, postage prepaid, addressed as follows:

As to the Company	4 Irving Place New York, New York 10003 Attention: Secretary
As to the Authority	17 Columbia Circle Albany, New York 12203-6399 Attention: President
As to the Trustee	101 Barclay Street – 21W New York, New York 10286 Attention: New York Municipal Finance Unit
As to the Auction Agent	As notified pursuant to the third succeeding paragraph.
As to the Remarketing Agents	at the address specified in the Remarketing Agreement
As to the Registrar and Paying Agent	101 Barclay Street - 21W New York, New York 10286 Attention: Corporate Trust Administration
As to the Support Facility Issuer	As notified pursuant to the third succeeding paragraph.

Any such notice, demand, direction or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy, telex or similar means and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be in writing and sent as specified above.

Any notice, demand, direction or request given or transmitted to the Trustee or the Authority shall be effective only upon receipt.

Any of such addresses may be changed at any time upon written notice of such change sent by first-class United States mail, postage prepaid, to the other parties by the party affecting the change.

If the Bonds shall be rated by Moody's, the Trustee shall furnish to Moody's at 99 Church Street, New York, New York, Attention: Corporate Department Structured Finance Group or such other office as Moody's may designate to the Trustee, if the Bonds shall be rated by S&P, the Trustee shall furnish to S&P at 55 Water Street, New York, New York 10041, Attention: Letter of Credit Surveillance Group, and if the Bonds shall be rated by Fitch, the Trustee shall furnish to Fitch Ratings at One State Street Plaza, New York, New York 10004, Attention: Municipal Structured Finance Group (i) a copy of each amendment to the Indenture, Participation Agreement, Bond Purchase Trust Agreement, and each Support Facility of which it has knowledge, (ii) notice of the termination, extension or expiration of any Support Facility, (iii) notice of the payment of all the Bonds (iv) notice of a Change in the Interest Rate Mode, (v) notice of any successor Trustee, Registrar and Paying Agent or Remarketing Agent, and

(vi) any information that the rating agencies may reasonably request in order to maintain the rating on the Bonds; provided, however, that failure by the Trustee to so notify Moody's, S&P or Fitch shall not result in any liability on the part of the Trustee or affect the validity of such documents or actions.

Section 17.10. Effect of Article and Section Headings and Table of Contents. The heading or titles of the several Articles and Sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Indenture.

Section 17.11. Indenture May be Executed in Counterparts; Effectiveness of Indenture. This Indenture may be simultaneously executed in counterparts. Each such counterpart so executed shall be deemed to be an original, and all together shall constitute but one and the same instrument. This Indenture shall take effect immediately upon the execution and delivery hereof. Notwithstanding the actual date hereof, for convenience and purposes of reference this Indenture shall be dated as of November 1, 2010 and may be cited and referred to as the "Indenture dated as of November 1, 2010".

Section 17.12. Liability of Authority Limited to Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal or redemption price of or interest on the Bonds or for any other purpose of this Indenture. Pursuant to Section 5.09 of the Participation Agreement, the Company has agreed to indemnify and hold harmless the Authority and the Trustee from all liability arising hereunder.

Section 17.13. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or premium, if any, or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

[Signature Page of this Indenture Follows]

[Form of Bonds other than Bonds bearing an Auction Rate]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
Facilities Revenue Bonds, Series 2010A
(Consolidated Edison Company of New York, Inc. Project)
[(Subseries 2010[A-1, A-2 or A-3])]

No. A[-1, -2 or -3]R-

\$ _____

INTEREST RATE
OR INTEREST RATE
MODE ON DATE OF
AUTHENTICATION

MATURITY
DATE

ORIGINAL
ISSUE DATE

CUSIP

[]

[]

REGISTERED OWNER:

PRINCIPAL SUM:

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the "Authority"), a body corporate and politic, constituting a public benefit corporation, organized and existing under and by virtue of the laws of the State of New York, for value received, hereby promises to pay, but solely from the revenues, income and other moneys hereinafter specified and not otherwise, to the registered owner named above or registered assigns, the principal amount specified above on the maturity date specified above (subject to the right of prior redemption hereinafter described), upon presentation and surrender of this Bond, and to pay interest on such principal amount, but solely from such revenues, income and other moneys hereinafter specified and not otherwise, from the Original Issue Date, or if thereafter, from the date of authentication hereof, or if such date shall not be an Interest Payment Date from the next preceding Interest Payment Date or, if the date of authentication is after the Record Date

next preceding the next succeeding Interest Payment Date, from the next succeeding Interest Payment Date until the payment of such principal amount in full, at the rate of interest per annum specified above, such interest being payable on each Interest Payment Date in each year, by check mailed to the registered owner hereof at his or her address as it appears on the registration books kept by the Registrar and Paying Agent pursuant to the Indenture hereinafter mentioned; provided, that (i) while the Securities Depository is the registered owner of the Bonds, all payments of principal of and premium, if any, and interest on the Bonds shall be paid to the Securities Depository by wire transfer, and (ii) prior to and including any Fixed Rate Conversion Date, interest on the Bonds shall be payable, at the option of any registered owner of at least one million dollars (\$1,000,000) in aggregate principal amount of the Bonds, by wire transfer upon written notice received by the Registrar and Paying Agent from such registered owner at least five days prior to the Record Date, containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed, and (iii) during a Commercial Paper Rate Period, interest on this Bond shall be payable only upon presentation and surrender hereof to the Registrar and Paying Agent upon purchase thereof pursuant to the Indenture, and if such presentation and surrender is made by 2:00 p.m. (New York City time) such payment shall be by wire transfer. If interest is in default it shall be paid to the person in whose name this Bond is registered as of a special record date as set forth in the Indenture. Except as set forth above, principal of and premium, if any, on this Bond are payable at the principal office of The Bank of New York Mellon, in New York, New York, as Registrar and Paying Agent of the Bonds. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

This Bond is one of a duly authorized issue of Bonds of the Authority designated as “Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project)”, issued in the aggregate principal amount of Two Hundred Twenty-Four Million, Six Hundred Thousand Dollars (\$224,600,000), referred to herein as the “Bonds.” In order to distinguish between Bonds which are subject to different interest rate determination methods and other features and to distinguish the portion of the Bonds to be remarketed by any particular Remarketing Agent, the Bonds may be designated and redesignated from time to time by the Authority in such a way as to identify one or more subseries of the Bonds pursuant to Article II of the Indenture. This Bond and the issue of which it is one are authorized to be issued and are issued under, pursuant to and in full compliance with the Constitution and statutes of the State of New York, including particularly the New York State Energy Research and Development Authority Act, Title 9 of Article 8 of the Public Authorities Law of the State of New York, as amended (the “Act”), a resolution of the Authority adopted on September 27, 2010 and a Trust Indenture dated as of November 1, 2010 between the Authority and The Bank of New York Mellon, as Trustee (herein, as it may be amended from time to time, called the “Indenture”). The Bonds are issued for the purpose of refunding certain outstanding bonds of the Authority issued in order to provide funds for the refunding of certain obligations of the Authority originally issued to finance the cost of acquisition, construction and installation of certain facilities of Consolidated Edison Company of New York, Inc. (the “Company”) for the local furnishing of electric energy within the Company’s service area (all of said facilities being referred to herein as the “Project”) pursuant to a Participation Agreement, dated as of November 1, 2010, between the Authority and the Company (hereinafter, as it may be amended or supplemented from time to time, called the “Participation Agreement”). Under the Participation Agreement and the promissory note delivered to the Trustee (the “Note”), the Company is required to make

payments to the Trustee for deposit to the Bond Fund established pursuant to the Indenture in an amount sufficient to pay principal of and premium, if any, and interest on the Bonds when due. The Participation Agreement also imposes on the Company certain obligations respecting the use and operation of the Project. A copy of the Participation Agreement is on file at the principal office of the Trustee, and reference is hereby directed to the Participation Agreement for the provisions thereof.

The terms and provisions pertaining to Bonds bearing an Auction Rate are set forth in separate bond certificates.

A copy of the Indenture is on file at the principal office of the Trustee. Reference is hereby directed to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds; the collection and disposition of revenues; a description of the nature and extent of the security for the Bonds, the funds and moneys pledged for the payment of the principal of and premium, if any, and interest on the Bonds; the nature and extent and manner of enforcement of the pledge; the rights and remedies of the registered owners of Bonds with respect thereto; the conditions for and the permissible extent of alteration, supplement and amendment of the Indenture or Participation Agreement; the terms and conditions upon which this Bond and the issue of which it is one are issued; the rights, duties and obligations of the Authority and the Trustee thereunder; the terms and provisions upon which the liens, pledges, charges, trusts and covenants made therein may be discharged at or prior to the maturity, purchase or redemption of this issue and pursuant to which this Bond thereafter will no longer be secured by the Indenture, or be deemed to be outstanding thereunder, if sufficient moneys or certain specified securities shall have been deposited with the Trustee and held in trust solely for the payment thereof; and for all other terms and provisions thereof. The provisions of the Act and the Indenture shall be a contract with the registered owner of this Bond, and the duties of the Authority and any employee thereof under said Act and the Indenture shall be enforceable by the registered owner hereof, by mandamus or other appropriate suit, action or proceeding, in any court of competent jurisdiction in the State of New York.

The Bonds are limited obligations of the Authority, and shall not constitute indebtedness of or a charge against the general credit of the Authority or give rise to any pecuniary liability of the Authority. The liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Indenture, and the Bonds shall be payable solely from payments to be made by the Company pursuant to the Participation Agreement and the Note, or the income from the temporary investment thereof, and from amounts held under the Indenture including the proceeds of a Direct-Pay Credit Facility, if any, and not from any other fund or source. Pursuant to the Indenture, the Authority has pledged and assigned to the Trustee its right, remedies and interest (with certain exceptions) in and to the Note and the Participation Agreement to secure the payment of the principal of and premium, if any, and interest on the Bonds. The Bonds are and shall be secured by a prior and paramount lien and charge on said moneys and revenues. The Bonds shall not be a debt of the State of New York, and the State of New York shall not be liable thereon. Neither the Authority nor the State of New York is obligated to provide for the payment of the Purchase Price of tendered Bonds or payment of principal, premium, if any, or interest on the Bonds.

This Bond shall not be entitled to any security, right or benefit under the Indenture or become valid or obligatory for any purpose until it shall have been authenticated by the Trustee by its execution of the certificate of authentication endorsed hereon.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any member, agent or employee of the Authority in his or her individual capacity, and neither the members of the Authority nor any officer thereof executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of New York and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond and the issue of which this Bond is a part, do exist, have happened and have been performed in due time, form and manner as required by such Constitution, laws and the Indenture; that the amount of this Bond and the issue of which this Bond is a part does not exceed any constitutional or statutory limitations of indebtedness; and that provision has been made for the payment of the principal of and premium, if any, and interest on this Bond and the series of which it is a part as provided in the Indenture.

EXCEPT AS OTHERWISE PROVIDED IN SECTION 2.03 OF THE INDENTURE, THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Interest Rate Provisions

The Bonds shall initially bear interest at a Term Rate, for a Calculation Period in excess of 13 months, during a Term Rate Period. The Bonds shall bear interest at 1.45% per annum for the period from and including the Closing Date to and including October 31, 2012. The Bonds will bear interest at one of the following interest rates: a "Commercial Paper Rate", an "Auction Rate", a "Daily Rate," a "Weekly Rate," a "Monthly Rate," a "Semi-annual Rate", a "Term Rate" (each of the foregoing referred to as an "Adjustable Rate") or a "Fixed Rate". Except with respect to the Term Rate for the initial Calculation Period which shall be 1.45% per annum, each Adjustable Rate other than an Auction Rate shall be an adjustable rate which, with respect to the first day of each Calculation Period applicable to such Adjustable Rate, shall be equal to the rate or rates of interest per annum established and certified to the Trustee by the Remarketing Agent no later than 12:00 noon (New York City time) on and as of the Determination Date as the minimum rate or rates of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such date to remarket Bonds in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon, if any, except as otherwise provided in the Indenture; provided that such rate or rates of interest shall not exceed the lesser of (i) the lesser of 15% per annum or the maximum interest rate payable under the Support Facility, if any, then in effect and (ii) 110% of the rate index for such rate on and as of such date. Anything in the Indenture to the contrary notwithstanding, in no event shall the interest rate borne by any Bond exceed the maximum rate

allowable by applicable law. The term “Business Day” means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or any city in which is located the principal corporate trust office of the Trustee or the office of an issuer of a Support Facility, at which demands for a draw on, or borrowing or payment under, such Support Facility will be made.

During any Commercial Paper Rate Period, at or prior to 12:00 noon (New York City time) on each Determination Date, the Remarketing Agent shall establish Calculation Periods and related Commercial Paper Rates. In determining Calculation Periods, the Remarketing Agent shall take into account certain factors set forth in the Indenture. The Remarketing Agent shall select the Calculation Periods and the applicable Commercial Paper Rates that, together with all other Calculation Periods and related Commercial Paper Rates, in the sole judgment of the Remarketing Agent, will result in the lowest overall borrowing cost on the Bonds or are otherwise in the best financial interests of the Company, as determined in consultation with the Company. Any Calculation Period established under the Indenture may not extend beyond the second Business Day next preceding the expiration date of the Support Facility, if any, or the day prior to the Stated Maturity. The Authority, at the request of the Company, may place limitations upon the establishment of the Calculation Periods in accordance with the Indenture.

The term “Calculation Period” means (a) during any Commercial Paper Rate Period, following a Change in the Interest Rate Mode to a Commercial Paper Rate Period, the period from and including the effective date of the Change in the Interest Rate Mode to a Commercial Paper Rate Period to but not including any day not more than 270 days thereafter which is a day immediately preceding a Business Day established by the Remarketing Agent pursuant to the Indenture and, thereafter, any Calculation Period established by the Remarketing Agent pursuant to the Indenture which shall end on a day not later than 270 days from the commencement thereof; (b) during any Daily Rate Period, the period from and including a Business Day to but not including the next succeeding Business Day; (c) during any Weekly Rate Period following a Change in the Interest Rate Mode to a Weekly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to and including the following Tuesday, and, thereafter, the period from and including Wednesday of each week to and including the following Tuesday; (d) during any Monthly Rate Period, following a Change in the Interest Rate Mode to a Monthly Rate, the period from and including the effective date of the Change in the Interest Rate Mode to but excluding the first Business Day of the following month, and thereafter, each period from and including the first Business Day of the month to but excluding the first Business Day of the following month; (e) during any Semi-annual Rate Period, following a Change in the Interest Rate Mode to a Semi-annual Rate, the period from and including the effective date of the Change in the Interest Rate Mode to but excluding the next succeeding Interest Payment Date and, thereafter, each period from and including the day following the end of the last Calculation Period to but excluding the next succeeding Interest Payment Date; (f) during the Initial Term Rate Period, the period from and including the Closing Date to and including October 31, 2012 and during any other Term Rate Period, any period of not less than 365 days from and including the effective date of the Change in the Interest Rate Mode to a Term Rate to and including any day (established by the Authority at the request of the Company pursuant to the Indenture) not later than the day prior to the Stated Maturity; and (g)

during any Fixed Rate Period following a Change in the Interest Rate Mode to a Fixed Rate, the period from and including the effective date of the Change in the Interest Rate Mode through the day immediately preceding the Stated Maturity.

The term "Interest Payment Date" means (a) during each Commercial Paper Rate Period, the Business Day immediately succeeding the last day of any Calculation Period; (b) during each Daily Rate Period, the first Business Day of each month thereof; (c) during each Weekly Rate Period, the first Business Day of each month thereof; (d) during each Monthly Rate Period, the first Business Day of each month thereof; (e) during each Semi-annual Rate Period, (i) the first Business Day of the sixth calendar month following the month in which the first day of such Semi-annual Rate Period occurred, (ii) each anniversary of the date so determined, and (iii) each anniversary of the first day of the first month of such Semi-annual Rate Period; (f) during each Term Rate Period, including the Initial Term Rate Period, the November 1 or May 1 next succeeding the first day of a Calculation Period and each November 1 or May 1 thereafter; provided, however, that if the November 1 or May 1 next succeeding the first day of a Calculation Period occurs less than twenty-one (21) days after the first day of such Calculation Period, the first Interest Payment Date shall be the second such date following the first day of such Calculation Period; (g) the November 1 or May 1 next succeeding a Fixed Rate Conversion Date and each November 1 or May 1 thereafter; provided, however, that if the November 1 or May 1 next succeeding a Fixed Rate Conversion Date occurs less than twenty-one (21) days after such Fixed Rate Conversion Date, the first Interest Payment Date shall be the second such date following the first day of the Fixed Rate Period; (h) a Fixed Rate Conversion Date; (i) any day on which Bonds are subject to mandatory tender for purchase or redemption in whole pursuant to the Indenture; and (j) the Stated Maturity; provided, however, that if any such date determined in any of the foregoing clauses is not a Business Day, the Interest Payment Date shall be the next succeeding day which is a Business Day.

While the Bonds bear interest at a Commercial Paper Rate, a Daily Rate, a Weekly Rate, a Monthly Rate or a Semi-annual Rate, interest accrued on such Bonds shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. While the Bonds bear interest at a Term Rate or a Fixed Rate, interest accrued on such Bonds shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty (30) day months.

As used herein, the term "Record Date" means (a) with respect to each Interest Payment Date during a Commercial Paper Rate Period, a Daily Rate Period, a Weekly Rate Period or a Monthly Rate Period, the Business Day next preceding such Interest Payment Date; (b) with respect to each Interest Payment Date during a Semi-annual Rate Period or a Term Rate Period, the fifteenth day of the calendar month next preceding such Interest Payment Date; and (c) with respect to each Interest Payment Date during a Fixed Rate Period, the fifteenth day of the month next preceding such Interest Payment Date, or, if such day is not a Business Day, the next preceding Business Day.

As used herein, the term "Remarketing Agent" shall mean a Remarketing Agent appointed pursuant to Section 11.14 of the Indenture, or its successors or assigns or such other Remarketing Agents or their respective successors or assigns as shall be appointed from time to time pursuant to the Indenture and the Remarketing Agreement.

The Bonds shall cease to bear interest at the Adjustable Rate then borne by the Bonds and shall bear interest at such different Adjustable Rate or Fixed Rate as shall be specified by the Authority, at the written request of the Company.

If any condition to any Change in the Interest Rate Mode is not met on any date, then the Bonds shall continue to bear interest at the Adjustable Rate then borne by the Bonds and be subject to all provisions of the Indenture applicable thereto while the Bonds bear interest at such Adjustable Rate. Notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase in accordance with the Indenture. A Change in the Interest Rate Mode shall not occur during the Initial Term Rate Period.

Fixed Rate. On a Fixed Rate Conversion Date, the Bonds shall cease to bear interest at the Adjustable Rate then borne by the Bonds and shall bear interest at a Fixed Rate until maturity subject to the terms and conditions of the Indenture.

Redemption Provisions

Optional Redemption. The Bonds shall be subject to redemption at the option of the Authority upon the request of the Company:

(a) During any Commercial Paper Rate Period, the Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof, at a redemption price equal to 100% of the principal amount.

(b) During any Daily Rate Period, the Bonds shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any.

(c) During any Weekly Rate Period, the Bonds shall be subject to redemption on any Business Day, as a whole or in part, at the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, if any.

(d) During any Monthly Rate Period, the Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof.

(e) During any Semi-annual Rate Period, the Bonds shall be subject to redemption on each Interest Payment Date, as a whole or in part, at the principal amount thereof.

(f) During any Term Rate or Fixed Rate Period, the Bonds shall be subject to redemption in whole or in part at any time as follows: after the No-Call Period shown below, which shall begin on the first day of the Calculation Period applicable to such Bonds or on a Fixed Rate Conversion Date, as the case may be, and end on the enumerated anniversary thereof, at a redemption price equal, initially, to the principal amount thereof, plus a premium equal to the percentage of the principal amount to be redeemed shown in the Initial Premium column,

plus accrued and unpaid interest if paid on a Business Day other than an Interest Payment Date. The premium percentage, if any, shall decline by the percentage shown in the Reduction in Premium column on each anniversary of the date on which such Bonds are first redeemable until the Bonds shall be redeemable without premium.

Calculation Period
or Period to Maturity

<u>Equal to or Greater Than</u>	<u>But Less Than</u>	<u>No-Call Period</u>	<u>Initial Premium</u>	<u>Reduction in Premium</u>
18 years	N/A	8 Years	1 1/2%	1/2%
12 years	18 Years	6 Years	1	1/2
7 Years	12 Years	3 Years	0	0
5 Years	7 Years	2 Years	0	0
4 Years	5 Years	2 Years	0	0
3 Years	4 Years	2 Years	0	0
0 Years	3 Years	Not callable		

If upon establishment of a Term Rate Period or a Fixed Rate Period, as the case may be, the applicable Remarketing Agent certifies to the Trustee, Bond Counsel and the Authority in writing that the foregoing schedule is not consistent with then-prevailing market conditions, the Authority at the request of the Company may revise the foregoing Initial Premium, Reductions in Premium and No-Call Periods with respect to Bonds for which a Term Rate Period or Fixed Rate Period is then being established without the approval of the Holders to reflect then-prevailing market conditions, upon receipt of an Opinion of Bond Counsel to the effect that any revisions pursuant to this paragraph, either by itself or in conjunction with the establishment of a Calculation Period for a Term Rate Period or a Fixed Rate Period, as the case may be, are made in accordance with the Indenture, is permitted under the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Extraordinary Optional Redemption. During any Term Rate Period other than the Initial Term Rate Period or Fixed Rate Period, the Bonds are also subject to redemption prior to maturity in whole at any time at the option of the Authority, exercised at the direction of the Company, upon notice given as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with unpaid interest accrued thereon to the date fixed for redemption, in any of the following events:

- (1) All or substantially all of the Project shall have been damaged or destroyed or title to, or the temporary use of, all or a substantial portion of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority, as in each case renders the Project unsatisfactory to the Company for its intended use;

(2) Unreasonable burdens or excessive liabilities shall have been imposed upon the Authority or the Company with respect to all or substantially all of the Project, including without limitation the imposition of federal, state or other ad valorem property, income or other taxes other than ad valorem taxes in effect on the date of original issuance of the Bonds levied upon privately owned property used for the same general purpose as the Project; or

(3) Any court or regulatory or administrative body shall enter or adopt, or fail to enter or adopt, a judgment, order, approval, decree, rule or regulation, as a result of which the Company elects to cease operation of all or substantially all of the Project.

Special Tax Redemption Provisions. 1. During any Semi-annual Rate Period, Term Rate Period, or Fixed Rate Period, the Bonds shall be subject to mandatory redemption as a whole (provided, however, that the Bonds shall be redeemed in part if the Company obtains an Opinion of Bond Counsel to the effect that, by redeeming such portion of the Bonds, the interest on the remaining Bonds will not be included for federal income tax purposes in the gross income of any owner of the Bonds (other than an owner who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a)(1) of the Code)) at any time at a redemption price equal to 100% of the principal amount thereof, together with unpaid interest accrued thereon to the redemption date, if, in a published or private ruling of the Internal Revenue Service or in a final, nonappealable judicial decision by a court of competent jurisdiction (provided that the Company has been afforded the opportunity to participate at its own expense in the proceeding resulting in such ruling or in the litigation resulting in such decision, as the case may be), it is determined that, as a result of a failure by the Company to observe any covenant, agreement or representation in the Participation Agreement or the Tax Regulatory Agreement, interest on the Bonds is included for federal income tax purposes in the gross income (as defined in Section 61 of the Code) of any owner of a Bond (other than a “substantial user” of the Project or a “related person” within the meaning of Section 147(a)(1) of the Code), and, in such event, the Bonds shall be subject to such mandatory redemption not more than one hundred eighty (180) days after receipt by the Trustee of notice of such published or private ruling or judicial decision and a demand for redemption of the Bonds. The occurrence of an event requiring the redemption of the Bonds under this paragraph does not constitute an event of default under the Note or under the Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

2. During any Semi-annual Rate Period, Term Rate Period, or Fixed Rate Period, the Bonds may be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon to the redemption date, if the Company has determined, on the basis of the written advice of Bond Counsel that, as a result of any action taken or expected to be taken, or a failure to take action, a reasonable risk exists that interest on the Bonds will not be excludable from gross income for federal tax purposes. Such conclusion and certification shall be evidenced by delivery to the Trustee of a written certificate of an Authorized Company Representative to the effect that the Company has reached such conclusion, together with a copy of such written advice of Bond Counsel. The occurrence of an event permitting the redemption of the Bonds under this

paragraph does not constitute an event of default under the Note or under the Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

3. During any Semi-annual Rate Period, Term Rate Period, or Fixed Rate Period, the Bonds will also be subject to mandatory redemption at a redemption price equal to one hundred three percent (103%) of the principal amount thereof plus unpaid interest accrued thereon to the redemption date if the Company reasonably concludes and certifies to the Trustee that the business, properties, condition (financial or otherwise), operations or business prospects of the Company will be materially and adversely affected unless the Company takes or omits to take a specified action and that the Company has been advised in writing by Bond Counsel that the specified action or omission would cause the use of the Project to be such that, pursuant to Section 150 of the Code, the Company would not be entitled to deduct the interest on the Bonds for purposes of determining the Company's federal taxable income, for a period of not less than ninety (90) consecutive or nonconsecutive days during a twelve-month period. Such conclusion and certification shall be evidenced by delivery to the Trustee of a written certificate of an Authorized Company Representative to the effect that the Company has reached such conclusion, together with a certified copy of a resolution of the Board of Trustees of the Company authorizing such certificate and a copy of such written advice of Bond Counsel. In the event that the Bonds become subject to redemption as provided in this paragraph, the Bonds will be redeemed in whole unless redemption of a portion of the Bonds outstanding would, in the Opinion of Bond Counsel, have the result that interest payable on the Bonds remaining outstanding after such redemption would be deductible for purposes of determining the federal taxable income of the Company, and, in such event, the Bonds to be redeemed shall be selected (in the principal amount of \$5,000 or any integral multiple thereof) by lot, in such amount as is necessary to accomplish that result. The occurrence of an event requiring the redemption of the Bonds under this paragraph does not constitute an event of default under the Note or under the Indenture and the sole obligation in such event shall be for the Company to prepay the Note in an amount sufficient to redeem the Bonds to the extent required by this paragraph.

Redemption at Demand of the State of New York. Under the provisions of Section 1864 of the Act, the State of New York may, upon furnishing sufficient funds therefor, require the Authority to redeem, prior to maturity, as a whole, the Bonds on any Interest Payment Date not less than twenty years after their date of original issuance at a redemption price of 105% of their face value and accrued interest or at such lesser redemption price as may be applicable provided for a redemption at that time.

Purchase in Lieu of Redemption. Following the Initial Term Rate Period, whenever Bonds have been called for redemption pursuant to Section 5.01 of the Indenture, the Company may, by written notice to the Authority and the Trustee delivered in advance of the redemption date for the Bonds, elect to purchase such bonds in lieu of redemption with the effect that the payment made by the Company pursuant to Section 6.01 of the Participation Agreement shall be considered the payment by the Company of the Purchase Price for the Bonds and from and after the redemption date the Company shall be deemed to be the owner of the Bonds which shall continue to be outstanding subject to the terms and conditions of the Indenture.

Tender for Purchase Upon Election of Holder. During any Daily Rate Period or Weekly Rate Period, any Bond or portion thereof in a principal amount equal to an authorized denomination (so long as the principal amount not purchased is an authorized denomination) shall be purchased on the demand of the registered owner thereof on any Business Day at the Purchase Price, upon delivery to the Registrar and Paying Agent and the Remarketing Agent at their respective principal offices, by the close of business on any Business Day of a Notice of Election to Tender (the substance of which notice must also be given telephonically to the Remarketing Agent prior to or simultaneously with delivery of such written notice to such Remarketing Agent). The date on which such Bond shall be purchased at the request of the registered owner, (i) if the Bond then bears interest at a Daily Rate, shall be the date of delivery of such notice if such notice is delivered to the Registrar and Paying Agent and the Remarketing Agent by 10:00 a.m. (New York City time) on such date or may be any Business Day thereafter, and (ii) if the Bond then bears interest at a Weekly Rate, shall be a Business Day not prior to the 7th day next succeeding the date of the delivery of such notice to the Registrar and Paying Agent and the Remarketing Agent.

During any Monthly Rate Period or Semi-annual Rate Period, this Bond or portion hereof in a principal amount equal to an authorized denomination (so long as the principal amount not purchased is an authorized denomination) shall be purchased on the demand of the registered owner thereof on the first Business Day following each Calculation Period at the Purchase Price, upon delivery to the Registrar and Paying Agent and the applicable Remarketing Agent, at their respective principal offices of a Notice of Election to Tender (the substance of which notice must also be given telephonically to the Remarketing Agent prior to or simultaneously with the delivery of such written notice) on or prior to a Business Day which is not less than ten (10) days, in the case of Bonds bearing interest at a Semi-annual Rate, or seven (7) days, in the case of Bonds bearing interest at a Monthly Rate, prior to the proposed date of purchase.

Mandatory Tender for Purchase Upon a Change in the Interest Rate Mode. Upon a Change in the Interest Rate Mode, the Bonds shall be subject to mandatory tender for purchase in accordance with the Indenture.

Mandatory Tender for Purchase on Business Day following Calculation Periods. Bonds bearing a Commercial Paper Rate or a Term Rate shall be subject to mandatory tender for purchase in accordance with the Indenture on the Business Day immediately following each Calculation Period at a price equal to the Purchase Price.

Mandatory Tender For Purchase Upon Expiration of any Support Facility or Upon Delivery of an Alternate Support Facility. On the second Business Day next preceding the date of expiration of any Support Facility, the Bonds to which such Support Facility applies shall be subject to mandatory purchase at the Purchase Price, unless on or prior to the 20th day prior to such date of expiration the Company on behalf of the Authority has furnished to the Trustee (i) a notice that such Support Facility will be extended and (ii) delivery of an extension of such Support Facility that shall be in effect one day prior to the Conversion Date; provided in addition that such Support Facility shall continue to meet the requirements of the Indenture. The Bonds shall also be subject to mandatory purchase at the Purchase Price, on the date there is delivered an Alternate Support Facility relating to the Bonds meeting the requirements of the Indenture.

No tender for purchase of any Bonds shall be required if a Fixed Rate Conversion Date shall have occurred with respect to such Bonds or if such Bonds have been converted to bear interest at an Auction Rate on a date prior to such date of expiration.

Mandatory Tender Upon Occurrence of any Terminating Event. Upon the occurrence of any Terminating Event with respect to the Bonds, the Bonds shall be subject to mandatory tender for purchase at the Purchase Price on a Business Day selected by the Trustee; provided, however, that (i) such mandatory tender shall not occur later than the 5th day after the receipt of notice thereof by the Trustee, and (ii) such mandatory tender date shall be a Business Day. The Bonds will not be subject to such mandatory tender for purchase during any Auction Rate Period or any Fixed Rate Period.

Procedure for Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, of the redemption of such Bonds in accordance with the Indenture.

Notice of redemption shall be given by mailing a copy of the redemption notice by first-class mail at least fifteen (15) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the addresses shown on the registration books maintained by the Registrar and Paying Agent; provided, however, that failure to give notice to any registered owner of a Bond or any defects in such notice shall not affect the proceedings for the redemption of the Bonds for which notice has been properly given. Any redemption may be conditioned on the receipt of moneys by the Registrar and Paying Agent sufficient to pay the redemption price on the redemption date of Bonds called for redemption, if the notice of redemption so states. Notwithstanding the foregoing, no notice of redemption shall be required in the case of a redemption to be effected on the date following the last day of the Initial Term Rate Period.

General Provisions Applicable to Mandatory and Optional Tenders for Purchase of Bonds. If interest has been paid on the Bonds, or an amount sufficient to pay interest thereon has been deposited in the Bond Fund, or an amount sufficient to pay accrued interest thereon, if any, has been set aside in the Bond Purchase Fund held under the Bond Purchase Trust Agreement, and the Purchase Price shall be available under the Bond Purchase Fund for payment of Bonds subject to tender for purchase pursuant to the Indenture and if any registered owner fails to deliver or does not properly deliver the Bonds to the Registrar and Paying Agent for which a Notice of Election to Tender has been properly filed or which are subject to mandatory tender for purchase on the purchase date therefor, such Bonds shall nevertheless be deemed tendered and purchased on the date established for the purchase thereof, no interest shall accrue on such Bonds from and after the date of purchase and such former registered owners shall have no rights under the Indenture as the registered owners of such Bonds, except the right to receive the Purchase Price of and interest to the purchase date, if any, on such Bonds upon delivery thereof to the Registrar and Paying Agent in accordance with the provisions of the Indenture. The purchaser of any such Bonds remarketed by the Remarketing Agent, or the issuer of any Support Facility, to the extent Bonds are purchased with the proceeds of a draw on, or borrowing or payment under, the Support Facility, shall be treated as the registered owner thereof for all purposes of the Indenture. The payment of the Purchase Price of the Bonds tendered shall be subject to delivery of such Bonds duly endorsed in blank for transfer or accompanied by an

instrument of transfer thereof in form satisfactory to the Registrar and Paying Agent executed in blank for transfer at the principal office of the Registrar and Paying Agent at or prior to 10:00 a.m. (11:30 a.m. for Bonds bearing interest at the Weekly Rate and 12:00 noon, for Bonds bearing interest at the Daily Rate) (New York City time), on a specified purchase date. The Registrar and Paying Agent may refuse to make payment with respect to any Bonds tendered for purchase pursuant to the Indenture not endorsed in blank or for which an instrument of transfer satisfactory to the Registrar and Paying Agent has not been provided.

The Purchase Price of Bonds subject to tender for purchase pursuant to the Indenture, other than pursuant to Section 5.02 of the Indenture, in an aggregate principal amount of at least one million dollars (\$1,000,000) shall be payable in immediately available funds or by wire transfer upon written notice from the registered owner thereof containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed, if such written notice is received by the Registrar and Paying Agent not less than five (5) days prior to the related purchase date.

The transfer of the Bonds may be registered only upon the books of registry required to be kept pursuant to the Indenture upon surrender thereof to the Registrar and Paying Agent, together with an assignment duly executed by the Holder thereof or his or her duly authorized agent and accompanied by a guarantee of signature, each in such form as shall be satisfactory to the Registrar and Paying Agent. Upon any such registration of transfer the Authority shall execute and the Trustee shall authenticate and deliver in exchange for such Bonds a new Bond or Bonds of the same subseries registered in the name of the transferee or transferees for a like aggregate principal amount, of any denomination or denominations authorized by the Indenture. No transfer of any Bond shall be effective until entered on the books of registry.

All terms used herein which are defined in the Indenture and not otherwise defined herein shall have the respective meanings set forth in the Indenture.

This Bond shall be governed by and construed in accordance with laws of the State of New York.

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its President, Vice President or Treasurer and its seal or a facsimile thereof to be impressed, imprinted or otherwise reproduced hereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, as of the date set forth in the Certificate of Authentication.

**NEW YORK STATE ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY**

By _____
President and CEO

(SEAL)

Attest:

Assistant Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of an issue described in the Indenture mentioned herein.

**The Bank of New York Mellon,
as Trustee**

By: _____
Authorized Officer

Date of Authentication:

(FORM OF ASSIGNMENT)

For value received _____ hereby sells, assigns and transfers unto _____ the within mentioned Bond and hereby irrevocably constitutes and appoints _____, Attorney, to transfer the same on the registration books in the office of the Registrar and Paying Agent with full power of substitution in the premises.

Dated: _____

I hereby certify that the above signature is true and genuine.

Authorized Officer

Bank

[Form of Bond Bearing an Auction Rate]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

NEW YORK STATE ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY
Facilities Revenue Bonds, Series 2010A
(Consolidated Edison Company of New York, Inc. Project)
[(Subseries 2010[A-1, A-2 or A-3])]

No. A[-1, -2 or -3]R-

MATURITY DATE

ORIGINAL ISSUE DATE

CUSIP

[]

[]

REGISTERED OWNER:

PRINCIPAL SUM:

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”), a body corporate and politic, constituting a public benefit corporation, organized and existing under and by virtue of the laws of the State of New York, for value received, hereby promises to pay, but solely from the revenues, income and other moneys hereinafter specified and not otherwise, to the registered owner named above or registered assigns, the principal amount specified above on the maturity date specified above (subject to the right of prior redemption hereinafter described), upon presentation and surrender of this Bond, and to pay interest on such principal amount, but solely from such revenues, income and other moneys hereinafter specified and not otherwise, from the date of authentication hereof, or if such date shall not be an Interest Payment Date from the next preceding Interest Payment Date, or if the date of authentication is after the Record Date next preceding the next succeeding Interest Payment Date from the next succeeding Interest Payment Date until the payment of such principal amount in full, at the Auction Rate hereinafter described, such interest being payable on each Interest Payment Date in each year, by check mailed to the registered owner hereof at such owner’s address as it appears on the registration books kept by the Registrar and Paying Agent pursuant to the Indenture hereinafter mentioned; provided, that (i) while the Securities Depository is the registered owner of the Bonds, all payments of principal of and premium, if any, and interest on the Bonds shall be paid to the Securities Depository by wire transfer, (ii) prior to any Fixed Rate Conversion Date, interest on the Bonds shall be payable, at the option

of any registered owner of at least one million dollars (\$1,000,000) in aggregate principal amount of the Bonds, by wire transfer upon written notice received by the Registrar and Paying Agent from such registered owner at least five days prior to the Record Date, containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed, all as set forth in such registration books at the close of business on the appropriate Record Date preceding an Interest Payment Date. If interest is in default it shall be paid to the person in whose name this bond is registered as set forth on the registration books as of the record date as set forth in the Indenture. Except as set forth above, principal of and premium, if any, on this Bond are payable at the corporate trust office of The Bank of New York Mellon, in New York, New York, as Registrar and Paying Agent of the Bonds. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

This Bond is one of a duly authorized issue of Bonds of the Authority designated as “Facilities Revenue Bonds, Series 2010A (Consolidated Edison Company of New York, Inc. Project)”, issued in the aggregate principal amount of Two Hundred Twenty-Five Million (\$224,600,000), referred to herein as the “Bonds.” In order to distinguish between Bonds which are subject to different interest rate determination methods and other features and to distinguish the portion of the Bonds to be remarketed by any particular Remarketing Agent, the Bonds may be designated and redesignated from time to time by the Authority in such a way as to identify one or more subseries of the Bonds pursuant to Article II of the Indenture. This Bond and the issue of which it is one are authorized to be issued and are issued under, pursuant to and in full compliance with the Constitution and statutes of the State of New York, including particularly the New York State Energy Research and Development Authority Act, Title 9 of Article 8 of the Public Authorities Law of the State of New York, as amended (the “Act”), a resolution of the Authority adopted on September 27, 2010 and a Trust Indenture dated as of November 1, 2010 between the Authority and The Bank of New York Mellon, as Trustee (herein, as it may be amended from time to time, called the “Indenture”). The Bonds are issued for the purpose of refunding certain outstanding bonds of the Authority issued in order to provide funds for the refunding of certain obligations of the Authority originally issued to finance a portion of the cost of acquisition, construction and installation of certain facilities of Consolidated Edison Company of New York, Inc. (the “Company”) for the local furnishing of electric energy within the Company’s service area in The City of New York and the County of Westchester, New York (all of said facilities being referred to herein as the “Project”) pursuant to a Participation Agreement, dated as of November 1, 2010, between the Authority and the Company (hereinafter, as it may be amended or supplemented from time to time, called the “Participation Agreement”). Under the Participation Agreement and the promissory note delivered to the Trustee (the “Note”), the Company is required to make payments to the Trustee for deposit to the Bond Fund established pursuant to the Indenture in an amount sufficient to pay the portion of principal of and premium, if any, and interest on the Bonds when due. The Participation Agreement also imposes on the Company certain obligations respecting the use and operation of the Project. A copy of the Participation Agreement is on file at the principal office of the Trustee, and reference is hereby directed to the Participation Agreement for the provisions thereof.

The terms and provisions pertaining to Bonds bearing a Fixed Rate or another Adjustable Rate are set forth in separate bond certificates.

A copy of the Indenture is on file at the principal office of the Trustee. Reference is hereby directed to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds; the collection and disposition of revenues; a description of the nature and extent of the security for the Bonds, the funds and moneys pledged for the payment of the premium, if any, and interest on and the principal of the Bonds; the nature and extent and manner of enforcement of the pledge; the rights and remedies of the registered owners of Bonds with respect thereto; the conditions for and the permissible extent of alteration, supplement and amendment of the Indenture or Participation Agreement; the terms and conditions upon which this Bond and the issue of which it is one are issued; the rights, duties and obligations of the Authority and the Trustee thereunder; the terms and provisions upon which the liens, pledges, charges, trusts and covenants made therein may be discharged at or prior to the maturity, purchase or redemption of this issue and pursuant to which this Bond thereafter will no longer be secured by the Indenture, or be deemed to be outstanding thereunder, if sufficient moneys or certain specified securities shall have been deposited with the Trustee and held in trust solely for the payment thereof; and for all other terms and provisions thereof. The provisions of the Act and the Indenture shall be a contract with the registered owner of this Bond, and the duties of the Authority and any employee thereof under said Act and the Indenture shall be enforceable by the registered owner hereof, by mandamus or other appropriate suit, action or proceeding, in any court of competent jurisdiction in the State of New York.

The Bonds are limited obligations of the Authority, and shall not constitute indebtedness of or a charge against the general credit of the Authority or give rise to any pecuniary liability of the Authority. The liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Indenture, and the Bonds shall be payable solely from the money and revenues received from the payments made by the Company pursuant to the Participation Agreement and the Note or the income from the temporary investment thereof, and from amounts held under the Indenture including the proceeds of a Direct-Pay Credit Facility, if any, and not from any other fund or source. Pursuant to the Indenture, the Authority has pledged and assigned to the Trustee its right, title and interest (with certain exceptions) in and to the Participation Agreement and the Note to secure the payment of the principal of and premium, if any, and interest on the Bonds. The Bonds are and shall be secured by a prior and paramount lien and charge on said moneys and revenues. The Bonds shall not be a debt of the State of New York and the State of New York shall not be liable thereon. Neither the Authority nor the State of New York is obligated to provide for the payment of the Purchase Price of tendered Bonds or payment of principal, premium, if any, or interest on the Bonds.

This Bond shall not be entitled to any security, right or benefit under the Indenture or become valid or obligatory for any purpose until it shall have been authenticated by the Trustee by its execution of the certificate of authentication endorsed hereon.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any member, agent or employee of the Authority in his or her individual capacity, and neither the members of the Authority nor any officer thereof executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of New York and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond and the issue of which this Bond is a part, do exist, have happened and have been performed in due time, form and manner as required by such Constitution, laws and the Indenture; that the amount of this Bond and the issue of which this Bond is a part does not exceed any constitutional or statutory limitations of indebtedness; and that provision has been made for the payment of the principal of and premium, if any, and interest on this Bond and the series of which it is a part as provided in the Indenture.

EXCEPT AS OTHERWISE PROVIDED IN SECTION 2.03 OF THE INDENTURE, THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Interest Rate Provisions

THE AUCTION PERIOD, THE AUCTION RATE, THE SELECTION OF THE METHOD OF DETERMINING THE AUCTION RATE AND DATES OF PAYMENT OF INTEREST ON THE BONDS AND THE AUCTION PROCEDURES RELATED THERETO WILL BE DETERMINED UPON THE TERMS AND CONDITIONS, INCLUDING REQUIRED NOTICES THEREOF TO THE OWNERS, DESCRIBED IN THE INDENTURE, TO WHICH PROVISIONS SPECIFIC REFERENCE IS HEREBY MADE AND ALL OF WHICH PROVISIONS ARE HEREBY SPECIFICALLY INCORPORATED HEREIN BY REFERENCE.

During any Auction Rate Period, the Bonds shall bear interest at the Auction Rate determined as set forth in the Indenture. The initial Auction Period for each subseries of the Bonds immediately after any Change in the Interest Rate Mode to an Auction Rate, shall be a period from and including the effective date of such Change in the Interest Rate Mode to and including the initial Auction Date which shall be determined by the Authority, with notice to the Trustee, on or prior to the effective date of the Change in the Interest Rate Mode. The Auction Rate for any initial Auction Period immediately after any Change in the Interest Rate Mode to an Auction Rate, shall be the rate of interest per annum determined by the Remarketing Agent, with notice to the Trustee, the Authority, the Registrar and Paying Agent and the Company, on a date not later than the effective date of such Change in the Interest Rate Mode as the minimum rate of interest which, in the opinion of the Remarketing Agent, would be necessary as of such date to market Auction Rate Bonds in a secondary market transaction at a price equal to the principal amount thereof, provided that such interest rate shall not exceed the Maximum Allowed Rate. For any other Auction Period, the Auction Rate shall be the rate of interest per annum that results from implementation of the Auction Procedures. The Auction Procedures are set forth in Article III of the Indenture. If on any Auction Date, the Auction Agent shall fail to determine, or for any reason fail to timely provide, a rate of interest pursuant to the Auction Procedures, the Auction Rate for the next succeeding Auction Period shall be extended at the same rate and such Auction Period and each succeeding Auction Period shall be a seven-day Auction Period until an Auction Period for which the Auction Agent shall determine and timely provide the rate of interest

pursuant to the Auction Procedures; provided, that, after three such periods during which such failure occurs, the Auction Rate shall become the Maximum Auction Rate until an Auction Period for which the Auction Agent shall determine and timely provide the rate of interest pursuant to the Auction Procedures. Determination of an Auction Rate pursuant to the Auction Procedures shall be suspended upon a Change in the Interest Rate Mode or the occurrence of a Payment Default. The Auction Rate for any Auction Period or remaining portion thereof following the occurrence of a Payment Default shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date. Upon the occurrence of a Payment Default that has not been waived or cured on or prior to any Auction Date, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Auction Rate for the next succeeding Auction Period shall equal the Overdue Rate on and as of such Auction Date. In the event of the suspension of the Auction Procedures due to a Payment Default, the Auction Procedures shall resume two (2) Business Days after the date on which the Auction Agent receives notice from the Trustee that the Payment Default has been cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter. The Overdue Rate shall be determined by the Trustee on each succeeding Auction Date.

The Bonds may also bear interest at one of the following interest rates at the times and in the manner set forth in the Indenture: a "Commercial Paper Rate," a "Daily Rate," a "Weekly Rate," a "Monthly Rate," a "Semi-annual Rate", a "Term Rate" or a "Fixed Rate".

Redemption Provisions

Optional Redemption. The Bonds shall be subject to redemption, at the option of the Authority upon the request of the Company, on the Business Day immediately succeeding each Auction Date, as a whole or in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Redemption at Demand of the State of New York. Under the provisions of Section 1864 of the Act, the State of New York may, upon furnishing sufficient funds therefor, require the Authority to redeem, prior to maturity, as a whole, the Bonds on any Interest Payment Date not less than twenty years after their date of original issuance at a redemption price of 105% of their face value and accrued interest or at such lesser redemption price as may be applicable to an optional redemption at that time.

Purchase in Lieu of Redemption. Following the Initial Term Rate Period, whenever Bonds have been called for redemption pursuant to Section 5.01 of the Indenture, the Company may, by written notice to the Authority and the Trustee delivered in advance of the redemption date for the Bonds, elect to purchase such bonds in lieu of redemption with the effect that the payment made by the Company pursuant to Section 6.01 of the Participation Agreement shall be considered the payment by the Company of the Purchase Price for the Bonds and from and after the redemption date the Company shall be deemed to be the owner of the Bonds which shall continue to be outstanding subject to the terms and conditions of the Indenture.

Procedure for Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice of the redemption of such Bonds in accordance with the Indenture.

Notice of redemption shall be given by mailing a copy of the redemption notice by first-class mail at least fifteen (15) days prior to the date fixed for redemption to the registered owners of such Bonds to be redeemed at the addresses shown on the registration books maintained by the Registrar and Paying Agent; provided, however, that failure to give notice to any Holder of a Bond or any defects in such notice shall not affect the proceedings for the redemption of the Bonds for which notice has been properly given. Any redemption may be conditioned on the receipt of moneys by the Registrar and Paying Agent sufficient to pay the redemption price on the Redemption Date of Bonds called for redemption, if the notice of redemption so states.

Mandatory Tender for Purchase Upon a Change in the Interest Rate Mode. Upon a Change in the Interest Rate Mode, the Bonds shall be subject to mandatory tender for purchase in accordance with the Indenture, on the effective date of such Change in the Interest Rate Mode at the Purchase Price.

General Provisions Applicable to Mandatory Tenders for Purchase of Bonds. If interest has been paid on the Bonds, or an amount sufficient to pay interest thereon has been deposited in the Bond Fund, or an amount sufficient to pay accrued interest thereon, if any, has been set aside in the Bond Purchase Fund held under the Bond Purchase Trust Agreement, and the Purchase Price shall be available under the Bond Purchase Fund for payment of Bonds subject to tender for purchase in accordance with the Indenture and if a registered owner fails to deliver or does not properly deliver such Bonds to the Registrar and Paying Agent on the purchase date therefor, such Bonds shall nevertheless be deemed tendered and purchased on the date established for the purchase thereof, no interest shall accrue on such Bonds from and after the date of purchase and such former registered owners shall have no rights under the Indenture as the registered owners of such Bonds, except the right to receive the Purchase Price of and interest to the purchase date, if any, on such Bonds upon delivery thereof to the Registrar and Paying Agent in accordance with the provisions of the Indenture. The purchaser of any such Bonds remarketed by the Remarketing Agent, or the issuer of the Support Facility, if any, to the extent Bonds are purchased with the proceeds of a draw on, or borrowing or payment under, the Support Facility, shall be treated as the registered owner thereof for all purposes of the Indenture. The payment of the Purchase Price of the Bonds tendered shall be subject to delivery of such Bonds duly endorsed in blank for transfer or accompanied by an instrument of transfer thereof in form satisfactory to the Registrar and Paying Agent executed in blank for transfer at the principal office of the Registrar and Paying Agent at or prior to 10:00 a.m. (New York City time), on a specified purchase date. The Registrar and Paying Agent may refuse to make payment with respect to any Bonds tendered for purchase pursuant to the Indenture not endorsed in blank or for which an instrument of transfer satisfactory to the Registrar and Paying Agent has not been provided.

The Purchase Price of Bonds subject to tender for purchase pursuant to the Indenture in an aggregate principal amount of at least one million dollars (\$1,000,000) shall be payable in immediately available funds or by wire transfer upon written notice from the

registered owner thereof containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed, if such written notice is received by the Registrar and Paying Agent not less than five (5) days prior to the related purchase date.

Registered owners of Auction Rate Bonds subject to mandatory tender for purchase upon a Change in the Interest Rate Mode shall have no right to retain such Bonds and shall be required to tender such Auction Rate Bonds on the date established for the mandatory tender for purchase thereof.

The transfer of the Bonds may be registered only upon the books of registry required to be kept pursuant to the Indenture upon surrender thereof to the Registrar and Paying Agent, together with an assignment duly executed by the Holder thereof or his or her duly authorized agent and accompanied by a guarantee of signature, each in such form as shall be satisfactory to the Registrar and Paying Agent. Upon any such registration of transfer the Authority shall execute and the Trustee shall authenticate and deliver in exchange for such Bonds a new Bond or Bonds of the same subseries registered in the name of the transferee or transferees for a like aggregate principal amount, of any denomination or denominations authorized by this Indenture. No transfer of any Bond shall be effective until entered on the books of registry.

All terms used herein which are defined in the Indenture and not otherwise defined herein shall have the respective meanings set forth in the Indenture.

This Bond shall be governed by and construed in accordance with laws of the State of New York.

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its President, Vice President or Treasurer and its seal or a facsimile thereof to be impressed, imprinted or otherwise reproduced hereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, as of the date set forth in the Certificate of Authentication.

**NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY**

By _____
President and CEO

(SEAL)

Attest:

Assistant Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of an issue described in the Indenture mentioned herein.

**The Bank of New York Mellon,
as Trustee**

By: _____
Authorized Officer

Date of Authentication:

(FORM OF ASSIGNMENT)

For value received _____ hereby sells, assigns and transfers unto _____ the within mentioned Bond and hereby irrevocably constitutes and appoints _____, Attorney, to transfer the same on the registration books in the office of the Registrar and Paying Agent with full power of substitution in the premises.

Dated: _____

I hereby certify that the above signature is true and genuine.

_____ Authorized Officer

_____ Bank

EXHIBIT A

(For use in change in the Interest Rate Mode)

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
FACILITY REVENUE BONDS, SERIES 2010A [(SUBSERIES 2010A-[])]
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)
CUSIP NO. _____**

NOTICE OF CHANGE IN THE INTEREST RATE MODE

Notice is hereby given to the Trustee, Remarketing Agent, [Market Agent,] Registrar and Paying Agent, the Company, [the Support Facility Issuer], [the Auction Agent] and the registered owners of \$_____ of the above-captioned issue (the "Bonds") of New York State Energy Research and Development Authority (the "Authority") that:

1. In accordance with the Trust Indenture relating to the Bonds (the "Indenture"), dated as of November 1, 2010 between the Authority and The Bank of New York Mellon (the "Trustee"), subject to the conditions hereinafter set forth, if any, the interest rate on the Bonds (or such lesser principal amount thereof as may be specified in an attachment hereto) will be changed to a different Interest Rate Mode on _____ (the "Effective Date"). Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Indenture. The following statements are summaries of certain provisions of the Indenture which do not purport to be complete and are qualified in their entirety by reference to the Indenture.

2. Upon delivery of this notice to the registered owners of the Bonds, the Bonds are subject to mandatory tender on the Effective Date at a purchase price equal to the principal amount thereof [plus premium in the amount of [_____]] (the "Purchase Price"). Accrued interest on the Bonds is anticipated to be paid separately in accordance with Section 9.03(a) of the Indenture. In the event the interest is not so paid, the Purchase Price shall include an amount equal to the accrued and unpaid interest.

3. The proposed Change in the Interest Rate Mode shall take effect only if the applicable conditions set forth in Article IV of the Indenture have been satisfied.

4. [If there is a failure to meet the conditions for a Change in the Interest Rate Mode, the Bonds will remain subject to mandatory tender for purchase on the date that would have been the effective date of the new interest rate mode had all such conditions been met on that date.]

5. Registered owners of Bonds are required to deliver their Bonds to the Registrar and Paying Agent at The Bank of New York Mellon, 101 Barclay Street 21W, New York, New York 10286, Attention: Corporate Trust Trustee Administration, no later than [Registrar and Paying Agent to insert proper time], New York City time, on the Effective Date at the office of the Registrar and Paying Agent referred to above, endorsed in blank by the registered owner thereof or accompanied by an instrument of transfer thereof in form satisfactory to the Registrar and Paying Agent executed for transfer in blank by the registered owner thereof

(the Registrar and Paying Agent being able to refuse to make payment with respect to any such Bond not endorsed in blank or for which an instrument of transfer satisfactory to it has not been provided).

6. Each registered owner of Bonds who has properly tendered such Bonds in accordance with the above provisions will be paid the Purchase Price therefor on the Effective Date, and if such Purchase Price is paid, such registered owner shall have no further rights with respect to said Bonds.

7. Holders of Bonds subject to mandatory tender shall have no right to retain such Bonds and shall be required to tender such Bonds on the date established for the mandatory tender for purchase thereof.

8. With respect to any registered owner of Bonds who has not properly tendered such Bonds in accordance with the above provisions of this notice, (A) such registered owner's Bonds will be deemed tendered and purchased on the Effective Date at the Purchase Price, (B) such registered owner will be paid interest on such Bonds on the Effective Date as provided in the Indenture and will be paid such Purchase Price for such Bonds upon the tender of such Bonds to the Registrar and Paying Agent and (C) interest on such Bonds shall cease to be payable to such registered owner from and after the Effective Date, and after the Effective Date such registered owner will have no rights with respect to such Bonds except to receive payment of the Purchase Price upon tender of such Bonds to the Registrar and Paying Agent.

Dated: _____

**NEW YORK STATE ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY**

By: _____
The Bank of New York Mellon, as Trustee

EXHIBIT B

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
FACILITIES REVENUE BONDS, SERIES 2010A [(SUBSERIES 2010A-[])]
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)
CUSIP NO. _____**

**CERTIFICATE PURSUANT TO SECTION [4.01.3(A)(ii) or 4.02.3(A)(ii)]
OF THE INDENTURE**

NOTICE IS HEREBY GIVEN to the Trustee [and the Auction Agent] that New York State Energy Research and Development Authority (the "Authority") at the written request of Consolidated Edison Company of New York, Inc. (the "Company") hereby authorizes the establishment of a _____ Rate.

Notice is also HEREBY GIVEN that the Authority has obtained confirmation on behalf of the Company that Bond Counsel had advised the Authority that it expects to be able to give its opinion on the effective date of the Change in the Interest Rate Mode to the effect that the change to the _____ Rate is authorized by the Indenture referred to below, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Trust Indenture relating to the above-captioned Bonds, dated as of November 1, 2010, by and between the Authority and The Bank of New York Mellon, as Trustee.

**NEW YORK STATE ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY**

By: _____
Authorized Representative

EXHIBIT C

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
FACILITIES REVENUE BONDS, SERIES 2010A [(SUBSERIES 2010A-[])]
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)
CUSIP NO. _____**

**CERTIFICATE PURSUANT TO SECTION [4.01.3(B) or 4.02.3(B)(ii)] OF THE
INDENTURE**

NOTICE IS HEREBY GIVEN to the Trustee [and the Auction Agent] that with respect to a Change in the Interest Rate Mode pursuant to Section 4.01 or 4.02 of the Indenture referred to below all of the Bonds referred to above tendered or deemed tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance with the Remarketing Agreement, from the proceeds of a Support Facility, or from other funds deposited with the Trustee or the Registrar and Paying Agent.

Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Trust Indenture relating to the above-captioned Bonds, dated as of November 1, 2010 by and between the New York State Energy Research and Development Authority and The Bank of New York Mellon, as Trustee.

**CONSOLIDATED EDISON COMPANY OF NEW YORK,
INC.**

By: _____
Authorized Company Representative

EXHIBIT D

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
FACILITIES REVENUE BONDS, SERIES 2010A [(SUBSERIES 2010A-[])]
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)
CUSIP NO. _____**

NOTICE OF FAILURE OF CONDITIONS

NOTICE IS HEREBY GIVEN to the Authority, the Company and the registered owners of the above captioned issue that the conditions for effecting a Change in the Interest Rate Mode to a _____ Rate have not been met.

The above-captioned Bonds will therefore continue to bear interest at the current _____ Rate and be subject to the provisions of the Indenture referred to below applicable while such Bonds bear interest at the current _____ Rate.

[Notwithstanding the failure to meet the conditions for a Change in the Interest Rate Mode, the Bonds will remain subject to mandatory tender for purchase on the date that would have been the effective date of the new interest rate mode had all such conditions been met on that date.]

Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Trust Indenture relating to the above-captioned Bonds, dated as of November 1, 2010 by and between the New York State Energy Research and Development Authority and The Bank of New York Mellon, as Trustee.

**THE BANK OF NEW YORK MELLON,
as Trustee**

By: _____

Title: _____

EXHIBIT E

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
FACILITIES REVENUE BONDS, SERIES 2010A [(SUBSERIES 2010A-[])]
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)**

NOTICE OF ELECTION TO TENDER

Note: The substance of this Notice must be given to the Registrar and Paying Agent and the Remarketing Agent by telephone at (212) _____ and _____, respectively, at or prior to the time this Notice must be delivered.

1. The undersigned, _____, owner of the following Bonds:

Cusip Number ¹	Principal Amount
---------------------------	------------------

hereby notifies you of its election to tender such Bonds for purchase on [_____, __], (which date shall be a Business Day). If this Bond bears interest at a Daily Rate as defined in the Indenture referred to below, the date of purchase shall be the date of delivery of this Notice to the Registrar and Paying Agent and the Remarketing Agent if received by 10:00 a.m., New York City time, or may be any Business Day thereafter. If this Bond bears interest at a Weekly Rate as defined in the Indenture the date of purchase shall be a Business Day not prior to the seventh (7th) day immediately following the date of delivery of this Notice to the Registrar and Paying Agent and the Remarketing Agent.

2. If only a portion of a Bond is being tendered, both the tendered portion and untendered portion must be authorized denominations (\$100,000 or any integral multiple thereof) for Bonds bearing a Daily Rate or Weekly Rate.

3. After its execution and delivery by the undersigned, this notice will be irrevocable.

4. The person or persons to whom or to whose order the proceeds of the purchase of the above-referenced Bonds are to be paid, such person's or persons' taxpayer identification number or numbers and the address or addresses of such payee or payees is _____; which information the undersigned, under the penalties of perjury, certifies to be true, correct and complete.

5. The undersigned hereby undertakes to deliver the Bonds to The Bank of New York Mellon (the "Registrar and Paying Agent") no later than 11:30 a.m., New York City time, for Bonds bearing interest at the Weekly Rate, and 12:00 noon, New York City time, for Bonds bearing interest at a Daily Rate, at the office of the Registrar and Paying Agent located at 101 Barclay Street – 21W, New York, New York 10286, Attention: Corporate Trust Trustee Administration, endorsed in blank for transfer or accompanied by an instrument of transfer executed in blank for transfer and acknowledges that any instrument of transfer must be in a form satisfactory to the Registrar and Paying Agent and that the Registrar and Paying Agent may

¹ _____
Bond Number, if Bonds are no longer held by Securities Depository.

refuse to make payment with respect to any Bond not endorsed in blank or for which an instrument of transfer satisfactory to the Registrar and Paying Agent has not been provided.

6. The undersigned hereby also assigns and transfers and directs the Registrar and Paying Agent to transfer the Bonds delivered in connection herewith to the appropriate party under the terms and conditions contained in the Indenture.

7. The undersigned acknowledges that in the event of a failure to deliver the Bonds or in the event such Bonds are not properly delivered, such Bonds shall nevertheless be deemed tendered and purchased on the date referred to in (1) above, no interest shall accrue thereon to the undersigned from and after such date of purchase and that the undersigned shall have no rights under the Bonds or under the Indenture except the right to receive the purchase price of the Bonds.

8. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Trust Indenture relating to the above-captioned Bonds, dated as of November 1, 2010, by and between the New York State Energy Research and Development Authority and The Bank of New York Mellon, as Trustee (the "Indenture"). The statements contained herein are summaries of certain provisions of the Indenture which do not purport to be complete and are qualified in their entirety by reference to the Indenture.

Dated: _____

Name of Owner as it is written on the face of the above-listed Bonds in every particular, without alteration, enlargement or any change whatsoever

Witness

EXHIBIT F

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
FACILITIES REVENUE BONDS, SERIES 2010A [(SUBSERIES 2010A-[])]
(CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. PROJECT)**

**NOTICE OF MANDATORY TENDER UPON EXPIRATION OF
ANY SUPPORT FACILITY, UPON DELIVERY OF
AN ALTERNATE SUPPORT FACILITY OR
UPON OCCURRENCE OF ANY TERMINATING EVENT**

Notice is hereby given to the registered owners of the above-captioned issue (the "Bonds") of New York State Energy Research and Development Authority (the "Authority") that:

1. In accordance with the Trust Indenture relating to the Bonds (the "Indenture") dated as of November 1, 2010, between the Authority and The Bank of New York Mellon (the "Trustee"), notice is hereby given that [the Support Facility issued by _____ with respect to the Bonds (the "Support Facility") will expire on _____, an Alternate Support Facility will be substituted therefor on _____, or a Terminating Event with respect to a Support Facility has occurred] and that all Bonds, other than Bonds held by or for the account of the Company or the Liquidity Facility Issuer, are subject to mandatory tender under the circumstances set forth in [Section 5.08 or 5.09] of the Indenture as hereinafter set forth at a purchase price equal to the principal amount thereof [plus premium in the amount of [_____] (the "Purchase Price"). Accrued interest on the Bonds is anticipated to be paid separately in accordance with Section 9.03.1(a) of the Indenture. In the event the interest is not so paid, the Purchase Price shall include an amount equal to the accrued and unpaid interest.

2. The Bonds are subject to mandatory tender for purchase on _____ (the "Mandatory Tender Date").

3. From and after the Mandatory Tender Date the Bonds is expected to [continue to] bear interest [insert information on interest rate to be effective after mandatory tender date, including method of determining interest rate and Interest Payment Dates]. [Insert information whether any letter of credit, line of credit, insurance policy, surety bond, standby bond purchase agreement or other instrument is expected to be available for the payment of the principal or purchase price of, or interest on, such Bonds and, if so, describing such instrument].

4. Registered owners of Bonds are required to deliver their Bonds to the Registrar and Paying Agent on the Mandatory Tender Date at the office of the Registrar and Paying Agent located at The Bank of New York Mellon, 101 Barclay Street – 21W, New York, New York 10286, Attention: Corporate Trust Trustee Administration, endorsed in blank by the registered owner thereof or accompanied by an instrument of transfer thereof in form satisfactory to the Registrar and Paying Agent executed in blank by the registered owner thereof (the Registrar and Paying Agent being able to refuse to make payment with respect to any such Bond not endorsed in blank or for which an instrument of transfer satisfactory to it has not been provided).

5. Each registered owner of Bonds who has properly tendered such Bonds in accordance with the above provisions will be paid the Purchase Price, and if such Purchase Price is paid, such registered owner shall have no further rights with respect to said Bonds.

6. Holders of Bonds subject to mandatory tender for purchase on the Mandatory Tender Date shall have no right to retain their Bonds and shall be required to tender such Bonds no later than the Mandatory Tender Date as provided herein.

7. With respect to any registered owner of Bonds who has not properly tendered such Bonds in accordance with the above provisions of this notice (A) such registered owner's Bonds will nevertheless be deemed tendered and purchased on the Mandatory Tender Date at the Purchase Price, (B) such registered owner will be paid interest on such Bonds on the Mandatory Tender Date as provided in the Indenture and will be paid such Purchase Price for such Bonds upon the tender of such Bonds to the Registrar and Paying Agent and (C) interest on such Bonds shall cease to be payable to such registered owner from and after the Mandatory Tender Date, and after the Mandatory Tender Date such registered owner will have no rights with respect to such Bonds except to receive payment of the Purchase Price upon tender of such Bonds to the Registrar and Paying Agent.

8. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Indenture. The statements contained herein are summaries of certain provisions of the Indenture which do not purport to be complete and are qualified in their entirety by reference to the Indenture.

Dated: _____

**NEW YORK STATE ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY**

EXECUTED VERSION

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

AND

THE BANK OF NEW YORK MELLON,

formerly The Bank of New York,

as Trustee

hereby enter into this

FIRST SUPPLEMENTAL INDENTURE

Dated June 30, 2010

to the

TRUST INDENTURE

Dated as of May 1, 2005

-relating to-

\$126,300,000 Facilities Revenue Bonds, Series 2005A
(Consolidated Edison Company of New York, Inc. Project)

THIS FIRST SUPPLEMENTAL INDENTURE, made and dated as of June 30, 2010 (the "First Supplemental Indenture") to the TRUST INDENTURE dated as of May 1, 2005 (the "Indenture") by and between NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY and THE BANK OF NEW YORK MELLON, formerly The Bank of New York, as Trustee (the "Trustee"), dated as of May 1, 2005, relating to \$126,300,000 Facilities Revenue Bonds, Series 2005A (Consolidated Edison Company of New York, Inc. Project):

WITNESSETH THAT

WHEREAS, pursuant to a special act of the Legislature of the State of New York, (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established, as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, the Authority issued bonds (the "Bonds") under the Indenture in order to provide funds for the refunding of certain obligations of the Authority originally issued to finance a portion of the cost of acquisition, construction and installation of certain facilities for the local furnishing of electric energy within Consolidated Edison Company of New York, Inc.'s (the "Company's") service area, and an Initial Support Facility was provided in the form of a Letter of Credit dated May 26, 2005; and

WHEREAS, at the request of the Company, the Authority is providing for the delivery of an Alternate Support Facility (as defined in the Indenture) in the form of a Letter of Credit dated June 30, 2010, issued by Mizuho Corporate Bank, Ltd. (the "Mizuho Letter of Credit"), and has determined that entry into such Alternate Support Facility will make new administrative and procedural provisions to the Indenture necessary or desirable in order to obtain a rating on the Bonds based upon such facility; and

WHEREAS, pursuant to Section 14.01 of the Indenture, the Authority and the Trustee, from time to time and at any time and without the consent or concurrence of any Holder, may enter into a Supplemental Indenture to provide for any such new administrative or procedural provisions; and

WHEREAS, all acts, conditions and things necessary or required by the Constitution and statutes of the State of New York or otherwise, to exist, happen, and be performed as prerequisites to the execution of this First Supplemental Indenture, do exist, have happened, and have been performed;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Authority agrees with the Trustee and with the respective owners, from time to time, of the Bonds or any part thereof as follows:

ARTICLE I

AUTHORIZATION;DEFINITIONS

Section 1.01. Supplemental Indenture. This First Supplemental Indenture is supplemental to, and is entered into in accordance with Article XIV of the Indenture; and except as modified, amended and supplemented by this First Supplemental Indenture, the provisions of the Indenture are in all respects ratified and confirmed and shall remain in full force and effect.

Section 1.02. Definitions. Unless the context shall otherwise require and as otherwise provided in Article II hereof, all terms which are defined in Sections 1.01 and 1.02 of the Indenture, shall have the same meanings, respectively, in this First Supplemental Indenture, as such terms are given in said Sections 1.01 and 1.02 of the Indenture.

ARTICLE II

AMENDMENTS TO THE INDENTURE

Section 2.01. Amendment to Section 6.01(3) of the Indenture. Section 6.01(3) of the Indenture is hereby amended to read in its entirety as follows (with inserted text underscored):

(3) The Trustee shall not make a draw or borrowing under the Initial Support Facility to pay principal of, premium, if any, or interest on Bonds or to pay the Purchase Price of Bonds that bear interest at an Auction Rate, a Commercial Paper Rate, a Semi-annual Rate, a Term Rate or a Fixed Rate or under any other Support Facility which by its terms is not available to be drawn upon or borrowed under while Bonds bear interest at any such rate.

Section 2.02. Amendment to Section 9.03(2) of the Indenture.

Section 9.03(2) of the Indenture is hereby amended to read in its entirety as follows (with inserted text underscored):

2. Bond Purchase Fund. Pursuant to Section 4.02(d) of the Participation Agreement, the Company has agreed that the Company shall, to the extent not paid from a draw or payment under a Liquidity Facility, provide funds to the Trustee for payment to, or provide funds directly to, the Registrar and Paying Agent for deposit in the Bond Purchase Fund and credit to the Company Account therein established under the Bond Purchase Trust Agreement to be applied to the payment of the Purchase Price of any Bond pursuant to the Bond Purchase Trust

Agreement to the extent not otherwise provided from the sources described in the Bond Purchase Trust Agreement.

In the event sufficient funds are not available under Section 2.03(a)(i) of the Bond Purchase Trust Agreement to pay such Purchase Price on the date of purchase of any Bonds pursuant to Section 5.03, 5.04, 5.08 or 5.09 hereof, the Registrar and Paying Agent on or prior to the time specified in the Bond Purchase Trust Agreement shall direct the Trustee to request a draw or payment under the Liquidity Facility in accordance with the terms thereof in the amount required, together with amounts, if any, available under Section 2.03(a)(i) of the Bond Purchase Trust Agreement, to pay the Purchase Price of such Bonds on such date of purchase. The Trustee shall on or prior to the time specified in the Bond Purchase Trust Agreement request such draw or payment under the Liquidity Facility (in the case of a mandatory tender pursuant to Section 5.08, under the Liquidity Facility which is expiring or being replaced) in accordance with the terms thereof and shall on or prior to the time specified in the Bond Purchase Trust Agreement transfer the proceeds of such draw or payment to the Registrar and Paying Agent, who shall cause the proceeds of such draw or payment to be deposited in the Bond Purchase Fund under the Bond Purchase Trust Agreement and credited to the Liquidity Facility Proceeds Account therein. The Registrar and Paying Agent shall notify the Company of the amount and date of such request. The Registrar and Paying Agent shall promptly notify the Company in the event that it has not received any amounts requested under a Support Facility prior to the time specified in the Bond Purchase Trust Agreement on any date a Purchase Price is due.

The Remarketing Agent for a subseries of Bonds shall notify the Registrar and Paying Agent and the Trustee, at or prior to 11:00 a.m. (New York City time) on a specified purchase date, of the amount of the proceeds of the related remarketing, and shall specify whether remarketing proceeds (excluding any such proceeds from the Company, the Authority or an affiliate of either) equal to the full amount of the Purchase Price payable on such purchase date are held by such Remarketing Agent and will be available on such purchase date for the payment of such Purchase Price, and, if the amount of such remarketing proceeds that will be available on such purchase date for the payment of such Purchase Price shall not be equal to the full amount of the Purchase Price payable on such purchase date, such notice shall specify the amount of the deficiency. By 11:30 a.m. (New York City time) on such purchase date, the Remarketing Agent shall pay to the Registrar and Paying Agent, for deposit in the Bond Purchase Fund and credit to the Remarketing Proceeds Account, an aggregate amount of such remarketing proceeds equal to the amount stated in such notice to be available on such purchase date for the payment of such Purchase Price.

Notwithstanding anything in this Section 9.03 to the contrary, the Trustee may not draw under a Direct-Pay Credit Facility to pay amounts due in respect of (i) Bonds held by the Support Facility Issuer, the Authority or the Company, or (ii) Bonds not covered by the Direct-Pay Credit Facility.

Section 2.03. Amendment to Section 12.03 of the Indenture. Section 12.03 of the Indenture is hereby amended to read in its entirety as follows (with inserted text underscored):

Section 12.03. Declaration of Principal and Interest As Due. Notwithstanding the pendency of a mandatory tender under Section 5.09, upon the occurrence of an Event of Default specified in clause (c) or (d) of Section 12.01 of which the Trustee has been notified by the Support Facility Issuer, then the Trustee shall upon the written request or direction of such Support Facility Issuer, unless a Support Facility Issuer Default has occurred and is continuing, declare the principal of and accrued interest on all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become due and be immediately due and payable. In such event, payment of principal of the Bonds and all accrued and unpaid interest thereon shall be required to occur immediately and in any event not later than the fifth day following receipt by the Trustee of the written direction or request from the Support Facility Issuer and, upon payment of all such amounts to the Holders of the Bonds, interest shall cease to accrue. Upon the occurrence and continuation of any Event of Default, except for an Event of Default specified in clause (c) or (d) of Section 12.01, of which the Trustee has been notified or is deemed to have notice as provided in Section 11.08, then and in every case the Trustee by a notice in writing to the Authority, the Company and (to addresses then specified by the Authority) the Governor, the Comptroller and the Attorney General of the State of New York may with the written consent of the Credit Facility Issuer, (such consent, however, not being required if a Support Facility Issuer Default has occurred and is continuing) if any, and upon the written request or direction of the Credit Facility Issuer, if any, so long as no Support Facility Issuer Default has occurred and is continuing, or, if a Credit Facility is not in effect or a Support Facility Issuer Default has occurred and is continuing, upon the written request or direction of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding (determined in accordance with the provisions of Section 13.03) shall, declare the principal of and accrued interest on all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become due and be immediately due and payable, anything contained in the Bonds or in this Indenture to the contrary notwithstanding. If, however, at any

time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under this Indenture, moneys shall have accumulated in the Bond Fund sufficient to pay the principal of and any premium (or redemption price) on all Bonds (or portions of the principal amount thereof) then or theretofore required to be redeemed pursuant to any provisions of this Indenture (excluding principal not then due except by reason of the aforesaid declaration) and all arrears of interest and interest then due, if any, upon Bonds then Outstanding and if the fees, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Company under the Participation Agreement and the Note shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other Event of Default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Indenture (other than default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee or the Company shall be taking, or shall be causing to be taken, appropriate action in good faith to effect its cure, and all Events of Default have been rescinded and annulled by the Trustee (or in the case of an Event of Default specified in clause (c) or (d) of Section 12.01, by any Support Facility Issuer), and to the extent a Support Facility is in effect, the issuer of such Support Facility has delivered to the Trustee a written notice to the effect that any amounts drawn, borrowed or paid under such Support Facility to pay accrued interest on the Bonds have been reinstated in the amount of such draw, borrowing or payment, then and in every such case the Trustee may, with the written consent of the Support Facility Issuer, if any, unless a Support Facility Issuer Default has occurred and is continuing, and upon the written request or direction of the Support Facility Issuer, if any, unless a Support Facility Issuer Default has occurred and is continuing, or, if a Support Facility is not in effect or a Support Facility Issuer Default has occurred and is continuing upon the written request or direction of the Holders of not less than a majority in aggregate principal amount of the Bonds (determined in accordance with the provisions of Section 13.03) then Outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences; provided, however, that notwithstanding any such rescission and annulment during an Auction Rate Period, the Bonds shall continue to bear interest at the Overdue Rate for the applicable period of time determined pursuant to Article III. No such rescission or annulment pursuant to the next preceding sentence shall extend to or affect any subsequent default or impair any right consequent thereto.

ARTICLE II

MISCELLANEOUS

Section 3.01. Effective Date; Counterparts. This First Supplemental Indenture shall become effective upon execution and delivery hereof together with the delivery of each of (i) an Opinion of Bond Counsel pursuant to Sections 6.02, 14.01, and 14.04 of the Indenture and (ii) the Mizuho Letter of Credit. This First Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.02. Acceptance. The Trustee accepts the trusts created by the Indenture, as amended and supplemented by this First Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as so amended and supplemented. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this First Supplemental Indenture or the due execution hereof by the Authority or for or in respect of the recitals contained herein.

All covenants and agreements in this First Supplemental Indenture by the Authority or the Trustee shall bind its respective successors and assigns, whether so expressed or not.

In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

This First Supplemental Indenture shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to conflicts of laws provisions thereof (other than Section 5-1401 of the New York General Obligations Law).

All provisions of this First Supplemental Indenture shall be deemed to be incorporated in, and made a part of, the Indenture, and the Indenture, as amended and supplemented by this First Supplemental Indenture, shall be read, taken and construed as one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the Authority has caused this First Supplemental Indenture to be executed by its President, Vice President, Secretary or Treasurer and its corporate seal to be hereunto affixed and attested by its Assistant Secretary, and the Trustee has caused this First Supplemental Indenture to be executed and attested by its authorized officer, all as of the date first above written.

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

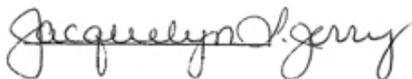
By



Treasurer

(Seal)

Attest:



Assistant Secretary

THE BANK OF NEW YORK MELLON
as Trustee

By



Title: Vice President

[Signature page to First Supplement to the Trust Indenture dated as of
May 1, 2005, relating to \$126,300,000 Facilities Revenue Bonds, Series 2005A
(Consolidated Edison Company of New York, Inc. Project)]

AMENDMENT #2
TO THE
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
2005 EXECUTIVE INCENTIVE PLAN
Effective January 1, 2010

Pursuant to decision of the Management Development and Compensation Committee of the Board of Trustees of Consolidated Edison Company of New York, Inc. ("CECONY") at a meeting held on April 16, 2009, the undersigned hereby approves the amendments to the Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan, as set forth below:

1. The **PURPOSE** is amended by adding the following at the end thereof:
Effective January 1, 2010, the Plan is amended to increase the percentage range of the three performance measurement in the calculation of the Target Incentive Fund and the percentage range for the payment of Incentive Awards.
2. **ARTICLE VI. DETERMINATION OF AWARDS** is amended as follows:
 - A. Subsection (a) of Section 4.03 **Adjusted Target Incentive Fund** is amended as follows:
 - 1) Delete "In January of" at the beginning of the first sentence;
 - 2) Replace the second sentence with the following: The Board of Trustees may increase or decrease the Target Incentive Fund; and
 - 3) Add the following before the last sentence of the paragraph:
Effective January 1, 2010, the actual percentage in each of these three areas that shall comprise the Target Incentive Fund can range from zero to two hundred percent (200%) of the respective areas' weight based on the actual outcomes with respect to the goal for those areas as determined by the Board of Trustees.

- B. Subsection (a) (1) (iii) of Section 4.04 **Incentive Awards** is amended as follows:
- 1) Designate the current provision as subsection (a) and add the words “Effective Prior to January 1, 2010.” at the beginning of the current provision;
 - 2) Change “one hundred twenty percent (120%)” to “one hundred percent (100%)” in the second sentence; and
 - 3) Add a new subsection (b) at the end thereof as follows:

(b) Effective January 1, 2010. The actual percentage of the Incentive Award based on the individual performance component may range from zero to one hundred fifty percent (150%) based on the Participant’s actual performance. The actual percentage of the Incentive Award based on the remaining three components may range from zero to one hundred percent (100%) based on the actual outcomes with respect to the goals for the components. As a result of the increase in the maximum range of the Target Incentive Fund effective January, 1, 2010, a Participant’s actual Incentive Award may range from zero to two hundred forty (240%) percent of the Participant’s Potential Award.
- C. Subsections (c) and (g) of Section 4.05 **Awards to Executive Officers** are amended as follows:
- 1) Add the following words at the end of subsection (c)(1):
“and will be weighted 70% on the O&R Adjusted Net Income Payout percentage achieved plus 30% on the CECONY Adjusted Net Income Payout percentage achieved.”

- 2) Designate the current provision of Subsection (g) as subsection (1), and add the words "Effective Prior to January 1, 2010" at the beginning of the current provision; and
- 3) Add a new subsection (g)(2) at the end of (g)(1) as follows:
Effective January 1, 2010, the actual Incentive Award for an Executive Officer may range from zero to two hundred (200%) of the target award (i.e., a percentage of the Executive Officer's year-end salary equal to his or her Incentive Percentage) based on the annual performance with respect to the applicable net income, Financial Performance and Operating Performance components for the Executive Officer described above.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 23rd day of December, 2010.

/s/ Mary Adamo

Mary Adamo
Plan Administrator,
Consolidated Edison Company of New York, Inc
2005 Executive Incentive Plan and
Vice President – Human Resources
Consolidated Edison Company of New York, Inc.

CECONY

Ratio of Earnings to Fixed Charges

(millions of dollars)	For the Years Ended December 31,				
	2010	2009	2008	2007	2006
Earnings					
Net income for common stock	\$ 893	\$ 781	\$ 783	\$ 844	\$ 686
Preferred stock dividend	11	11	11	11	11
(Income) or loss from equity investees	2	(1)	—	(2)	—
Minority interest loss	—	—	—	—	—
Income tax	495	404	397	392	349
Pre-tax income for common stock	\$1,401	\$1,195	\$1,191	\$1,245	\$1,046
Add: Fixed charges*	578	582	520	487	472
Add: Distributed income of equity investees	—	—	—	—	—
Subtract: Interest capitalized	—	—	—	—	—
Subtract: Pre-tax preferred stock dividend requirement	—	—	—	—	—
Earnings	\$1,979	\$1,777	\$1,711	\$1,732	\$1,518
* Fixed charges					
Interest on long-term debt	\$ 520	\$ 518	\$ 458	\$ 411	\$ 370
Amortization of debt discount, premium and expense	17	16	16	17	16
Interest capitalized	—	—	—	—	—
Other interest	19	27	25	39	65
Interest component of rentals	22	21	21	20	21
Pre-tax preferred stock dividend requirement	—	—	—	—	—
Fixed charges	\$ 578	\$ 582	\$ 520	\$ 487	\$ 472
Ratio of Earnings to Fixed Charges	3.4	3.1	3.3	3.6	3.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-161016) of Consolidated Edison Company of New York, Inc. of our reports dated February 22, 2011 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

PricewaterhouseCoopers LLP
New York, New York
February 22, 2011

CERTIFICATIONS

CECONY—Principal Executive Officer

I, Kevin Burke, the principal executive officer of Consolidated Edison Company of New York, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2010 of Consolidated Edison Company of New York, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ KEVIN BURKE

Kevin Burke

Chairman and Chief Executive Officer

CERTIFICATIONS

CECONY—Principal Financial Officer

I, Robert Hogle, the principal financial officer of Consolidated Edison Company of New York, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2010 of Consolidated Edison Company of New York, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2011

/s/ ROBERT HOGLUND

Robert Hogle
Senior Vice President and Chief
Financial Officer

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Kevin Burke, the Chief Executive Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2010, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KEVIN BURKE

Kevin Burke

Dated: February 22, 2011

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Robert Høglund, the Chief Financial Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2010, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT HØGLUND

Robert Høglund

Dated: February 22, 2011