

Company Name: Con Edison
Case Description:
Case: 08-E-0539

Response to NYPA Interrogatories – Set NYPA2
Date of Response: 06/20/2008
Responding Witness:

Question No. :42

Referring to page 9, lines 6-8 – what were the Company’s authorized returns for each of the calendar years 2005-2007? What was the Company’s actual earned return? Please explain how the response demonstrates that financial pressure has been placed on the delivery business.

Response:

Please see the attached for a profile of the Company’s authorized and earned returns. With respect to financial pressure on the delivery business, this is embodied in the very low allowed rates of return granted to the Company’s electric business over the past few years. The imposition in the last electric rate case of one-way true-ups, denial of recovery of O&M expenditures, and a review of past capital expenditures exacerbates the low allowed return (now the lowest in the entire industry). This is occurring during a time that the delivery business is already experiencing financial pressures from its capital expenditure program. The impact of the financial pressure is demonstrated by the recent lowering of the Company’s credit ratings and the fact that the Company has one of the lowest average equity analyst ratings of all the stocks in the S&P 500. To the extent that the Company is unable to meet investor return expectations, the value of the parent company’s stock will decrease. This in turn will make it more costly to finance new infrastructure investments, etc.

**Attachment - NYPA
42**

Con Edison Electric

	ROE Threshold		Weighted Avg.	Actual ROE*
	Jan - Mar	Apr - Dec		
2007	11.40	11.40	11.40%	11.13%
2006	11.40	11.40	11.40%	10.55%
2005	13.00	11.40	11.80%	10.84%

The rate plan for periods after March 2005 was based on an authorized return of 10.3%.

- * The actual return on equity shown above is "per books" and does not include adjustments required to exclude incentives, penalties and/or other adjustments as may be required for regulatory purposes (i.e., write down of deferrals, sharing of earnings with customers, etc).

Please refer to the Company's response to NYC No. 3 for the regulated earned returns for the rate years ended March 31, 2006, 2007 and 2008.