

CONSOLIDATED EDISON INC  
 Form 10-Q  
 August 01, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
 WASHINGTON, D.C. 20549  
**FORM 10-Q**

x Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013**

OR

.. Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

| Commission<br>File Number | Exact name of registrant as specified in its charter<br>and principal office address and telephone number          | State of<br>Incorporation | I.R.S. Employer<br>ID. Number |
|---------------------------|--|---------------------------|-------------------------------|
| 1-14514                   | <b>Consolidated Edison, Inc.</b><br>4 Irving Place, New York, New York 10003<br>(212) 460-4600                     | New York                  | 13-3965100                    |
| 1-1217                    | <b>Consolidated Edison Company of New York, Inc.</b><br>4 Irving Place, New York, New York 10003<br>(212) 460-4600 | New York                  | 13-5009340                    |

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.

Consolidated Edison, Inc. (Con Edison) Yes  No

Consolidated Edison of New York, Inc. (CECONY) Yes  No

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  No

CECONY Yes  No

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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  Accelerated filer  Non-accelerated filer  Smaller reporting company

CECONY

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Con Edison

Yes  No

CECONY

Yes  No

As of July 26, 2013, Con Edison had outstanding 292,872,896 Common Shares (\$.10 par value). All of the outstanding common equity of CECONY is held by Con Edison.

### Filing Format

This Quarterly Report on Form 10-Q 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.

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**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        |
| NYISO   | New York Independent System Operator                     |
| NYPA    | New York Power Authority                                 |
| NYSAG   | New York State Attorney General                          |
| 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        |
| LILO | Lease In/Lease Out                          |
| OCI  | Other Comprehensive Income                  |
| SFAS | Statement of Financial Accounting Standards |
| VIE  | Variable interest entity                    |

**Environmental**

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

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**Units of Measure**

|                          |   |
|--------------------------|---|
| AC                       | Alternating current   |
| dths                     | Dekatherms  |
| kV                       | Kilovolt  |
| kWh                      | Kilowatt-hour   |
| mdths                    | Thousand dekatherms   |
| MMlbs                    | Million pounds  |
| MVA                      | Megavolt ampere   |
| MW                       | Megawatt or thousand kilowatts  |
| MWH                      | Megawatt hour   |
| <b>Other</b>             |   |
| 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   |
| First Quarter Form 10-Q  | The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31 of the current year |
| Form 10-K                | The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2012                           |
| LTIP                     | Long Term Incentive Plan  |
| Moody's                  | Moody's Investors Service   |
| S&P                      | Standard & Poor's Financial Services LLC  |
| Second Quarter Form 10-Q | The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30 of the current year  |
| VaR                      | Value-at-Risk   |

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**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 risks, including:

the failure to operate energy facilities safely and reliably could adversely affect the Companies;

the failure to properly complete construction projects could adversely affect the Companies;

the failure of processes and systems and the performance of employees and contractors could adversely affect the Companies;

the Companies are extensively regulated and are subject to penalties;

the Utilities' rate plans may not provide a reasonable return;

the Companies may be adversely affected by changes to the Utilities' rate plans;

the Companies are exposed to risks from the environmental consequences of their operations;

a disruption in the wholesale energy markets or failure by an energy supplier could adversely affect the Companies;

the Companies have substantial unfunded pension and other postretirement benefit liabilities;

Con Edison's ability to pay dividends or interest depends on dividends from its subsidiaries;

the Companies require access to capital markets to satisfy funding requirements;

the Internal Revenue Service has disallowed substantial tax deductions taken by the company;

a cyber attack could adversely affect the Companies; and

the Companies also face other risks that are beyond their control.

**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

|   | <b>For the Three<br/>Months<br/>Ended June 30,</b> |                | <b>For the Six Months<br/>Ended June 30,</b> |                |
|---|--|----------------|--|----------------|
|   | <b>2013</b>  | <b>2012</b>    | <b>2013</b>                                  | <b>2012</b>    |
|   | <i>(Millions of Dollars/Except Share Data)</i>     |                |  |                |
| <b>OPERATING REVENUES</b>   |  |                |  |                |
| Electric  | \$2,018  | \$2,090        | \$3,977                                      | \$3,952        |
| Gas   | 366  | 300            | 1,108  | 945            |
| Steam   | 118  | 83             | 450  | 346            |
| Non-utility   | 316  | 298            | 468  | 606            |
| <b>TOTAL OPERATING REVENUES</b>                                   | <b>2,818</b>                                       | <b>2,771</b>   | <b>6,003</b>                                 | <b>5,849</b>   |
| <b>OPERATING EXPENSES</b>   |  |                |  |                |
| Purchased power   | 768  | 729            | 1,475  | 1,510          |
| Fuel  | 58   | 46             | 205  | 153            |
| Gas purchased for resale  | 118  | 62             | 368  | 258            |
| Other operations and maintenance                                  | 776  | 790            | 1,606  | 1,539          |
| Depreciation and amortization                                     | 255  | 236            | 506  | 469            |
| Taxes, other than income taxes                                    | 457  | 433            | 931  | 884            |
| <b>TOTAL OPERATING EXPENSES</b>                                   | <b>2,432</b>                                       | <b>2,296</b>   | <b>5,091</b>                                 | <b>4,813</b>   |
| <b>OPERATING INCOME</b>   | <b>386</b>   | <b>475</b>     | <b>912</b>                                   | <b>1,036</b>   |
| <b>OTHER INCOME (DEDUCTIONS)</b>                                  |  |                |  |                |
| Investment and other income                                       | 7  | 2              | 10   | 10             |
| Allowance for equity funds used during construction               | 1  | 2              | 1  | 2              |
| Other deductions  | (6)  | (6)            | (8)  | (10)           |
| <b>TOTAL OTHER INCOME (DEDUCTIONS)</b>                            | <b>2</b>   | <b>(2)</b>     | <b>3</b>                                     | <b>2</b>       |
| <b>INCOME BEFORE INTEREST AND INCOME TAX EXPENSE</b>              | <b>388</b>   | <b>473</b>     | <b>915</b>                                   | <b>1,038</b>   |
| <b>INTEREST EXPENSE</b>   |  |                |  |                |
| Interest on long-term debt  | 145  | 149            | 288  | 295            |
| Other interest  | 6  | 5              | 142  | 10             |
| Allowance for borrowed funds used during construction             |  | (1)            | (1)  | (1)            |
| <b>NET INTEREST EXPENSE</b>                                       | <b>151</b>   | <b>153</b>     | <b>429</b>                                   | <b>304</b>     |
| <b>INCOME BEFORE INCOME TAX EXPENSE</b>                           | <b>237</b>   | <b>320</b>     | <b>486</b>                                   | <b>734</b>     |
| <b>INCOME TAX EXPENSE</b>   | <b>65</b>  | <b>106</b>     | <b>122</b>                                   | <b>240</b>     |
| <b>NET INCOME</b>   | <b>172</b>   | <b>214</b>     | <b>364</b>                                   | <b>494</b>     |
| Preferred stock dividend requirements of subsidiary               |  |                |  | (3)            |
| <b>NET INCOME FOR COMMON STOCK</b>                                | <b>\$172</b>                                       | <b>\$214</b>   | <b>\$364</b>                                 | <b>\$491</b>   |
| Net income for common stock per common share basic                | \$0.59   | \$0.73         | \$1.24                                       | \$1.68         |
| Net income for common stock per common share diluted              | \$0.59   | \$0.73         | \$1.24                                       | \$1.67         |
| <b>DIVIDENDS DECLARED PER SHARE OF COMMON STOCK</b>               | <b>\$0.615</b>                                     | <b>\$0.605</b> | <b>\$1.230</b>                               | <b>\$1.210</b> |
| <b>AVERAGE NUMBER OF SHARES OUTSTANDING BASIC (IN MILLIONS)</b>   | <b>292.9</b>                                       | <b>292.9</b>   | <b>292.9</b>                                 | <b>292.9</b>   |
| <b>AVERAGE NUMBER OF SHARES OUTSTANDING DILUTED (IN MILLIONS)</b> | <b>294.3</b>                                       | <b>294.4</b>   | <b>294.3</b>                                 | <b>294.4</b>   |

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



**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

|  | <b>For the Three Months<br/>Ended June 30,</b> |             | <b>For the Six Months<br/>Ended June 30,</b> |             |
|--|--|-------------|--|-------------|
|  | <b>2013</b>                                    | <b>2012</b> | <b>2013</b>                                  | <b>2012</b> |
|  | <i>(Millions of Dollars)</i>                   |             |  |             |
| NET INCOME   | \$172  | \$214       | \$364  | \$494       |
| OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES  |  |             |  |             |
| Pension plan liability adjustments, net of \$1 and \$3 in 2013 and \$(1) and \$4 taxes in 2012, respectively | 2  | (1)         | 5  | 6           |
| TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES  | 2  | (1)         | 5  | 6           |
| COMPREHENSIVE INCOME   | 174  | 213         | 369  | 500         |
| Preferred stock dividend requirements of subsidiary  |  |             |  | (3)         |
| COMPREHENSIVE INCOME FOR COMMON STOCK  | \$174  | \$213       | \$369  | \$497       |

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

**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

|   | <b>For the Six Months<br/>Ended June 30,</b> |                 |
|---|--|-----------------|
|   | <b>2013</b>                                  | <b>2012</b>     |
|   | <i>(Millions of Dollars)</i>                 |                 |
| <b>OPERATING ACTIVITIES</b>   |  |                 |
| Net Income  | \$ 364                                       | \$ 494          |
| <b>PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME</b>                   |  |                 |
| Depreciation and amortization   | 506  | 469             |
| Deferred income taxes   | (134)  | 146             |
| Rate case amortization and accruals                                     | 19   | 22              |
| Common equity component of allowance for funds used during construction | (1)  | (2)             |
| Net derivative (gains)/losses   | 30   | (31)            |
| Pre-tax gain on the termination of a LILO transaction                   | (49)   |                 |
| Other non-cash items (net)  | 154  | (85)            |
| <b>CHANGES IN ASSETS AND LIABILITIES</b>                                |  |                 |
| Accounts receivable – customers, less allowance for uncollectibles      | 11   | 89              |
| Special deposits  | (335)  |                 |
| Materials and supplies, including fuel oil and gas in storage           | 9  | 19              |
| Other receivables and other current assets                              | 2  | 17              |
| Prepayments   | 40   | (6)             |
| Accounts payable  | (121)  | (89)            |
| Pensions and retiree benefits obligations                               | 467  | 483             |
| Pensions and retiree benefits contributions                             | (361)  | (450)           |
| Superfund and environmental remediation costs (net)                     | (6)  | 1               |
| Accrued taxes   | 160  | (34)            |
| Accrued interest  | 124  | 19              |
| Deferred charges, noncurrent assets and other regulatory assets         | (34)   | 116             |
| Deferred credits and other regulatory liabilities                       | 79   | 73              |
| Other assets  | 66   |                 |
| Other liabilities   | (17)   | (4)             |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                         | <b>973</b>                                   | <b>1,247</b>    |
| <b>INVESTING ACTIVITIES</b>   |  |                 |
| Utility construction expenditures                                       | (1,114)                                      | (1,030)         |
| Cost of removal less salvage  | (93)   | (85)            |
| Non-utility construction expenditures                                   | (129)  | (43)            |
| Increase in restricted cash   | (2)  |                 |
| Proceeds from grants related to renewable energy investments            | 18   | 25              |
| Net investment in Pilesgrove solar project and other                    |  | 28              |
| Proceeds from the termination of a LILO transaction                     | 108  |                 |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>                      | <b>(1,212)</b>                               | <b>(1,105)</b>  |
| <b>FINANCING ACTIVITIES</b>   |  |                 |
| Net proceeds of short-term debt   | 753  | 800             |
| Preferred stock redemption  |  | (239)           |
| Issuance of long-term debt  | 919  | 400             |
| Retirement of long-term debt  | (706)  | (2)             |
| Issuance of common shares for stock plans, net of repurchases           | (2)  | (12)            |
| Debt issuance costs   | (12)   | (4)             |
| Common stock dividends  | (360)  | (349)           |
| Preferred stock dividends   |  | (3)             |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>                         | <b>592</b>                                   | <b>591</b>      |
| <b>CASH AND TEMPORARY CASH INVESTMENTS:</b>                             |  |                 |
| <b>NET CHANGE FOR THE PERIOD</b>  | <b>353</b>                                   | <b>733</b>      |
| <b>BALANCE AT BEGINNING OF PERIOD</b>                                   | <b>394</b>                                   | <b>648</b>      |
| <b>BALANCE AT END OF PERIOD</b>   | <b>\$ 747</b>                                | <b>\$ 1,381</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                 |  |                 |
| Cash paid during the period for:  |  |                 |
| Interest  | \$ 281                                       | \$ 281          |
| Income taxes  | \$ 27  | \$ 45           |

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



**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED BALANCE SHEET (UNAUDITED)**

|  | June 30,<br>2013             | December 31,<br>2012 |
|--|------------------------------|----------------------|
|  | <i>(Millions of Dollars)</i> |                      |
| <b>ASSETS</b>  |                              |                      |
| <b>CURRENT ASSETS</b>  |                              |                      |
| Cash and temporary cash investments  | \$ 747                       | \$ 394               |
| Special deposits   | 405                          | 70                   |
| Accounts receivable – customers, less allowance for uncollectible accounts of \$93 and \$94 in 2013 and 2012, respectively | 1,211                        | 1,222                |
| Accrued unbilled revenue   | 487                          | 516                  |
| Other receivables, less allowance for uncollectible accounts of \$8 and \$10 in 2013 and 2012, respectively                | 310                          | 228                  |
| Fuel oil, gas in storage, materials and supplies, at average cost  | 321                          | 330                  |
| Prepayments  | 119                          | 159                  |
| Deferred tax assets – current  | 283                          | 296                  |
| Regulatory assets  | 56                           | 74                   |
| Other current assets   | 164                          | 162                  |
| <b>TOTAL CURRENT ASSETS</b>  | <b>4,103</b>                 | <b>3,451</b>         |
| <b>INVESTMENTS</b>   |                              |                      |
|  | 313                          | 467                  |
| <b>UTILITY PLANT, AT ORIGINAL COST</b>   |                              |                      |
| Electric   | 22,823                       | 22,376               |
| Gas  | 5,288                        | 5,120                |
| Steam  | 2,106                        | 2,049                |
| General  | 2,295                        | 2,302                |
| <b>TOTAL</b>   | <b>32,512</b>                | <b>31,847</b>        |
| Less: Accumulated depreciation   | 6,837                        | 6,573                |
| Net  | 25,675                       | 25,274               |
| Construction work in progress  | 1,279                        | 1,027                |
| <b>NET UTILITY PLANT</b>   | <b>26,954</b>                | <b>26,301</b>        |
| <b>NON-UTILITY PLANT</b>   |                              |                      |
| Non-utility property, less accumulated depreciation of \$78 and \$68 in 2013 and 2012, respectively                        | 486                          | 555                  |
| Construction work in progress  | 102                          | 83                   |
| <b>NET PLANT</b>   | <b>27,542</b>                | <b>26,939</b>        |
| <b>OTHER NONCURRENT ASSETS</b>   |                              |                      |
| Goodwill   | 429                          | 429                  |
| Intangible assets, less accumulated amortization of \$4 in 2013 and 2012   | 4                            | 2                    |
| Regulatory assets  | 9,304                        | 9,705                |
| Other deferred charges and noncurrent assets   | 227                          | 216                  |
| <b>TOTAL OTHER NONCURRENT ASSETS</b>   | <b>9,964</b>                 | <b>10,352</b>        |
| <b>TOTAL ASSETS</b>  | <b>\$41,922</b>              | <b>\$41,209</b>      |

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

**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED BALANCE SHEET (UNAUDITED)**

|   | <b>June 30,<br/>2013</b>     | <b>December 31,<br/>2012</b> |
|---|------------------------------|------------------------------|
|   | <i>(Millions of Dollars)</i> |                              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                       |                              |                              |
| <b>CURRENT LIABILITIES</b>  |                              |                              |
| Long-term debt due within one year  | \$ 483                       | \$ 706                       |
| Notes payable   | 1,400                        | 539                          |
| Accounts payable  | 997                          | 1,215                        |
| Customer deposits   | 310                          | 304                          |
| Accrued taxes   | 322                          | 162                          |
| Accrued interest  | 277                          | 153                          |
| Accrued wages   | 93                           | 94                           |
| Fair value of derivative liabilities  | 31                           | 47                           |
| Regulatory liabilities  | 88                           | 183                          |
| Uncertain income tax liabilities  | 13                           | 44                           |
| Other current liabilities   | 490                          | 498                          |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>4,504</b>                 | <b>3,945</b>                 |
| <b>NONCURRENT LIABILITIES</b>   |                              |                              |
| Obligations under capital leases  | 2                            | 2                            |
| Provision for injuries and damages  | 144                          | 149                          |
| Pensions and retiree benefits   | 4,333                        | 4,678                        |
| Superfund and other environmental costs   | 522                          | 545                          |
| Asset retirement obligations  | 162                          | 159                          |
| Fair value of derivative liabilities  | 32                           | 31                           |
| Uncertain income tax liabilities  | 3                            |                              |
| Other noncurrent liabilities  | 117                          | 125                          |
| <b>TOTAL NONCURRENT LIABILITIES</b>   | <b>5,315</b>                 | <b>5,689</b>                 |
| <b>DEFERRED CREDITS AND REGULATORY LIABILITIES</b>                                |                              |                              |
| Deferred income taxes and investment tax credits                                  | 8,280                        | 8,372                        |
| Regulatory liabilities  | 1,393                        | 1,202                        |
| Other deferred credits  | 53                           | 70                           |
| <b>TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES</b>                          | <b>9,726</b>                 | <b>9,644</b>                 |
| <b>LONG-TERM DEBT</b>   | <b>10,494</b>                | <b>10,062</b>                |
| <b>COMMON SHAREHOLDERS' EQUITY (See Statement of Common Shareholders' Equity)</b> | <b>11,883</b>                | <b>11,869</b>                |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                 | <b>\$41,922</b>              | <b>\$41,209</b>              |

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

**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS EQUITY  
(UNAUDITED)**

|   | Common Stock |        | Additional         |                      | Treasury Stock |           | Accumulated      |   | Total    |
|---|--------------|--------|--------------------|----------------------|----------------|-----------|------------------|---|----------|
|   | Shares       | Amount | Paid-In<br>Capital | Retained<br>Earnings | Shares         | Amount    | Capital<br>Stock | Other<br>Comprehensive<br>Income/(Loss) |          |
| <i>(Millions of Dollars/Except Share Data)</i>                |              |        |                    |                      |                |           |                  |   |          |
| BALANCE AS OF DECEMBER 31, 2011                               | 292,888,521  | \$32   | \$4,991            | \$7,568              | 23,194,075     | \$(1,033) | \$(64)           | \$(58)                                  | \$11,436 |
| Net income for common stock                                   |              |        |                    | 277                  |                |           |                  |   | 277      |
| Common stock dividends  |              |        |                    | (177)                |                |           |                  |   | (177)    |
| Issuance of common shares for stock plans, net of repurchases | (7,225)      |        |                    |                      | 7,225          | (2)       |                  |   | (2)      |
| Preferred stock redemption                                    |              |        |                    |                      |                |           | 4                |   | 4        |
| Other comprehensive income                                    |              |        |                    |                      |                |           |                  | 7                                       | 7        |
| BALANCE AS OF MARCH 31, 2012                                  | 292,881,296  | \$32   | \$4,991            | \$7,668              | 23,201,300     | \$(1,035) | \$(60)           | \$(51)                                  | \$11,545 |
| Net income for common stock                                   |              |        |                    | 214                  |                |           |                  |   | 214      |
| Common stock dividends  |              |        |                    | (178)                |                |           |                  |   | (178)    |
| Issuance of common shares for stock plans, net of repurchases | 1,700        |        |                    |                      | (1,700)        |           | (1)              |   | (1)      |
| Other comprehensive loss                                      |              |        |                    |                      |                |           |                  | (1)                                     | (1)      |
| BALANCE AS OF JUNE 30, 2012                                   | 292,882,996  | \$32   | \$4,991            | \$7,704              | 23,199,600     | \$(1,035) | \$(61)           | \$(52)                                  | \$11,579 |
| BALANCE AS OF DECEMBER 31, 2012                               | 292,871,896  | \$32   | \$4,991            | \$7,997              | 23,210,700     | \$(1,037) | \$(61)           | \$(53)                                  | \$11,869 |
| Net income for common stock                                   |              |        |                    | 192                  |                |           |                  |   | 192      |
| Common stock dividends  |              |        |                    | (180)                |                |           |                  |   | (180)    |
| Issuance of common shares for stock plans, net of repurchases | 95,468       |        | (2)                |                      | (95,468)       | 7         |                  |   | 5        |
| Other comprehensive income                                    |              |        |                    |                      |                |           |                  | 3                                       | 3        |
| BALANCE AS OF MARCH 31, 2013                                  | 292,967,364  | \$32   | \$4,989            | \$8,009              | 23,115,232     | \$(1,030) | \$(61)           | \$(50)                                  | \$11,889 |
| Net income for common stock                                   |              |        |                    | 172                  |                |           |                  |   | 172      |
| Common stock dividends  |              |        |                    | (180)                |                |           |                  |   | (180)    |
| Issuance of common shares for stock plans, net of repurchases | (4,078)      |        | 1                  |                      | 4,078          | (1)       |                  |   |          |
| Other comprehensive income                                    |              |        |                    |                      |                |           |                  | 2                                       | 2        |
| BALANCE AS OF JUNE 30, 2013                                   | 292,963,286  | \$32   | \$4,990            | \$8,001              | 23,119,310     | \$(1,031) | \$(61)           | \$(48)                                  | \$11,883 |

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

**Table of Contents****Consolidated Edison Company of New York, Inc.  
CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

|   | For the Three Months<br>Ended June 30, |              | For the Six Months<br>Ended June 30, |              |
|---|--|--------------|--------------------------------------|--------------|
|   | 2013                                   | 2012         | 2013                                 | 2012         |
|   | <i>(Millions of Dollars)</i>           |              |                                      |              |
| <b>OPERATING REVENUES</b>                             |  |              |                                      |              |
| Electric  | \$1,872                                | \$1,961      | \$3,686                              | \$3,696      |
| Gas   | 331                                    | 265          | 991                                  | 828          |
| Steam   | 118                                    | 83           | 450                                  | 346          |
| <b>TOTAL OPERATING REVENUES</b>                       | <b>2,321</b>                           | <b>2,309</b> | <b>5,127</b>                         | <b>4,870</b> |
| <b>OPERATING EXPENSES</b>                             |  |              |                                      |              |
| Purchased power                                       | 469                                    | 504          | 924                                  | 950          |
| Fuel  | 58                                     | 46           | 205                                  | 154          |
| Gas purchased for resale                              | 98                                     | 50           | 317                                  | 219          |
| Other operations and maintenance                      | 676                                    | 693          | 1,417                                | 1,339        |
| Depreciation and amortization                         | 235                                    | 221          | 468                                  | 439          |
| Taxes, other than income taxes                        | 439                                    | 415          | 890                                  | 844          |
| <b>TOTAL OPERATING EXPENSES</b>                       | <b>1,975</b>                           | <b>1,929</b> | <b>4,221</b>                         | <b>3,945</b> |
| <b>OPERATING INCOME</b>                               | <b>346</b>                             | <b>380</b>   | <b>906</b>                           | <b>925</b>   |
| <b>OTHER INCOME (DEDUCTIONS)</b>                      |  |              |                                      |              |
| Investment and other income                           | 3                                      | 1            | 5                                    | 5            |
| Allowance for equity funds used during construction   |  | 1            | 1                                    | 1            |
| Other deductions                                      | (5)                                    | (5)          | (7)                                  | (8)          |
| <b>TOTAL OTHER INCOME (DEDUCTIONS)</b>                | <b>(2)</b>                             | <b>(3)</b>   | <b>(1)</b>                           | <b>(2)</b>   |
| <b>INCOME BEFORE INTEREST AND INCOME TAX EXPENSE</b>  | <b>344</b>                             | <b>377</b>   | <b>905</b>                           | <b>923</b>   |
| <b>INTEREST EXPENSE</b>                               |  |              |                                      |              |
| Interest on long-term debt                            | 129                                    | 135          | 256                                  | 266          |
| Other interest  | 5                                      | 5            | 11                                   | 10           |
| Allowance for borrowed funds used during construction |  | (1)          | (1)                                  | (1)          |
| <b>NET INTEREST EXPENSE</b>                           | <b>134</b>                             | <b>139</b>   | <b>266</b>                           | <b>275</b>   |
| <b>INCOME BEFORE INCOME TAX EXPENSE</b>               | <b>210</b>                             | <b>238</b>   | <b>639</b>                           | <b>648</b>   |
| <b>INCOME TAX EXPENSE</b>                             | <b>57</b>                              | <b>75</b>    | <b>209</b>                           | <b>209</b>   |
| <b>NET INCOME</b>                                     | <b>153</b>                             | <b>163</b>   | <b>430</b>                           | <b>439</b>   |
| Preferred stock dividend requirements                 |  |              |                                      | (3)          |
| <b>NET INCOME FOR COMMON STOCK</b>                    | <b>\$153</b>                           | <b>\$163</b> | <b>\$430</b>                         | <b>\$436</b> |

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

**Table of Contents****Consolidated Edison Company of New York, Inc.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

|  | For the Three Month<br>Ended June 30, |       | For the Six Month<br>Ended June 30, |       |
|--|---------------------------------------|-------|-------------------------------------|-------|
|  | 2013                                  | 2012  | 2013                                | 2012  |
|  | <i>(Millions of Dollars)</i>          |       |                                     |       |
| NET INCOME   | \$153                                 | \$163 | \$430                               | \$439 |
| OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES                |                                       |       |                                     |       |
| Pension plan liability adjustments, net of \$(1) taxes in 2012 |                                       | (2)   |                                     | (2)   |
| TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES                 |                                       | (2)   |                                     | (2)   |
| COMPREHENSIVE INCOME   | \$153                                 | \$161 | \$430                               | \$437 |

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



**Table of Contents****Consolidated Edison Company of New York, Inc.  
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

|   | <b>For the Six Months</b>    |                |
|---|------------------------------|----------------|
|   | <b>Ended June 30,</b>        |                |
|   | <b>2013</b>                  | <b>2012</b>    |
|   | <i>(Millions of Dollars)</i> |                |
| <b>OPERATING ACTIVITIES</b>   |                              |                |
| Net income  | \$430                        | \$439          |
| <b>PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME</b>                   |                              |                |
| Depreciation and amortization   | 468                          | 439            |
| Deferred income taxes   | 191                          | 106            |
| Rate case amortization and accruals                                     | 19                           | 22             |
| Common equity component of allowance for funds used during construction | (1)                          | (1)            |
| Other non-cash items (net)  | (25)                         | (37)           |
| <b>CHANGES IN ASSETS AND LIABILITIES</b>                                |                              |                |
| Accounts receivable customers, less allowance for uncollectibles        | 22                           | 63             |
| Materials and supplies, including fuel oil and gas in storage           | 2                            | 18             |
| Other receivables and other current assets                              | 18                           | (8)            |
| Prepayments   | (8)                          | 5              |
| Accounts payable  | (119)                        | (57)           |
| Pensions and retiree benefits obligations                               | 435                          | 422            |
| Pensions and retiree benefits contributions                             | (361)                        | (450)          |
| Superfund and environmental remediation costs (net)                     | (4)                          | (1)            |
| Accrued taxes   | (114)                        | (3)            |
| Accrued interest  | 4                            | 7              |
| Deferred charges, noncurrent assets and other regulatory assets         | (11)                         | 59             |
| Deferred credits and other regulatory liabilities                       | 68                           | 70             |
| Other liabilities   | 29                           | 12             |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                         | <b>1,043</b>                 | <b>1,105</b>   |
| <b>INVESTING ACTIVITIES</b>   |                              |                |
| Utility construction expenditures                                       | (1,062)                      | (974)          |
| Cost of removal less salvage  | (89)                         | (83)           |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>                      | <b>(1,151)</b>               | <b>(1,057)</b> |
| <b>FINANCING ACTIVITIES</b>   |                              |                |
| Net proceeds of short-term debt   | 809                          | 800            |
| Preferred stock redemption  |                              | (239)          |
| Issuance of long-term debt  | 700                          | 400            |
| Retirement of long-term debt  | (700)                        |                |
| Debt issuance costs   | (7)                          | (4)            |
| Dividend to parent  | (364)                        | (341)          |
| Preferred stock dividends   |                              | (3)            |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>                         | <b>438</b>                   | <b>613</b>     |
| <b>CASH AND TEMPORARY CASH INVESTMENTS:</b>                             |                              |                |
| <b>NET CHANGE FOR THE PERIOD</b>  | <b>330</b>                   | <b>661</b>     |
| <b>BALANCE AT BEGINNING OF PERIOD</b>                                   | <b>353</b>                   | <b>372</b>     |
| <b>BALANCE AT END OF PERIOD</b>   | <b>\$683</b>                 | <b>\$1,033</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                 |                              |                |
| Cash paid during the period for:  |                              |                |
| Interest  | \$251                        | \$252          |
| Income taxes  | \$104                        | \$45           |

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

**Table of Contents****Consolidated Edison Company of New York, Inc.  
CONSOLIDATED BALANCE SHEET (UNAUDITED)**

|  | June 30,<br>2013             | December 31,<br>2012 |
|--|------------------------------|----------------------|
|  | <i>(Millions of Dollars)</i> |                      |
| <b>ASSETS</b>  |                              |                      |
| <b>CURRENT ASSETS</b>  |                              |                      |
| Cash and temporary cash investments  | \$ 683                       | \$ 353               |
| Special deposits   | 86                           | 65                   |
| Accounts receivable – customers, less allowance for uncollectible accounts of \$87 in 2013 and 2012        | 1,086                        | 1,108                |
| Other receivables, less allowance for uncollectible accounts of \$7 and \$9 in 2013 and 2012, respectively | 88                           | 106                  |
| Accrued unbilled revenue   | 390                          | 406                  |
| Accounts receivable from affiliated companies  | 46                           | 61                   |
| Fuel oil, gas in storage, materials and supplies, at average cost  | 283                          | 285                  |
| Prepayments  | 89                           | 81                   |
| Regulatory assets  | 51                           | 60                   |
| Deferred tax assets – current  | 179                          | 193                  |
| Other current assets   | 58                           | 69                   |
| <b>TOTAL CURRENT ASSETS</b>  | <b>3,039</b>                 | <b>2,787</b>         |
| <b>INVESTMENTS</b>   | <b>232</b>                   | <b>207</b>           |
| <b>UTILITY PLANT AT ORIGINAL COST</b>  |                              |                      |
| Electric   | 21,505                       | 21,079               |
| Gas  | 4,705                        | 4,547                |
| Steam  | 2,106                        | 2,049                |
| General  | 2,118                        | 2,126                |
| <b>TOTAL</b>   | <b>30,434</b>                | <b>29,801</b>        |
| Less: Accumulated depreciation   | 6,253                        | 6,009                |
| Net  | 24,181                       | 23,792               |
| Construction work in progress  | 1,186                        | 947                  |
| <b>NET UTILITY PLANT</b>   | <b>25,367</b>                | <b>24,739</b>        |
| <b>NON-UTILITY PROPERTY</b>  |                              |                      |
| Non-utility property, less accumulated depreciation of \$25 in 2013 and 2012                               | 6                            | 6                    |
| <b>NET PLANT</b>   | <b>25,373</b>                | <b>24,745</b>        |
| <b>OTHER NONCURRENT ASSETS</b>   |                              |                      |
| Regulatory assets  | 8,595                        | 8,972                |
| Other deferred charges and noncurrent assets   | 185                          | 174                  |
| <b>TOTAL OTHER NONCURRENT ASSETS</b>   | <b>8,780</b>                 | <b>9,146</b>         |
| <b>TOTAL ASSETS</b>  | <b>\$37,424</b>              | <b>\$36,885</b>      |

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

**Table of Contents****Consolidated Edison Company of New York, Inc.  
CONSOLIDATED BALANCE SHEET (UNAUDITED)**

|   | <b>June 30,<br/>2013</b>     | <b>December 31,<br/>2012</b> |
|---|------------------------------|------------------------------|
|   | <i>(Millions of Dollars)</i> |                              |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                                       |                              |                              |
| <b>CURRENT LIABILITIES</b>  |                              |                              |
| Long-term debt due within one year  | \$475                        | \$700                        |
| Notes payable   | 1,230                        | 421                          |
| Accounts payable  | 799                          | 989                          |
| Accounts payable to affiliated companies  | 20                           | 22                           |
| Customer deposits   | 298                          | 292                          |
| Accrued taxes   | 27                           | 37                           |
| Accrued taxes to affiliated companies   | 111                          | 215                          |
| Accrued interest  | 137                          | 133                          |
| Accrued wages   | 86                           | 84                           |
| Fair value of derivative liabilities  | 23                           | 28                           |
| Uncertain income tax liabilities  | 7                            | 36                           |
| Regulatory liabilities  | 54                           | 145                          |
| Other current liabilities   | 424                          | 410                          |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>3,691</b>                 | <b>3,512</b>                 |
| <b>NONCURRENT LIABILITIES</b>   |                              |                              |
| Obligations under capital leases  | 2                            | 2                            |
| Provision for injuries and damages  | 137                          | 141                          |
| Pensions and retiree benefits   | 3,877                        | 4,220                        |
| Superfund and other environmental costs   | 413                          | 433                          |
| Asset retirement obligations  | 162                          | 158                          |
| Fair value of derivative liabilities  | 10                           | 11                           |
| Other noncurrent liabilities  | 110                          | 115                          |
| <b>TOTAL NONCURRENT LIABILITIES</b>   | <b>4,711</b>                 | <b>5,080</b>                 |
| <b>DEFERRED CREDITS AND REGULATORY LIABILITIES</b>                                |                              |                              |
| Deferred income taxes and investment tax credits                                  | 7,721                        | 7,452                        |
| Regulatory liabilities  | 1,269                        | 1,077                        |
| Other deferred credits  | 49                           | 67                           |
| <b>TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES</b>                          | <b>9,039</b>                 | <b>8,596</b>                 |
| <b>LONG-TERM DEBT</b>   | <b>9,365</b>                 | <b>9,145</b>                 |
| <b>COMMON SHAREHOLDER'S EQUITY (See Statement of Common Shareholder's Equity)</b> | <b>10,618</b>                | <b>10,552</b>                |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>                                 | <b>\$37,424</b>              | <b>\$36,885</b>              |

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

**Table of Contents****Consolidated Edison Company of New York, Inc.****CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER S EQUITY (UNAUDITED)**

| <i>(Millions of Dollars/Except Share Data)</i> | Common Stock |        | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Repurchased<br>Con Edison<br>Stock | Capital<br>Stock<br>Expense | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Total    |
|--|--------------|--------|----------------------------------|----------------------|------------------------------------|-----------------------------|--|----------|
|  | Shares       | Amount |                                  |                      |                                    |                             |  |          |
| BALANCE AS OF DECEMBER 31, 2011                | 235,488,094  | \$589  | \$4,234                          | \$6,429              | \$(962)                            | \$(64)                      | \$ (8)   | \$10,218 |
| Net income                                     |              |        |                                  | 276                  |                                    |                             |  | 276      |
| Common stock dividend to parent                |              |        |                                  | (171)                |                                    |                             |  | (171)    |
| Cumulative preferred dividends                 |              |        |                                  | (3)                  |                                    |                             |  | (3)      |
| Preferred stock redemption                     |              |        |                                  |                      |                                    | 4                           |  | 4        |
| Other comprehensive income                     |              |        |                                  |                      |                                    |                             |  |          |
| BALANCE AS OF MARCH 31, 2012                   | 235,488,094  | \$589  | \$4,234                          | \$6,531              | \$(962)                            | \$(60)                      | \$ (8)   | \$10,324 |
| Net income                                     |              |        |                                  | 163                  |                                    |                             |  | 163      |
| Common stock dividend to parent                |              |        |                                  | (171)                |                                    |                             |  | (171)    |
| Other comprehensive loss                       |              |        |                                  |                      |                                    |                             | (2)  | (2)      |
| BALANCE AS OF JUNE 30, 2012                    | 235,488,094  | \$589  | \$4,234                          | \$6,523              | \$(962)                            | \$(60)                      | \$(10)   | \$10,314 |
| BALANCE AS OF DECEMBER 31, 2012                | 235,488,094  | \$589  | \$4,234                          | \$6,761              | \$(962)                            | \$(61)                      | \$ (9)   | \$10,552 |
| Net income                                     |              |        |                                  | 277                  |                                    |                             |  | 277      |
| Common stock dividend to parent                |              |        |                                  | (182)                |                                    |                             |  | (182)    |
| Other comprehensive income                     |              |        |                                  |                      |                                    |                             |  |          |
| BALANCE AS OF MARCH 31, 2013                   | 235,488,094  | \$589  | \$4,234                          | \$6,856              | \$(962)                            | \$(61)                      | \$ (9)   | \$10,647 |
| Net income                                     |              |        |                                  | 153                  |                                    |                             |  | 153      |
| Common stock dividend to parent                |              |        |                                  | (182)                |                                    |                             |  | (182)    |
| Other comprehensive income                     |              |        |                                  |                      |                                    |                             |  |          |
| BALANCE AS OF JUNE 30, 2013                    | 235,488,094  | \$589  | \$4,234                          | \$6,827              | \$(962)                            | \$(61)                      | \$ (9)   | \$10,618 |

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

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**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**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.

The separate interim consolidated financial statements of each of the Companies are unaudited but, in the opinion of their respective managements, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Companies' separate interim consolidated financial statements should be read together with their separate audited financial statements (including the combined notes thereto) included in Item 8 of their combined Annual Report on Form 10-K for the year ended December 31, 2012 and their separate unaudited financial statements (including the combined notes thereto) included in Part I, Item 1 of their combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013. Certain prior period amounts have been reclassified to conform to the current period presentation.

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 services company; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops and participates in infrastructure projects.

**Table of Contents****Note A Summary of Significant Accounting Policies****Earnings Per Common Share**

For the three and six months ended June 30, 2013 and 2012, basic and diluted earnings per share (EPS) for Con Edison are calculated as follows:

| <i>(Millions of Dollars, except per share amounts/Shares in Millions)</i>         | <b>For the Three Months</b> |             | <b>For the Six Months</b> |             |
|---|-----------------------------|-------------|---------------------------|-------------|
|   | <b>Ended June 30,</b>       |             | <b>Ended June 30,</b>     |             |
|   | <b>2013</b>                 | <b>2012</b> | <b>2013</b>               | <b>2012</b> |
| Net income for common stock   | \$ 172                      | \$ 214      | \$ 364                    | \$ 491      |
| Weighted average common shares outstanding basic                                  | 292.9                       | 292.9       | 292.9                     | 292.9       |
| Add: Incremental shares attributable to effect of potentially dilutive securities | 1.4                         | 1.5         | 1.4                       | 1.5         |
| Adjusted weighted average common shares outstanding diluted                       | 294.3                       | 294.4       | 294.3                     | 294.4       |
| Net Income for common stock per common share basic                                | \$ 0.59                     | \$ 0.73     | \$ 1.24                   | \$ 1.68     |
| Net Income for common stock per common share diluted                              | \$ 0.59                     | \$ 0.73     | \$ 1.24                   | \$ 1.67     |

The computation of diluted EPS for the three and six months ended June 30, 2013 and 2012 excludes immaterial amounts of performance share awards which were not included because of their anti-dilutive effect.

**Changes in Accumulated Other Comprehensive Income by Component**

For the three and six months ended June 30, 2013, changes to accumulated other comprehensive income (OCI) for Con Edison and CECONY are as follows:

| <i>(Millions of Dollars)</i>  | <b>Con Edison</b> | <b>CECONY</b> |
|---|-------------------|---------------|
| Accumulated OCI, net of taxes, at December 31, 2012   | \$(53)            | \$ (9)        |
| OCI before reclassifications  | 1                 |               |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of \$1 and \$- for Con Edison and CECONY, respectively (a)(b) | 2                 |               |
| Total OCI, net of taxes, at March 31, 2013  | \$ 3              | \$            |
| Accumulated OCI, net of taxes, at March 31, 2013 (b)  | \$(50)            | \$ (9)        |
| OCI before reclassifications  |                   |               |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of \$1 and \$- for Con Edison and CECONY, respectively (a)(b) | 2                 |               |
| Total OCI, net of taxes, at June 30, 2013   | \$ 2              | \$            |
| Accumulated OCI, net of taxes, at June 30, 2013 (b)   | \$(48)            | \$ (9)        |

(a) For the portion of unrecognized pension and other postretirement benefit costs relating to the regulated Utilities, costs are recorded into, and amortized out of, regulatory assets instead of OCI. The net actuarial losses and prior service costs recognized during the period are included in the computation of net periodic pension and other postretirement benefit cost. See Notes E and F.

(b) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the income statement.

**Note B Regulatory Matters****Rate Agreements****CECONY Electric, Gas and Steam**

In January 2013, CECONY filed requests for electric, gas and steam rate changes, effective January 1, 2014. The company requested electric and gas rate increases of \$375 million and \$25 million, respectively, and a steam rate decrease of \$5 million, reflecting, among other things, a return on common equity of 10.35 percent and a common equity ratio of approximately 50 percent. In May 2013, the New York State Public

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Service Commission (NYSPSC) staff submitted testimony which, as revised in July 2013, supports decreases in the company's electric, gas and steam rates of \$187 million, \$122 million and \$28 million, respectively, reflecting, among other things, a return on common equity of 8.7 percent and a common equity ratio of 48 percent. In June 2013, to update its rate change requests, the company submitted testimony supporting increases in its electric, gas and steam rates of \$425 million, \$26 million and \$11 million, respectively, reflecting, among other things, a return on common equity of 10.1 percent and a common equity ratio of approximately 50 percent.

### **Other Regulatory Matters**

In February 2009, the NYSPSC commenced a proceeding to examine the prudence of certain

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CECONY expenditures following the arrests of employees for accepting illegal payments from a construction contractor. Subsequently, additional employees were arrested for accepting illegal payments from materials suppliers and an engineering firm. The arrested employees were terminated by the company and have pled guilty or been convicted. 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. The amount of electric revenues collected subject to refund, which was established in a different proceeding, and the amount of gas and steam revenues collected subject to refund were not established as indicative of the company's potential liability in this proceeding. At June 30, 2013, the company had collected an estimated \$1,246 million from customers subject to potential refund in connection with this proceeding. In January 2013, a NYSPSC consultant reported its estimate, with which the company does not agree, of \$208 million of overcharges with respect to a substantial portion of the company's construction expenditures from January 2000 to January 2009. The company is disputing the consultant's estimate, including its determinations as to overcharges regarding specific construction expenditures it selected to review and its methodology of extrapolating such determinations over a substantial portion of the construction expenditures during this period. The NYSPSC's consultant has not reviewed the company's other expenditures. The company and NYSPSC staff are exploring a settlement in this proceeding. There is no assurance that there will be a settlement, and any settlement would be subject to NYSPSC approval. At June 30, 2013, the company had a \$16 million regulatory liability for refund to customers of amounts recovered from vendors, arrested employees and insurers relating to this matter. The company is unable to estimate the amount, if any, by which any refund required by the NYSPSC may exceed this regulatory liability. The company currently estimates that any refund required by the NYSPSC could range in amount from the \$16 million regulatory liability up to an amount based on the NYSPSC consultant's \$208 million estimate of overcharges.

In late October 2012, Superstorm Sandy caused extensive damage to the Utilities' electric distribution system and interrupted service to approximately 1.4 million customers. Superstorm Sandy also damaged CECONY's steam system and interrupted service to many of its steam customers. As of June 30, 2013, CECONY and O&R incurred response and restoration costs for Superstorm Sandy of \$457 million and \$93 million, respectively (including capital expenditures of \$141 million and \$15 million, respectively). Most of the costs that were not capitalized were deferred for recovery as a regulatory asset under the Utilities' electric rate plans. See *Regulatory Assets and Liabilities* below. The Utilities' New York electric rate plans include provisions for revenue decoupling, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved. The provisions of the Utilities' New York electric plans that impose penalties for operating performance provide for exceptions for major storms and catastrophic events beyond the control of the companies, including natural disasters such as hurricanes and floods. The NYSPSC and the New York State Attorney General are investigating the preparation and performance of the Utilities in connection with Superstorm Sandy and other major storms.

In June 2013, a commission appointed by the Governor of New York issued its final report on utility storm preparation and response. The commission identified deficiencies in the performance of the Utilities and other New York utilities and made recommendations regarding, among other things, preparation and response to flooding; estimation of customer restoration times; reliability of website outage maps; coordination with local governments and providers of other utility services; availability and allocation of staffing and other resources (including the utility industry's mutual aid process); and communications with affected communities and local officials. The commission's report also addressed the Long Island Power Authority, energy efficiency programs, utility infrastructure investment and regulatory deficiencies.

In March 2013, the New Jersey Board of Public Utilities established a proceeding to review the prudence of costs incurred by New Jersey utilities,



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including Rockland Electric Company (RECO, an O&R subsidiary), in response to major storm events in 2011 and 2012. At June 30, 2013, RECO had \$29 million of storm costs deferred for recovery as a regulatory asset and had incurred \$6 million of capital expenditures related to the storms.

**Regulatory Assets and Liabilities**

Regulatory assets and liabilities at June 30, 2013 and December 31, 2012 were comprised of the following items:

| <i>(Millions of Dollars)</i>                           | Con Edison |         | CECONY  |         |
|--|------------|---------|---------|---------|
|  | 2013       | 2012    | 2013    | 2012    |
| Regulatory assets                                      |            |         |         |         |
| Unrecognized pension and other postretirement costs    | \$5,227    | \$5,677 | \$4,985 | \$5,407 |
| Future income tax                                      | 1,996      | 1,922   | 1,889   | 1,831   |
| Environmental remediation costs                        | 713        | 730     | 599     | 615     |
| Deferred storm costs                                   | 454        | 432     | 336     | 309     |
| Pension and other postretirement benefits deferrals    | 201        | 183     | 170     | 154     |
| Revenue taxes  | 183        | 176     | 176     | 170     |
| Net electric deferrals                                 | 92         | 102     | 92      | 102     |
| Unamortized loss on reacquired debt                    | 69         | 74      | 66      | 70      |
| Surcharge for New York State assessment                | 55         | 73      | 53      | 68      |
| Deferred derivative losses - long-term                 | 41         | 40      | 20      | 20      |
| O&R transition bond charges                            | 36         | 39      |         |         |
| Preferred stock redemption                             | 29         | 29      | 29      | 29      |
| Workers' compensation                                  | 18         | 19      | 18      | 19      |
| Property tax reconciliation                            | 18         | 16      |         |         |
| Other  | 172        | 193     | 162     | 178     |
| Regulatory assets - long-term                          | 9,304      | 9,705   | 8,595   | 8,972   |
| Deferred derivative losses - current                   | 55         | 69      | 51      | 60      |
| Recoverable energy costs - current                     | 1          | 5       |         |         |
| Regulatory assets - current                            | 56         | 74      | 51      | 60      |
| Total Regulatory Assets                                | \$9,360    | \$9,779 | \$8,646 | \$9,032 |
| Regulatory liabilities                                 |            |         |         |         |
| Allowance for cost of removal less salvage             | \$ 518     | \$ 503  | \$ 433  | \$ 420  |
| Property tax reconciliation                            | 273        | 187     | 273     | 187     |
| Net unbilled revenue deferrals                         | 137        | 136     | 137     | 136     |
| Long-term interest rate reconciliation                 | 83         | 62      | 83      | 62      |
| World Trade Center settlement proceeds                 | 62         | 62      | 62      | 62      |
| Carrying charges on T&D net plant - electric and steam | 26         | 31      | 14      | 13      |
| Expenditure prudence proceeding                        | 16         | 14      | 16      | 14      |
| Other  | 278        | 207     | 251     | 183     |
| Regulatory liabilities - long-term                     | 1,393      | 1,202   | 1,269   | 1,077   |
| Refundable energy costs - current                      | 63         | 82      | 32      | 48      |
| Revenue decoupling mechanism                           | 23         | 72      | 21      | 68      |
| Deferred derivative gains - current                    | 2          |         | 1       |         |
| Electric surcharge offset                              |            | 29      |         | 29      |
| Regulatory liabilities - current                       | 88         | 183     | 54      | 145     |
| Total Regulatory Liabilities                           | \$1,481    | \$1,385 | \$1,323 | \$1,222 |

Deferred storm costs represent response and restoration costs, other than capital expenditures, in connection with Superstorm Sandy and other major storms that were deferred by the Utilities. See Other Regulatory Matters, above.

**Note C Capitalization**

In February 2013, CECONY issued \$700 million aggregate principal amount of 3.95 percent 30-year debentures and redeemed at maturity \$500 million of 4.875 percent 10-year debentures. In June 2013, CECONY redeemed at maturity \$200 million of 3.85 percent 10-year debentures. In

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April 2013, a Con Edison Development subsidiary issued \$219 million aggregate principal amount of 4.78 percent senior notes secured by the company's California solar projects. The notes have a weighted average life of 15 years and final maturity of 2037.

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

| <i>(Millions of Dollars)</i>               | June 30, 2013 |            | December 31, 2012 |          |
|--|---------------|------------|-------------------|----------|
|  | Carrying      |            | Carrying          | Fair     |
| Long-Term Debt (including current portion) | Amount        | Fair Value | Amount            | Value    |
| Con Edison                                 | \$10,977      | \$12,313   | \$10,768          | \$12,935 |
| CECONY                                     | \$ 9,840      | \$10,991   | \$ 9,845          | \$11,751 |

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, \$11,677 million and \$636 million of the fair value of long-term debt at June 30, 2013 are classified as Level 2 and Level 3, respectively. For CECONY, \$10,355 million and \$636 million of the fair value of long-term debt at June 30, 2013 are classified as Level 2 and Level 3, respectively (see Note L). The \$636 million of long-term debt classified as Level 3 is CECONY's tax-exempt, auction-rate securities for which the market is highly illiquid and there is a lack of observable inputs.

**Note D Short-Term Borrowing**

At June 30, 2013, Con Edison had \$1,400 million of commercial paper outstanding of which \$1,230 million was outstanding under CECONY's program. The weighted average interest rate was 0.3 percent for both Con Edison and CECONY. At December 31, 2012, Con Edison had \$539 million of commercial paper outstanding of which \$421 million was outstanding under CECONY's program. The weighted average interest rate was 0.3 percent for both Con Edison and CECONY. At June 30, 2013 and December 31, 2012, no loans were outstanding under the Companies credit agreement and \$34 million (including \$11 million for CECONY) and \$131 million (including \$121 million for CECONY) of letters of credit were outstanding, respectively, under the credit agreement.

**Note E Pension Benefits****Net Periodic Benefit Cost**

The components of the Companies' net periodic benefit costs for the three and six months ended June 30, 2013 and 2012 were as follows:

| <i>(Millions of Dollars)</i>                   | For the Three Months Ended June 30, |               |               |               |
|--|-------------------------------------|---------------|---------------|---------------|
|  | Con Edison                          |               | CECONY        |               |
|  | 2013                                | 2012          | 2013          | 2012          |
| Service cost including administrative expenses | \$ 67                               | \$ 59         | \$ 62         | \$ 55         |
| Interest cost on projected benefit obligation  | 134                                 | 137           | 126           | 128           |
| Expected return on plan assets                 | (187)                               | (177)         | (178)         | (168)         |
| Recognition of net actuarial loss              | 208                                 | 177           | 197           | 168           |
| Recognition of prior service costs             | 1                                   | 2             | 1             | 2             |
| <b>NET PERIODIC BENEFIT COST</b>               | <b>\$ 223</b>                       | <b>\$ 198</b> | <b>\$ 208</b> | <b>\$ 185</b> |
| Amortization of regulatory asset               | 1                                   | 1             | 1             | 1             |
| <b>TOTAL PERIODIC BENEFIT COST</b>             | <b>\$ 224</b>                       | <b>\$ 199</b> | <b>\$ 209</b> | <b>\$ 186</b> |
| Cost capitalized                               | (88)                                | (68)          | (84)          | (63)          |
| Reconciliation to rate level                   | (30)                                | 3             | (29)          | 2             |
| Cost charged to operating expenses             | \$ 106                              | \$ 134        | \$ 96         | \$ 125        |

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| <i>(Millions of Dollars)</i>                   | <b>For the Six Months Ended June 30,</b> |               |               |               |
|--|--|---------------|---------------|---------------|
|  | <b>Con Edison</b>                        |               | <b>CECONY</b> |               |
|  | <b>2013</b>                              | <b>2012</b>   | <b>2013</b>   | <b>2012</b>   |
| Service cost including administrative expenses | \$ 133                                   | \$ 118        | \$ 124        | \$ 110        |
| Interest cost on projected benefit obligation  | 268                                      | 274           | 252           | 257           |
| Expected return on plan assets                 | (375)                                    | (352)         | (356)         | (335)         |
| Recognition of net actuarial loss              | 416                                      | 354           | 394           | 335           |
| Recognition of prior service costs             | 3  | 4             | 2             | 3             |
| <b>NET PERIODIC BENEFIT COST</b>               | <b>\$ 445</b>                            | <b>\$ 398</b> | <b>\$ 416</b> | <b>\$ 370</b> |
| Amortization of regulatory asset               | 1  | 1             | 1             | 1             |
| <b>TOTAL PERIODIC BENEFIT COST</b>             | <b>\$ 446</b>                            | <b>\$ 399</b> | <b>\$ 417</b> | <b>\$ 371</b> |
| Cost capitalized                               | (170)                                    | (135)         | (163)         | (126)         |
| Reconciliation to rate level                   | (24)                                     | (32)          | (23)          | (36)          |
| Cost charged to operating expenses             | \$ 252                                   | \$ 232        | \$ 231        | \$ 209        |

**Expected Contributions**

Based on estimates as of June 30, 2013, the Companies expect to make contributions to the pension plan during 2013 of \$867 million (of which \$810 million is to be contributed by CECONY). The Companies' policy is to fund their accounting cost to the extent tax deductible. During the first six months of 2013, CECONY contributed \$350 million to the pension plan and funded \$11 million for the non-qualified supplemental plans.

**Note F Other Postretirement Benefits****Net Periodic Benefit Cost**

The components of the Companies' net periodic postretirement benefit costs for the three and six months ended June 30, 2013 and 2012 were as follows:

| <i>(Millions of Dollars)</i>   | <b>For the Three Months Ended June 30,</b> |              |               |              |
|--|--|--------------|---------------|--------------|
|  | <b>Con Edison</b>                          |              | <b>CECONY</b> |              |
|  | <b>2013</b>                                | <b>2012</b>  | <b>2013</b>   | <b>2012</b>  |
| Service cost   | \$ 6                                       | \$ 6         | \$ 5          | \$ 5         |
| Interest cost on accumulated other postretirement benefit obligation | 13   | 18           | 12            | 15           |
| Expected return on plan assets                                       | (19)                                       | (21)         | (17)          | (18)         |
| Recognition of net actuarial loss                                    | 16   | 24           | 14            | 21           |
| Recognition of prior service cost                                    | (7)  | (5)          | (6)           | (4)          |
| Recognition of transition obligation                                 |  | 1            |               | 1            |
| <b>NET PERIODIC POSTRETIREMENT BENEFIT COST</b>                      | <b>\$ 9</b>                                | <b>\$ 23</b> | <b>\$ 8</b>   | <b>\$ 20</b> |
| Cost capitalized   | (4)  | (8)          | (4)           | (7)          |
| Reconciliation to rate level   | 16   | 5            | 13            | 4            |
| Cost charged to operating expenses                                   | \$ 21                                      | \$ 20        | \$ 17         | \$ 17        |

| <i>(Millions of Dollars)</i> | <b>For the Six Months Ended June 30,</b> |             |               |             |
|------------------------------|--|-------------|---------------|-------------|
|                              | <b>Con Edison</b>                        |             | <b>CECONY</b> |             |
|                              | <b>2013</b>                              | <b>2012</b> | <b>2013</b>   | <b>2012</b> |
| Service cost                 | \$ 12                                    | \$ 13       | \$ 9          | \$ 10       |

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|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Interest cost on accumulated other postretirement benefit obligation | 27    | 36    | 23    | 32    |
| Expected return on plan assets                                       | (39)  | (42)  | (34)  | (38)  |
| Recognition of net actuarial loss                                    | 32    | 49    | 28    | 44    |
| Recognition of prior service cost                                    | (13)  | (11)  | (11)  | (9)   |
| Recognition of transition obligation                                 |       | 1     |       | 1     |
| NET PERIODIC POSTRETIREMENT BENEFIT COST                             | \$ 19 | \$ 46 | \$ 15 | \$ 40 |
| Cost capitalized   | (7)   | (16)  | (6)   | (14)  |
| Reconciliation to rate level   | 29    | 14    | 25    | 8     |
| Cost charged to operating expenses                                   | \$ 41 | \$ 44 | \$ 34 | \$ 34 |

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**Table of Contents****Expected Contributions**

Based on estimates as of June 30, 2013, Con Edison expects to make a contribution of \$10 million, nearly all of which is for CECONY, to the other postretirement benefit plans in 2013.

**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.

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 June 30, 2013 and December 31, 2012 were as follows:

| <i>(Millions of Dollars)</i> | Con Edison |       | CECONY |       |
|------------------------------|------------|-------|--------|-------|
|                              | 2013       | 2012  | 2013   | 2012  |
| Accrued Liabilities:         |            |       |        |       |
| Manufactured gas plant sites | \$447      | \$462 | \$339  | \$351 |
| Other Superfund Sites        | 75         | 83    | 74     | 82    |
| Total                        | \$522      | \$545 | \$413  | \$433 |
| Regulatory assets            | \$713      | \$730 | \$599  | \$615 |

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.

Environmental remediation costs incurred and insurance recoveries received related to Superfund Sites for the three and six months ended June 30, 2013 and 2012 were as follows:

| <i>(Millions of Dollars)</i>  | For the Three Months Ended June 30, |      |        |      |
|-------------------------------|-------------------------------------|------|--------|------|
|                               | Con Edison                          |      | CECONY |      |
|                               | 2013                                | 2012 | 2013   | 2012 |
| Remediation costs incurred    | \$14                                | \$8  | \$13   | \$7  |
| Insurance recoveries received |                                     |      |        |      |

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For the Six Months Ended June 30,

Con Edison

CECONY

(Millions of Dollars)

2013

2012

2013

2012

Remediation costs incurred

\$24

\$15

\$20

\$14

Insurance recoveries received

In 2010, CECONY estimated that for its manufactured gas plant sites, its aggregate undiscounted potential

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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 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 June 30, 2013 and December 31, 2012 were as follows:

| <i>(Millions of Dollars)</i>              | Con Edison |      | CECONY |      |
|---|------------|------|--------|------|
|   | 2013       | 2012 | 2013   | 2012 |
| Accrued liability - asbestos suits        | \$10       | \$10 | \$10   | \$10 |
| Regulatory assets - asbestos suits        | \$10       | \$10 | \$10   | \$10 |
| Accrued liability - workers' compensation | \$93       | \$94 | \$88   | \$89 |
| Regulatory assets - workers' compensation | \$18       | \$19 | \$18   | \$19 |

**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 93 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.

**Lease In/Lease Out Transactions**

In each of 1997 and 1999, Con Edison Development entered into transactions in which it leased property and then immediately subleased the properties back to the lessor (termed Lease In/Lease Out, or LILO transactions). The transactions respectively involved 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 accounted for the two LILO transactions as leveraged leases. Accordingly, the company's investment in these



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leases, net of non-recourse debt, was carried as a single amount in Con Edison's consolidated balance sheet and income was recognized pursuant to a method that incorporated a level rate of return for those years when net investment in the lease was positive.

On audit of Con Edison's tax return for 1997, the Internal Revenue Service (IRS) disallowed tax losses in connection with the 1997 LILO transaction and assessed the company a \$0.3 million income tax deficiency. On audits of Con Edison's 1998 through 2011 tax returns, the IRS disallowed \$574 million of tax losses taken with respect to both LILO transactions. In December 2005, Con Edison paid the \$0.3 million 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 tax 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. In January 2013, the United States Court of Appeals for the Federal Circuit reversed the October 2009 trial court decision and disallowed the tax losses claimed by the company relating to the 1997 LILO transaction. In March 2013, the Court of Appeals denied the company's request to grant rehearing *en banc* of the January 2013 decision. In June 2013, Con Edison entered into a closing agreement with the IRS regarding the 1997 and 1999 LILO transactions.

As a result of the January 2013 Court of Appeals decision, in the three months ended March 31, 2013, Con Edison recorded an after-tax charge of \$150 million to reflect, as required by the accounting rules for leveraged lease transactions, the recalculation of the accounting effect of the LILO transactions based on the revised after-tax cash flows projected from the inception of the leveraged leases as well as the interest on the potential tax liability resulting from the disallowance of federal and state income tax losses with respect to the LILO transactions (see "Uncertain Tax Positions" in Note I). In June 2013, the 1999 LILO transaction was terminated, as a result of which the company realized a \$29 million gain (after-tax) and received net cash proceeds of \$108 million. The effect on Con Edison's consolidated income statement is as follows:

| <i>(Millions of Dollars)</i>                          | <b>For the Three<br/>Months Ended<br/>June 30, 2013</b> | <b>For the Six<br/>Months Ended<br/>June 30, 2013</b> |
|---|---|---|
| Increase/(decrease) to non-utility operating revenues | \$51  | \$ (70)   |
| (Increase)/decrease to other interest expense         |   | (131)   |
| Income tax benefit/(expense)                          | (22)  | 80  |
| Total increase/(decrease) in net income               | \$29  | \$(121)   |
| The transactions did not impact earnings in 2012.     |   |   |

At June 30, 2013, the company's net investment in the 1997 LILO transaction was \$43 million, comprised of a \$47 million gross investment less \$4 million of deferred tax liabilities. At December 31, 2012, the company's net investment in the LILO transactions was \$(76) million, comprised of a \$228 million gross investment less \$304 million of deferred tax liabilities.

In January 2013, to defray interest charges, the company deposited \$447 million with federal and state tax agencies relating primarily to the potential tax liability from these LILO transactions in past tax years and interest thereon. In June 2013, at the company's request the IRS returned \$95 million of the deposit. The company estimates that if it were to negotiate the termination of the 1997 LILO transaction, it could receive cash proceeds of approximately \$90 million (pre-tax), which amount could be higher or lower depending on the negotiations.

**Other Contingencies**

See "Other Regulatory Matters" in Note B and "Uncertain Tax Positions" in Note I.

**Table of Contents****Guarantees**

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison totaled \$883 million and \$859 million at June 30, 2013 and December 31, 2012, respectively.

A summary, by type and term, of Con Edison's total guarantees at June 30, 2013 is as follows:

| Guarantee Type           | 0 - 3 years                  | 4 - 10 years | > 10 years | Total |
|--------------------------|------------------------------|--------------|------------|-------|
|                          | <i>(Millions of Dollars)</i> |              |            |       |
| Energy transactions      | \$777                        | \$31         | \$28       | \$836 |
| Intra-company guarantees | 16                           |              |            | 16    |
| Other guarantees         | 31                           |              |            | 31    |
| Total                    | \$824                        | \$31         | \$28       | \$883 |

**Energy Transactions** Con Edison guarantees payments on behalf of its competitive energy businesses in order to facilitate physical and financial transactions in gas, pipeline capacity, transportation, oil, electricity, renewable energy credits and energy services. To the extent that liabilities exist under the contracts subject to these guarantees, such liabilities are included in Con Edison's consolidated balance sheet.

**Intra-company Guarantees** Con Edison guarantees electricity sales made by Con Edison Energy and Con Edison Solutions to O&R and CECONY.

**Other Guarantees** Con Edison and Con Edison Development also guarantee the following:

\$2 million relates to guarantees issued by Con Edison to CECONY covering a former Con Edison subsidiary's lease payment to use CECONY's conduit system in accordance with a tariff approved by the NYSPSC and a guarantee issued by Con Edison to a landlord to guarantee the former subsidiary's obligations under a building lease. The former subsidiary is obligated to reimburse Con Edison for any payments made under these guarantees. This obligation is fully secured by letters of credit;

\$25 million for guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with energy service projects performed by Con Edison Solutions;

\$4 million for guarantees provided by Con Edison Development to Travelers Insurance Company for indemnity agreements for surety bonds in connection with the construction and operation of solar facilities performed by its subsidiaries; and

Con Edison, on behalf of Con Edison Solutions, as a retail electric provider, issued a guarantee to the Public Utility Commission of Texas with no specified limitation on the amount guaranteed, covering the payment of all obligations of a retail electric provider. Con Edison's estimate of the maximum potential obligation is \$5 million as of June 30, 2013.

**Note I Income Tax**

Con Edison's income tax expense decreased to \$65 million for the three months ended June 30, 2013, from \$106 million for the three months ended June 30, 2012. The effective tax rate for the three months ended June 30, 2013 and 2012 was 27 percent and 33 percent, respectively. The reduction in the effective tax rate is due primarily to the impact of comparable favorable reconciling items on reduced income before income tax expense in the 2013 period compared with the 2012 period. Comparable favorable rate reconciling items have a greater impact on the effective tax rate as income before income tax expense decreases. The reduction in the effective tax rate also reflects favorable rate reconciling items in the 2013 period related to plant and deductions for injuries and damages.

Con Edison's income tax expense decreased to \$122 million for the six months ended June 30, 2013, from \$240 million for the six months ended June 30, 2012. The effective tax rate for the six months ended June 30, 2013 and 2012 was 25 percent and 33 percent, respectively. The

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reduction in the effective rate is due primarily to the impact of comparable favorable reconciling items on reduced income before income tax expense in the 2013 period compared with the 2012 period. Additionally, in the first quarter of 2013, the IRS accepted on audit the Company's claim for manufacturing tax deductions. This deduction, plus higher state income taxes in 2012, also resulted in a reduction in the 2013 effective tax rate.

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CECONY's income tax expense decreased to \$57 million for the three months ended June 30, 2013, from \$75 million for the three months ended June 30, 2012. CECONY's income tax expense was \$209 million in each of the six months ended June 30, 2013 and 2012. CECONY's effective tax rate was 27 percent and 33 percent for the three and six months ended June 30, 2013, respectively, compared to 32 percent for each of the three and six months ended June 30, 2012. The decrease in the effective tax rate for the three months ended June 30, 2013, was due primarily to an increase in plant related rate reconciling items and an increase in deductions for injuries and damages.

### **Uncertain Tax Positions**

During the first quarter of 2013, the IRS accepted Con Edison's deductions for repair costs to utility plant (the repair allowance deductions). As a result of this settlement, Con Edison and CECONY reduced their estimated liabilities for prior year uncertain tax positions by \$72 million and \$66 million, respectively, with a corresponding increase to accumulated deferred income tax liabilities. In addition, as a result of the January 2013 Court of Appeals decision (see Lease In/Lease Out Transactions in Note H), Con Edison increased its estimated prior year liabilities for federal and state uncertain tax positions by \$238 million in the first quarter of 2013, with a corresponding reduction to accumulated deferred income tax liabilities. In June 2013, Con Edison entered into a closing agreement with the IRS regarding the 1997 and 1999 LILO transactions, as a result of which the company decreased its estimated prior year liabilities for federal and state uncertain tax positions by \$238 million in the second quarter of 2013, with a corresponding increase to its current income tax liability. These changes to the Companies' estimated liabilities for uncertain tax positions had no impact on income tax expense for the six months ended June 30, 2013. There were no material changes to the Companies' estimated liabilities for uncertain tax positions during the six months ended June 30, 2012. At June 30, 2013, the estimated liabilities for uncertain tax positions for Con Edison and CECONY were \$16 million and \$7 million, respectively.

The Companies recognize interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the Companies' consolidated income statements. In the first quarter of 2013, Con Edison recognized \$126 million of interest expense (\$131 million related to the LILO transactions, less a reduction of \$5 million in accrued interest expense primarily associated with repair allowance deductions). In the second quarter of 2013, Con Edison recognized an immaterial amount of interest expense. The Companies' accrued interest on uncertain tax positions at June 30, 2013 and December 31, 2012 was immaterial.

The Companies reasonably expect to resolve \$13 million (\$7 million for CECONY) of their uncertain tax positions with the IRS within the next twelve months, and accordingly have reflected their estimated liability for uncertain tax positions as current liabilities on their respective consolidated balance sheets. At June 30, 2013, the total amount of unrecognized tax benefits that, if recognized, would affect the Companies' effective tax rate is \$6 million for Con Edison and no impact to CECONY.

**Table of Contents****Note J Financial Information by Business Segment**

The financial data for the business segments are as follows:

| <i>(Millions of Dollars)</i>  | Operating |          | For the Three Months Ended June 30, |      |                               |        | Operating |        |
|-------------------------------|-----------|----------|-------------------------------------|------|-------------------------------|--------|-----------|--------|
|                               | revenues  |          | Inter-segment revenues              |      | Depreciation and amortization |        | income    |        |
|                               | 2013      | 2012     | 2013                                | 2012 | 2013                          | 2012   | 2013      | 2012   |
| CECONY                        |           |          |                                     |      |                               |        |           |        |
| Electric                      | \$ 1,872  | \$ 1,961 | \$ 4                                | \$ 4 | \$ 186                        | \$ 175 | \$ 307    | \$ 348 |
| Gas                           | 331       | 265      | 2                                   | 2    | 32                            | 30     | 53        | 54     |
| Steam                         | 118       | 83       | 19                                  | 19   | 17                            | 16     | (14)      | (22)   |
| Consolidation adjustments     |           |          | (25)                                | (25) |                               |        |           |        |
| Total CECONY                  | \$ 2,321  | \$ 2,309 | \$                                  | \$   | \$ 235                        | \$ 221 | \$ 346    | \$ 380 |
| O&R                           |           |          |                                     |      |                               |        |           |        |
| Electric                      | \$ 146    | \$ 129   | \$                                  | \$   | \$ 10                         | \$ 9   | \$ 14     | \$ 16  |
| Gas                           | 35        | 35       |                                     |      | 4                             | 4      | (1)       | 1      |
| Total O&R                     | \$ 181    | \$ 164   | \$                                  | \$   | \$ 14                         | \$ 13  | \$ 13     | \$ 17  |
| Competitive energy businesses | \$ 317    | \$ 300   | \$ 2                                | \$ 2 | \$ 5                          | \$ 2   | \$ 27     | \$ 78  |
| Other*                        | (1)       | (2)      | (2)                                 | (2)  | 1                             |        |           |        |
| Total Con Edison              | \$ 2,818  | \$ 2,771 | \$                                  | \$   | \$ 255                        | \$ 236 | \$ 386    | \$ 475 |

\* Parent company expenses, primarily interest, and consolidation adjustments. Other does not represent a business segment.

| <i>(Millions of Dollars)</i>  | Operating |          | For the Six Months Ended June 30, |      |                               |        | Operating |          |
|-------------------------------|-----------|----------|-----------------------------------|------|-------------------------------|--------|-----------|----------|
|                               | revenues  |          | Inter-segment revenues            |      | Depreciation and amortization |        | income    |          |
|                               | 2013      | 2012     | 2013                              | 2012 | 2013                          | 2012   | 2013      | 2012     |
| CECONY                        |           |          |                                   |      |                               |        |           |          |
| Electric                      | \$ 3,686  | \$ 3,696 | \$ 8                              | \$ 7 | \$ 371                        | \$ 348 | \$ 495    | \$ 573   |
| Gas                           | 991       | 828      | 3                                 | 3    | 64                            | 59     | 296       | 275      |
| Steam                         | 450       | 346      | 38                                | 38   | 33                            | 32     | 115       | 77       |
| Consolidation adjustments     |           |          | (49)                              | (48) |                               |        |           |          |
| Total CECONY                  | \$ 5,127  | \$ 4,870 | \$                                | \$   | \$ 468                        | \$ 439 | \$ 906    | \$ 925   |
| O&R                           |           |          |                                   |      |                               |        |           |          |
| Electric                      | \$ 291    | \$ 257   | \$                                | \$   | \$ 20                         | \$ 19  | \$ 34     | \$ 24    |
| Gas                           | 117       | 117      |                                   |      | 8                             | 7      | 27        | 31       |
| Total O&R                     | \$ 408    | \$ 374   | \$                                | \$   | \$ 28                         | \$ 26  | \$ 61     | \$ 55    |
| Competitive energy businesses | \$ 469    | \$ 610   | \$ 4                              | \$ 4 | \$ 10                         | \$ 4   | \$ (56)   | \$ 59    |
| Other*                        | (1)       | (5)      | (4)                               | (4)  |                               |        | 1         | (3)      |
| Total Con Edison              | \$ 6,003  | \$ 5,849 | \$                                | \$   | \$ 506                        | \$ 469 | \$ 912    | \$ 1,036 |

\* Parent company expenses, primarily interest, and consolidation adjustments. Other does not represent a business segment.

**Table of Contents****Note K 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.

Effective January 1, 2013, the Companies adopted Accounting Standards Updates (ASUs) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments require the Companies to disclose certain quantitative information concerning financial and derivative instruments that are offset in the balance sheet and a description of the rights of setoff, including the nature of such rights, associated with recognized assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement.

The Companies enter into master agreements for their commodity derivatives. These agreements typically provide setoff in the event of contract termination. In such case, generally the non-defaulting or non-affected party's payable will be set-off by the other party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.

The fair values of the Companies' commodity derivatives including the offsetting of assets and liabilities at June 30, 2013 were:

(Millions of Dollars)

| Commodity Derivatives               | Gross<br>Amounts of<br>Recognized<br>Assets/(Liabilities) | Gross<br>Amounts<br>Offset in<br>the<br>Statement of<br>Financial<br>Position | Net Amounts<br>of<br>Assets/(Liabilities)<br>Presented in<br>the Statement<br>of Financial<br>Position | Gross Amounts Not<br>Offset in the<br>Statement<br>of Financial Position |                                | Net<br>Amount |
|-------------------------------------|---|---|--|--|--------------------------------|---------------|
|                                     |   |   |  | Financial<br>instruments   | Cash<br>collateral<br>received |               |
| <b>Con Edison</b>                   |   |   |  |  |                                |               |
| Derivative assets                   | \$ 78   | \$(49)  | \$ 29(a)   | \$   | \$                             | \$ 29(a)      |
| Derivative liabilities              | (146)   | 87  | (59)   |  |                                | (59)          |
| Net derivative assets/(liabilities) | \$ (68)   | \$ 38   | \$(30)(a)  | \$   | \$                             | \$(30)(a)     |
| <b>CECONY</b>                       |   |   |  |  |                                |               |
| Derivative assets                   | \$ 22   | \$(13)  | \$ 9(a)  | \$   | \$                             | \$ 9(a)       |
| Derivative liabilities              | (71)  | 37  | (34)   |  |                                | (34)          |
| Net derivative assets/(liabilities) | \$ (49)   | \$ 24   | \$(25)(a)  | \$   | \$                             | \$(25)(a)     |

(a) At June 30, 2013, Con Edison and CECONY had margin deposits of \$31 million and \$15 million, respectively, classified as derivative assets in the balance sheet, but not included in the table. As required by an exchange, a margin is collateral, typically cash, that the holder of a derivative instrument has to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.



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The fair values of the Companies' commodity derivatives including the offsetting of assets and liabilities at December 31, 2012 were:

(Millions of Dollars)

| Commodity Derivatives               | Gross<br>Amounts<br>of<br>Recognized<br>Assets/<br>(Liabilities) | Gross<br>Amounts<br>Offset in<br>the<br>Statement of<br>Financial<br>Position | Net Amounts<br>of Assets/<br>(Liabilities)<br>Presented in<br>the Statement<br>of Financial<br>Position | Gross Amounts Not<br>Offset in the<br>Statement<br>of Financial<br>Position |                                | Net<br>Amount |
|-------------------------------------|--|---|---|---|--------------------------------|---------------|
|                                     |  |   |   | Financial<br>instruments  | Cash<br>collateral<br>received |               |
| <b>Con Edison</b>                   |  |   |   |   |                                |               |
| Derivative assets                   | \$ 86  | \$ (57)   | \$ 29(a)  | \$  | \$                             | \$ 29(a)      |
| Derivative liabilities              | (176)  | 104   | (72)  |   |                                | (72)          |
| Net derivative assets/(liabilities) | \$ (90)  | \$ 47   | \$ (43)(a)  | \$  | \$                             | \$ (43)(a)    |
| <b>CECONY</b>                       |  |   |   |   |                                |               |
| Derivative assets                   | \$ 27  | \$ (15)   | \$ 12(a)  | \$  | \$                             | \$ 12(a)      |
| Derivative liabilities              | (83)   | 44  | (39)  |   |                                | (39)          |
| Net derivative assets/(liabilities) | \$ (56)  | \$ 29   | \$ (27)(a)  | \$  | \$                             | \$ (27)(a)    |

(a) At December 31, 2012, Con Edison and CECONY had margin deposits of \$37 million and \$18 million, respectively, classified as derivative assets in the balance sheet, but not included in the table. As required by an exchange, a margin is collateral, typically cash, that the holder of a derivative instrument has to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

**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 June 30, 2013, Con Edison and CECONY had \$146 million and \$15 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of \$69 million with independent system operators, \$38 million with investment-grade counterparties, \$37 million with commodity exchange brokers and \$2 million with non-investment grade/non-rated counterparties. CECONY's entire net credit exposure was 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 June 30, 2013 were:

| <i>(Millions of Dollars)</i> | <b>Fair Value of Commodity Derivatives(a)<br/>Balance Sheet Location</b> | <b>Con<br/>Edison</b> | <b>CECONY</b> |
|------------------------------|--|-----------------------|---------------|
|                              | <b>Derivative Assets</b>   |                       |               |
| Current                      | Other current assets   | \$ 56                 | \$ 15         |
| Long-term                    | Other deferred charges and noncurrent assets                             | 22                    | 7             |
| Total derivative assets      |  | \$ 78                 | \$ 22         |
| Impact of netting            |  | (18)                  | 2             |
| Net derivative assets        |  | \$ 60                 | \$ 24         |
|                              | <b>Derivative Liabilities</b>  |                       |               |
| Current                      | Fair value of derivative liabilities                                     | \$ 91                 | \$ 48         |
| Long-term                    | Fair value of derivative liabilities                                     | 55                    | 23            |
| Total derivative liabilities |  | \$ 146                | \$ 71         |
| Impact of netting            |  | (87)                  | (37)          |
| Net derivative liabilities   |  | \$ 59                 | \$ 34         |

(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 values of the Companies' commodity derivatives at December 31, 2012 were:

| <i>(Millions of Dollars)</i> | <b>Fair Value of Commodity Derivatives(a)<br/>Balance Sheet Location</b> | <b>Con<br/>Edison</b> | <b>CECONY</b> |
|------------------------------|--|-----------------------|---------------|
|                              | <b>Derivative Assets</b>   |                       |               |
| Current                      | Other current assets   | \$ 64                 | \$ 18         |
| Long-term                    | Other deferred charges and noncurrent assets                             | 22                    | 9             |
| Total derivative assets      |  | \$ 86                 | \$ 27         |
| Impact of netting            |  | (20)                  | 3             |
| Net derivative assets        |  | \$ 66                 | \$ 30         |
|                              | <b>Derivative Liabilities</b>  |                       |               |
| Current                      | Fair value of derivative liabilities                                     | \$122                 | \$ 58         |
| Long-term                    | Fair value of derivative liabilities                                     | 54                    | 25            |
| Total derivative liabilities |  | \$176                 | \$ 83         |
| Impact of netting            |  | (104)                 | (44)          |
| Net derivative liabilities   |  | \$ 72                 | \$ 39         |

(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. 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 tables present the changes in the fair values of commodity derivatives that have been deferred or recognized in earnings for the three and six months ended June 30, 2013:

**Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a)****Deferred or Recognized in Income for the Three Months Ended June 30, 2013**

| <i>(Millions of Dollars)</i>  | <b>Balance Sheet Location</b> | <b>Con Edison</b> | <b>CECONY</b> |
|---|-------------------------------|-------------------|---------------|
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: |                               |                   |               |
| Current   | Deferred derivative gains     | \$ (7)            | \$ (7)        |
| Long-term   | Regulatory liabilities        | (2)               | (1)           |
| Total deferred gains/(losses)   |                               | \$ (9)            | \$ (8)        |
| Current   | Deferred derivative losses    | \$ (24)           | \$ (23)       |
| Current   | Recoverable energy costs      | (14)              | (12)          |
| Long-term   | Deferred derivative losses    | (10)              | (6)           |
| Total deferred gains/(losses)   |                               | \$ (48)           | \$ (41)       |
| Net deferred gains/(losses)   |                               | \$ (57)           | \$ (49)       |
| <b>Income Statement Location</b>  |                               |                   |               |
| Pre-tax gain/(loss) recognized in income  |                               |                   |               |
|   | Purchased power expense       | \$ (37)(b)        | \$            |
|   | Gas purchased for resale      | (7)               |               |
|   | Non-utility revenue           | 2(b)              |               |
| Total pre-tax gain/(loss) recognized in income  |                               | \$ (42)           | \$            |

- (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 three months ended June 30, 2013, Con Edison recorded in non-utility operating revenues and purchased power expense an unrealized pre-tax gain/(loss) of \$(1) million and \$(29) million, respectively.

**Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a)****Deferred or Recognized in Income for the Six Months Ended June 30, 2013**

| <i>(Millions of Dollars)</i>  | <b>Balance Sheet Location</b> | <b>Con Edison</b> | <b>CECONY</b> |
|---|-------------------------------|-------------------|---------------|
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: |                               |                   |               |
| Current   | Deferred derivative gains     | \$ 2              | \$ 1          |
| Long-term   | Regulatory liabilities        |                   |               |
| Total deferred gains/(losses)   |                               | \$ 2              | \$ 1          |
| Current   | Deferred derivative losses    | \$ 14             | \$ 9          |
| Current   | Recoverable energy costs      | (3)               | (2)           |
| Long-term   | Deferred derivative losses    | (3)               |               |
| Total deferred gains/(losses)   |                               | \$ 8              | \$ 7          |
| Net deferred gains/(losses)   |                               | \$ 10             | \$ 8          |
| <b>Income Statement Location</b>  |                               |                   |               |
| Pre-tax gain/(loss) recognized in income  |                               |                   |               |
|   | Purchased power expense       | \$ 30(b)          | \$            |
|   | Gas purchased for resale      | (11)              |               |
|   | Non-utility revenue           | 1(b)              |               |
| Total pre-tax gain/(loss) recognized in income  |                               | \$ 20             | \$            |

- (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 six months ended June 30, 2013, Con Edison recorded in purchased power expense an unrealized pre-tax gain/(loss) of \$16 million.

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The following tables present the changes in the fair values of commodity derivatives that have been deferred or recognized in earnings for the three and six months ended June 30, 2012:

**Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a)****Deferred or Recognized in Income for the Three Months Ended June 30, 2012**

| <i>(Millions of Dollars)</i>  | <b>Balance Sheet Location</b> | <b>Con Edison</b> | <b>CECONY</b> |
|---|-------------------------------|-------------------|---------------|
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: |                               |                   |               |
| Current   | Deferred derivative gains     | \$ (1)            | \$ (1)        |
| Total deferred gains/(losses)   |                               | \$ (1)            | \$ (1)        |
| Current   | Deferred derivative losses    | \$ 66             | \$ 55         |
| Current   | Recoverable energy costs      | (63)              | (56)          |
| Long-term   | Deferred derivative losses    | 8                 | 16            |
| Total deferred gains/(losses)   |                               | \$ 11             | \$ 15         |
| Net deferred gains/(losses)   |                               | \$ 10             | \$ 14         |
| <b>Income Statement Location</b>  |                               |                   |               |
| Pre-tax gain/(loss) recognized in income  |                               |                   |               |
|   | Purchased power expense       | \$ 27(b)          | \$            |
|   | Gas purchased for resale      | (1)               |               |
|   | Non-utility revenue           | (8)(b)            |               |
| Total pre-tax gain/(loss) recognized in income  |                               | \$ 18             | \$            |

- (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 three months ended June 30, 2012, Con Edison recorded in non-utility revenues and purchased power expense an unrealized pre-tax (loss)/gain of \$(9) million and \$72 million, respectively.

**Realized and Unrealized Gains/(Losses) on Commodity Derivatives(a)****Deferred or Recognized in Income for the Six Months Ended June 30, 2012**

| <i>(Millions of Dollars)</i>  | <b>Balance Sheet Location</b> | <b>Con Edison</b> | <b>CECONY</b> |
|---|-------------------------------|-------------------|---------------|
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: |                               |                   |               |
| Current   | Deferred derivative gains     | \$                | \$            |
| Total deferred gains/(losses)   |                               | \$                | \$            |
| Current   | Deferred derivative losses    | \$ 38             | \$ 36         |
| Current   | Recoverable energy costs      | (127)             | (112)         |
| Long-term   | Deferred derivative losses    | (11)              | (1)           |
| Total deferred gains/(losses)   |                               | \$(100)           | \$ (77)       |
| Net deferred gains/(losses)   |                               | \$(100)           | \$ (77)       |
| <b>Income Statement Location</b>  |                               |                   |               |
| Pre-tax gain/(loss) recognized in income  |                               |                   |               |
|   | Purchased power expense       | \$ (59)(b)        | \$            |
|   | Gas purchased for resale      | (2)               |               |
|   | Non-utility revenue           | (11)(b)           |               |
| Total pre-tax gain/(loss) recognized in income  |                               | \$ (72)           | \$            |

- (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 six months ended June 30, 2012, Con Edison recorded in non-utility revenues and purchased power expense an unrealized pre-tax (loss)/gain of \$(13) million and \$45 million, respectively.

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As of June 30, 2013, Con Edison had 1,188 contracts, including 620 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<br>Number Of<br>Contracts (a) |
|------------|---|------------|--|---------|-------------------------------|------------|-------------------------------------|
|            | Number<br>of<br>Energy<br>Contracts (a) | MWHs (b)   | Number of<br>Capacity<br>Contracts (a) | MWs (b) | Number<br>of<br>Contracts (a) | Dths (b)   |                                     |
| Con Edison | 498                                     | 15,234,227 | 72                                     | 11,712  | 618                           | 81,575,092 | 1,188                               |
| CECONY     | 91                                      | 3,674,400  |  |         | 529                           | 76,570,000 | 620                                 |

- (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 June 30, 2013, 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   | \$39           | \$33       |
| Collateral posted  | \$             | \$         |
| Additional collateral (b) (downgrade one level from current ratings)                 | \$             | \$         |
| Additional collateral (b) (downgrade to below investment grade from current ratings) | \$50(c)        | \$37(c)    |

- (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 June 30, 2013, would have amounted to an estimated \$15 million and \$0 for Con Edison and CECONY, respectively. 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) 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.
- (c) Derivative instruments that are net assets have been excluded from the table. At June 30, 2013, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of \$58 million, including \$0 for CECONY.

**Interest Rate Swap**

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 June 30, 2013 was an unrealized loss of \$4 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 three and six months ended June 30, 2013 was \$1 million and \$2 million, respectively. 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.

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### **Note L 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 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.

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Assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 are summarized below.

| <i>(Millions of Dollars)</i>  | Netting    |        |            |        |            |        |                |        |            |        |
|-------------------------------|------------|--------|------------|--------|------------|--------|----------------|--------|------------|--------|
|                               | Level 1    |        | Level 2    |        | Level 3    |        | Adjustments(d) |        | Total      |        |
|                               | Con Edison | CECONY | Con Edison | CECONY | Con Edison | CECONY | Con Edison     | CECONY | Con Edison | CECONY |
| Derivative assets:            |            |        |            |        |            |        |                |        |            |        |
| Commodity (a)(e)              | \$         | \$     | \$ 54      | \$ 6   | \$13       | \$ 8   | \$ (7)         | \$ 10  | \$ 60      | \$ 24  |
| Other assets (c)(e)           | 128        | 121    | 110        | 101    |            |        |                |        | 238        | 222    |
| Total                         | \$128      | \$121  | \$164      | \$107  | \$13       | \$ 8   | \$ (7)         | \$ 10  | \$298      | \$246  |
| Derivative liabilities:       |            |        |            |        |            |        |                |        |            |        |
| Commodity (a)(e)              | \$ 13      | \$ 13  | \$103      | \$ 50  | \$19       | \$     | \$(76)         | \$(29) | \$ 59      | \$ 34  |
| Interest rate contract (b)(e) |            |        | 4          |        |            |        |                |        | 4          |        |
| Total                         | \$ 13      | \$ 13  | \$107      | \$ 50  | \$19       | \$     | \$(76)         | \$(29) | \$ 63      | \$ 34  |

- (a) A portion of the commodity derivatives categorized in Level 3 is valued using 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 K.
- (b) See Note K.
- (c) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.
- (d) 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.
- (e) The Companies' policy is to recognize transfers into and transfers out of the levels at the end of the reporting period. There were no transfers between levels 1, 2, and 3 for the six months ended June 30, 2013.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are summarized below.

| <i>(Millions of Dollars)</i>     | Netting    |        |            |        |            |        |                |        |            |        |
|----------------------------------|------------|--------|------------|--------|------------|--------|----------------|--------|------------|--------|
|                                  | Level 1    |        | Level 2    |        | Level 3    |        | Adjustments(d) |        | Total      |        |
|                                  | Con Edison | CECONY | Con Edison | CECONY | Con Edison | CECONY | Con Edison     | CECONY | Con Edison | CECONY |
| Derivative assets:               |            |        |            |        |            |        |                |        |            |        |
| Commodity (a)(e)                 | \$         | \$     | \$ 43      | \$ 8   | \$33       | \$10   | \$(10)         | \$ 12  | \$ 66      | \$ 30  |
| Other assets (c)(e)(f)           | 106        | 99     | 107        | 98     |            |        |                |        | 213        | 197    |
| Total                            | \$106      | \$99   | \$150      | \$106  | \$33       | \$10   | \$(10)         | \$ 12  | \$279      | \$227  |
| Derivative liabilities:          |            |        |            |        |            |        |                |        |            |        |
| Commodity (a)(e)(h)              | \$ 12      | \$12   | \$116      | \$ 62  | \$38       | \$     | \$(94)         | \$(35) | \$ 72      | \$ 39  |
| Interest rate contract (b)(e)(g) |            |        | 6          |        |            |        |                |        | 6          |        |
| Total                            | \$ 12      | \$12   | \$122      | \$ 62  | \$38       | \$     | \$(94)         | \$(35) | \$ 78      | \$ 39  |

- (a) 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 K.
- (b) See Note K.
- (c) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.
- (d) 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.
- (e) The Companies' policy is to recognize transfers into and transfers out of the levels at the end of the reporting period.
- (f) On March 31, 2012, other assets of \$105 million for Con Edison and \$95 million for CECONY were transferred from Level 3 to Level 2 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall as of March 31, 2012.
- (g) On March 31, 2012, interest rate contract of \$8 million was transferred from Level 3 to Level 2 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall.
- (h) During 2012, Con Edison transferred commodity derivative contract liabilities of \$2 million from Level 1 to Level 2, \$9 million from Level 2 to Level 1, \$2 million from Level 2 to Level 3, and \$11 million from Level 3 to Level 2 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall.





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The employees in the risk management groups of the Utilities and the competitive energy businesses develop and maintain the Companies valuation policies and procedures for, and verify pricing and fair value valuation of, commodity derivatives. Under the Companies policies and procedures, multiple independent sources of information are obtained for forward price curves used to value commodity derivatives. Fair value and changes in fair value of commodity derivatives are reported on a monthly basis to the Companies risk committees, comprised of officers and employees of the Companies that oversee energy hedging at the Utilities and the competitive energy businesses. The managers of the risk management groups report to the Companies Vice President and Treasurer.

|  | Fair Value of               |                      |  |                      |
|--|-----------------------------|----------------------|--|----------------------|
|  | Level 3 at<br>June 30, 2013 | Valuation            | Unobservable Inputs  | Range                |
|  | (Millions of Dollars)       | Techniques           |  |                      |
| <b>Con Edison Commodity</b>  |                             |                      |  |                      |
| Electricity  | \$ (2)                      | Discounted Cash Flow | Forward energy prices (a)  | \$20-\$129 per MWH   |
| Standard Offer Capacity Agreements                                   | (15)                        | Discounted Cash Flow | Forward capacity prices (a)  | \$119-\$248 MW - day |
|  |                             |                      | Present value factor (a)   | 2.49%                |
| Transmission Congestion Contracts /<br>Financial Transmission Rights | 11                          | Discounted Cash Flow | Discount to adjust auction prices for<br>inter-zonal forward price curves (b)        | 17.5%-42.4%          |
|  |                             |                      | Discount to adjust auction prices for<br>historical monthly realized settlements (b) | 8.5%-49%             |
|  |                             |                      | Inter-zonal forward price curves adjusted<br>for historical zonal losses (b)         | \$0.54-\$12.68       |
| Total Con Edison Commodity   | \$ (6)                      |                      |  |                      |
| <b>CECONY Commodity</b>  |                             |                      |  |                      |
| Transmission Congestion Contracts                                    | \$ 8                        | Discounted Cash Flow | Discount to adjust auction prices for<br>inter-zonal forward price curves (b)        | 17.5%-42.4%          |
|  |                             |                      | Discount to adjust auction prices for<br>historical monthly realized settlements (b) | 8.5%-49%             |

(a) Generally, increases/(decreases) in this input in isolation would result in a higher/(lower) fair value measurement.

(b) Generally, increases/(decreases) in this input in isolation would result in a lower/(higher) fair value measurement.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of June 30, 2013 and 2012 and classified as Level 3 in the fair value hierarchy:

|                       | For Three Months Ended June 30, 2013              |                         |  |           |           |       |             |                                     |                                   |
|-----------------------|---|-------------------------|--|-----------|-----------|-------|-------------|-------------------------------------|-----------------------------------|
|                       | Total Gains/(Losses)                              |                         |  |           |           |       |             |                                     |                                   |
|                       | Realized and Unrealized                           |                         |  |           |           |       |             |                                     | Ending                            |
|                       | Beginning<br>Balance as of<br>April<br>1,<br>2013 | Included in<br>Earnings | Included in<br>Regulatory Assets<br>and<br>Liabilities | Purchases | Issuances | Sales | Settlements | Transfer<br>In/Out of<br>Level<br>3 | Balance as of<br>June 30,<br>2013 |
| (Millions of Dollars) |   |                         |  |           |           |       |             |                                     |                                   |
| Con Edison            |   |                         |  |           |           |       |             |                                     |                                   |
| Derivatives:          |   |                         |  |           |           |       |             |                                     |                                   |
| Commodity             | \$14  | \$(21)                  | \$(2)  | \$2       | \$        | \$    | \$1         | \$                                  | \$(6)                             |
| CECONY                |   |                         |  |           |           |       |             |                                     |                                   |
| Derivatives:          |   |                         |  |           |           |       |             |                                     |                                   |
| Commodity             | \$11  | \$(2)                   | \$   | \$1       | \$        | \$    | \$(2)       | \$                                  | \$8                               |



**Table of Contents****For Six Months Ended June 30, 2013**

| <i>(Millions of Dollars)</i> | <b>Total Gains/(Losses)</b>                            |                                    |  |                  |                  |              |                    |   | <b>Ending<br/>Balance as of<br/>June 30,<br/>2013</b> |
|------------------------------|--|------------------------------------|--|------------------|------------------|--------------|--------------------|---|---|
|                              | <b>Beginning<br/>Balance as of<br/>January 1, 2013</b> | <b>Realized and<br/>Unrealized</b> |  | <b>Purchases</b> | <b>Issuances</b> | <b>Sales</b> | <b>Settlements</b> | <b>Transfer<br/>In/Out of<br/>Level<br/>3</b> |   |
|                              |  | <b>Included in<br/>Earnings</b>    | <b>Included in<br/>Regulatory Assets<br/>and<br/>Liabilities</b> |                  |                  |              |                    |   |   |
| Con Edison                   |  |                                    |  |                  |                  |              |                    |   |   |
| Derivatives:                 |  |                                    |  |                  |                  |              |                    |   |   |
| Commodity                    | \$ (5)   | \$ 8                               | \$ 3   | \$ 7             | \$               | \$           | \$ (19)            | \$  | \$ (6)  |
| CECONY                       |  |                                    |  |                  |                  |              |                    |   |   |
| Derivatives:                 |  |                                    |  |                  |                  |              |                    |   |   |
| Commodity                    | \$ 10  | \$ 7                               | \$ 1   | \$ 5             | \$               | \$           | \$ (15)            | \$  | \$ 8  |

**For the Three Months Ended June 30, 2012**

| <i>(Millions of Dollars)</i> | <b>Total Gains/(Losses)</b>                              |                                    |  |                  |                  |              |                    |   | <b>Ending<br/>Balance as of<br/>June 30,<br/>2012</b> |
|------------------------------|--|------------------------------------|--|------------------|------------------|--------------|--------------------|---|---|
|                              | <b>Beginning<br/>Balance as of<br/>April<br/>1, 2012</b> | <b>Realized and<br/>Unrealized</b> |  | <b>Purchases</b> | <b>Issuances</b> | <b>Sales</b> | <b>Settlements</b> | <b>Transfer<br/>In/Out of<br/>Level<br/>3</b> |   |
|                              |  | <b>Included in<br/>Earnings</b>    | <b>Included in<br/>Regulatory Assets<br/>and<br/>Liabilities</b> |                  |                  |              |                    |   |   |
| Con Edison                   |  |                                    |  |                  |                  |              |                    |   |   |
| Derivatives:                 |  |                                    |  |                  |                  |              |                    |   |   |
| Commodity                    | \$ (93)  | \$ (24)                            | \$ 4   | \$ 5             | \$               | \$           | \$ 43              | \$ 4  | \$ (61)   |
| CECONY                       |  |                                    |  |                  |                  |              |                    |   |   |
| Derivatives:                 |  |                                    |  |                  |                  |              |                    |   |   |
| Commodity                    | \$ (13)  | \$ (11)                            | \$ 4   | \$ 2             | \$               | \$           | \$ 6               | \$ 2  | \$ (10)   |

**For the Six Months Ended June 30, 2012**

| <i>(Millions of Dollars)</i> | <b>Total Gains/(Losses)</b>                            |                                    |  |                  |                  |              |                    |   | <b>Ending<br/>Balance as of<br/>June 30,<br/>2012</b> |
|------------------------------|--|------------------------------------|--|------------------|------------------|--------------|--------------------|---|---|
|                              | <b>Beginning<br/>Balance as of<br/>January 1, 2012</b> | <b>Realized and<br/>Unrealized</b> |  | <b>Purchases</b> | <b>Issuances</b> | <b>Sales</b> | <b>Settlements</b> | <b>Transfer<br/>In/Out of<br/>Level 3</b> |   |
|                              |  | <b>Included in<br/>Earnings</b>    | <b>Included in<br/>Regulatory Assets<br/>and<br/>Liabilities</b> |                  |                  |              |                    |   |   |
| Con Edison                   |  |                                    |  |                  |                  |              |                    |   |   |
| Derivatives:                 |  |                                    |  |                  |                  |              |                    |   |   |
| Commodity                    | \$ (62)  | \$ (82)                            | \$ (13)  | \$ 11            | \$               | \$           | \$ 81              | \$ 4                                      | \$ (61)   |
| Interest rate contract       | (8)  | (1)                                |  |                  |                  |              | 1                  | 8(b)                                      |   |
| Other assets(a)              | 99   | 3                                  | 3  |                  |                  |              |                    | (105)(b)                                  |   |
| Total                        | \$ 29  | \$ (80)                            | \$ (10)  | \$ 11            | \$               | \$           | \$ 82              | \$ (93)                                   | \$ (61)   |
| CECONY                       |  |                                    |  |                  |                  |              |                    |   |   |
| Derivatives:                 |  |                                    |  |                  |                  |              |                    |   |   |
| Commodity                    | \$ (7)   | \$ (16)                            | \$ (3)   | \$ 8             | \$               | \$           | \$ 6               | \$ 2(b)                                   | \$ (10)   |

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|                 |       |        |        |      |    |    |      |         |        |
|-----------------|-------|--------|--------|------|----|----|------|---------|--------|
| Other assets(a) | 90    | 3      | 2      |      |    |    |      | (95)(b) |        |
| Total           | \$ 83 | \$(13) | \$ (1) | \$ 8 | \$ | \$ | \$ 6 | \$ (93) | \$(10) |

(a) Amounts included in earnings are reported in investment and other income on the consolidated income statement.

(b) Other assets and interest rate contract were transferred as of March 31, 2012.

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. 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 (\$2 million loss and \$6 million loss) and purchased power costs (\$15 million loss and \$1 million

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loss) on the consolidated income statement for the three months ended June 30, 2013 and 2012, respectively. Realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues (\$2 million loss and \$9 million loss) and purchased power costs (\$4 million gain and \$44 million loss) on the consolidated income statement for the six months ended June 30, 2013 and 2012, respectively. The change in fair value relating to Level 3 commodity derivative assets held at June 30, 2013 and 2012 is included in non-utility revenues (\$2 million loss and \$6 million loss) and purchased power costs (\$14 million loss and \$31 million gain) on the consolidated income statement for the three months ended June 30, 2013 and 2012, respectively. For the six months ended June 30, 2013 and 2012, the change in fair value relating to Level 3 commodity derivative assets and liabilities is included in non-utility revenues (\$2 million loss and \$9 million loss) and purchased power costs (\$2 million gain and \$24 million gain) on the consolidated income statement, respectively.

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 June 30, 2013, 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.

**Note M Asset Retirement Obligations**

The Companies account for retirement obligations on their assets in accordance with the accounting rules for asset retirement obligations.

The Companies recorded asset retirement obligations associated with the removal of asbestos and asbestos-containing material in their buildings (other than generating station and substation building structures themselves), electric equipment, and steam and gas distribution systems. The Companies also recorded asset retirement obligations relating to gas pipelines abandoned in place. The estimates of future liabilities were developed using historical information, and where available, quoted prices from outside contractors.

The Companies did not record an asset retirement obligation for the removal of asbestos associated with the generating station and substation building structures themselves. For these building structures, the Companies were unable to reasonably estimate their asset retirement obligations because the Companies were unable to estimate the undiscounted retirement costs or the retirement dates and settlement dates. The amount of the undiscounted retirement costs could vary considerably depending on the disposition method for the building structures, and the method has not been determined. The Companies anticipate continuing to use these building structures in their businesses for an indefinite period, and so the retirement dates and settlement dates are not determinable.

The accrued liability for asset retirement obligations and the regulatory liabilities for allowance for cost of removal less salvage for the Companies at June 30, 2013 and December 31, 2012 were as follows:

| <i>(Millions of Dollars)</i>                                      | Con Edison |       | CECONY |       |
|---|------------|-------|--------|-------|
|   | 2013       | 2012  | 2013   | 2012  |
| Accrued liability asset retirement obligations                    | \$162      | \$159 | \$162  | \$158 |
| Regulatory liabilities allowance for cost of removal less salvage | \$518      | \$503 | \$433  | \$420 |

**Note N New Financial Accounting Standards**

In December 2011 and January 2013, the Financial Accounting Standards Board (FASB) issued amendments to address and clarify the scope of the balance sheet off-setting disclosure guidance within Accounting Standards Codification (ASC) 210, Balance Sheet. ASU No. 2011-11 and ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, provide guidance that requires a reporting entity to disclose certain quantitative information concerning financial and derivative instruments that are

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offset in the balance sheet and a description of the rights of setoff, including the nature of such rights, associated with recognized assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement. ASU No. 2013-01 clarifies that financial instruments subject to the disclosure guidance are (1) derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, (2) repurchase agreements and reverse purchase agreements and (3) securities borrowing and securities lending transactions that are either offset in accordance with ASC Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. A reporting entity electing gross presentation of such assets and liabilities in its balance sheet will still be subject to the same disclosure requirements. Both ASUs are applicable for fiscal years beginning on or after January 1, 2013, interim periods within those fiscal years, and retrospectively for all comparative periods presented. The application of this guidance does not have a material impact on the Companies financial position, results of operations and liquidity. See Note K.

In February 2013, the FASB issued amendments to improve the reporting of reclassifications out of accumulated OCI through ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments require an entity to provide information either on the face of the financial statements or in a single footnote on significant amounts reclassified out of accumulated OCI and the related income statement line items to the extent an amount is reclassified in its entirety to net income under U.S. GAAP. For significant items not reclassified to net income in their entirety, an entity is required to cross-reference to other disclosures that provide additional information. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The application of this guidance does not have a material impact on the Companies financial position, results of operations and liquidity. See Note A.

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**Item 2: 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 (MD&A) relates to the consolidated financial statements (the Second Quarter Financial Statements) included in this report of two separate registrants: Con Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). This MD&A 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 MD&A about CECONY applies to Con Edison.

This MD&A should be read in conjunction with the Second Quarter Financial Statements and the notes thereto and the MD&A in Item 7 of the Companies' combined Annual Report on Form 10-K for the year ended December 31, 2012 (File Nos. 1-14514 and 1-1217, the Form 10-K) and the MD&A in Part 1, Item 2 of the Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (File Nos. 1-14514 and 1-1217).

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.

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

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 retail and wholesale 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.

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On July 19, 2013, the electric peak demand in CECONY's service area reached a new record of 13,322 MW, exceeding the previous record of 13,189 MW reached on July 22, 2011.

**Gas**

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

In June 2013, the company decreased its five-year forecast of average annual growth of the peak gas demand in its service area at design conditions from approximately 4.3 percent (for 2013 to 2017) to 3.8 percent (for 2014 to 2018). The decrease reflects, among other things, that the new five-year forecast no longer covers 2013, the first year in which there was a significant increase in oil to gas conversions following changes to New York City regulations that will phase out the use of certain types of heating oil.

**Steam**

CECONY operates the largest steam distribution system in the United States by producing and delivering approximately 20,000 MMlbs of steam annually to approximately 1,717 customers in parts of Manhattan.

**O&R****Electric**

O&R and its utility subsidiaries, Rockland Electric Company (RECO) and Pike County Light & Power 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.

**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 retail and wholesale customers, sales of certain energy-related products and services, and participation in energy infrastructure projects. At June 30, 2013, Con Edison's equity investment in its competitive energy businesses was \$429 million and their assets amounted to \$1,211 million.

Certain financial data of Con Edison's businesses is presented below:

| <i>(Millions of Dollars, except percentages)</i> | Three months ended June 30, 2013 |     |                             |       | Six months ended June 30, 2013 |      |                             |       | At June 30, 2013 |     |
|--|----------------------------------|-----|-----------------------------|-------|--------------------------------|------|-----------------------------|-------|------------------|-----|
|  | Operating Revenues               |     | Net Income for Common Stock |       | Operating Revenues             |      | Net Income for Common Stock |       | Assets           |     |
| CECONY   | \$2,321                          | 82% | \$153                       | 89%   | \$5,127                        | 85%  | \$430                       | 118%  | \$37,424         | 89% |
| O&R  | 181                              | 7%  | 6                           | 3%    | 408                            | 7%   | 36                          | 10%   | 2,628            | 6%  |
| Total Utilities                                  | 2,502                            | 89% | 159                         | 92%   | 5,535                          | 92%  | 466                         | 128%  | 40,052           | 95% |
| Con Edison Solutions (a)                         | 235                              | 8%  | (18)                        | (11)% | 482                            | 8%   | 1                           | %     | 263              | 1%  |
| Con Edison Energy (a)                            | 17                               | 1%  | 1                           | 1%    | 35                             | 1%   | 1                           | %     | 81               | %   |
| Con Edison Development (b)                       | 66                               | 2%  | 34                          | 20%   | (44)                           | (1)% | (97)                        | (26)% | 869              | 2%  |
| Other (c)  | (2)                              | %   | (4)                         | (2)%  | (5)                            | %    | (7)                         | (2)%  | 657              | 2%  |



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|                  |         |      |       |      |         |      |       |      |          |      |
|------------------|---------|------|-------|------|---------|------|-------|------|----------|------|
| Total Con Edison | \$2,818 | 100% | \$172 | 100% | \$6,003 | 100% | \$364 | 100% | \$41,922 | 100% |
|------------------|---------|------|-------|------|---------|------|-------|------|----------|------|

- (a) Net income from the competitive energy businesses for the three and six months ended June 30, 2013 includes \$(17) million and \$9 million, respectively, of net after-tax mark-to-market gains/(losses) (Con Edison Solutions, \$(17) million and \$9 million).
- (b) Includes an after-tax gain/(charge) of \$29 million and \$(121) million relating to the lease in/lease out (LILLO) transactions for the three and six months ended June 30, 2013, respectively, and a tax benefit of \$15 million resulting from the acceptance by the Internal Revenue Service (IRS) of the company's claim for manufacturing tax deductions for the six months ended June 30, 2013 (see Notes H and I to the Second Quarter Financial Statements).
- (c) Represents inter-company and parent company accounting. See Results of Operations, below.

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Con Edison's net income for common stock for the three months ended June 30, 2013 was \$172 million or \$0.59 a share (\$0.59 on a diluted basis) compared with \$214 million or \$0.73 a share (\$0.73 on a diluted basis) for the three months ended June 30, 2012. Net income for common stock for the six months ended June 30, 2013 was \$364 million or \$1.24 a share (\$1.24 on a diluted basis) compared with earnings of \$491 million or \$1.68 a share (\$1.67 on a diluted basis) for the six months ended June 30, 2012. See Results of Operations Summary, below. For segment financial information, see Note J to the Second Quarter Financial Statements and Results of Operations, below.

**Results of Operations Summary**

Net income for common stock for the three and six months ended June 30, 2013 and 2012 was as follows:

| <i>(Millions of Dollars)</i>      | <b>Three Months<br/>Ended June 30,</b> |              | <b>Six Months<br/>Ended June 30,</b> |              |
|-----------------------------------|--|--------------|--------------------------------------|--------------|
|                                   | <b>2013</b>                            | <b>2012</b>  | <b>2013</b>                          | <b>2012</b>  |
| CECONY                            | \$153                                  | \$163        | \$430                                | \$436        |
| O&R                               | 6                                      | 11           | 36                                   | 30           |
| Competitive energy businesses (a) | 17                                     | 45           | (95)                                 | 34           |
| Other (b)                         | (4)                                    | (5)          | (7)                                  | (9)          |
| <b>Con Edison</b>                 | <b>\$172</b>                           | <b>\$214</b> | <b>\$364</b>                         | <b>\$491</b> |

- (a) Includes an after-tax gain/(charge) of \$29 million and \$(121) million relating to the LILCO transactions for the three and six months ended June 30, 2013, respectively, and a tax benefit of \$15 million resulting from the acceptance by the IRS of the company's claim for manufacturing tax deductions for the six months ended June 30, 2013 (see Notes H and I to the Second Quarter Financial Statements). Also includes \$(17) million and \$36 million of net after-tax mark-to-market gains/(losses) for the three months ended June 30, 2013 and 2012, respectively, and \$9 million and \$18 million of net after-tax mark-to-market gains for the six months ended June 30, 2013 and 2012, respectively.
- (b) Consists of inter-company and parent company accounting.

The Companies' results of operations for three and six months ended June 30, 2013, as compared with the 2012 periods, reflect changes in the rate plans of Con Edison's utility subsidiaries, the weather impact on steam revenues and increases in certain operations and maintenance expenses, depreciation and property taxes. The results of operations include the operating results of the competitive energy businesses, including net mark-to-market effects.

Operations and maintenance expenses reflect higher surcharges for assessments and fees that are collected in revenues from customers and higher operating costs attributable to weather-related events and the movement of company facilities to accommodate municipal projects in the 2013 periods, as compared to 2012. Depreciation and property taxes were higher in the 2013 periods 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 the three and six months ended 2013 as compared with the 2012 period, resulting from these and other major factors:

|            | <b>Three Months Variation<br/>Net Income for Common<br/>Stock</b> |                                  | <b>Six Months Variation<br/>Net Income for Common<br/>Stock</b> |                                  |
|------------|---|----------------------------------|---|----------------------------------|
|            | <b>Earnings<br/>per Share</b>                                     | <b>(Millions of<br/>Dollars)</b> | <b>Earnings<br/>per Share</b>                                   | <b>(Millions of<br/>Dollars)</b> |
| CECONY (a) |   |                                  |   |                                  |

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|  |          |        |          |         |
|--|----------|--------|----------|---------|
| Rate plans (b)                           | \$(0.05) | \$(15) | \$0.16   | \$48    |
| Weather impact on steam revenues         | 0.02     | 7      | 0.10     | 28      |
| Operations and maintenance expenses (b)  | 0.04     | 11     | (0.16)   | (47)    |
| Depreciation and property taxes          | (0.07)   | (19)   | (0.13)   | (37)    |
| Other                                    | 0.02     | 6      | 0.01     | 2       |
| Total CECONY                             | (0.04)   | (10)   | (0.02)   | (6)     |
| O&R                                      | (0.01)   | (5)    | 0.02     | 6       |
| Competitive energy businesses (c)        | (0.09)   | (28)   | (0.44)   | (129)   |
| Other, including parent company expenses |          | 1      |          | 2       |
| Total variations                         | \$(0.14) | \$(42) | \$(0.44) | \$(127) |

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- (a) Under the revenue decoupling mechanisms in CECONY's electric and gas rate plans and the weather-normalization clause applicable to the gas business, revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. Under CECONY's rate plans, pension and other postretirement costs and certain other costs are reconciled to amounts reflected in rates for such costs.
- (b) The rate plan variations include a decrease in revenues in the three months ended June 30, 2013, as compared to the 2012 period when revenues reflected the use of certain regulatory liabilities (\$18 million, after-tax, or \$0.06 per share) to offset a temporary surcharge under CECONY's electric rate plan. The variations in operations and maintenance expenses include a decrease in pension costs in the 2013 period, as compared to the 2012 period when certain pension costs that were deferred from earlier periods (\$21 million, after-tax, or \$0.07 per share) were recognized under CECONY's electric rate plan.
- (c) These variations include, for the three months ended June 30, an after-tax gain of \$29 million or \$0.10 a share in 2013 relating to the LIFO transactions (see Notes H and I to the Second Quarter Financial Statements) and reflect after-tax net mark-to-market losses of \$17 million or \$0.06 a share in 2013 and after-tax net mark-to-market gains of \$36 million or \$0.12 a share in 2012. These variations include, for the six months ended June 30, an after-tax charge of \$121 million or \$0.41 a share in 2013 relating to the LIFO transactions, a tax benefit of \$15 million or \$0.05 a share in 2013 resulting from the acceptance by the Internal Revenue Service of the company's claim for manufacturing tax deductions (see Notes H and I to the Second Quarter Financial Statements) and reflect after-tax net mark-to-market gains of \$9 million or \$0.03 a share in 2013 and after-tax net mark-to-market gains of \$18 million or \$0.06 a share in 2012.

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

**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.

Changes in the Companies' cash and temporary cash investments resulting from operating, investing and financing activities for the six months ended June 30, 2013 and 2012 are summarized as follows:

**Con Edison**

| <i>(Millions of Dollars)</i>   | Con Edison |          |          | CECONY   |          |          |
|--------------------------------|------------|----------|----------|----------|----------|----------|
|                                | 2013       | 2012     | Variance | 2013     | 2012     | Variance |
| Operating activities           | \$ 973     | \$ 1,247 | \$ (274) | \$ 1,043 | \$ 1,105 | \$ (62)  |
| Investing activities           | (1,212)    | (1,105)  | (107)    | (1,151)  | (1,057)  | (94)     |
| Financing activities           | 592        | 591      | 1        | 438      | 613      | (175)    |
| Net change                     | 353        | 733      | (380)    | 330      | 661      | (331)    |
| Balance at beginning of period | 394        | 648      | (254)    | 353      | 372      | (19)     |
| Balance at end of period       | \$ 747     | \$ 1,381 | \$ (634) | \$ 683   | \$ 1,033 | \$ (350) |

**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. 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.

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 and deferred income tax expense. Principal non-cash credits include amortizations of certain net regulatory liabilities. 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.

Net cash flows from operating activities for the six months ended June 30, 2013 for Con Edison and CECONY were \$274 million and \$62 million lower, respectively, than in 2012. The decrease in net cash flows for Con Edison reflects a special deposit the company made with

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federal and state tax agencies relating primarily to the LILO transactions. See Lease In/Lease Out Transactions in Note H to the Second Quarter Financial Statements.

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The change in net cash flows for CECONY primarily reflects higher estimated income tax payments, net of refunds received, in 2013 (\$59 million).

The change in net cash flows also reflects the timing of payments for and recovery of energy costs. This timing 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.

**Cash Flows Used in Investing Activities**

Net cash flows used in investing activities for Con Edison and CECONY were \$107 million and \$94 million higher, respectively, for the six months ended June 30, 2013 compared with the 2012 period. The changes for Con Edison and CECONY reflect primarily increased utility construction expenditures in 2013. In addition, for Con Edison, the change reflects the construction relating to solar energy projects, offset by the proceeds from the termination of a LIFO transaction and the receipt of grants related to renewable energy investments. See Lease In/Lease Out Transactions in Note H to the Second Quarter Financial Statements.

**Cash Flows from Financing Activities**

Net cash flows from financing activities for Con Edison and CECONY were \$1 million higher and \$175 million lower, respectively, in the six months ended June 30, 2013 compared with the 2012 period.

In February 2013, CECONY issued \$700 million of 3.95 percent 30-year debentures, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes. In February 2013, CECONY redeemed at maturity \$500 million of 4.875 percent 10-year debentures. In June 2013, CECONY redeemed at maturity \$200 million of 3.85 percent 10-year debentures.

In March 2012, CECONY issued \$400 million 4.20 percent 30-year debentures, \$239 million of the net proceeds from the sale of which were used to redeem all outstanding shares of its \$5 Cumulative Preferred Stock and Cumulative Preferred Stock (\$100 par value).

In April 2013, a Con Edison Development subsidiary issued \$219 million aggregate principal amount of 4.78 percent senior notes secured by the company's California solar projects. The notes have a weighted average life of 15 years and final maturity of 2037.

Cash flows from financing activities of the Companies also reflect commercial paper issuance. The commercial paper amounts outstanding at June 30, 2013 and 2012 and the average daily balances for the six months ended June 30, 2013 and 2012 for Con Edison and CECONY were as follows:

| <i>(Millions of Dollars, except Weighted Average Yield)</i> | 2013                      |                  | 2012                      |                  |
|---|---------------------------|------------------|---------------------------|------------------|
|   | Outstanding at<br>June 30 | Daily<br>average | Outstanding at<br>June 30 | Daily<br>average |
| Con Edison  | \$1,400                   | \$860            | \$800                     | \$19             |
| CECONY  | \$1,230                   | \$412            | \$800                     | \$19             |
| Weighted average yield                                      | 0.3%                      | 0.3%             | 0.4%                      | 0.3%             |

**Table of Contents****Other Changes in Assets and Liabilities**

The following table shows changes in certain assets and liabilities at June 30, 2013, compared with December 31, 2012.

|   | Con Edison<br>2013 vs. 2012 | CECONY<br>2013 vs. 2012 |
|---|-----------------------------|-------------------------|
| <i>(Millions of Dollars)</i>  | Variance                    | Variance                |
| Assets  |                             |                         |
| Special deposits  | \$335                       | \$ 21                   |
| Regulatory asset    Unrecognized pension and other postretirement costs | (450)                       | (422)                   |
| Liabilities   |                             |                         |
| Notes payable   | \$861                       | \$ 809                  |
| Accrued taxes   | 160                         | (10)                    |
| Accrued interest  | 124                         | 4                       |
| Pension and retiree benefits  | (345)                       | (343)                   |

**Special Deposits, Notes Payable, Accrued Taxes and Accrued Interest**

The increases in Con Edison's special deposits, notes payable, accrued taxes and accrued interest reflect the impact of the LILO transactions. See Notes H and I to the Second Quarter Financial Statements. In addition, the increase in the Companies' notes payable reflects primarily commercial paper issuances by CECONY in June 2013 in advance of its July 2013 semi-annual payment of New York City property taxes (\$656 million).

**Regulatory Asset for Unrecognized Pension and Other Postretirement Costs and Noncurrent Liability for Pension and Retiree Benefits**

The decrease in the regulatory asset for unrecognized pension and other postretirement costs and the noncurrent liability for pension and retiree benefits reflects the final actuarial valuation of the pension and other retiree benefit plans as measured at December 31, 2012, in accordance with the accounting rules for retirement benefits. The change in the regulatory asset also reflects the amortization of accounting costs. The decrease in the noncurrent liability for pension and retiree benefits reflects in part contributions to the plans made by the Utilities in 2013. See Notes B, E and F to the Second Quarter Financial Statements.

**Capital Requirements and Resources**

Con Edison has increased its estimate of capital expenditures in 2013 by its competitive energy businesses from \$253 million to \$375 million. In July 2013, Con Edison Development purchased a 50 percent interest in a company that is developing a 150 MW (AC) solar energy project (with 92 MW currently in service) in Clark County, Nevada. In addition, Con Edison Development is purchasing a 50 percent interest in a company that owns a 150 MW (AC) solar energy project in Arlington, Arizona. Electricity generated by the projects is to be purchased by Pacific Gas and Electric Company pursuant to long-term power purchase agreements.

For each of the Companies, the ratio of earnings to fixed charges (Securities and Exchange Commission basis) for the six months ended June 30, 2013 and 2012 and the twelve months ended December 31, 2012 was:

|            | Ratio of Earnings to Fixed Charges |                          |                             |
|------------|------------------------------------|--------------------------|-----------------------------|
|            | For the Six Months Ended           | For the Six Months Ended | For the Twelve Months Ended |
|            | June 30,<br>2013                   | June 30, 2012            | December 31, 2012           |
| Con Edison | 2.1(a)                             | 3.3                      | 3.7                         |

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3.3

3.7

(a) The decrease from prior period reflects the impact of the LILO transactions. See Notes H and I to the Second Quarter Financial Statements.

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For each of the Companies, the common equity ratio at June 30, 2013 and December 31, 2012 was:

|                           | <b>Common Equity Ratio</b>               |                          |
|---------------------------|--|--------------------------|
|                           | <b>(Percent of total capitalization)</b> |                          |
|                           | <b>June 30, 2013</b>                     | <b>December 31, 2012</b> |
| Con Edison                | 53.1                                     | 54.1                     |
| CECONY                    | 53.1                                     | 53.6                     |
| <b>Regulatory Matters</b> |  |                          |

In November 2012, the Governor of New York established a commission to review actions taken by New York utilities relating to emergency weather events, including Superstorm Sandy and other major storms, and to make recommendations regarding, among other things, the oversight, management and legal framework governing power delivery services in New York. See Other Regulatory Matters in Note B to the Second Quarter Financial Statements. In March 2013, following the issuance of recommendations by the commission and submission by the Governor of a bill to the State legislature, the New York Public Service Law was amended to, among other things, authorize the NYSPSC to (i) levy expanded penalties against combination gas and electric utilities; (ii) review, at least every five years, an electric utility's capability to provide safe, adequate and reliable service, order the utility to comply with additional and more stringent terms of service than existed prior to the review, assess the continued operation of the utility as the provider of electric service in its service territory and propose, and act upon, such measures as are necessary to ensure safe and adequate service; and (iii) based on findings of repeated violations of the New York Public Service Law or rules or regulations adopted thereto that demonstrate a failure of a combination gas and electric utility to continue to provide safe and adequate service, revoke or modify an operating certificate issued to the utility by the NYSPSC (following consideration of certain factors, including public interest and standards deemed necessary by the NYSPSC to ensure continuity of service, and due process).

**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 June 30, 2013, a 10 percent increase in interest rates applicable to its variable rate debt would result in an increase in annual interest expense of \$1 million. Under CECONY's current gas, steam and electric rate plans, variations in actual long-term debt interest rates are reconciled to levels reflected in rates. Under O&R's current New York rate plans, variations in actual tax-exempt (and under the gas rate plan, taxable) long-term 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 Swap in Note K to the Second Quarter Financial Statements.

**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 apply risk management strategies to mitigate their related exposures. See Note K to the Second Quarter Financial Statements.

Con Edison estimates that, as of June 30, 2013, a 10 percent decline in market prices would result in a decline in fair value of \$51 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which \$42 million is for CECONY and \$9 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



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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.

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 and commodity contracts, assuming a one-day holding period, for the six months ended June 30, 2013 and the year ended December 31, 2012, respectively, was as follows:

**95% Confidence Level,**

| One-Day Holding Period | June 30, 2013                | December 31, 2012 |
|------------------------|------------------------------|-------------------|
|                        | <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 Companies have a legally enforceable right of setoff. See "Credit Exposure" in Note K to the Second Quarter Financial Statements.

The Utilities had \$18 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at June 30, 2013, of which \$17 million was with commodity exchange brokers and \$1 million was with investment grade counterparties.

Con Edison's competitive energy businesses had \$128 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at June 30, 2013, of which \$69 million was with independent system operators, \$37 million was with investment grade counterparties, \$19 million was with commodity exchange brokers and \$3 million was with non-investment grade or non-rated counterparties.

**Investment Risk**

The Companies' investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans. The Companies' current investment policy for pension plan assets includes investment targets of 60 percent equities and 40 percent fixed income and other securities. At June 30, 2013, the pension plan investments consisted of 60 percent equity and 40 percent fixed income and other securities.

**Material Contingencies**

For information concerning potential liabilities arising from the Companies' material contingencies, see Notes B, G, and H to the Second Quarter Financial Statements.

**Results of Operations**

See "Results of Operations" Summary, above.

Results of operations reflect, among other things, the Companies' accounting policies and rate plans that limit the rates the Utilities can charge their customers. 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



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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.

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. 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.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities and Con Edison's competitive energy businesses. CECONY's principal business segments are its regulated electric, gas and steam utility activities. A discussion of the results of operations by principal business segment for the three and six months ended June 30, 2013 and 2012 follows. For additional business segment financial information, see Note J to the Second Quarter Financial Statements.

**Three Months Ended June 30, 2013 Compared with Three Months Ended June 30, 2012**

The Companies' results of operations (which were discussed above under "Results of Operations - Summary") in 2013 compared with 2012 were:

| <i>(Millions of Dollars)</i>   | CECONY                           |                                   | O&R                              |                                   | Competitive Energy<br>Businesses and<br>Other <sup>(a)</sup> |                                   | Con Edison <sup>(b)</sup>        |                                   |
|--|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|--|-----------------------------------|----------------------------------|-----------------------------------|
|  | Increase<br>(Decrease)<br>Amount | Increase<br>(Decrease)<br>Percent | Increase<br>(Decrease)<br>Amount | Increase<br>(Decrease)<br>Percent | Increase<br>(Decrease)<br>Amount                             | Increase<br>(Decrease)<br>Percent | Increase<br>(Decrease)<br>Amount | Increase<br>(Decrease)<br>Percent |
|  |                                  |                                   |                                  |                                   |  |                                   |                                  |                                   |
| Operating revenues   | \$12                             | 0.5%                              | \$17                             | 10.4%                             | \$18   | 6.0%                              | \$47                             | 1.7%                              |
| Purchased power  | (35)                             | (6.9)                             | 11                               | 27.5                              | 63   | 34.1                              | 39                               | 5.3                               |
| Fuel   | 12                               | 26.1                              |                                  |                                   |  |                                   | 12                               | 26.1                              |
| Gas purchased for resale   | 48                               | 96.0                              | 2                                | 18.2                              | 6  | Large                             | 56                               | 90.3                              |
| Operating revenues less purchased power, fuel<br>and gas purchased for resale (net revenues) | (13)                             | (0.8)                             | 4                                | 3.5                               | (51)   | (45.5)                            | (60)                             | (3.1)                             |
| Other operations and maintenance   | (17)                             | (2.5)                             | 7                                | 10.1                              | (4)  | (14.3)                            | (14)                             | (1.8)                             |
| Depreciation and amortization  | 14                               | 6.3                               | 1                                | 7.7                               | 4  | Large                             | 19                               | 8.1                               |
| Taxes, other than income taxes   | 24                               | 5.8                               |                                  |                                   |  |                                   | 24                               | 5.5                               |
| Operating income   | (34)                             | (8.9)                             | (4)                              | (23.5)                            | (51)   | (65.4)                            | (89)                             | (18.7)                            |
| Other income less deductions   | 1                                | 33.3                              | (1)                              | Large                             | 4  | Large                             | 4                                | Large                             |
| Net interest expense   | (5)                              | (3.6)                             | 1                                | 14.3                              | 2  | 28.6                              | (2)                              | (1.3)                             |
| Income before income tax expense   | (28)                             | (11.8)                            | (6)                              | (54.5)                            | (49)   | (69.0)                            | (83)                             | (25.9)                            |
| Income tax expense   | (18)                             | (24.0)                            | (1)                              | Large                             | (22)   | (71.0)                            | (41)                             | (38.7)                            |
| Net income   | (10)                             | (6.1)                             | (5)                              | (45.5)                            | (27)   | (67.5)                            | (42)                             | (19.6)                            |
| Preferred stock dividend requirements  |                                  |                                   |                                  |                                   |  |                                   |                                  |                                   |
| <b>Net income for common stock</b>   | <b>\$(10)</b>                    | <b>(6.1)%</b>                     | <b>\$(5)</b>                     | <b>(45.5)%</b>                    | <b>\$(27)</b>  | <b>(67.5)%</b>                    | <b>\$(42)</b>                    | <b>(19.6)%</b>                    |

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

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

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| <i>(Millions of Dollars)</i>   | Three Months Ended |              |                |               | Three Months Ended |              |                |               | 2013-2012<br>Variation |
|--------------------------------|--------------------|--------------|----------------|---------------|--------------------|--------------|----------------|---------------|------------------------|
|                                | June 30, 2013      |              |                |               | June 30, 2012      |              |                |               |                        |
|                                | Electric           | Gas          | Steam          | 2013<br>Total | Electric           | Gas          | Steam          | 2012<br>Total |                        |
| Operating revenues             | \$ 1,872           | \$ 331       | \$ 118         | \$ 2,321      | \$ 1,961           | \$ 265       | \$ 83          | \$ 2,309      | \$ 12                  |
| Purchased power                | 459                |              | 10             | 469           | 498                |              | 6              | 504           | (35)                   |
| Fuel                           | 29                 |              | 29             | 58            | 29                 |              | 17             | 46            | 12                     |
| Gas purchased for resale       |                    | 98           |                | 98            |                    | 50           |                | 50            | 48                     |
| Net revenues                   | 1,384              | 233          | 79             | 1,696         | 1,434              | 215          | 60             | 1,709         | (13)                   |
| Operations and maintenance     | 536                | 88           | 52             | 676           | 573                | 79           | 41             | 693           | (17)                   |
| Depreciation and amortization  | 186                | 32           | 17             | 235           | 175                | 30           | 16             | 221           | 14                     |
| Taxes, other than income taxes | 355                | 60           | 24             | 439           | 338                | 52           | 25             | 415           | 24                     |
| <b>Operating income</b>        | <b>\$ 307</b>      | <b>\$ 53</b> | <b>\$ (14)</b> | <b>\$ 346</b> | <b>\$ 348</b>      | <b>\$ 54</b> | <b>\$ (22)</b> | <b>\$ 380</b> | <b>\$ (34)</b>         |

CECONY's results of electric operations for the three months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>     | Three Months Ended |               | Variation      |
|----------------------------------|--------------------|---------------|----------------|
|                                  | June 30, 2013      | June 30, 2012 |                |
| Operating revenues               | \$ 1,872           | \$ 1,961      | \$ (89)        |
| Purchased power                  | 459                | 498           | (39)           |
| Fuel                             | 29                 | 29            |                |
| Net revenues                     | 1,384              | 1,434         | (50)           |
| Operations and maintenance       | 536                | 573           | (37)           |
| Depreciation and amortization    | 186                | 175           | 11             |
| Taxes, other than income taxes   | 355                | 338           | 17             |
| <b>Electric operating income</b> | <b>\$ 307</b>      | <b>\$ 348</b> | <b>\$ (41)</b> |

CECONY's electric sales and deliveries, excluding off-system sales, for the three months ended June 30, 2013 compared with the 2012 period were:

| Description                            | Millions of kWhs Delivered |               |              |                      | Revenues in Millions |                 |                |                      |
|--|----------------------------|---------------|--------------|----------------------|----------------------|-----------------|----------------|----------------------|
|  | Three Months Ended         |               | Variation    | Percent<br>Variation | Three Months Ended   |                 | Variation      | Percent<br>Variation |
|  | June 30, 2013              | June 30, 2012 |              |                      | June 30, 2013        | June 30, 2012   |                |                      |
| Residential/Religious <sup>(a)</sup>   | 2,182                      | 2,248         | (66)         | (2.9)%               | \$ 575               | \$ 600          | (\$ 25)        | (4.2)%               |
| Commercial/Industrial                  | 2,259                      | 2,269         | (10)         | (0.4)                | 447                  | 470             | (23)           | (4.9)                |
| Retail access customers                | 6,127                      | 5,991         | 136          | 2.3                  | 607                  | 632             | (25)           | (4.0)                |
| NYPA, Municipal Agency and other sales | 2,380                      | 2,585         | (205)        | (7.9)                | 144                  | 151             | (7)            | (4.6)                |
| Other operating revenues               |                            |               |              |                      | 99                   | 108             | (9)            | (8.3)                |
| <b>Total</b>                           | <b>12,948</b>              | <b>13,093</b> | <b>(145)</b> | <b>(1.1)%</b>        | <b>\$ 1,872</b>      | <b>\$ 1,961</b> | <b>(\$ 89)</b> | <b>(4.5)%</b>        |

(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 \$89 million in the three months ended June 30, 2013 compared with the 2012 period due primarily to lower revenues from the electric rate plan (\$51 million, which includes a decrease of \$29 million reflecting the use of certain

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regulatory liabilities in 2012 to offset a temporary surcharge under the electric rate plan) and lower purchased power costs (\$39 million). 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

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liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans.

Electric delivery volumes in CECONY's service area decreased 1.1 percent in the three months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY's service area decreased 1.2 percent in the three months ended June 30, 2013 compared with the 2012 period.

CECONY's electric purchased power costs decreased \$39 million in the three months ended June 30, 2013 compared with the 2012 period due to a decrease in purchased volumes (\$42 million), offset by an increase in unit costs (\$3 million). Electric fuel costs were the same in the three months ended June 30, 2013 compared with the 2012 period.

CECONY's electric operating income decreased \$41 million in the three months ended June 30, 2013 compared with the 2012 period. The decrease reflects primarily lower net revenues (\$50 million, due primarily to the electric rate plan), higher taxes other than income taxes (\$17 million, principally property taxes) and higher depreciation and amortization (\$11 million), offset by lower operations and maintenance costs (\$37 million). Operations and maintenance expenses reflect lower pension costs (\$35 million) in the 2013 period as compared to the 2012 period when certain costs that were deferred from earlier periods were recognized under the electric rate plan.

**Gas**

CECONY's results of gas operations for the three months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Three Months Ended |               | Variation     |
|--------------------------------|--------------------|---------------|---------------|
|                                | June 30, 2013      | June 30, 2012 |               |
| Operating revenues             | \$ 331             | \$ 265        | \$ 66         |
| Gas purchased for resale       | 98                 | 50            | 48            |
| Net revenues                   | 233                | 215           | 18            |
| Operations and maintenance     | 88                 | 79            | 9             |
| Depreciation and amortization  | 32                 | 30            | 2             |
| Taxes, other than income taxes | 60                 | 52            | 8             |
| <b>Gas operating income</b>    | <b>\$ 53</b>       | <b>\$ 54</b>  | <b>\$ (1)</b> |

CECONY's gas sales and deliveries, excluding off-system sales, for the three months ended June 30, 2013 compared with the 2012 period were:

| Description                                | Thousands of dths Delivered |               |              |                   | Revenues in Millions |               |              |                   |
|--|-----------------------------|---------------|--------------|-------------------|----------------------|---------------|--------------|-------------------|
|  | Three Months Ended          |               | Variation    | Percent Variation | Three Months Ended   |               | Variation    | Percent Variation |
|  | June 30, 2013               | June 30, 2012 |              |                   | June 30, 2013        | June 30, 2012 |              |                   |
| Residential                                | 7,714                       | 5,760         | 1,954        | 33.9%             | \$ 150               | \$ 115        | \$ 35        | 30.4%             |
| General                                    | 5,564                       | 4,694         | 870          | 18.5              | 74                   | 52            | 22           | 42.3              |
| Firm transportation                        | 12,507                      | 10,127        | 2,380        | 23.5              | 85                   | 77            | 8            | 10.4              |
| <b>Total firm sales and transportation</b> | <b>25,785</b>               | <b>20,581</b> | <b>5,204</b> | <b>25.3</b>       | <b>309</b>           | <b>244</b>    | <b>65</b>    | <b>26.6</b>       |
| Interruptible sales <sup>(a)</sup>         | 2,713                       | 1,168         | 1,545        | Large             | 15                   | 6             | 9            | Large             |
| NYPA                                       | 13,534                      | 11,020        | 2,514        | 22.8              | 1                    | 1             |              |                   |
| Generation plants                          | 12,641                      | 19,217        | (6,576)      | (34.2)            | 6                    | 7             | (1)          | (14.3)            |
| Other                                      | 6,136                       | 4,858         | 1,278        | 26.3              | 13                   | 9             | 4            | 44.4              |
| Other operating revenues                   |                             |               |              |                   | (13)                 | (2)           | (11)         | Large             |
| <b>Total</b>                               | <b>60,809</b>               | <b>56,844</b> | <b>3,965</b> | <b>7.0%</b>       | <b>\$ 331</b>        | <b>\$ 265</b> | <b>\$ 66</b> | <b>24.9%</b>      |

(a) Includes 1,262 and 10 thousands of dths for the 2013 and 2012 periods, respectively, which are also reflected in firm transportation and other.



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CECONY's gas operating revenues increased \$66 million in the three months ended June 30, 2013 compared with the 2012 period due primarily to an increase in gas purchased for resale costs (\$48 million) and higher revenues from the gas rate plan (\$18 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

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approved. Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans.

CECONY's sales and transportation volumes for firm customers increased 25.3 percent in the three months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company's service area increased 6.1 percent in the three months ended June 30, 2013.

CECONY's purchased gas cost increased \$48 million in the three months ended June 30, 2013 compared with the 2012 period due to higher unit costs (\$66 million), offset by lower sendout volumes (\$18 million).

CECONY's gas operating income decreased \$1 million in the three months ended June 30, 2013 compared with the 2012 period. The decrease reflects higher operations and maintenance expense (\$9 million, due primarily to the movement of company facilities to accommodate municipal projects (\$6 million) and an increase in the surcharges that are collected in revenues from customers (\$5 million)), higher taxes other than income taxes (\$8 million, principally property taxes and local revenue taxes) and higher depreciation and amortization (\$2 million), offset by higher net revenues (\$18 million).

**Steam**

CECONY's results of steam operations for the three months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Three Months Ended |                  |             |
|--------------------------------|--------------------|------------------|-------------|
|                                | June 30,<br>2013   | June 30,<br>2012 | Variation   |
| Operating revenues             | \$ 118             | \$ 83            | \$ 35       |
| Purchased power                | 10                 | 6                | 4           |
| Fuel                           | 29                 | 17               | 12          |
| Net revenues                   | 79                 | 60               | 19          |
| Operations and maintenance     | 52                 | 41               | 11          |
| Depreciation and amortization  | 17                 | 16               | 1           |
| Taxes, other than income taxes | 24                 | 25               | (1)         |
| <b>Steam operating income</b>  | <b>\$ (14)</b>     | <b>\$ (22)</b>   | <b>\$ 8</b> |

CECONY's steam sales and deliveries for the three months ended June 30, 2013 compared with the 2012 period were:

| Description              | Millions of Pounds Delivered |                  |            |                      | Revenues in Millions |                  |             |                      |
|--------------------------|------------------------------|------------------|------------|----------------------|----------------------|------------------|-------------|----------------------|
|                          | Three Months Ended           |                  |            |                      | Three Months Ended   |                  |             |                      |
|                          | June 30,<br>2013             | June 30,<br>2012 | Variation  | Percent<br>Variation | June 30,<br>2013     | June 30,<br>2012 | Variation   | Percent<br>Variation |
| General                  | 75                           | 48               | 27         | 56.3%                | \$5                  | \$3              | \$2         | 66.7%                |
| Apartment house          | 1,186                        | 970              | 216        | 22.3                 | 37                   | 24               | 13          | 54.2                 |
| Annual power             | 2,694                        | 2,578            | 116        | 4.5                  | 88                   | 63               | 25          | 39.7                 |
| Other operating revenues |                              |                  |            |                      | (12)                 | (7)              | (5)         | (71.4)               |
| <b>Total</b>             | <b>3,955</b>                 | <b>3,596</b>     | <b>359</b> | <b>10.0%</b>         | <b>\$118</b>         | <b>\$83</b>      | <b>\$35</b> | <b>42.2%</b>         |

CECONY's steam operating revenues increased \$35 million in the three months ended June 30, 2013 compared with the 2012 period due primarily to higher fuel costs (\$12 million), weather impact on revenues (\$11 million) and the net change in rates under the steam rate plans (\$9 million). Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans.

Steam sales and delivery volumes increased 10.0 percent in the three months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 2.7 percent in the three months ended June 30,

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2013, reflecting lower average normalized use per customer.

CECONY's steam fuel costs increased \$12 million in the three months ended June 30, 2013 compared with the 2012 period due to higher unit costs (\$10 million) and sendout volumes (\$2 million). Steam purchased power costs increased \$4 million in the three months ended June 30, 2013 compared with the 2012 period due to an increase in unit costs (\$6 million), offset by lower purchased volumes (\$2 million).

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Steam operating income increased \$8 million in the three months ended June 30, 2013 compared with the 2012 period. The increase reflects primarily higher net revenues (\$19 million), offset in part by higher operations and maintenance expense (\$11 million, due primarily to higher pension expense (\$4 million) and higher surcharges that are collected in revenues from customers (\$2 million)).

**Income Taxes**

Income taxes decreased \$18 million in the three months ended June 30, 2013 compared with the 2012 period. See Note I to the Second Quarter Financial Statements.

**O&R**

| <i>(Millions of Dollars)</i>   | Three Months Ended<br>June 30, 2013 |               |               | Three Months Ended<br>June 30, 2012 |             |               | 2013-2012<br>Variation |
|--------------------------------|-------------------------------------|---------------|---------------|-------------------------------------|-------------|---------------|------------------------|
|                                | Electric                            | Gas           | 2013<br>Total | Electric                            | Gas         | 2012<br>Total |                        |
| Operating revenues             | \$ 146                              | \$ 35         | \$ 181        | \$ 129                              | \$ 35       | \$ 164        | \$ 17                  |
| Purchased power                | 51                                  |               | 51            | 40                                  |             | 40            | 11                     |
| Gas purchased for resale       |                                     | 13            | 13            |                                     | 11          | 11            | 2                      |
| Net revenues                   | 95                                  | 22            | 117           | 89                                  | 24          | 113           | 4                      |
| Operations and maintenance     | 60                                  | 16            | 76            | 53                                  | 16          | 69            | 7                      |
| Depreciation and amortization  | 10                                  | 4             | 14            | 9                                   | 4           | 13            | 1                      |
| Taxes, other than income taxes | 11                                  | 3             | 14            | 11                                  | 3           | 14            |                        |
| <b>Operating income</b>        | <b>\$ 14</b>                        | <b>\$ (1)</b> | <b>\$ 13</b>  | <b>\$ 16</b>                        | <b>\$ 1</b> | <b>\$ 17</b>  | <b>\$ (4)</b>          |

O&R's results of electric operations for the three months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>     | Three Months Ended |                  | Variation     |
|----------------------------------|--------------------|------------------|---------------|
|                                  | June 30,<br>2013   | June 30,<br>2012 |               |
| Operating revenues               | \$ 146             | \$ 129           | \$ 17         |
| Purchased power                  | 51                 | 40               | 11            |
| Net revenues                     | 95                 | 89               | 6             |
| Operations and maintenance       | 60                 | 53               | 7             |
| Depreciation and amortization    | 10                 | 9                | 1             |
| Taxes, other than income taxes   | 11                 | 11               |               |
| <b>Electric operating income</b> | <b>\$ 14</b>       | <b>\$ 16</b>     | <b>\$ (2)</b> |

O&R's electric sales and deliveries, excluding off-system sales, for the three months ended June 30, 2013 compared with the 2012 period were:

| Description                          | Millions of kWhs Delivered |                  |           |                      | Revenues in Millions |                  |           |                      |
|--------------------------------------|----------------------------|------------------|-----------|----------------------|----------------------|------------------|-----------|----------------------|
|                                      | Three Months Ended         |                  |           |                      | Three Months Ended   |                  |           |                      |
|                                      | June 30,<br>2013           | June 30,<br>2012 | Variation | Percent<br>Variation | June 30,<br>2013     | June 30,<br>2012 | Variation | Percent<br>Variation |
| Residential/Religious <sup>(a)</sup> | 359                        | 372              | (13)      | (3.5)%               | \$ 65                | \$ 55            | \$ 10     | 18.2%                |
| Commercial/Industrial                | 219                        | 246              | (27)      | (11.0)               | 32                   | 28               | 4         | 14.3                 |
| Retail access customers              | 773                        | 741              | 32        | 4.3                  | 46                   | 42               | 4         | 9.5                  |

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|                          |              |              |             |               |               |               |              |              |  |
|--------------------------|--------------|--------------|-------------|---------------|---------------|---------------|--------------|--------------|--|
| Public authorities       | 25           | 29           | (4)         | (13.8)        | 2             | 2             |              |              |  |
| Other operating revenues |              |              |             |               | 1             | 2             | (1)          | (50.0)       |  |
| <b>Total</b>             | <b>1,376</b> | <b>1,388</b> | <b>(12)</b> | <b>(0.9)%</b> | <b>\$ 146</b> | <b>\$ 129</b> | <b>\$ 17</b> | <b>13.2%</b> |  |

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

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O&R's electric operating revenues increased \$17 million in the three months ended June 30, 2013 compared with the 2012 period due primarily to higher purchased power costs (\$11 million) and higher revenues from the New York electric rate plan (\$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.

Electric delivery volumes in O&R's service area decreased 0.9 percent in the three months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, electric delivery volumes in O&R's service area decreased 1.3 percent in the three months ended June 30, 2013 compared with the 2012 period.

Electric operating income decreased \$2 million in the three months ended June 30, 2013 compared with the 2012 period. The decrease reflects primarily higher operations and maintenance expense (\$7 million, due primarily to an increase in the surcharges that are collected in revenues from customers (\$2 million) and storm reserve (\$2 million)) and higher depreciation and amortization (\$1 million), offset by higher net revenues (\$6 million).

**Gas**

O&R's results of gas operations for the three months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Three Months Ended |               | Variation     |
|--------------------------------|--------------------|---------------|---------------|
|                                | June 30, 2013      | June 30, 2012 |               |
| Operating revenues             | \$ 35              | \$ 35         | \$            |
| Gas purchased for resale       | 13                 | 11            | 2             |
| Net revenues                   | 22                 | 24            | (2)           |
| Operations and maintenance     | 16                 | 16            |               |
| Depreciation and amortization  | 4                  | 4             |               |
| Taxes, other than income taxes | 3                  | 3             |               |
| <b>Gas operating income</b>    | <b>\$ (1)</b>      | <b>\$ 1</b>   | <b>\$ (2)</b> |

O&R's gas sales and deliveries, excluding off-system sales, for the three months ended June 30, 2013 compared with the 2012 period were:

| Description                                | Thousands of dths Delivered |               |            |                   | Revenues in Millions |               |           |                   |
|--|-----------------------------|---------------|------------|-------------------|----------------------|---------------|-----------|-------------------|
|  | Three Months Ended          |               | Variation  | Percent Variation | Three Months Ended   |               | Variation | Percent Variation |
|  | June 30, 2013               | June 30, 2012 |            |                   | June 30, 2013        | June 30, 2012 |           |                   |
| Residential                                | 957                         | 822           | 135        | 16.4%             | \$ 15                | \$ 12         | \$ 3      | 25.0%             |
| General                                    | 206                         | 162           | 44         | 27.2              | 3                    | 2             | 1         | 50.0              |
| Firm transportation                        | 1,696                       | 1,577         | 119        | 7.5               | 14                   | 14            |           |                   |
| <b>Total firm sales and transportation</b> | <b>2,859</b>                | <b>2,561</b>  | <b>298</b> | <b>11.6</b>       | <b>32</b>            | <b>28</b>     | <b>4</b>  | <b>14.3</b>       |
| Interruptible sales                        | 1,030                       | 944           | 86         | 9.1               | 1                    | 1             |           |                   |
| Generation plants                          | 126                         |               | 126        | Large             |                      |               |           |                   |
| Other                                      | 113                         | 101           | 12         | 11.9              |                      |               |           |                   |
| Other gas revenues                         |                             |               |            |                   | 2                    | 6             | (4)       | (66.7)            |
| <b>Total</b>                               | <b>4,128</b>                | <b>3,606</b>  | <b>522</b> | <b>14.5%</b>      | <b>\$ 35</b>         | <b>\$ 35</b>  | <b>\$</b> | <b>%</b>          |

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O&R s gas operating revenues were the same as the 2012 period.

Sales and transportation volumes for firm customers increased 11.6 percent in the three months ended June 30, 2013 compared with the 2012 period. After

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adjusting for variations, principally weather and billing days, total firm sales and transportation volumes decreased 3.9 percent in the three months ended June 30, 2013 compared with the 2012 period.

Gas operating income decreased \$2 million in the three months ended June 30, 2013 compared with the 2012 period. The decrease reflects primarily lower net revenues (\$2 million).

**Competitive Energy Businesses**

The competitive energy businesses' results of operations for the three months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Three Months Ended |               | Variation      |
|--------------------------------|--------------------|---------------|----------------|
|                                | June 30, 2013      | June 30, 2012 |                |
| Operating revenues             | \$ 317             | \$ 300        | \$ 17          |
| Purchased power                | 249                | 186           | 63             |
| Gas purchased for resale       | 7                  | 1             | 6              |
| Net revenues                   | 61                 | 113           | (52)           |
| Operations and maintenance     | 25                 | 29            | (4)            |
| Depreciation and amortization  | 5                  | 2             | 3              |
| Taxes, other than income taxes | 4                  | 4             |                |
| <b>Operating income</b>        | <b>\$ 27</b>       | <b>\$ 78</b>  | <b>\$ (51)</b> |

The competitive energy businesses' operating revenues increased \$17 million in the three months ended June 30, 2013 compared with the 2012 period, due primarily to the gain on termination of a LILO transaction (\$51 million, see Lease In/Lease Out Transactions in Note H to the Second Quarter Financial Statements), offset by lower electric retail and wholesale revenues. Electric retail revenues decreased \$34 million, due to lower sales volume (\$36 million), offset by higher unit prices (\$2 million). Electric wholesale revenues decreased \$16 million in the three months ended June 30, 2013 as compared with the 2012 period, due to lower sales volumes (\$14 million) and unit prices (\$2 million). Net mark-to-market values decreased \$93 million in the three months ended June 30, 2013 as compared with the 2012 period, of which \$101 million in losses are reflected in purchased power costs and \$8 million in gains are reflected in revenues. Solar revenues increased \$8 million in the three months ended June 30, 2013 as compared with the 2012 period.

Purchased power costs increased \$63 million in the three months ended June 30, 2013 compared with the 2012 period, due primarily to changes in mark-to-market values (\$101 million) and higher unit prices (\$9 million), offset by lower volumes (\$47 million).

Operating income decreased \$51 million in 2013 compared with 2012 due primarily to net mark-to-market effects (\$93 million) and lower margins (\$9 million), offset by the gain on termination of a LILO transaction (\$51 million).

**Income Taxes**

Income taxes decreased \$23 million in the three months ended June 30, 2013 compared with the 2012 period, reflecting lower income before income tax expense.

**Other**

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





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**Six Months Ended June 30, 2013 Compared with Six Months Ended June 30, 2012**

The Companies' results of operations (which were discussed above under "Results of Operations - Summary") in 2013 compared with 2012 were:

| <i>(Millions of Dollars)</i>   | CECONY                   |                          | O&R                      |                          | Competitive Energy<br>Businesses and<br>Other (a) |                          | Con Edison (b)           |                |
|--|--------------------------|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|----------------|
|  | Increases<br>(Decreases) | Increases<br>(Decreases) | Increases<br>(Decreases) | Increases<br>(Decreases) | Increases<br>(Decreases)                          | Increases<br>(Decreases) | Increases<br>(Decreases) |                |
|  | Amount                   | Percent                  | Amount                   | Percent                  | Amount  | Percent                  | Amount                   | Percent        |
| Operating revenues   | \$ 257                   | 5.3%                     | \$ 34                    | 9.1%                     | \$ (137)  | (22.6)%                  | \$ 154                   | 2.6%           |
| Purchased power  | (26)                     | (2.7)                    | 21                       | 26.3                     | (30)  | (6.3)                    | (35)                     | (2.3)          |
| Fuel   | 51                       | 33.1                     |                          |                          | 1   | Large                    | 52                       | 34.0           |
| Gas purchased for resale   | 98                       | 44.7                     | 3                        | 8.1                      | 9   | Large                    | 110                      | 42.6           |
| Operating revenues less purchased power, fuel<br>and gas purchased for resale (net revenues) | 134                      | 3.8                      | 10                       | 3.9                      | (117)   | (94.4)                   | 27                       | 0.7            |
| Other operations and maintenance   | 78                       | 5.8                      |                          |                          | (11)  | (20.4)                   | 67                       | 4.4            |
| Depreciation and amortization  | 29                       | 6.6                      | 2                        | 7.7                      | 6   | Large                    | 37                       | 7.9            |
| Taxes, other than income taxes   | 46                       | 5.5                      | 2                        | 6.7                      | (1)   | (10.0)                   | 47                       | 5.3            |
| Operating income   | (19)                     | (2.1)                    | 6                        | 10.9                     | (111)   | Large                    | (124)                    | (12.0)         |
| Other income less deductions   | 1                        | 50.0                     | (1)                      | Large                    | 1   | 33.3                     | 1                        | 50.0           |
| Net interest expense   | (9)                      | (3.3)                    | 4                        | 25.0                     | 130   | Large                    | 125                      | 41.1           |
| Income before income tax expense   | (9)                      | (1.4)                    | 1                        | 2.5                      | (240)   | Large                    | (248)                    | (33.8)         |
| Income tax expense   |                          |                          | (5)                      | (50.0)                   | (113)   | Large                    | (118)                    | (49.2)         |
| Net income   | (9)                      | (2.1)                    | 6                        | 20.0                     | (127)   | Large                    | (130)                    | (26.3)         |
| Preferred stock dividend requirements  | (3)                      | Large                    |                          |                          |   |                          | (3)                      | Large          |
| <b>Net income for common stock</b>   | <b>\$ (6)</b>            | <b>(1.4)%</b>            | <b>\$ 6</b>              | <b>20.0%</b>             | <b>\$ (127)</b>                                   | <b>Large</b>             | <b>\$ (127)</b>          | <b>(25.9)%</b> |

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

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

**CECONY**

| <i>(Millions of Dollars)</i>   | Six Months Ended |               |               |               | Six Months Ended |               |              |               |                        |
|--------------------------------|------------------|---------------|---------------|---------------|------------------|---------------|--------------|---------------|------------------------|
|                                | June 30, 2013    |               |               |               | June 30, 2012    |               |              |               |                        |
|                                | Electric         | Gas           | Steam         | 2013<br>Total | Electric         | Gas           | Steam        | 2012<br>Total | 2013-2012<br>Variation |
| Operating revenues             | \$3,686          | \$991         | \$450         | \$5,127       | \$3,696          | \$828         | \$346        | \$4,870       | \$257                  |
| Purchased power                | 900              |               | 24            | 924           | 929              |               | 21           | 950           | (26)                   |
| Fuel                           | 94               |               | 111           | 205           | 80               |               | 74           | 154           | 51                     |
| Gas purchased for resale       |                  | 317           |               | 317           |                  | 219           |              | 219           | 98                     |
| Net revenues                   | 2,692            | 674           | 315           | 3,681         | 2,687            | 609           | 251          | 3,547         | 134                    |
| Operations and maintenance     | 1,116            | 188           | 113           | 1,417         | 1,089            | 161           | 89           | 1,339         | 78                     |
| Depreciation and amortization  | 371              | 64            | 33            | 468           | 348              | 59            | 32           | 439           | 29                     |
| Taxes, other than income taxes | 710              | 126           | 54            | 890           | 677              | 114           | 53           | 844           | 46                     |
| <b>Operating income</b>        | <b>\$ 495</b>    | <b>\$ 296</b> | <b>\$ 115</b> | <b>\$ 906</b> | <b>\$ 573</b>    | <b>\$ 275</b> | <b>\$ 77</b> | <b>\$ 925</b> | <b>\$ (19)</b>         |

**Table of Contents****Electric**

CECONY's results of electric operations for the six months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>     | <b>Six Months Ended</b>  |                          | <b>Variation</b> |
|----------------------------------|--------------------------|--------------------------|------------------|
|                                  | <b>June 30,<br/>2013</b> | <b>June 30,<br/>2012</b> |                  |
| Operating revenues               | \$3,686                  | \$3,696                  | \$(10)           |
| Purchased power                  | 900                      | 929                      | (29)             |
| Fuel                             | 94                       | 80                       | 14               |
| Net revenues                     | 2,692                    | 2,687                    | 5                |
| Operations and maintenance       | 1,116                    | 1,089                    | 27               |
| Depreciation and amortization    | 371                      | 348                      | 23               |
| Taxes, other than income taxes   | 710                      | 677                      | 33               |
| <b>Electric operating income</b> | <b>\$ 495</b>            | <b>\$ 573</b>            | <b>\$(78)</b>    |

CECONY's electric sales and deliveries, excluding off-system sales, for the six months ended June 30, 2013 compared with the 2012 period were:

| <b>Description</b>                     | <b>Millions of kWhs Delivered</b> |                          |                              |                             | <b>Revenues in Millions</b> |                              |                |               |
|--|-----------------------------------|--------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------|---------------|
|  | <b>Six Months Ended</b>           |                          | <b>Percent<br/>Variation</b> | <b>Six Months<br/>Ended</b> |                             | <b>Percent<br/>Variation</b> |                |               |
|  | <b>June 30,<br/>2013</b>          | <b>June 30,<br/>2012</b> |                              | <b>June 30,<br/>2013</b>    | <b>June 30,<br/>2012</b>    |                              |                |               |
| Residential/Religious <sup>(a)</sup>   | 4,565                             | 4,658                    | (93)                         | (2.0)%                      | \$ 1,222                    | \$ 1,188                     | \$ 34          | 2.9%          |
| Commercial/Industrial                  | 4,652                             | 4,653                    | (1)                          |                             | 926                         | 910                          | 16             | 1.8           |
| Retail access customers                | 12,350                            | 11,894                   | 456                          | 3.8                         | 1,184                       | 1,223                        | (39)           | (3.2)         |
| NYPA, Municipal Agency and other sales | 4,941                             | 5,276                    | (335)                        | (6.3)                       | 275                         | 276                          | (1)            | (0.4)         |
| Other operating revenues               |                                   |                          |                              |                             | 79                          | 99                           | (20)           | (20.2)        |
| <b>Total</b>                           | <b>26,508</b>                     | <b>26,481</b>            | <b>27</b>                    | <b>0.1%</b>                 | <b>\$ 3,686</b>             | <b>\$ 3,696</b>              | <b>\$ (10)</b> | <b>(0.3)%</b> |

(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 \$10 million in the six months ended June 30, 2013 compared with the 2012 period due primarily to lower purchased power costs (\$29 million), offset by higher revenues from the electric rate plan (\$6 million) and higher fuel costs (\$14 million). 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.

Electric delivery volumes in CECONY's service area increased 0.1 percent in the six months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY's service area decreased 1.0 percent in the six months ended June 30, 2013 compared with the 2012 period.

CECONY's electric purchased power costs decreased \$29 million in the six months ended June 30, 2013 compared with the 2012 period due to a decrease in purchased volumes (\$71 million), offset by an increase in unit costs (\$42 million). Electric fuel costs increased \$14 million in the six months ended June 30, 2013 compared with the 2012 period due to higher unit costs (\$9 million) and sendout volumes from the company's electric generating facilities (\$5 million).

CECONY's electric operating income decreased \$78 million in the six months ended June 30, 2013 compared with the 2012 period. The decrease reflects primarily higher taxes other than income taxes (\$33 million, principally property taxes), higher operations and maintenance costs (\$27

million), and higher depreciation and amortization (\$23 million), offset in

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part by higher net revenues (\$5 million, due primarily to the electric rate plan). Operations and maintenance expenses reflect higher operating costs attributable to weather-related events (\$13 million) and the movement of company underground facilities to accommodate municipal projects (\$3 million) and increases in surcharges that are collected in revenues from customers (\$6 million) and pension costs (\$3 million).

**Gas**

CECONY's results of gas operations for the six months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Six Months Ended |               | Variation    |
|--------------------------------|------------------|---------------|--------------|
|                                | June 30, 2013    | June 30, 2012 |              |
| Operating revenues             | \$ 991           | \$ 828        | \$ 163       |
| Gas purchased for resale       | 317              | 219           | 98           |
| Net revenues                   | 674              | 609           | 65           |
| Operations and maintenance     | 188              | 161           | 27           |
| Depreciation and amortization  | 64               | 59            | 5            |
| Taxes, other than income taxes | 126              | 114           | 12           |
| <b>Gas operating income</b>    | <b>\$ 296</b>    | <b>\$ 275</b> | <b>\$ 21</b> |

CECONY's gas sales and deliveries, excluding off-system sales, for the six months ended June 30, 2013 compared with the 2012 period were:

| Description                                | Thousands of dths Delivered |                |               |             | Revenues in Millions |               |               |              |
|--|-----------------------------|----------------|---------------|-------------|----------------------|---------------|---------------|--------------|
|  | Six Months Ended            |                | Variation     | Percent     | Six Months Ended     |               | Variation     | Percent      |
|  | June 30, 2013               | June 30, 2012  |               |             | June 30, 2013        | June 30, 2012 |               |              |
| Residential                                | 25,390                      | 21,619         | 3,771         | 17.4%       | \$ 452               | \$ 375        | \$ 77         | 20.5%        |
| General                                    | 18,092                      | 14,579         | 3,513         | 24.1        | 208                  | 173           | 35            | 20.2         |
| Firm transportation                        | 38,240                      | 31,886         | 6,354         | 19.9        | 252                  | 236           | 16            | 6.8          |
| <b>Total firm sales and transportation</b> | <b>81,722</b>               | <b>68,084</b>  | <b>13,638</b> | <b>20.0</b> | <b>912</b>           | <b>784</b>    | <b>128</b>    | <b>16.3</b>  |
| Interruptible sales <sup>(a)</sup>         | 5,610                       | 3,311          | 2,299         | 69.4        | 37                   | 24            | 13            | 54.2         |
| NYPA                                       | 23,167                      | 20,569         | 2,598         | 12.6        | 1                    | 1             |               |              |
| Generation plants                          | 26,318                      | 33,516         | (7,198)       | (21.5)      | 12                   | 14            | (2)           | (14.3)       |
| Other                                      | 13,747                      | 12,353         | 1,394         | 11.3        | 35                   | 21            | 14            | 66.7         |
| Other operating revenues                   |                             |                |               |             | (6)                  | (16)          | 10            | 62.5         |
| <b>Total</b>                               | <b>150,564</b>              | <b>137,833</b> | <b>12,731</b> | <b>9.2%</b> | <b>\$ 991</b>        | <b>\$ 828</b> | <b>\$ 163</b> | <b>19.7%</b> |

(a) Includes 2,198 and 2,075 thousands of dths for the 2013 and 2012 period, respectively, which are also reflected in firm transportation and other.

CECONY's gas operating revenues increased \$163 million in the six months ended June 30, 2013 compared with the 2012 period due primarily to an increase in gas purchased for resale costs (\$98 million) and higher revenues from the gas rate plan (\$56 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.

CECONY's sales and transportation volumes for firm customers increased 20.0 percent in the six months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company's service area increased 2.7 percent in the six months ended June 30, 2013.

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CECONY's purchased gas cost increased \$98 million in the six months ended June 30, 2013 compared with the 2012 period due to higher sendout volumes (\$56 million) and unit costs (\$42 million).

CECONY's gas operating income increased \$21 million in the six months ended June 30, 2013 compared with the 2012 period. The increase reflects primarily higher net revenue (\$65 million), offset by higher operations and maintenance expense (\$27 million, due primarily to an increase in the surcharges that are collected in revenues from customers (\$16 million) and the movement of

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company underground facilities to accommodate municipal projects (\$6 million)), higher taxes other than income taxes (\$12 million, principally property taxes and local revenue taxes) and higher depreciation and amortization (\$5 million).

**Steam**

CECONY's results of steam operations for the six months ended 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Six Months Ended |                  | Variation    |
|--------------------------------|------------------|------------------|--------------|
|                                | June 30,<br>2013 | June 30,<br>2012 |              |
| Operating revenues             | \$ 450           | \$ 346           | \$ 104       |
| Purchased power                | 24               | 21               | 3            |
| Fuel                           | 111              | 74               | 37           |
| Net revenues                   | 315              | 251              | 64           |
| Operations and maintenance     | 113              | 89               | 24           |
| Depreciation and amortization  | 33               | 32               | 1            |
| Taxes, other than income taxes | 54               | 53               | 1            |
| <b>Steam operating income</b>  | <b>\$ 115</b>    | <b>\$ 77</b>     | <b>\$ 38</b> |

CECONY's steam sales and deliveries for the six months ended June 30, 2013 compared with the 2012 period were:

| Description              | Millions of Pounds Delivered |                  |              |                   | Revenues in Millions |                  |              |                   |
|--------------------------|------------------------------|------------------|--------------|-------------------|----------------------|------------------|--------------|-------------------|
|                          | Six Months Ended             |                  | Variation    | Percent Variation | Six Months Ended     |                  | Variation    | Percent Variation |
|                          | June 30,<br>2013             | June 30,<br>2012 |              |                   | June 30,<br>2013     | June 30,<br>2012 |              |                   |
| General                  | 384                          | 293              | 91           | 31.1%             | \$21                 | \$16             | \$5          | 31.3%             |
| Apartment house          | 3,727                        | 3,042            | 685          | 22.5              | 126                  | 95               | 31           | 32.6              |
| Annual power             | 8,546                        | 7,513            | 1,033        | 13.7              | 326                  | 256              | 70           | 27.3              |
| Other operating revenues |                              |                  |              |                   | (23)                 | (21)             | (2)          | (9.5)             |
| <b>Total</b>             | <b>12,657</b>                | <b>10,848</b>    | <b>1,809</b> | <b>16.7%</b>      | <b>\$450</b>         | <b>\$346</b>     | <b>\$104</b> | <b>30.1%</b>      |

CECONY's steam operating revenues increased \$104 million in the six months ended June 30, 2013 compared with the 2012 period due primarily to the weather impact on revenues (\$47 million), higher fuel costs (\$37 million) and the net change in rates under the steam rate plans (\$17 million). Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans.

Steam sales and delivery volumes increased 16.7 percent in the six months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 2.9 percent in the six months ended June 30, 2013, reflecting lower average normalized use per customer.

CECONY's steam fuel costs increased \$37 million in the six months ended June 30, 2013 compared with the 2012 period due to higher unit costs (\$21 million) and sendout volumes (\$16 million). Steam purchased power costs increased \$3 million in the six months ended June 30, 2013 compared with the 2012 period due to an increase in unit costs (\$3 million).

Steam operating income increased \$38 million in the six months ended June 30, 2013 compared with the 2012 period. The increase reflects primarily higher net revenues (\$64 million), offset in part by higher operations and maintenance expense (\$24 million, due primarily to higher pension expense (\$15 million) and higher surcharges that are collected in revenues from customers (\$4 million)), higher depreciation and amortization (\$1 million) and higher taxes other than income taxes (\$1 million).





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| <i>(Millions of Dollars)</i>   | Six Months Ended<br>June 30, 2013 |              |              | Six Months Ended<br>June 30, 2012 |              |              | 2013-2012<br>Variation |
|--------------------------------|-----------------------------------|--------------|--------------|-----------------------------------|--------------|--------------|------------------------|
|                                | Electric                          | Gas          | Total        | Electric                          | Gas          | Total        |                        |
| Operating revenues             | \$ 291                            | \$ 117       | \$ 408       | \$ 257                            | \$ 117       | \$ 374       | \$ 34                  |
| Purchased power                | 101                               |              | 101          | 80                                |              | 80           | 21                     |
| Gas purchased for resale       |                                   | 40           | 40           |                                   | 37           | 37           | 3                      |
| Net revenues                   | 190                               | 77           | 267          | 177                               | 80           | 257          | 10                     |
| Operations and maintenance     | 113                               | 33           | 146          | 112                               | 34           | 146          |                        |
| Depreciation and amortization  | 20                                | 8            | 28           | 19                                | 7            | 26           | 2                      |
| Taxes, other than income taxes | 23                                | 9            | 32           | 22                                | 8            | 30           | 2                      |
| <b>Operating income</b>        | <b>\$ 34</b>                      | <b>\$ 27</b> | <b>\$ 61</b> | <b>\$ 24</b>                      | <b>\$ 31</b> | <b>\$ 55</b> | <b>\$ 6</b>            |

O&R's results of electric operations for the six months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>     | Six Months Ended |               | Variation    |
|----------------------------------|------------------|---------------|--------------|
|                                  | June 30, 2013    | June 30, 2012 |              |
| Operating revenues               | \$ 291           | \$ 257        | \$ 34        |
| Purchased power                  | 101              | 80            | 21           |
| Net revenues                     | 190              | 177           | 13           |
| Operations and maintenance       | 113              | 112           | 1            |
| Depreciation and amortization    | 20               | 19            | 1            |
| Taxes, other than income taxes   | 23               | 22            | 1            |
| <b>Electric operating income</b> | <b>\$ 34</b>     | <b>\$ 24</b>  | <b>\$ 10</b> |

O&R's electric sales and deliveries, excluding off-system sales, for the six months ended June 30, 2013 compared with the 2012 period were:

| Description                          | Millions of kWhs Delivered |               |             |                   | Revenues in Millions |               |              |                   |
|--------------------------------------|----------------------------|---------------|-------------|-------------------|----------------------|---------------|--------------|-------------------|
|                                      | Six Months Ended           |               | Variation   | Percent Variation | Six Months Ended     |               | Variation    | Percent Variation |
|                                      | June 30, 2013              | June 30, 2012 |             |                   | June 30, 2013        | June 30, 2012 |              |                   |
| Residential/Religious <sup>(a)</sup> | 727                        | 747           | (20)        | (2.7)%            | \$ 130               | \$ 113        | \$ 17        | 15.0%             |
| Commercial/Industrial                | 427                        | 489           | (62)        | (12.7)            | 62                   | 56            | 6            | 10.7              |
| Retail access customers              | 1,506                      | 1,430         | 76          | 5.3               | 87                   | 79            | 8            | 10.1              |
| Public authorities                   | 51                         | 57            | (6)         | (10.5)            | 5                    | 4             | 1            | 25.0              |
| Other operating revenues             |                            |               |             |                   | 7                    | 5             | 2            | 40.0              |
| <b>Total</b>                         | <b>2,711</b>               | <b>2,723</b>  | <b>(12)</b> | <b>(0.5)%</b>     | <b>\$ 291</b>        | <b>\$ 257</b> | <b>\$ 34</b> | <b>13.2%</b>      |

(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 \$34 million in the six months ended June 30, 2013 compared with the 2012 period due primarily to higher purchased power costs (\$21 million) and higher revenues from the New York electric rate plan (\$7 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

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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.

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Electric delivery volumes in O&R's service area decreased 0.5 percent in the six months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, electric delivery volumes in O&R's service area decreased 1.7 percent in the six months ended June 30, 2013 compared with the 2012 period.

Electric operating income increased \$10 million in the six months ended June 30, 2013 compared with the 2012 period. The increase reflects primarily higher net revenues (\$13 million), offset by higher operations and maintenance expense (\$1 million), higher depreciation and amortization (\$1 million) and higher taxes other than income taxes (\$1 million).

**Gas**

O&R's results of gas operations for the six months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | Six Months Ended |                  | Variation     |
|--------------------------------|------------------|------------------|---------------|
|                                | June 30,<br>2013 | June 30,<br>2012 |               |
| Operating revenues             | \$ 117           | \$ 117           | \$            |
| Gas purchased for resale       | 40               | 37               | 3             |
| Net revenues                   | 77               | 80               | (3)           |
| Operations and maintenance     | 33               | 34               | (1)           |
| Depreciation and amortization  | 8                | 7                | 1             |
| Taxes, other than income taxes | 9                | 8                | 1             |
| <b>Gas operating income</b>    | <b>\$ 27</b>     | <b>\$ 31</b>     | <b>\$ (4)</b> |

O&R's gas sales and deliveries, excluding off-system sales, for the six months ended June 30, 2013 compared with the 2012 period were:

| Description                                | Thousands of dths Delivered |                  |              |                   | Revenues in Millions |                  |           |                   |
|--|-----------------------------|------------------|--------------|-------------------|----------------------|------------------|-----------|-------------------|
|  | Six Months Ended            |                  | Variation    | Percent Variation | Six Months Ended     |                  | Variation | Percent Variation |
|  | June 30,<br>2013            | June 30,<br>2012 |              |                   | June 30,<br>2013     | June 30,<br>2012 |           |                   |
| Residential                                | 4,404                       | 3,681            | 723          | 19.6%             | \$ 57                | \$ 51            | \$ 6      | 11.8%             |
| General                                    | 951                         | 724              | 227          | 31.4              | 11                   | 9                | 2         | 22.2              |
| Firm transportation                        | 7,122                       | 5,949            | 1,173        | 19.7              | 46                   | 45               | 1         | 2.2               |
| <b>Total firm sales and transportation</b> | <b>12,477</b>               | <b>10,354</b>    | <b>2,123</b> | <b>20.5</b>       | <b>114</b>           | <b>105</b>       | <b>9</b>  | <b>8.6</b>        |
| Interruptible sales                        | 2,153                       | 2,255            | (102)        | (4.5)             | 2                    | 2                |           |                   |
| Generation plants                          | 366                         |                  | 366          | Large             |                      |                  |           |                   |
| Other                                      | 535                         | 441              | 94           | 21.3              |                      |                  |           |                   |
| Other gas revenues                         |                             |                  |              |                   | 1                    | 10               | (9)       | (90.0)            |
| <b>Total</b>                               | <b>15,531</b>               | <b>13,050</b>    | <b>2,481</b> | <b>19.0%</b>      | <b>\$ 117</b>        | <b>\$ 117</b>    | <b>\$</b> | <b>%</b>          |

O&R's gas operating revenues were the same as the 2012 period.

Sales and transportation volumes for firm customers increased 20.5 percent in the six months ended June 30, 2013 compared with the 2012 period. After adjusting for variations, principally weather and billing days, total firm sales and transportation volumes decreased 0.2 percent in the six months ended June 30, 2013 compared with the 2012 period.

Gas operating income decreased \$4 million in the six months ended June 30, 2013 compared with the 2012 period. The decrease reflects primarily lower net revenues (\$3 million), higher depreciation and amortization (\$1 million) and higher taxes other than income taxes (\$1 million), offset by lower operations and maintenance expense (\$1 million).

**Income Taxes**

Income taxes decreased \$5 million in the six months ended June 30, 2013 compared with the 2012 period due primarily to changes in estimates of accumulated deferred income taxes.

**Table of Contents****Competitive Energy Businesses**

The competitive energy businesses' results of operations for the six months ended June 30, 2013 compared with the 2012 period is as follows:

| <i>(Millions of Dollars)</i>   | <b>Six Months Ended</b>  |                          | <b>Variation</b> |
|--------------------------------|--------------------------|--------------------------|------------------|
|                                | <b>June 30,<br/>2013</b> | <b>June 30,<br/>2012</b> |                  |
| Operating revenues             | \$ 469                   | \$ 610                   | \$ (141)         |
| Purchased power                | 450                      | 480                      | (30)             |
| Gas purchased for resale       | 11                       | 2                        | 9                |
| Net revenues                   | 8                        | 128                      | (120)            |
| Operations and maintenance     | 45                       | 56                       | (11)             |
| Depreciation and amortization  | 10                       | 4                        | 6                |
| Taxes, other than income taxes | 9                        | 9                        |                  |
| <b>Operating income</b>        | <b>\$ (56)</b>           | <b>\$ 59</b>             | <b>\$ (115)</b>  |

The competitive energy businesses' operating revenues decreased \$141 million in the six months ended June 30, 2013 compared with the 2012 period, due primarily to the impact of the LILO transactions (\$70 million, see Lease In/Lease Out Transactions in Note H to the Second Quarter Financial Statements) and lower electric retail and wholesale revenues. Electric retail revenues decreased \$57 million, due to lower sales volume (\$72 million), offset by higher unit prices (\$15 million). Electric wholesale revenues decreased \$33 million in the six months ended June 30, 2013 as compared with the 2012 period, due to lower sales volumes (\$27 million) and unit prices (\$6 million). Net mark-to-market values decreased \$16 million in the six months ended June 30, 2013 as compared with the 2012 period, of which \$29 million in losses are reflected in purchased power costs and \$13 million in gains are reflected in revenues. Solar revenues increased \$14 million in the six months ended June 30, 2013 as compared with the 2012 period. Other revenues decreased \$8 million in the six months ended June 30, 2013 as compared with the 2012 period.

Purchased power costs decreased \$30 million in the six months ended June 30, 2013 compared with the 2012 period, due primarily to lower volumes (\$98 million), offset by higher unit prices (\$39 million) and changes in mark-to-market values (\$29 million).

Operating income decreased \$115 million in 2013 compared with 2012 due primarily to the impact of the LILO transactions (\$70 million), lower margins (\$29 million) and net mark-to-market effects (\$16 million).

**Net Interest Expense**

Net interest expense increased \$130 million in the six months ended June 30, 2013 compared with the 2012 period, due primarily to the impact of the LILO transactions. See Notes H and I to the Second Quarter Financial Statements.

**Income Taxes**

Income taxes decreased \$113 million in the six months ended June 30, 2013 compared with the 2012 period, due primarily to lower income before income tax expense and a tax benefit resulting from the acceptance by the IRS of the company's claim for manufacturing tax deductions (see Note I to the Second Quarter Financial Statements).

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**Item 3: Quantitative and Qualitative Disclosures About Market Risk**

For information about the Companies' primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks," in Part I, Item 2 of this report, which information is incorporated herein by reference.

**Item 4: 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.

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.

**Table of Contents****Part II Other Information****Item 1: Legal Proceedings**

For information about certain legal proceedings affecting the Companies, see Notes B, G and H to the financial statements in Part I, Item 1 of this report, which information is incorporated herein by reference.

**Item 1A: Risk Factors**

There were no material changes in the Companies' risk factors compared to those disclosed in Item 1A of the Form 10-K.

**Item 2: Unregistered Sales of Equity Securities and Use of Proceeds**

## ISSUER PURCHASES OF EQUITY SECURITIES

| <b>Period</b>                   | <b>Total<br/>Number of<br/>Shares (or<br/>Units)<br/>Purchased*</b> | <b>Average<br/>Price<br/>Paid<br/>per<br/>Share<br/>(or<br/>Unit)</b> | <b>Total<br/>Number<br/>of<br/>Shares<br/>(or<br/>Units)<br/>Purchased<br/>as Part of<br/>Publicly<br/>Announced<br/>Plans or<br/>Programs</b> | <b>Maximum<br/>Number<br/>(or<br/>Appropriate<br/>Dollar<br/>Value) of<br/>Shares (or<br/>Units)<br/>that<br/>May Yet<br/>Be<br/>Purchased<br/>Under the<br/>Plans or<br/>Programs</b> |
|---------------------------------|---|---|--|--|
| April 1, 2013 to April 30, 2013 | 185,844   | \$61.26   |  |  |
| May 1, 2013 to May 31, 2013     | 24,847  | 63.67   |  |  |
| June 1, 2013 to June 30, 2013   | 24,400  | 57.10   |  |  |
| <b>Total</b>                    | <b>235,091</b>  | <b>\$61.08</b>  |  |  |

\* Represents Con Edison common shares purchased in open-market transactions. The number of shares purchased approximated the number of treasury shares used for the company's employee stock plans.

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**Item 6: Exhibits**

**CON EDISON**

|                 |  |
|-----------------|--|
| Exhibit 10.1    | Consolidated Edison, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10 to Con Edison's Current Report on Form 8-K, dated May 20, 2013 File No. 1-14514).        |
| Exhibit 12.1    | Statement of computation of Con Edison's ratio of earnings to fixed charges for the six-month periods ended June 30, 2013 and 2012, and the 12-month period ended December 31, 2012. |
| Exhibit 31.1.1  | Rule 13a-14(a)/15d-14(a) Certifications Chief Executive Officer.   |
| Exhibit 31.1.2  | Rule 13a-14(a)/15d-14(a) Certifications Chief Financial Officer.   |
| Exhibit 32.1.1  | Section 1350 Certifications Chief Executive Officer.   |
| Exhibit 32.1.2  | Section 1350 Certifications Chief Financial Officer.   |
| Exhibit 101.INS | XBRL Instance Document.  |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema.  |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase.  |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase.   |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase.  |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase.   |

**CECONY**

|                 |  |
|-----------------|--|
| Exhibit 12.2    | Statement of computation of CECONY's ratio of earnings to fixed charges for the six-month periods ended June 30, 2013 and 2012, and the 12-month period ended December 31, 2012. |
| Exhibit 31.2.1  | Rule 13a-14(a)/15d-14(a) Certifications Chief Executive Officer.   |
| Exhibit 31.2.2  | Rule 13a-14(a)/15d-14(a) Certifications Chief Financial Officer.   |
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| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase.  |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase.   |

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, instruments defining the rights of holders of long-term debt of Con Edison's subsidiaries other than CECONY, the total amount of which does not exceed ten percent of the total assets of Con Edison and its subsidiaries on a consolidated basis, are not filed as exhibits to Con Edison's Form 10-K or Form 10-Q. Con Edison agrees to furnish to the SEC upon request a copy of any such instrument.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

DATE: August 1, 2013

By

/s/ Robert Hoglund  
**Robert Hoglund**

**Senior Vice President, Chief**

**Financial Officer and Duly**

**Authorized Officer**