FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended DECEMBER 31, 2004

or

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

For the transition period from ______________ to______________

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	**CONSOLIDATED EDISON, INC.** 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.** 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340
1-4315	**ORANGE AND ROCKLAND UTILITIES, INC.** One Blue Hill Plaza, Pearl River, New York 10965 (914) 352-6000	New York	13-1727729

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

Title of each class	Name of each exchange on which registered
CONSOLIDATED EDISON, INC., Common Shares ($.10 par value)	New York Stock Exchange
7.25% Public Income NotES (7.25% Debentures, Series 2002A) due 2042	New York Stock Exchange
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., 7.50% Public Income NotES (7.50% Debentures, Series 2001A) due 2041	New York Stock Exchange
$5 Cumulative Preferred Stock, without par value	New York Stock Exchange
Cumulative Preferred Stock, 4.65% Series C ($100 par value)	New York Stock Exchange

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

Title of each class

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
Cumulative Preferred Stock, 4.65% Series D ($100 par value)

Indicate by check mark whether each 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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Consolidated Edison, Inc. (Con Edison) Yes ☒ No ☐

Consolidated Edison Company of New York, Inc. (Con Edison of New York) Yes ☐ No ☒

Orange and Rockland Utilities, Inc. (O&R) Yes ☐ No ☒

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2004, was approximately $9.6 billion.

As of January 31, 2005, Con Edison had outstanding 242,567,337 Common Shares ($.10 par value).

All of the outstanding common equity of Con Edison of New York and O&R is held by Con Edison.

O&R meets the conditions specified in general instruction (I) (1) (a) and (b) of the Form 10-K and is therefore filing this form with the reduced disclosure format.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Con Edison's definitive proxy statement and Con Edison of New York's definitive information statement, for their respective Annual Meetings of Stockholders to be held on May 16, 2005, to be filed with the Commission pursuant to Regulation 14A and Regulation 14C, respectively, not later than 120 days after December 31, 2004, are incorporated in Part III of this report.

Filing Format

This Annual Report on Form 10-K is a combined report being filed separately by three different registrants: Consolidated Edison, Inc. (Con Edison), Consolidated Edison Company of New York, Inc. (Con Edison of New York) and Orange and Rockland Utilities, Inc. (O&R, and together with Con Edison of New York, collectively referred to in this combined report as the "Utilities"). Con Edison and Con Edison of New York file reports required by Section 13 of the Securities Exchange Act of 1934. O&R is not required to file such reports since it has no securities registered under Section 12 of the Act and its duty under Section 15(d) of the Act to file reports was automatically suspended because at the beginning of 2005 it had fewer than 300 security holders of record for each class of its securities that had been registered under the Securities Act of 1933. O&R is filing this report voluntarily. O&R intends to discontinue filing reports during 2005.

The Utilities are subsidiaries of Con Edison and, as such, the information in this report about each of the Utilities also applies to Con Edison. As used in this report, the term the "Companies" refers to each of the three separate registrants: Con Edison, Con Edison of New York and O&R. However, neither of the Utilities makes any 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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* O&R is omitting this information pursuant to General Instruction I of Form 10-K.

GLOSSARY OF TERMS

THE FOLLOWING IS A GLOSSARY OF FREQUENTLY USED ABBREVIATIONS OR ACRONYMS THAT ARE FOUND THROUGHOUT THIS REPORT:

Con Edison Companies	
Con Edison	Consolidated Edison, Inc.
Con Edison Communications	Con Edison Communications, LLC.
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison of New York	Consolidated Edison Company of New York, 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, Con Edison of New York and O&R
The Utilities	Con Edison of New York and O&R
Regulatory and State Agencies	
DEC	New York State Department of Environmental Conservation
ECAR	East Central Area Reliability Council
EPA	Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
NEPOOL	New England Power Pool
NJBPU	New Jersey Board of Public Utilities
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSERDA	New York State Energy Research and Development Authority
PJM	PJM Interconnection
PSC	New York State Public Service Commission
PPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission
Other	
ABO	Accumulated Benefit Obligation
APB	Accounting Principles Board
AFDC	Allowance for funds used during construction
CO2	Carbon dioxide
EITF	Emerging Issues Task Force
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation No.
GHG	Greenhouse gases
KV	Kilovolts
kWh	Kilowatt-hour
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
mdths	Thousand dekatherms
MVA	Megavolt amperes
MW	Megawatts or thousand kilowatts
NYAG	New York Attorney General
NUGs	Non-utility generators
OCI	Other Comprehensive Income
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
PUHCA	Public Utility Holding Company Act of 1935
SFAS	Statement of Financial Accounting Standards
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes
VaR	Value-at-Risk

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Incorporation by Reference

Information in other Items of this report as to which reference is made in this Item 1 is hereby incorporated by reference in this Item 1. The use of terms such as "see" or "refer to" shall be deemed to incorporate into this Item 1 the information to which such reference is made.

Available Information

Con Edison, Con Edison of New York and O&R file annual, quarterly and current reports, proxy or information statements and other information with the Securities and Exchange Commission (SEC). The public may read and copy any materials that the companies file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers (including Con Edison, Con Edison of New York and O&R) that file electronically with the SEC. The address of that site is http://www.sec.gov.

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

The Investor Information section of Con Edison's website also includes the company's code of ethics (and any waivers of the code for executive officers or directors), corporate governance guidelines and the charters of the following committees of the company's Board of Directors: Audit Committee, Management Development and Compensation Committee and Corporate Governance and Nominating Committee. This information is available in print to any shareholder who requests it. Requests should be directed to: Corporate Secretary, Consolidated Edison, Inc., 4 Irving Place, New York, NY 10003.

Information on the Companies' websites is not incorporated herein.

CON EDISON

Corporate Overview

Consolidated Edison, Inc. (Con Edison), incorporated in New York State in 1997, owns all of the outstanding common stock of Consolidated Edison Company of New York, Inc. (Con Edison of New York) and Orange and Rockland Utilities, Inc. (O&R). Con Edison of New York and O&R, which are regulated utilities, are referred to in this report as the "Utilities" and, together with Con Edison, the "Companies." Con Edison has no significant business operations other than those of the Utilities and Con Edison's unregulated subsidiaries. See "Corporate Overview" in Item 7.

Operating Segments

Con Edison's principal business segments are Con Edison of New York's regulated electric, gas and steam utility segments, O&R's regulated electric and gas utility segments and the unregulated businesses of Con Edison's other subsidiaries. In 2004, the operating revenues of the Utilities were 89 percent of Con Edison's operating revenues. For a discussion of operating revenues and operating income for each segment, see "Results of Operations" in Item 7. For additional segment information see Note O to the financial statements in Item 8 and the discussions of Utilities below in this Item 1.

Regulation

The Utilities are subject to extensive federal and state regulation, including by state utility commissions and the Federal Energy Regulatory Commission (FERC). Con Edison, itself, is not subject to such regulation except to the extent that the rules or orders of these agencies impose restrictions on relationships between Con Edison and the Utilities. See "Regulation" in the discussion below of Con Edison of New York's business in this Item 1.

Con Edison is a “holding company” under the Public Utility Holding Company Act of 1935 (PUHCA). Con Edison is exempt from all provisions of PUHCA, except Section 9(a)(2) (which requires SEC approval for a direct or indirect acquisition of five percent or more of the voting securities of any other electric or gas utility company), on the basis that Con Edison and the Utilities are organized and carry on their utility businesses substantially in the State of New York and that it does not derive any material part of its income from a public utility company organized outside of the State of New York. This exemption is available even though Con Edison subsidiaries that are neither an “electric utility company” nor a “gas utility company,” as defined under PUHCA engage in interstate activities.

Con Edison has been and is expected to continue to be impacted by legislative and regulatory developments. The Utilities are subject to extensive regulation in New York, New Jersey and Pennsylvania. Changes in regulation or legislation applicable to Con Edison’s subsidiaries could have a material adverse effect on the Companies. See “Regulatory Matters” in Item 7.

Competition

See “Competition,” below in the discussion of the businesses of the Utilities in this Item 1 and “Unregulated Subsidiaries,” below.

Unregulated Subsidiaries

Con Edison has three unregulated energy subsidiaries: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a retail energy supply and services company that sells energy to delivery customers of utilities, including Con Edison of New York and O&R; Consolidated Edison Energy, Inc. (Con Edison Energy), a wholesale energy supply company; Consolidated Edison Development, Inc. (Con Edison Development), a company that owns and operates generating plants and energy and other infrastructure projects. These subsidiaries participate in competitive energy supply and services businesses that are subject to different risks than those found in the businesses of the Utilities. The unregulated energy subsidiaries accounted for almost 11 percent of consolidated operating revenues and 7 percent of consolidated total assets during 2004. For a discussion of the unregulated subsidiaries’ operating revenues and operating income, see “Results of Operations—Unregulated Subsidiaries and Other” in Item 7.

In December 2004, after a comprehensive strategic review, Con Edison entered into an agreement to sell its other unregulated subsidiary, Con Edison Communications, LLC for $37 million, subject to certain adjustments. Con Edison expects to complete the sale in 2005 following review or approval by the City of New York, the PSC and various federal, state and local regulators. The contemplated sale will not result in a significant after-tax gain or loss. See Note W to the financial statements.

Capital Requirements and Financing

For information about Con Edison’s capital requirements, financing and securities ratings, see “Liquidity and Capital Resources—Capital Resources and Capital Requirements” and “Financial and Commodity Market Risks” in Item 7. Securities ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities. A securities rating is subject to revision or withdrawal at any time by the assigning rating organization.

State Anti-takeover Law

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

Employees

Con Edison has no employees other than those of Con Edison of New York, O&R and Con Edison’s unregulated subsidiaries (which at December 31, 2004 had 12,715, 1,045 and 336 employees, respectively).

In June 2004, the Utilities reached collective bargaining agreements covering essentially all of their employees that are union members (about two-thirds of each of the company’s employees).

CON EDISON OF NEW YORK

Corporate Overview

Con Edison of New York, incorporated in New York State in 1884, is a subsidiary of Con Edison and has no significant subsidiaries of its own. Con Edison of New York provides electric service 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. It also provides gas service in Manhattan, the Bronx and parts of Queens and Westchester, and steam service in parts of Manhattan.

Operating Segments

Con Edison of New York’s principal business segments are its regulated electric, gas and steam businesses. In 2004, electric, gas and steam operating revenues were 77 percent, 16 percent and 7 percent, respectively, of its operating revenues. For a discussion of the company’s operating revenues and operating income for each segment, see “Results of Operations” in Item 7. For additional information about the segments, see Note O to the financial statements in Item 8.

Electric Operations

Electric Sales. Electric operating revenues were $6 billion in 2004 or 77 percent of Con Edison of New York’s operating revenues. The percentages were 78 and 80 percent, respectively, in the two preceding years. In 2004, 55 percent of the electricity delivered by Con Edison of New York in its service areas was sold by the company to its full-service customers, 45 percent was sold by other suppliers, including Con Edison Solutions, an unregulated subsidiary of Con Edison, to the company's customers under its electric retail access program and the balance was delivered to the state and municipal customers of the New York Power Authority (NYPA) and the economic development customers of municipal electric agencies. The company charges essentially its cost for the electricity it sells to full-service customers, and it charges all customers in its service area for the delivery of electricity.

For additional information about electricity sales, see "Operating Statistics," below, and "Results of Operations" in Item 7.

Electric Peak Load. The electric peak load in Con Edison of New York's service area occurs during the summer air conditioning season. The 2004 service area peak load, which occurred on June 9, was 11,327 thousand kilowatts (MW). The 2004 peak load included an estimated 6,407 MW for Con Edison of New York's full-service customers, 3,070 MW for customers participating in its electric retail access program and 1,850 MW for NYPA's customers and municipal electric agency customers. If adjusted to historical design weather conditions, the 2004 peak load would have been 12,775 MW. "Design weather" for the electric system is a standard to which the actual peak load is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2005 service area peak load will be 13,025 MW, including an estimated 7,370 MW for its full-service customers, 3,530 MW for its electric retail access customers and 2,125 MW for NYPA's customers and municipal electric agency customers.

Electric Supply. Most of the electricity sold by Con Edison of New York to its customers in 2004 was purchased under firm power contracts or through the wholesale electricity market administered by the New York Independent System Operator (NYISO). The firm power contracts were primarily with non-utility generators (NUGs).

The company plans to meet its continuing obligation to supply electricity to its customers with electric energy purchased under contracts with NUGs or others, generated from its electric generating facilities or purchased through the NYISO's wholesale electricity market.

For additional information about electric power purchases, see "Regulatory Matters" and "Electric Power Requirements" in Item 7 and "Recoverable Energy Costs" in Note A to the financial statements in Item 8.

For information about the company's contracts with NUGs for approximately 2,060 MW of electric generating capacity, see Note I to the financial statements in Item 8.

For information about the company's 565 MW of electric generating facilities, see Item 2.

The NYISO is a not-for-profit organization that controls and operates most of the electric transmission facilities in New York State, including those of Con Edison of New York, as an integrated system and administers a wholesale market for electricity in New York State. Pursuant to criteria that are reviewed annually, the NYISO requires that entities supplying electricity to customers in New York

State have generating capacity (either owned or contracted for) in an amount that is at least 18 percent above the expected peak load for their customers. In addition, the NYISO has determined that entities that serve customers in New York City must have enough New York City-located capacity to cover 80 percent of their New York City customer peak loads. Con Edison of New York met the requirements applicable to it in 2004 and expects to meet them in 2005.

Gas Operations

Gas Sales. Gas operating revenues in 2004 were $1 billion or 16 percent of Con Edison of New York's operating revenues. The percentages were 16 percent and 14 percent, respectively, in the two preceding years. In 2004, 52 percent of the gas delivered by the company in its service area was sold by the company to its full-service (firm and interruptible) customers and 48 percent was sold by other suppliers, including Con Edison Solutions. For additional information about gas sales, see "Operating Statistics," below, and "Results of Operations" in Item 7.

Gas Requirements and Peak Load. Firm demand for gas in Con Edison of New York's service area peaks during the winter heating season. The "design criteria" for the company's gas system assume severe weather conditions, which have not occurred since the 1933-34 winter. Under these criteria, the company estimated that its requirements to deliver gas to firm customers during the November 2004/March 2005 winter heating season would amount to 82,700 thousand dekatherms (mdths) (including 68,300 mdths to its firm sales customers and 14,400 mdths to its firm transportation customers). Through January 31, 2005, the company's peak throughput day in this heating season occurred on December 20, 2004 when it delivered 1,089 mdths of gas (including 695 mdths to its firm sales customers, 10 mdths to NYPA, 235 mdths to its transportation customers and 149 mdths for use by the company in generating electricity and steam).

Under its design criteria, the company projects that for the November 2005/March 2006 winter heating season, its requirements for firm gas customers will amount to 84,800 mdths (including 64,100 mdths to firm sales customers and 20,700 mdths to firm transportation customers) and that the peak day requirements for these customers will amount to 1,016 mdths. The company expects to be able to meet these requirements.

Gas Supply. Con Edison of New York and O&R have established a combined gas supply and capacity portfolio. The combined portfolio is administered by, and related management services are provided by, Con Edison of New York (for itself and as agent for O&R) and costs are allocated between the Utilities in accordance with provisions approved by the New York State Public Service Commission (PSC). See Note U to the financial statements in Item 8.

Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The contracts are for various terms extending to 2008. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation and storage services. Charges under these contracts are approved by the

FERC. The contracts are for various terms extending to 2013. The Utilities are required to pay certain charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately $157 million in 2004. See “Liquidity and Capital Resources—Contractual Obligations” in Item 7. In addition, the Utilities purchase gas on the spot market and have interruptible gas transportation contracts. See “Recoverable Energy Costs” in Note A to the financial statements in Item 8.

Steam Operations

Steam Sales. Con Edison of New York sells steam in Manhattan south of 96th Street, mostly to large office buildings, apartment houses and hospitals. In 2004, steam operating revenues were $550 million or 7 percent of the company’s operating revenues. The percentages were 6 percent in the two preceding years.

For additional information about Con Edison of New York’s steam operations, see “Regulatory Matters—Steam” and “Results of Operations—Steam” in Item 7, the discussion of Con Edison of New York’s steam facilities in Item 2 and “Operating Statistics,” below.

Steam Peak Load and Capacity. Demand for steam in Con Edison of New York’s service area peaks during the winter heating season. The one-hour peak demand during the winter of 2004/2005 (through January 31, 2005) occurred on January 28, 2005 when the load reached 9.6 million pounds (mlbs) per hour. The company’s estimate for the winter of 2005/2006 peak demand of its steam customers is 10.4 mlbs per hour under design criteria, which assume severe weather.

On December 31, 2004, the steam system had the capability of delivering about 11.9 mlbs of steam per hour. Con Edison of New York estimates that the system will have the capability to deliver 12.6 mlbs of steam per hour in the 2005/2006 winter.

Steam Supply. 49 percent of the steam sold by Con Edison of New York in 2004 was produced in the company’s steam-only generating stations; 36 percent was produced in the company’s steam/electric generating stations, where it is first used to generate electricity; and 15 percent was purchased from others. See Item 2 for a discussion of Con Edison of New York’s steam facilities.

Regulation

The PSC regulates, among other things, Con Edison of New York’s electric, gas and steam rates, the siting of its transmission lines and the issuance of its securities. Certain activities of the company are subject to the jurisdiction of the FERC. In addition, various matters relating to the construction and operations of the company’s facilities are subject to regulation by other governmental agencies. Changes in regulation or legislation applicable to the company could have a material adverse effect on the company. For additional information, including information about the company’s electric, gas and steam rates, see “Regulatory Matters” in Item 7.

The PSC from time to time conducts “generic” proceedings to consider issues relating to all electric and gas utilities operating in New York State. Pending proceedings include those relating to utilities exiting the business of selling electric energy and gas at retail (including an examination of utilities' provider of last resort responsibility and consumer protections) and addressing any rate disincentives to the promotion of energy efficiency and distributed generation. The company typically is an active participant in such proceedings. The company does not expect that the pending proceedings will have a material adverse effect on its financial position, results of operation or liquidity.

In 2004, the PSC issued an order in a generic proceeding addressing its program with respect to the State's goal of increasing to 25 percent (from approximately 19 percent at the end of 2004) the portion of electricity used in the State provided from renewable energy resources. New York State Energy Research and Development Authority (NYSERDA) will be responsible for procuring the new renewable energy resources, and the cost of the program (including NYSERDA's administrative fee) will be covered by a charge imposed on the delivery customers of each of the utilities in the State. Also in 2004, new requirements for annual testing and inspections of electric related infrastructure were adopted. See "Other Regulatory Matters" in Note B to the financial statements included in Item 8 (which information is incorporated herein by reference).

Competition

Con Edison of New York is primarily a "wires and pipes" energy delivery company that:

- has sold most of its electric generating capacity;
- provides its customers the opportunity to buy electricity and gas from other suppliers;
- purchases most of the electricity and all of the gas it sells to its full-service customers (the cost of which is recovered pursuant to provisions approved by the PSC); and
- provides energy delivery services to customers pursuant to rate provisions approved by the PSC.

See "Rate and Restructuring Agreements" in Note B and "Recoverable Energy Costs" in Note A to the financial statements in Item 8.

The company's electric, gas and steam rates are among the highest in the country.

Competition from suppliers of oil and other sources of energy, including distributed generation (such as fuel cells and micro-turbines) may provide alternatives for Con Edison of New York delivery customers. The company does not consider it reasonably likely that another company would be authorized to provide utility delivery service where the company already provides service. Any such other company would need to obtain PSC consent, satisfy applicable local requirements and install facilities to provide the service. The new company would also be subject to extensive ongoing regulation by the PSC.

Capital Requirements and Financing

For information about Con Edison of New York's capital requirements, financing and securities ratings, see "Liquidity and Capital Resources—Capital Resources and Capital Requirements" and "Financial and Commodity Market Risks" in Item 7.

Securities ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities. A securities rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Environmental Matters

Hazardous substances, such as asbestos, polychlorinated biphenals (PCBs) and coal tar, have been used or generated in the course of operations of Con Edison of New York and its 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. See "Asbestos" and "Superfund" in the discussion of Con Edison of New York's legal proceedings in Item 3 and Note G to the financial statements in Item 8.

Con Edison of New York's capital expenditures for environmental protection facilities and related studies were $84 million in 2004 and are estimated to be $90 million in 2005.

In April 2000, Con Edison of New York entered into a Stipulation and Order of Consent with the United States Attorney for the Southern District of New York in connection with its response to the release of PCB's during the September 1998 transformer fire at the Arthur Kill Generating Station site that it sold in 1999. Among other things, the company agreed to maintain an effective environmental compliance program.

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

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

Greenhouse Gas Emissions. The potential for adverse effects from global warming associated with the atmospheric release of greenhouse gases (GHG), particularly carbon dioxide (CO2), from industrial sources may result in legislation or regulations requiring utilities to reduce GHG emissions from power plants and take other steps to offset GHG emissions from other sources. Con Edison of New York minimizes GHG emissions from its generating plants through the use of oil and gas fuels and the application of cogeneration technologies that reduce GHG emissions per unit of energy output. The company's GHG emissions also include sulfur hexafluoride (used for arc suppression at substations) and methane (from operation of its gas delivery system), which the company is working voluntarily with EPA to reduce. The cost to comply with any new legislation or regulations limiting the company's GHG emissions could be substantial.

Con Edison of New York

OPERATING STATISTICS

	Year Ended December 31,				
	2004	*2003*	*2002*	*2001*	*2000*
ELECTRIC ENERGY (MWH)					
Generated	1,441,498	1,077,681	1,259,533	6,793,393	3,259,790
Purchased from others	30,221,137	31,717,254	32,712,723	27,877,154	35,780,429
TOTAL GENERATED AND PURCHASED	31,662,635	32,794,935	33,972,256	34,670,547	39,040,219
Less: Used by Company	168,533	175,965	172,873	187,773	191,445
Distribution losses and other variances	1,623,682	1,893,403	2,008,530	1,931,694	2,768,249
NET GENERATED AND PURCHASED	29,870,420	30,725,567	31,790,853	32,551,080	36,080,525
Electric Energy Sold					
Residential	12,672,847	12,440,663	12,481,689	12,048,743	11,637,167
Commercial and industrial	16,966,448	18,033,468	19,110,770	19,839,340	19,930,376
Railroads and railways	19,308	18,193	55,186	16,003	95,457
Public authorities	209,699	135,758	125,651	150,069	257,706
Con Edison of New York full service customers	29,868,302	30,628,082	31,773,296	32,054,155	31,920,706
Off-System Sales (a)	2,118	97,485	17,557	496,925	4,159,819
TOTAL ELECTRIC ENERGY SOLD	29,870,420	30,725,567	31,790,853	32,551,080	36,080,525
ELECTRIC ENERGY DELIVERED					
Con Edison of New York full service customers	29,868,302	30,628,082	31,773,296	32,054,155	31,920,706
Delivery service for retail access customers	14,143,045	12,636,520	11,925,752	10,520,219	9,321,630
Delivery service to NYPA customers and others	10,034,301	9,823,018	9,504,526	9,815,259	9,631,618
Delivery service for municipal agencies	696,041	647,388	762,660	660,220	526,816
TOTAL DELIVERIES IN FRANCHISE AREA	54,741,689	53,735,008	53,966,234	53,049,853	51,400,770
AVERAGE ANNUAL KWHR USE PER RESIDENTIAL CUSTOMER (b)	4,700	4,622	4,652	4,502	4,372
AVERAGE REVENUE PER KWHR SOLD (CENTS)					
RESIDENTIAL (b)	18.9	19.4	17.0	18.1	18.5
COMMERCIAL AND INDUSTRIAL (b)	16.0	16.3	14.4	15.6	15.5

(a) For 2000, included sales to Con Edison Solutions. See “Unregulated Subsidiaries,” above.
(b) Includes Municipal Agency sales.

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Con Edison of New York

OPERATING STATISTICS (CONTINUED)

	Year Ended December 31, 2004	2003	2002	2001	2000
GAS (DTH)					
Purchased	137,605,722	145,325,065	134,126,768	140,633,193	157,800,083
Storage - net change	(1,331,154)	(5,516,703)	5,728,684	(6,474,137)	774,660
Used as boiler fuel at Electric and Steam Stations	(29,435,890)	(27,362,620)	(29,386,788)	(27,725,598)	(27,674,312)
GAS PURCHASED FOR RESALE	106,838,678	112,445,742	110,468,664	106,433,458	130,900,431
Less: Gas used by the company	364,142	383,312	323,915	299,057	294,937
Off-System Sales & NYPA	6,062,145	4,007,592	16,120,307	12,666,668	29,563,339
Distribution losses and other variances	2,769,000	4,023,631	4,555,763	(2,887,761)	7,060,117
TOTAL GAS PURCHASED FOR CON EDISON OF NEW YORK CUSTOMERS	97,643,391	104,031,207	89,468,679	96,355,494	93,982,038
GAS SOLD					
Firm Sales					
Residential	48,569,514	51,943,706	44,162,920	46,506,365	47,602,792
General	35,886,544	36,840,304	32,681,926	35,118,342	30,468,676
TOTAL FIRM SALES	84,456,058	88,784,010	76,844,846	81,624,707	78,071,468
Interruptible Sales	13,187,333	15,247,197	12,623,833	14,730,787	15,910,570
TOTAL GAS SOLD TO CON EDISON OF NEW YORK CUSTOMERS	97,643,391	104,031,207	89,468,679	96,355,494	93,982,038
Transportation of customer-owned gas					
Firm transportation	16,795,124	16,485,309	15,695,403	14,279,816	18,215,120
NYPA	18,622,910	23,360,162	25,466,325	13,762,339	19,857,321
Other	63,306,409	61,575,954	99,815,203	78,709,049	97,155,425
Off-System Sales (a)	266,907	459,088	8,354,940	6,206,522	23,067,713
TOTAL SALES AND TRANSPORTATION	196,634,741	205,911,720	238,800,550	209,313,220	252,277,617
AVERAGE REVENUE PER DTH SOLD					
RESIDENTIAL	$ 13.94	$ 13.02	$ 12.30	$ 14.25	$ 11.62
GENERAL	$ 10.75	$ 10.23	$ 8.90	$ 10.76	$ 8.44
STEAM SOLD (MLBS)	26,128,644	26,248,361	24,519,476	25,327,694	26,733,260
AVERAGE REVENUE PER MLB SOLD	$ 20.34	$ 19.47	$ 15.52	$ 18.86	$ 16.37
CUSTOMERS - AVERAGE FOR YEAR					
Electric	3,152,023	3,137,301	3,117,542	3,100,642	3,078,648
Gas	1,041,454	1,053,946	1,054,312	1,051,540	1,051,555
Steam	1,811	1,825	1,838	1,853	1,861

(a) The reduction in off-system sales in 2001, compared with 2000, reflects the release of excess capacity to marketers participating in the company's retail access program. Further reductions resulted from combining the Utilities' gas purchasing activities, which had the effect of reducing excess capacity available for off-system sales.

O&R

General Nature and Scope of Business

O&R, a subsidiary of Con Edison incorporated in New York State in 1926, has two wholly-owned utility subsidiaries, Rockland Electric Company (RECO), a New Jersey corporation, and Pike County Light & Power Company (Pike), a Pennsylvania corporation.

O&R and its utility subsidiaries provide electric service in southeastern New York and in adjacent areas of northern New Jersey and eastern Pennsylvania, an approximately 1,350 square mile service area. They also provide gas service in southeastern New York and adjacent areas of eastern Pennsylvania. O&R's business is subject to regulation by the PSC, the New Jersey Board of Public Utilities (NJBPU), Pennsylvania Public Utility Commission (PPUC) and the FERC. Changes in regulation or legislation applicable to O&R could have a material adverse effect on the company's financial position, results of operations or liquidity.

O&R's principal business segments are its regulated electric and gas utility businesses. In 2004, electric and gas operating revenues were 71 percent and 29 percent, respectively, of its operating revenues.

Competition

O&R is primarily a "wires and pipes" energy delivery company that:

- has sold its electric generating capacity;
- provides its customers the opportunity to buy electricity and gas from other suppliers;
- purchases the electricity and gas it supplies to its full-service customers (the cost of which is recovered pursuant to provisions approved by the PSC, NJBPU or PPUC); and
- provides energy delivery services to customers pursuant to rate provisions approved by the PSC.

See "Rate and Restructuring Agreements" in Note B and "Recoverable Energy Costs" in Note A to the financial statements in Item 8.

Competition from suppliers of oil and other sources of energy, including distributed generation (such as fuel cells and micro-turbines) may provide alternatives for O&R delivery customers. The company does not consider it reasonably likely that another company would be authorized to provide utility delivery service where the company already provides service. Any such other company would need to obtain the consent of the applicable state utility commission, satisfy applicable local requirements and install facilities to provide the service. The new company would also be subject to extensive ongoing regulation by the applicable state utility commission.

For additional information about O&R's business, see the discussion of O&R's results of operations in Item 7 and the notes to the financial statements in Item 8. For information about O&R's legal proceedings, see Item 3.

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O&R

OPERATING STATISTICS

	Year Ended December 31,				
	2004	2003	2002	2001	2000
ELECTRIC ENERGY (MWH)					
Purchased from others	4,113,021	4,388,804	4,506,217	4,565,551	4,879,400
TOTAL PURCHASED	4,113,021	4,388,804	4,506,217	4,565,551	4,879,400
Less: Supplied without direct charge	7	11	9	6	20
Used by company	14,174	15,511	13,435	14,572	19,337
Distribution losses and other variances	216,946	215,615	173,397	101,461	410,469
NET GENERATED AND PURCHASED	3,881,894	4,157,667	4,319,376	4,449,512	4,449,574
ELECTRIC ENERGY SOLD					
Residential	1,729,095	1,769,421	1,815,241	1,772,552	1,881,680
Commercial and industrial	2,045,800	2,276,973	2,393,039	2,566,651	2,463,744
Public authorities	106,999	111,273	111,096	110,309	104,150
Total sales to Orange & Rockland customers	3,881,894	4,157,667	4,319,376	4,449,512	4,449,574
TOTAL ELECTRIC ENERGY SOLD	3,881,894	4,157,667	4,319,376	4,449,512	4,449,574
Total sales to Orange & Rockland customers	3,881,894	4,157,667	4,319,376	4,449,512	4,449,574
Delivery service for Retail Choice customers	1,860,661	1,454,794	1,235,048	798,814	606,794
TOTAL SALES IN FRANCHISE AREA	5,742,555	5,612,461	5,554,424	5,248,326	5,056,368
AVERAGE ANNUAL KWH USE PER RESIDENTIAL CUSTOMER	8,818	8,955	8,801	8,506	7,854
AVERAGE REVENUE PER KWH SOLD (CENTS)					
RESIDENTIAL	12.35	12.17	11.23	12.79	12.22
COMMERCIAL AND INDUSTRIAL	9.89	9.81	8.65	10.04	9.93

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O&R

Operating Statistics (continued)

	Year Ended December 31, 2004	2003	2002	2001	2000
GAS (DTH)					
Purchased	15,732,315	16,546,568	19,723,917	18,588,275	25,042,346
Storage - net change	(237,000)	1,112,011	(2,139,045)	854,482	(1,099,134)
GAS PURCHASED FOR RESALE	15,495,315	17,658,579	17,584,872	19,442,757	23,943,212
Less: Gas used by the company	58,823	52,377	56,939	45,979	57,828
Distribution losses and other variances	406,863	376,605	856,036	578,187	841,295
TOTAL GAS PURCHASED FOR O&R CUSTOMERS	15,029,629	17,229,597	16,671,897	18,818,591	23,044,089
GAS SOLD					
Firm Sales					
Residential	9,486,765	10,810,384	10,203,403	11,724,341	14,281,013
General	2,487,197	3,314,154	3,294,624	3,750,851	4,080,178
TOTAL FIRM SALES	11,973,962	14,124,538	13,498,027	15,475,192	18,361,191
Interruptible Sales	3,055,667	3,105,059	3,173,870	3,343,399	3,653,684
Sales to Con Edison	-	-	-	-	1,029,214
TOTAL GAS SOLD TO O&R CUSTOMERS	15,029,629	17,229,597	16,671,897	18,818,591	23,044,089
Transportation of customer-owned gas					
Firm transportation	9,930,731	8,497,814	6,367,990	4,723,695	3,415,804
Interruptible transportation	3,940,332	3,728,018	4,192,062	3,920,901	4,222,835
Sales for resale	1,067,953	1,133,649	1,057,156	1,039,083	1,138,937
Sales to divested electric generating Stations	659,449	2,833,322	13,983,048	11,427,428	11,640,751
Off-System Sales	53,692	373,686	2,883,913	2,526,829	4,984,794
TOTAL SALES AND TRANSPORTATION	30,681,786	33,796,086	45,156,066	42,456,527	48,447,210
AVERAGE REVENUE PER DTH SOLD					
RESIDENTIAL	$ 11.84	$ 10.41	$ 8.29	$ 10.29	$ 8.32
GENERAL	$ 11.27	$ 10.00	$ 7.87	$ 9.73	$ 7.65
CUSTOMERS - AVERAGE FOR YEAR					
Electric	290,905	288,746	285,519	282,191	278,851
Gas	123,505	122,565	121,437	120,108	118,707

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ITEM 2. PROPERTIES

CON EDISON

Con Edison has no significant properties other than those of the Utilities and Con Edison's unregulated subsidiaries.

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

CON EDISON OF NEW YORK

Electric Facilities

Generating Facilities. Con Edison of New York's electric generating facilities consist of plants located in New York City with an aggregate capacity of 565 MW. The company expects to have sufficient amounts of gas and fuel oil available in 2005 for use in these facilities. In addition, the company's East River Repowering Project, which is expected to be placed in service in 2005, will add incremental electric capacity of 200 MW based on a winter nominal rating (125 MW based on a summer nominal rating).

Transmission Facilities. Con Edison of New York's transmission facilities, other than those located underground, are controlled and operated by the NYISO. See "Electric Operations—Electric Supply" in Item 1 (which information is incorporated herein by reference). At December 31, 2004, Con Edison of New York's transmission system had 432 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 138 miles of underground circuits operating at 138 and 345 kV. There are 267 miles of radial subtransmission circuits operating at 69 kV and above. The company's 14 transmission substations supplied by circuits operated at 69kV and above, have a total transformer capacity of 15,731 MVA. The company's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State.

Con Edison of New York has transmission interconnections with Niagara Mohawk, Central Hudson Gas & Electric Corporation, O&R, New York State Electric and Gas Corporation, Connecticut Light and Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

Distribution Facilities. Con Edison of New York owns various distribution substations and facilities located throughout New York City and Westchester County. At December 31, 2004, the company's distribution system had a transformer capacity of 26,500 MVA, with 33,011 miles of overhead distribution lines and 91,255 miles of underground distribution lines.

Gas Facilities

Natural gas is delivered by pipeline to Con Edison of New York at various points in its service territory and is distributed to customers by the company through 4,283 miles of mains and 376,804 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store approximately 1,000 mdth of which a maximum of about 250 mdth can be withdrawn per day. The company has about 1,230 mdth of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 28.8 percent owned by Con Edison of New York.

Steam Facilities

Con Edison of New York generates steam for distribution at three steam/electric generating stations and five steam-only generating stations and distributes steam to customers through approximately 87 miles of mains and 18 miles of service lines. For information about the planned repowering of the East River steam-electric station, see "Electric Facilities—Generating Facilities," above.

O&R

Electric Transmission and Distribution Facilities

O&R and its utility subsidiaries, RECO and Pike, own, in whole or in part, transmission and distribution facilities which include 602 circuit miles of transmission lines, 14 transmission substations (with a total transformer capacity of 3,913 MVA), 60 distribution substations (with a transformer capacity of 2,159 MVA), 94,636 in-service line transformers, 5,142 pole miles of overhead distribution lines and 2,733 miles of underground distribution lines.

Gas Facilities

O&R and Pike own their gas distribution systems, which include 1,810 miles of mains. In addition, O&R owns and maintains a gas transmission system, which includes 62 miles of mains.

RECO & Pike Mortgages

Substantially all of the utility plant and other physical property of O&R's utility subsidiaries, RECO and Pike, is subject to the liens of the respective indentures securing first mortgage bonds of each company.

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Unregulated Subsidiaries

Con Edison Development, an unregulated subsidiary of Con Edison, owns interests in 1,668 MW of capacity in electric generating facilities, most of which use gas and/or oil as fuel. These interests, the capitalized costs of which at December 31, 2004 amounted to $830 million (net of accumulated depreciation), are as follows:

Name	*Power Plant Type Base/Peak/Intermediate*	*Power Pool/Location*	*Aggregate Capacity (in MW)*
Newington	Base	NEPOOL/New Hampshire	525
ADA	Base	ECAR/Michigan	29(a)
	Total Base Capacity		**554**
GENOR	Intermediate	Central America/Guatemala	42
CEEMI	Intermediate	NEPOOL/Massachusetts	125
Lakewood	Intermediate	PJM/New Jersey	236(b)
	Total Intermediate Capacity		**403**
CEEMI	Peaking	NEPOOL/Massachusetts	156
Ocean Peaking	Peaking	PJM/New Jersey	330
Rock Springs	Peaking	PJM/Maryland	335
	Total Peaking Capacity		**821**
	Total Capacity		**1,778(c)**

(a) Subject to a power purchase agreement expiring in 2026.
(b) Subject to a power purchase agreement expiring in 2014.
(c) Con Edison Development's interest in these facilities amounts to 1,668 MW.

Con Edison Development is also engaged in two leasing transactions involving gas distribution and electric generating facilities in the Netherlands. See Note K to the financial statements in Item 8 (which information is incorporated herein by reference).

Discontinued Operations

Con Edison Communications' assets, the capitalized costs of which at December 31, 2004 amounted to $47 million, are included in Con Edison's financial statements as Non-Utility Properties Held for Sale. The assets include opto-electronic equipment and over 400 miles of fiber optic cable that have been installed in the New York City metropolitan area primarily through Con Edison of New York underground conduits and other rights of way. Con Edison Communications pays fees for the use of such conduits and rights of way.

ITEM 3. LEGAL PROCEEDINGS

CON EDISON

Northeast Utilities

For information about legal proceedings relating to Con Edison's October 1999 agreement to acquire Northeast Utilities, see Note Q to the financial statements in Item 8 (which information is incorporated herein by reference).

Lease in/Lease Out Transactions

For information about Con Edison's appeal of a proposed disallowance by the Internal Revenue Service of certain tax losses recognized in connection with the company's lease in/lease out transactions, see Note K to the financial statements in Item 8 (which information is incorporated herein by reference).

CON EDISON OF NEW YORK

Asbestos

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

Superfund

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, remediation costs and environmental damages. The sites at which Con Edison of New York has been asserted to have liability under Superfund include its and its predecessor companies' former manufactured gas sites, its Astoria PCB storage facility, the Arthur Kill Generating Station site that it sold in 1999 and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that the company has liability. For a further discussion of claims and possible claims against the company under Superfund, including with respect to its manufactured gas sites, estimated liability accrued for Superfund claims and recovery from customers of site investigation and remediation costs, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Manufactured Gas Sites. Con Edison of New York and its predecessors formerly manufactured gas and maintained storage holders for manufactured gas at sites in New York City and Westchester County, New York (MGP Sites). Many of these sites are now owned by parties other than Con Edison of New York and have been redeveloped by them for other uses, including schools, residential and commercial developments and hospitals. The New York State Department of Environmental Conservation (DEC) is requiring the company to investigate, and if necessary, develop and implement remediation programs for the sites, which include 33 manufactured gas plant sites and 17 storage holder sites.

The information available to Con Edison of New York for most of the MGP Sites is incomplete as to the extent of contamination and remediation and monitoring methods, if any, to be used. Investigation of the MGP Sites has been completed at only five of the sites. Coal tar and/or other manufactured gas plant-related environmental contaminants have been detected at 23 MGP Sites, including sites in Manhattan and other parts of New York City and in Westchester County.

Astoria Site. Con Edison of New York is permitted by the DEC to operate a PCB storage facility on property the company owns in the Astoria section of Queens, New York. Apart from the PCB storage facility, portions of the property were the former location of a manufactured gas plant and have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas, and the maintenance and storage of electric equipment. As a condition of its DEC permit, the company is required to investigate the property and where environmental contamination is found and action is necessary, to conduct corrective action to remediate the contamination. The company has investigated various sections of the property and is planning additional investigations. The company has submitted to the DEC and the New York State Department of Health a report identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the cleanup of the known contamination on the property will be at least $19 million.

Arthur Kill Transformer Site. Following a September 1998 transformer fire at Con Edison of New York's former Arthur Kill Generating Station, it was determined that oil containing high levels of PCBs was released to the environment during the incident. The company has completed DEC-approved cleanup programs for the station's facilities and various soil and pavement areas of the site affected by the PCB release. Pursuant to a July 1999 DEC consent order, the company completed a DEC-approved assessment of the nature and extent of the contamination in, and recommended a remediation program, for the waterfront area of the station. DEC has selected the remediation program for the waterfront area and the company will implement it pursuant to an additional consent order expected to be entered into during 2005. The company estimates that its undiscounted potential liability for the cleanup of PCB contamination at the site will be approximately $3.5 million. See "Con Edison of New York—Environmental Matters" in Item 1.

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

The following table lists each of Con Edison of New York's other Superfund sites for which the company anticipates it may have a liability. The table also shows for each such site, its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities with respect to the site (shown in table under "Start"), the name of the court or agency in which proceedings with respect to the site are pending, and the company's current estimate of its approximate potential liability for investigation, remediation and monitoring and environmental damages at the site or the unpaid share of any payments it is required to make under a settlement agreement resolving its liability for the site.

Site	*Location*	*Start*	*Court or Agency*	*Estimated Liability(a)*	*% of Total(a)*
Maxey Flats Nuclear	Morehead, KY	1986	EPA	$ 114,000	0.8%
Curcio Scrap Metal	Saddle Brook, NJ	1987	EPA	380,000	100%
Metal Bank of America	Philadelphia, PA	1987	EPA	150,000	1.0%
Cortese Landfill	Narrowsburg, NY	1987	EPA	745,000	6.0%
Global Landfill	Old Bridge, NJ	1988	EPA	115,000	0.3%
PCB Treatment, Inc.	Kansas City, KS & MO	1994	EPA	2,900,000	6.1%
Borne Chemical	Elizabeth, NJ	1997	NJSC	117,000	0.7%

(a) Superfund liability is joint and several. Estimated liability shown is the company's estimate of its anticipated share of the total liability determined pursuant to consent decrees, settlement agreements or otherwise and in light of financial condition of other PRPs.

Washington Heights Power Outage

Lawsuits relating to a July 1999 interruption of electric service to customers served by Con Edison of New York's Washington Heights distribution network were brought in New York State Supreme and Civil Courts, New York County. A number of cases, including purported class action lawsuits, have been dismissed, discontinued or settled for *de minimis* amounts. At December 31, 2004, 12 cases relating to the outage were pending, including suits by the New York City Transit Authority seeking $20 million and by Columbia University and New York and Presbyterian Hospital seeking $23 million. The company does not expect that the remaining cases will have a material adverse effect on its financial position, results of operation or liquidity.

Electric System Safety

For information regarding PSC proceedings regarding the safety of Con Edison of New York's electric transmission and distribution systems, see "Other Regulatory Matters" in Note B to the financial statements included in Item 8 (which information is incorporated herein by reference).

Lower Manhattan Restoration Litigation

For a description of litigation against the company with respect to emergency response and restoration activities following the September 11, 2001 attack on the World Trade Center, see Note R to the financial statements included in Item 8 (which information is incorporated herein by reference).

O&R

Asbestos

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

Superfund

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

Manufactured Gas Sites. O&R and its predecessors formerly owned and operated manufactured gas plants at seven sites (O&R MGP Sites) in Orange County and Rockland County, New York. Four of these sites are now owned by parties other than O&R, three of which have been redeveloped by them for residential, commercial or industrial uses. The DEC is requiring O&R to develop and implement remediation programs for the O&R MGP Sites.

O&R has investigated and detected soil and/or groundwater contamination to varying degrees at all of the O&R MGP Sites. O&R has completed an Interim Remedial Measure at one MGP site. In addition, in 2004 the DEC has selected a remedial action plan for another O&R MGP site. Additional investigation and determination of the remediation and monitoring methods will be required at the other O&R MGP Sites.

West Nyack Site. In 1994 and 1997, O&R entered into consent orders with the DEC pursuant to which O&R agreed to conduct a remedial investigation and remediate certain property it owns in West Nyack, New York at which PCBs were discovered. Petroleum contamination related to a leaking underground storage tank was found as well. O&R has completed all remediation at the site that the DEC has required to date. The DEC is expected to determine whether any additional groundwater remediation will be required.

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

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The following table lists each of O&R's other Superfund Sites for which the company anticipates it may have liability. The table also shows for each such site, its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities with respect to the site (shown in table under "Start"), the name of the court or agency in which proceedings with respect to the site are pending and the company's current estimate of its potential liability for investigation, remediation and monitoring and environmental damages at the site.

Site	*Location*	*Start*	*Court or Agency*	*Estimated Liability(a)*	*% of Total(a)*
Metal Bank of America	Philadelphia, PA	1987	EPA	$ 642,701	4.6%
Borne Chemical	Elizabeth, NJ	1997	EPA	100,000	1.7%
Orange County Landfill	Goshen, NY	2000	NYAG	125,000	(b)
Ramapo Landfill	Ramapo, NY	2000	DEC	50,000	(b)
Clarkstown Landfill	Clarkstown, NY	2003	NYAG	70,000	(b)

(a) Superfund liability is joint and several. Estimated liability shown is the company's estimate of its anticipated share of the total liability determined pursuant to consent decrees, settlement agreements or otherwise and in light of financial condition of other PRPs.

(b) Not ascertainable.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information about the executive officers of Con Edison and Con Edison of New York, as of February 15, 2005. As indicated, certain of the executive officers are executive officers of each of Con Edison and Con Edison of New York and others are executive officers of Con Edison or Con Edison of New York. The term of office of each officer is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company. Mr. McGrath has an employment agreement with Con Edison, which provides that he will serve as Chairman of the Board and Chief Executive Officer of Con Edison and Con Edison of New York through August 31, 2005. Messrs. Burke and McMahon and Ms. Freilich have employment agreements with Con Edison, which provide that they will serve in senior executive positions through August 31, 2005. The term of each employment agreement is subject to one year extensions unless terminated on six months prior notice.

NAME	AGE	OFFICES AND POSITIONS DURING PAST FIVE YEARS
EXECUTIVE OFFICERS OF CON EDISON AND CON EDISON OF NEW YORK		
Eugene R. McGrath	63	10/97 to present—Chairman, President, Chief Executive Officer and Director of Con Edison
		3/98 to present—Chairman, Chief Executive Officer and Trustee of Con Edison of New York
Kevin Burke	54	9/00 to present—President of Con Edison of New York
		7/99 to 8/00—President of O&R
Joan S. Freilich	63	3/98 to present—Executive Vice President, Chief Financial Officer and Director (Trustee) of Con Edison and Con Edison of New York
Robert N. Hoglund	43	4/04 to present—Senior Vice President of Finance of Con Edison and Con Edison of New York
		6/04 to present—Chief Financial Officer and Controller of O&R
		4/97 to 3/04—Managing Director, Citigroup Global Markets Inc. and predecessors
Frances A. Resheske	44	2/02 to present—Senior Vice President—Public Affairs of Con Edison of New York
		5/99 to 2/02—Vice President—Public Affairs of Con Edison of New York
Charles E. McTiernan, Jr.	60	1/03 to present—General Counsel of Con Edison and Con Edison of New York
		10/85 to 12/02—Associate General Counsel of Con Edison of New York
Edward J. Rasmussen	56	12/00 to present—Vice President and Controller of Con Edison and Con Edison of New York
		12/00 to 12/03—Vice President, Controller and Chief Financial Officer of O&R
		4/93 to 11/00—Assistant Controller of Con Edison of New York

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Name	Age	Offices and Positions During Past Five Years
Hyman Schoenblum	56	12/00 to present—Vice President—Corporate Planning of Con Edison of New York
		12/97 to 11/00—Vice President and Controller of Con Edison and Con Edison of New York
		7/99 to 11/00—Vice President and Chief Financial Officer of O&R
Joseph P. Oates	43	04/04 to present—Vice President and Treasurer of Con Edison and Con Edison of New York
		01/04 to 04/04—Vice President of Con Edison of New York
		11/03 to 01/04—Vice President—Bronx and Westchester of Con Edison of New York
		07/01 to 11/03—Vice President—Energy Management of Con Edison of New York
		02/01 to 07/01—Director—Direct Report to the Senior Vice President of Central Operations of Con Edison of New York
		04/99 to 02/01—Project Manager—Corporate Planning of Con Edison of New York
Executive Officers of Con Edison but not Con Edison of New York		
Stephen B. Bram	62	1/03 to present—Group President, Energy and Communications of Con Edison
		9/00 to 12/02—President and Chief Executive Officer of O&R
		4/95 to 8/00—Senior Vice President—Central Operations of Con Edison of New York
John D. McMahon	53	1/03 to present—President and Chief Executive Officer of O&R
		8/98 to 12/02—Senior Vice President and General Counsel of Con Edison and Con Edison of New York
Executive Officers of Con Edison of New York but not Con Edison		
(All offices and positions listed are with Con Edison of New York)		
Louis L. Rana	56	2/03 to present—Senior Vice President—Electric Operations
		10/01 to 1/03—Vice President—Manhattan Electric Operations
		4/00 to 9/01—Vice President—Manhattan Customer Service
		3/98 to 3/00—Vice President—System and Transmission Operations
Mary Jane McCartney	56	10/93 to present—Senior Vice President—Gas
Robert A. Saya	63	9/01 to present—Senior Vice President—Central Operations
		4/00 to 8/01—Vice President—System and Transmission Operations
		1/95 to 3/00—Chief Engineer, Substation and Transmission Engineering
Luther Tai	56	9/01 to present—Senior Vice President—Central Services
		9/00 to 8/01—Senior Vice President—Central Operations
		7/98 to 8/00—Vice President—Corporate Planning
Marilyn Caselli	50	8/98 to present—Vice President—Customer Operations

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

CON EDISON

Con Edison's Common Shares ($.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange. As of January 31, 2005, there were 88,506 holders of record of Con Edison's Common Shares.

The market price range for Con Edison's Common Shares during 2004 and 2003, as reported in the consolidated reporting system, and the dividends paid by Con Edison in 2004 and 2003 were as follows:

	2004			2003		
	High	*Low*	*Dividends Paid*	*High*	*Low*	*Dividends Paid*
1st Quarter	$45.01	$42.21	$ 0.565	$46.02	$36.55	$ 0.56
2nd Quarter	$44.25	$37.23	$ 0.565	$44.26	$38.20	$ 0.56
3rd Quarter	$42.90	$39.12	$ 0.565	$43.78	$38.55	$ 0.56
4th Quarter	$45.59	$42.09	$ 0.565	$43.48	$38.80	$ 0.56

On January 20, 2005, Con Edison's Board of Directors declared a quarterly dividend of 57 cents per Common Share. The first quarter 2005 dividend will be paid on March 15, 2005.

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

The information required by Item 201(d) of Regulation S-K is incorporated in Item 12 of this report from Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 16, 2005.

CON EDISON OF NEW YORK

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

The dividends declared by Con Edison of New York in 2004 and 2003 are shown in its Consolidated Statement of Common Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by Con Edison of New York, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

O&R

The outstanding shares of O&R's Common Stock ($5.00 par value), the only class of common equity of O&R, are held by Con Edison and are not traded.

The dividends declared by O&R in 2004 and 2003 are shown in its Consolidated Statement of Common Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by O&R, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

Item 6. Selected Financial Data

Con Edison

	For the Year Ended December 31				
	2004	2003	2002	2001	2000
	(Millions of Dollars)				
Operating revenues*	$ 9,758	$ 9,808	$ 8,498	$ 9,389	$ 9,317
Purchased power	3,961	3,884	3,201	3,380	3,536
Fuel	597	504	289	394	351
Gas purchased for resale	852	889	596	860	789
Operating income	931	1,044	1,078	1,141	1,021
Income from continuing operations	549	634	689	694	588
Loss from discontinued operations	(12)	(109)	(21)	(12)	(5)
Income before cumulative effect of changes in accounting principles	537	525	668	682	583
Cumulative effect of changes in accounting principles	-	3	(22)	-	-
Net income for common stock	537	528	646	682	583
Total assets	22,560	20,966	19,667	17,901	17,661
Long-term debt	6,561	6,733	6,166	5,501	5,415
Preferred stock subject to mandatory redemption	-	-	-	37	37
Common shareholders' equity	7,054	6,423	5,921	5,666	5,472
BASIC EARNINGS PER SHARE					
Continuing operations	$ 2.33	$ 2.87	$ 3.24	$ 3.28	$ 2.77
Discontinued operations	$ (0.05)	$ (0.50)	$ (0.10)	$ (0.06)	$ (0.02)
Before cumulative effect of changes in accounting principles	$ 2.28	$ 2.37	$ 3.14	$ 3.22	$ 2.75
Cumulative effect of changes in accounting principles	-	$ 0.02	$ (0.11)	-	-
After cumulative effect of changes in accounting principles	$ 2.28	$ 2.39	$ 3.03	$ 3.22	$ 2.75
DILUTED EARNINGS PER SHARE					
Continuing operations	$ 2.32	$ 2.86	$ 3.23	$ 3.27	$ 2.76
Discontinued operations	$ (0.05)	$ (0.50)	$ (0.10)	$ (0.06)	$ (0.02)
Before cumulative effect of changes in accounting principles	$ 2.27	$ 2.36	$ 3.13	$ 3.21	$ 2.74
Cumulative effect of changes in accounting principles	-	$ 0.02	($ 0.11)	-	-
After cumulative effect of changes in accounting principles	$ 2.27	$ 2.38	$ 3.02	$ 3.21	$ 2.74
Cash dividends per common share	$ 2.26	$ 2.24	$ 2.22	$ 2.20	$ 2.18
Average common shares outstanding (millions)	236	221	213	212	212

* Includes a $124 million pre-tax charge in 2004, in accordance with Con Edison of New York's electric, gas and steam rate plans.

Con Edison of New York

	For the Year Ended December 31				
	2004	2003	2002	2001	2000
	(Millions of Dollars)				
Operating revenues*	$ 8,006	$ 8,166	$ 7,224	$ 8,122	$ 8,001
Purchased power	3,064	3,124	2,622	2,819	2,988
Fuel	404	358	232	351	322
Gas purchased for resale	709	715	472	666	491
Operating income	825	942	954	1,047	952
Net income for common stock	518	591	605	649	570
Total assets	19,244	17,764	16,837	15,347	15,405
Long-term debt	5,235	5,435	5,392	5,012	4,915
Preferred stock subject to mandatory redemption	-	-	-	37	37
Common shareholder's equity	6,116	5,482	4,890	4,666	4,480

* Includes $124 million pre-tax in 2004, in accordance with Con Edison of New York's electric, gas and steam rate plans.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R)

This combined management's discussion and analysis of financial condition and results of operations (MD&A) relates to the consolidated financial statements of this report of the three separate registrants: Consolidated Edison, Inc. (Con Edison), Consolidated Edison Company of New York, Inc. (Con Edison of New York) and Orange and Rockland Utilities, Inc. (O&R) and should be read in conjunction with the financial statements and the notes thereto. Con Edison of New York and O&R (the Utilities) are subsidiaries of Con Edison and, as such, information in this MD&A about each of the Utilities also applies to Con Edison.

As used in this report, the term the "Companies" refers to each of the three separate registrants: Con Edison, Con Edison of New York and O&R. However, neither of the Utilities makes any representation as to information in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

Information in the notes to the consolidated financial statements referred to in this discussion and analysis is incorporated by reference herein. The use of terms such as "see" or "refer to" shall be deemed to incorporate by reference into this discussion and analysis the information to which reference is made.

CORPORATE OVERVIEW

Con Edison's principal business operations are those of the Utilities. Con Edison also has unregulated subsidiaries that compete in energy-related businesses.

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

	Twelve months ended December 31, 2004				*At December 31, 2004*	
(Millions of Dollars)	*Operating Revenues*		*Net Income*		*Assets*	
Con Edison of New York	$8,006	82%	$518(b)	96%	$ 19,244	85%
O&R	703	7%	46	8%	1,390	6%
Total Utilities	8,709	89%	564	104%	20,634	91%
Con Edison Development	417	4%	(4)	(1)%	1,270	6%
Con Edison Energy	28	-%	-	-%	119	1%
Con Edison Solutions	626	7%	3	1%	119	1%
Other(a)	(22)	-%	(14)	(2)%	366	1%
Total continuing operations	$9,758	100%	549	102%	22,508	100%
Discontinued operations (c)	-	-%	(12)	(2)%	52	-%
Total Con Edison	$9,758	100%	$537	100%	$ 22,560	100%

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

(b) Reflects after-tax charges discussed below.

(c) Represents the discontinued operations of Con Edison Communications.

Con Edison's net income for common stock in 2004 was $537 million or $2.28 a share. Net income for common stock in 2003 and 2002 was $528 million or $2.39 a share and $646 million or $3.03 a share, respectively. The 2004 results reflect after-tax charges totaling $80 million or $0.34 a share in accordance with Con Edison of New York's electric, gas and steam rate plans (see Note B to the financial statements) and $12 million or $.05 a share (after-tax) losses from the discontinued operations of Con Edison Communications (see Note W to the financial statements). Included in 2003 net income for common stock were impairment charges for certain generating assets ($10 million after-tax or $0.05 per share), the impact of a regulatory settlement ($5 million after tax charge or $0.03 per share) and losses from discontinued operations of Con Edison Communications ($109 million after-tax charge or $0.50 per share, which includes an impairment charge of $84 million after tax or $0.38 per share), partially offset by the cumulative effect of changes in accounting principles ($3 million after-tax gain or $0.02 per share). Included in the 2002 results were the cumulative effect of changes in accounting principles ($22 million after-tax charges or $0.11 per share) and the loss from discontinued operations of Con Edison Communications ($21 million after-tax charge or $0.10 per share).

For segment financial information, see Note O to the financial statements and "Results of Operations," below.

See also "Risk Factors," below.

Regulated Utility Subsidiaries

Con Edison of New York provides electric service to approximately 3.2 million customers and gas service to over 1 million customers 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 to approximately 0.3 million customers in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania and gas service to over 0.1 million customers in southeastern New York and adjacent areas of eastern Pennsylvania.

The Utilities are primarily "wires and pipes" energy delivery companies that deliver energy in their service areas subject to extensive federal and state regulation. The Utilities' customers buy this energy from the Utilities, or from other suppliers through the Utilities' retail access programs. The Utilities purchase substantially all of the energy they sell to customers pursuant to firm contracts or through wholesale energy markets, and recover (generally on a current basis) the cost of the energy sold, pursuant to approved rate plans.

Con Edison anticipates that the Utilities will provide substantially all of its earnings over the next few years. The Utilities' earnings will depend on various factors including demand for utility service and the Utilities' ability to charge rates for their services that reflect the costs of service, including a return on invested equity capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

The factors affecting demand for utility service include weather and economic conditions. In December 2004 Con Edison of New York and O&R each experienced a new winter peak load for electricity. Con Edison of New York set monthly electric delivery records in 8 of the 12 months of 2004 and O&R for 10 of the 12 months of 2004. The peak electric loads for Con Edison of New York and O&R in 2004 were 11,327 MW and 1,330 MW, respectively.

Because the energy delivery infrastructure must be adequate to meet demand in peak periods with a high level of reliability, the Utilities' capital investment plans reflect in great part actual growth in electric peak load adjusted to summer design weather conditions, as well as forecast growth in peak loads. On this basis, Con Edison of New York's weather-adjusted peak load in the summer of 2004 was 12,775 MW, 1.4 percent higher than the adjusted peak load in 2003. The company estimates that, under design weather conditions, the 2005 service area peak load will be 13,025 MW. The forecasted average annual growth rate of the electric peak load over the next five years is 1.5 percent. The company anticipates an ongoing need for substantial capital investment in order to meet this load growth with the high level of reliability that it currently provides (see "Liquidity and Capital Resources—Capital Requirements," below).

The Utilities have rate plans approved by state utility regulators that cover the rates they can charge their customers. Con Edison of New York has an electric rate plan (approved in November 2000) that ends March 31, 2005, and has pending with the New York State Public Service Commission (PSC) a Joint Proposal supported by the company, PSC staff and other parties, which would establish a new rate plan for the period April 1, 2005 through March 31, 2008. The company has new gas and steam rate plans (approved in September 2004), effective October 1, 2004 through September 30, 2007 and October 1, 2004 through September 30, 2006, respectively. Among other things, the pending electric rate plan and the new gas and steam rate plans address the increased construction expenditures and related costs incurred and expected to be incurred to meet increasing customer demand and reliability needs. O&R has rate plans for it's electric and gas services in New York that extend through October 31, 2006. Pursuant to the Utilities' rate plans, charges to customers may not be changed during the respective terms of the rate plans other than for recovery of the costs incurred for energy supply and limited other exceptions. The rate plans generally require the Utilities to share with customers earnings in excess of specified rates of return on equity. Changes in delivery volumes are reflected in operating income (except to the extent that weather-normalization provisions apply to the gas businesses). See "Regulatory Matters" below and "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Notes A and B, respectively, to the financial statements.

Accounting rules and regulations for public utilities include Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," pursuant to which the economic effects of rate regulation are reflected in financial statements. See "Application of Critical Accounting Policies," below.

In June 2004, the Utilities reached collective bargaining agreements covering essentially all of their employees that are union members (about two-thirds of each of the company's employees).

Unregulated Businesses

Con Edison's unregulated energy subsidiaries participate in competitive businesses and are subject to different risks than the Utilities. In view of conditions affecting certain of its competitive activities, the company recognized an impairment charge of $18 million ($10 million after-tax) for these businesses in the fourth quarter of 2003. See "Application of Critical Accounting Policies," below and Note H to the financial statements. At December 31, 2004, Con Edison's investment in its unregulated energy subsidiaries was $599 million and the unregulated subsidiaries' assets amounted to $1.5 billion.

Consolidated Edison Solutions, Inc. (Con Edison Solutions) sells electricity to delivery customers of the Utilities and other utilities in the Northeast and Mid-Atlantic regions and also offers energy related services. The company sold approximately 6.9 million megawatt hours of electricity to customers over the 12-month period ended December 31, 2004 and served approximately 28,000 electric customers at that date.

Consolidated Edison Development, Inc. (Con Edison Development) owns and operates generating plants and participates in other infrastructure projects. At December 31, 2004, the company owned the equivalent of 1,668 MW of capacity in electric generating facilities of which 224 MW is sold under long-term purchase power agreements and the balance is sold on the wholesale electricity markets.

Consolidated Edison Energy, Inc. (Con Edison Energy) provides energy and capacity to Con Edison Solutions and others and markets the output of plants owned or operated by Con Edison Development. The company also provides risk management services to Con Edison Solutions and Con Edison Development and offers these services to others.

Con Edison anticipates investing $14 million in its unregulated businesses over the next two years and will focus on increasing their customer base, gross margins and increasing the value of their existing assets. See "Liquidity and Capital Resources—Capital Requirements" and "Capital Resources," below.

Discontinued Operations

In December 2004, after a comprehensive strategic review, Con Edison entered into an agreement to sell Consolidated Edison Communications, LLC (Con Edison Communications) to FiberNet Telecom Group, Inc. for $37 million in cash, subject to certain adjustments. Con Edison expects to complete the sale in 2005 following review or approval by the City of New York, the PSC and various federal, state and local regulators. At December 31, 2004, Con Edison Communications' assets and liabilities

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

amounted to $52 million and $16 million, respectively. In addition, Con Edison Communications incurred net losses of $12 million, $109 million (including an after-tax impairment charge of $84 million) and $21 million for the years ended 2004, 2003 and 2002, respectively. The contemplated sale will not result in a significant after-tax gain or loss. See Note W to the financial statements.

Results of Operations - Summary

Con Edison's earnings per share in 2004 were $2.28 ($2.27 on a diluted basis). Earnings per share in 2003 and 2002 were $2.39 ($2.38 on a diluted basis) and $3.03 ($3.02 on a diluted basis).

Earnings per share for 2003 and 2002, before the cumulative effect of changes in accounting principles of $3 million and $(22) million after tax, respectively, were $2.37 ($2.36 on a diluted basis) and $3.14 ($3.13 on a diluted basis), respectively.

Earnings for the years ended December 31, 2004, 2003 and 2002 were as follows:

(Millions of Dollars)	*2004*	*2003*	*2002*
Con Edison of New York	$518(c)	$ 591	$605
O&R	46	45	45
Con Edison Development	(4)	(9)(d)	(4)(f)
Con Edison Energy	-	1	2(g)
Con Edison Solutions	3	19	22
Other(a)	(14)	(10)	(3)
Total continuing operations	549	637	667
Discontinued operations(b)	(12)	(109)(e)	(21)
CON EDISON	$537	$ 528	$646

(a) Represents inter-company and parent company accounting including interest expense on debt and non-operating income tax expense.
(b) Represents the discontinued operations of Con Edison Communications.
(c) Includes charges totaling $80 million after tax in accordance with Con Edison of New York's new or pending electric, gas and steam rate plans. See Note B to the financial statements.
(d) Includes a charge for the impairment of two combustion turbines and a generation investment totaling $10 million after tax. See Note H to the financial statements. Also includes a benefit for the cumulative effect of changes in accounting principles for mark-to-market gains related to certain power sales contracts, partially offset by a $3 million net after-tax impact of financial statement consolidation of the Newington plant.
(e) Includes a charge for the impairment of Con Edison Communications assets in accordance with SFAS No. 144 totaling $84 million after-tax. See Note H to the financial statements.
(f) Includes a charge for the cumulative effect of a change in accounting principle for goodwill impairment of certain unregulated generating assets totaling $20 million after tax. See Note L to the financial statements.
(g) Includes a charge for the cumulative effect of a change in accounting principle for the rescission of Emerging Issues Task Force (EITF) Issue No. 98-10 totaling $2 million after tax.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

Con Edison's earnings in 2004 were $9 million higher than in 2003, reflecting the following factors (after tax, in millions):

Con Edison of New York:	
Impact of weather in 2004 on net revenues versus 2003 (estimated)	$ (5)
Sales growth and other revenue factors (estimated)	35
Increased pensions and other post-retirement benefits costs	(18)
Regulatory accounting	(12)
Higher depreciation and property tax expense	(32)
Higher operations and maintenance expense	(27)
Lower interest expense, principally long-term debt	14
Allowance for funds used during construction and other income	21
Electric, gas and steam rate plan charges	(80)
Settlement in 2003 regarding nuclear generating unit sold in 2001	5
Other, principally tax benefits	26
Total Con Edison of New York	(73)
O&R	1
Unregulated energy subsidiaries including parent company	(23)
Unregulated generating asset impairments	10
Loss on discontinued operations, including impairment recognized in 2003	97
Cumulative effect of changes in accounting principles	(3)
TOTAL	$ 9

Con Edison's earnings in 2003 were $118 million lower than in 2002, reflecting the following factors (after tax, in millions):

Con Edison of New York:	
Impact of weather in 2003 on net revenues versus 2002 (estimated)	$ (6)
Sales growth and other revenue factors (estimated)	34
Lower operations and maintenance expense	25
Regulatory accounting	14
Increased pensions and other post-retirement benefits costs	(54)
Higher depreciation and property tax expense	(27)
Settlement regarding nuclear generating unit sold in 2001	(5)
Regional power outage (estimated)	(6)
Lower sales and use tax	7
Other	4
Total Con Edison of New York	(14)
O&R	-
Unregulated energy subsidiaries including parent company	(30)
Unregulated generating asset impairments	(10)
Loss on discontinued operations, including impairment recognized in 2003	(88)
Cumulative effect of changes in accounting principles	25
Other	(1)
Total	$(118)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

RISK FACTORS

Con Edison's business is influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect our actual operating results, cash flows and financial condition. These risk factors include:

Our Revenues And Results of Operations Reflect Regulatory Actions—Our utility subsidiaries have rate plans approved by state utility regulators that cover the prices they can charge their customers. The prices generally may not be changed during the specified terms of the rate plans other than for the recovery of energy costs and limited other exceptions. The rate plans include earnings adjustments for meeting or failing to meet certain standards. Certain of the plans require action by regulators at their expiration dates, which may include approval of new plans with different provisions. Regulators may also take actions affecting the company outside of the framework of the approved rate plans. See "Application of Critical Accounting Polices" and "Regulatory Matters," below.

Our Ability To Pay Dividends Or Interest Is Subject To Regulatory Restrictions—Our ability to pay dividends on our common stock or interest on our external borrowings depends primarily on the dividends and other distributions we receive from our subsidiaries. The dividends that the utility subsidiaries may pay to us are generally limited to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis, with certain exceptions. See "Dividends" in Note C to the financial statements.

We Purchase The Energy We Sell To Customers—We purchase substantially all of the energy we sell to our customers. A disruption or delay in our energy supply arrangements could adversely affect our ability to meet our customers' energy needs and our results of operations. We have policies to manage the economic risks related to energy supply, including related hedging transactions and the risk of a counterparty's non-performance. Our utility subsidiaries generally recover their prudently incurred fuel, purchased power and gas costs, including the cost of hedging transactions, in accordance with rate provisions approved by state utility regulators. Our unregulated energy subsidiaries enter into energy market transactions to manage their commodity-related price and volumetric risks. See "Financial and Commodity Market Risks—Commodity Price Risk," below.

We Have A Substantial Ongoing Utility Construction Program—We estimate that our utility subsidiaries' construction expenditures will exceed $1.5 billion in each of the next three years. The ongoing construction program includes large energy transmission and distribution system projects. The failure to complete these projects in a timely manner could adversely affect our ability to meet our customers' growing energy needs with the high level of reliability that we currently provide. The Utilities expect to use internally-generated funds and external financing to fund the construction expenditures. Changes

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in capital market conditions or in our credit ratings could adversely affect our ability to raise money. Our commercial paper and unsecured debt are rated by Moody's Investors Services, Inc., Standard & Poor's Ratings Services and Fitch, Inc. These ratings impact our cost of funds. Our current ratings are shown in "Liquidity and Capital Resources—Capital Resources," below.

Our Unregulated Energy Subsidiaries Are In Evolving Businesses—Our unregulated energy subsidiaries are active in evolving markets that are affected by the actions of governmental agencies, other organizations (such as independent system operators) and other competitive companies. Compared to the utility subsidiaries, the profitability of their products and services is not as predictable.

Our Financial Statements Reflect the Application of Critical Accounting Policies—The application of our critical accounting policies reflects complex judgments and estimates. These policies, which are described in "Application of Critical Accounting Policies," below, include industry specific accounting applicable to regulated public utilities and accounting for pensions and other post-retirement benefits, contingencies, long-lived assets, derivative instruments, goodwill and leases. New generally accepted accounting policies or changes to current accounting policies or interpretations of such policies that affect our financial statements may be adopted by the relevant accounting authorities.

We Are Engaged In A Material Legal Proceeding With Northeast Utilities—In 2001, we sued Northeast Utilities to recover damages from their breach of our merger agreement with them and to seek the court's declaration that we had no further obligations under the merger agreement. Northeast Utilities alleges we breached the merger agreement and is pursuing a counter-claim against us for damages in excess of $1.2 billion. There are also claims by purported classes of Northeast Utilities shareholders seeking damages from us that we believe to be substantially duplicative of those sought by Northeast Utilities. See Note Q to the financial statements.

We Are Exposed To Material Liabilities Relating To Hazardous Substances—Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or produced in the course of operations of our utility subsidiaries and are present on properties or in facilities and equipment currently or previously owned by them. See "Environmental Matters," below.

We Are Subject To Extensive Government Regulation—Our operations are subject to extensive federal and state regulation and require numerous permits, approvals and certificates from various federal, state and local governmental agencies. We may be subject to new laws or regulations or the revision or reinterpretation of existing laws or regulations.

We Are Exposed to Risks That Are Beyond Our Control—Our results of operations can be affected by changes in the weather, which directly influences the demand for electricity, gas and steam and can affect the price of energy commodities. The cost of repairing damage to our operating subsidiaries' facilities and the potential disruption of their operations due to storms, natural disasters, wars, terrorist acts and other catastrophic events could be substantial. The occurrence or risk of occurrence of future terrorist attacks or related acts of war could also adversely affect the New York or United States economy. A lower level of economic activity for these or other reasons could result in a decline in energy consumption, which could adversely affect our revenues and earnings and limit our future growth prospects.

FORWARD-LOOKING STATEMENTS

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

The critical accounting policies are as follows:

Accounting for Regulated Public Utilities—SFAS No. 71

The Utilities are subject to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," and the accounting requirements of the Federal Energy Regulatory Commission (FERC) and state public utility regulatory authorities having jurisdiction.

SFAS No. 71 specifies the economic effects that result from the cause and effect relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or "regulatory assets" under SFAS No. 71. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities" under SFAS No. 71.

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

In the event that regulatory assets of the Utilities were no longer probable of recovery (as required by SFAS No. 71), these regulatory assets would be charged to earnings. At December 31, 2004, the regulatory assets for Con Edison, Con Edison of New York and O&R were $2.3 billion, $2.0 billion and $252 million, respectively.

Accounting for Pensions and Other Postretirement Benefits

The Utilities provide pensions and other postretirement benefits to substantially all of their employees and retirees. Con Edison's unregulated subsidiaries also provide such benefits to certain of their employees. The Companies account for these benefits in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions." In applying these accounting policies, the Companies have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation, health care cost trends and appropriate discount rates. See Notes E and F to the financial statements for information about these assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2004, 2003 and 2002.

Primarily because of the amortization of previous years' net investment gains, Con Edison of New York's pension expense for 2004, 2003 and 2002 was negative, resulting in a credit to and increase in net income in each year. Investment gains and losses on plan assets are fully recognized in expense over a 15-year period (20 percent of the gains and losses for each year begin to amortize in each of the following five years and the amortization period for each 20 percent portion of the gains and losses is ten years). This amortization is in accordance with the Statement of Policy issued by the New York Public Service Commission (PSC) and is permitted under SFAS No. 87.

The cost of pension and other postretirement benefits in future periods will depend on actual returns on plan assets and assumptions for future periods. Con Edison's current estimate for 2005 is an increase, compared with 2004, in the pension and other postretirement benefits cost of $146 million and $9 million for Con Edison of New York and O&R, respectively. This increase reflects the amortization of prior period actuarial losses associated with declines in the market value of assets in recent years and a change in the discount rate assumption from 6.3% in 2004 to 5.9% in 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

Amortization of market gains and losses experienced in previous years is expected to reduce Con Edison of New York's and O&R's pension and other postretirement benefit costs by an additional $34 million and $1 million in 2006, respectively. A 5.0 percentage point variation in the actual annual return in 2005 as compared with the expected annual asset return of 8.8 percent would change pension and other postretirement benefit costs for Con Edison of New York and O&R by approximately $14 million and $1 million, respectively, in 2006.

In accordance with SFAS No. 71 and consistent with the gas and steam rate plans approved by the PSC in September 2004, effective October 1, 2004, Con Edison of New York is deferring as a regulatory asset or liability, as the case may be, any difference between expenses recognized under SFAS No. 87 and SFAS No. 106 allocable to gas and steam operations and the amounts reflected in gas and steam rates for such expenses. The company's pending electric rate plan includes a similar provision to reconcile pension and other postretirement benefit expense allocable to electric operations.

In accordance with SFAS No. 71 and consistent with rate provisions approved by the PSC, O&R defers as a regulatory asset any difference between expenses recognized under SFAS No. 87, SFAS No. 106 and the amounts reflected in rates for such expenses.

Pension benefits are provided through a pension plan maintained by Con Edison to which Con Edison of New York, O&R and the unregulated subsidiaries make contributions for their participating employees. Pension accounting by the Utilities includes an allocation of plan assets. An actuarial valuation of the plan's funded status as of December 31, 2004, showed that the fair value of the plan's assets exceeded the plan's accumulated benefit obligation (ABO) by $672 million at that date. However, the fair market value of the plan assets could fall below the plan's ABO in future years. In that event, each of the Utilities would be required, under SFAS No. 87, to accrue a liability equal in amount to the difference between its share of the fair value of the plan assets and its portion of the ABO, plus, in the case of Con Edison of New York, its total prepaid pension costs, through a non-cash charge to other comprehensive income (OCI). The charge to OCI, which would be net of taxes, would not affect net income for common stock.

The Companies were not required to make cash contributions to their pension plans in 2004 under funding regulations and tax laws. O&R made a discretionary contribution of $22 million to the plan in 2004. In 2005, O&R and Con Edison's unregulated subsidiaries expect to make discretionary contributions of $28 million and $1 million, respectively. The Companies' policy is to fund their pension and postretirement benefit accounting costs to the extent tax deductible.

Accounting for Contingencies

SFAS No. 5, "Accounting for Contingencies," applies to an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Known material contingencies, which are described in the notes to the financial statements, include a PSC proceeding relating to the safety of the Con Edison of New York's utility systems (Note B); the Utilities' responsibility for hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar that have been used or generated in the course of operations (Note G); a collection agent's failure to forward to Con Edison of New York payments it had received (Note J); Con Edison Development's lease in/lease out transactions (Note K); legal proceedings relating to Con Edison's 1999 merger agreement with Northeast Utilities (Note Q); and legal proceedings relating to emergency response and restoration following the September 11, 2001 attack on the World Trade Center (Note R). In accordance with SFAS No. 5, the Companies have accrued estimates of losses relating to the contingencies as to which loss is probable and can be reasonably estimated and no liability has been accrued for contingencies as to which loss is not probable or cannot be reasonably estimated.

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

Accounting for Long-Lived Assets

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" requires that certain long-lived assets must be tested for recoverability whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The carrying amount of a long-lived asset is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Under SFAS No. 144 an impairment loss is recognized if the carrying amount is not recoverable from such cash flows, and exceeds its fair value, which approximates market value.

Con Edison's unregulated businesses tested their assets for impairment in 2003. A critical element of this test is the forecast of future undiscounted cash flows to be generated from the long-lived assets. Forecast of these cash flows requires complex judgments about future operations, which are particularly difficult to make with respect to evolving industries such as the energy-related and telecommunications businesses. Under SFAS No. 144, if alternative courses of action are under consideration or if a range is estimated for the amount of possible future cash flows, the probability of those possible outcomes must be weighted. As a result of the tests performed in 2003, Con Edison recognized impairment charges of $159 million ($94 million after tax) for the assets of its unregulated telecommunications and generation businesses. See Notes H and W.

In 2004, Con Edison's unregulated businesses again tested their assets for impairment, and no impairments were identified. With respect to the telecommunications assets, the agreement to sell

Con Edison Communications (see Note W to the financial statements) for $37 million was used to establish fair value. With respect to the forecasted cash flows associated with Con Edison Development's generation facilities, a 10 percent decrease in the estimated undiscounted cash flows for these facilities would not have resulted in an impairment charge.

Accounting for Derivative Instruments

The Companies apply SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, and other related accounting pronouncements to their derivative financial instruments. The Companies use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase and sale of electricity and gas and interest rate risk on certain debt securities. See "Financial and Commodity Market Risks," below and Note P to the financial statements.

Where the Companies are required to make mark-to-market estimates pursuant to SFAS No. 133, the estimates of gains and losses at a particular period end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of a transaction. Estimated gains or losses are for the most part based on prices supplied by external sources such as the fair value of exchange traded futures and options and the fair value of positions for which price quotations are available through or derived from brokers or other market sources. Estimated gains and losses based on models or other valuation methods comprise less than .01 percent of each of the Companies' total revenues.

Accounting for Goodwill

Effective January 1, 2002, Con Edison adopted SFAS No. 142, "Goodwill and Other Intangible Assets." This Statement modified the accounting and reporting of goodwill and intangible assets. In accordance with SFAS No. 142, Con Edison no longer amortizes goodwill, but is required to annually test goodwill for impairment. See Note L to the financial statements.

Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill.

In connection with the adoption of SFAS No. 142, Con Edison recorded a loss of $34 million ($20 million after tax) as of January 1, 2002, relating to certain generation assets owned by an unregulated subsidiary.

The remaining unamortized goodwill of $406 million at December 31, 2004, was most recently tested for impairment during the first quarter of 2004. This test did not require any second-step assessment and did not result in any impairment. The company's most significant assumptions surrounding the goodwill impairment test relate to the estimates of reporting unit fair values. The Company estimated fair values primarily based upon discounted cash flows. A decrease in the forecasted cash flows of 10 percent would not have resulted in the carrying value of any reporting units exceeding their estimated fair values.

Accounting for Leases

The Companies apply SFAS No. 13, "Accounting for Leases" and other related pronouncements to their leasing transactions. See Note K to the financial statements for information about Con Edison Development's "Lease In/Lease Out" or LILO transactions, a proposed disallowance of tax losses by the Internal Revenue Service and a possible charge to earnings.

In accordance with SFAS No. 13, Con Edison accounted for the two LILO transactions as leveraged leases. Accordingly, the company's investment in these leases, net of deferred taxes, is carried as a single amount in Con Edison's consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive, based upon the after-tax cash flows projected at the inception of the leveraged leases.

In a recent meeting, the FASB tentatively decided that a change in the *timing* alone of the tax benefits that are realized by a lessor in a leveraged lease should result in a recalculation of the leveraged lease with any change in the recalculated net investment recognized as a gain or loss currently.

Con Edison believes that its position on the LILOs is correct and is currently appealing the auditors' proposal within the Internal Revenue Service. If Con Edison is unsuccessful in defending its position, the company may be required to recalculate the leveraged leases, which could result in a charge to earnings, the amount of which could have a material adverse effect on Con Edison's 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.

The principal factors affecting Con Edison's liquidity are its investments in the Utilities, the dividends it pays to its shareholders and the dividends it receives from the Utilities. In addition, in the 2004 and 2003 periods, Con Edison issued 16.7 million and 11.9 million shares of common stock for $578 and $436 million, respectively, of which $512 million and $378 million were invested in Con Edison of New York. Con Edison also issued $200 million of five-year debt in 2003 and $325 million of 40-year debt (most of which it invested in its unregulated subsidiaries) in 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

The principal factors affecting the Utilities' liquidity are the cash flow generated from operations, construction expenditures and maturities of their debt securities. In addition, Con Edison of New York in 2004 and 2003 received net capital contributions from Con Edison of $512 million and $378 million respectively and in 2004, 2003 and 2002 issued $95 million, $45 million and $225 million, respectively, of additional debt net of redemptions. In 2003, O&R redeemed $35 million of debt at maturity with commercial paper.

Con Edison of New York's expenditures have included approximately $447 million related to the attack on the World Trade Center and the subsequent restoration of lower Manhattan energy services and facilities; to date the company has received reimbursement of $76 million of such costs from insurance carriers and $63 million from the federal government and is pursuing further reimbursement of such costs. See Note R to the financial statements.

The Companies' current liabilities exceeded their current assets at December 31, 2004 and 2003. The Companies generally maintain minimal cash balances and use short-term borrowing to meet their working capital needs and other cash requirements. The Companies repay their short-term borrowings using cash flow from long-term financings and operating activities. The Utilities' cost of capital, including working capital, is reflected in the rates they charge to their customers.

Each of the Companies believes that it will be able to meet its reasonably likely short-term and long-term cash requirements. See "Risk Factors," and "Application of Critical Accounting Policies—Accounting for Contingencies," above, and "Regulatory Matters," below.

Changes in the Companies' cash and temporary cash investments resulting from operating, investing and financing activities for the years ended December 31, 2004, 2003 and 2002 are summarized as follows:

CON EDISON

(Millions of Dollars)	*2004*	*2003*	*Variance 2004 vs. 2003*	*2002*	*Variance 2003 vs. 2002*
Operating activities	$ 1,320	$ 1,321	$ (1)	$ 1,581	$ (260)
Investing activities	(1,540)	(1,546)	6	(1,634)	88
Financing activities	197	156	41	(100)	256
Net change for the period	(23)	(69)	46	(153)	84
Balance at beginning of period	49	118	(69)	271	(153)
Balance at end of period (including restricted cash)	$ 26	$ 49	$ (23)	$ 118	$ (69)

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Management's Discussion and Analysis of Financial Condition and Results of Operations (Combined for Con Edison, Con Edison of New York and O&R) — Continued

Con Edison of New York

(Millions of Dollars)	*2004*	*2003*	*Variance 2004 vs. 2003*	*2002*	*Variance 2003 vs. 2002*
Operating activities	$ 1,201	$ 1,169	32	$ 1,310	$ (141)
Investing activities	(1,412)	(1,337)	(75)	(1,273)	(64)
Financing activities	188	113	75	(214)	327
Net change for the period	(23)	(55)	32	(177)	122
Balance at beginning of period	33	88	(55)	265	(177)
Balance at end of period (including restricted cash)	$ 10	$ 33	$ (23)	$ 88	$ (55)

O&R

(Millions of Dollars)	*2004*	*2003*	*Variance 2004 vs. 2003*	*2002*	*Variance 2003 vs. 2002*
Operating activities	$ 81	$127	$ (46)	$104	$ 23
Investing activities	(81)	(71)	(10)	(60)	(11)
Financing activities	3	(49)	52	(44)	(5)
Net change for the period	3	7	(4)	-	7
Balance at beginning of period	9	2	7	2	-
Balance at end of period (including restricted cash)	$ 12	$ 9	$ 3	$ 2	$ 7

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 weather and economic conditions. The prices at which the Utilities provide energy to their customers are determined in accordance with rate plans approved by the state public utility regulatory authority having jurisdiction—the PSC, the New Jersey Board of Public Utilities (NJBPU) and the Pennsylvania Public Utility Commission (PPUC). See "Regulatory Matters" below. 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 plans. See "Recoverable Energy Costs" in Note A to the financial statements.

Net income for common stock 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 taxes, Con Edison's impairment charges in 2003 and charges in 2004 under Con Edison of New York's new or pending electric, gas and steam rate plans. For Con Edison of New York, principal non-cash credits included prepaid pension costs. Pension credits resulted from past favorable performance in Con Edison of New York's pension fund and assumptions about future performance. See "Application of Critical Accounting Policies—Accounting for Pensions and Other Postretirement Benefits" and Notes E and F to the financial statements.

Net cash flows from operating activities in 2004 for Con Edison and Con Edison of New York were $1 million lower and $32 million higher than 2003, respectively. The change at Con Edison of New York reflects lower accounts receivable balances at December 31, 2004 as compared with year-end 2003 partially offset by an increase in materials and supplies.

Net cash flows from operating activities in 2003 for Con Edison and Con Edison of New York were $260 million and $141 million lower than 2002, respectively. This decrease reflects lower net income at Con Edison of New York (due to a certain extent to costs not reflected in current rates) and for Con Edison (due to greater losses at the unregulated subsidiaries). This decrease also reflects Con Edison of New York's increase in the value of gas in storage (reflecting both higher unit costs and higher volumes) and a higher level of accrued construction commitments at year-end 2002 that were paid for in 2003. This decrease was partially offset by an increase in deferred income tax expense.

Net cash flows from operating activities in 2004 for O&R were $46 million lower than in 2003 due primarily to lower deferred income tax expense partially offset by lower account receivable balances at December 31, 2004 as compared with year-end 2003.

Net cash flows from operating activities in 2003 for O&R were $23 million higher than in 2002 due primarily to increased deferred income tax expense, partially offset by the increased value of gas in storage (resulting from higher unit costs and volumes).

Cash Flows Used in Investing Activities

Net cash flows used in investing activities for Con Edison were $6 million lower in 2004 than in 2003, and $88 million lower in 2003 than in 2002, due primarily to lower construction expenditures by its unregulated subsidiaries, partially offset by increased construction expenditures by the Utilities. Cash flows used in investing activities were $75 million and $10 million higher in 2004 than in 2003, and $64 million and $11 million higher in 2003 than in 2002 for Con Edison of New York and O&R, respectively, due primarily to increased construction expenditures.

Cash Flows from Financing Activities

Net cash flows from financing activities for Con Edison and Con Edison of New York increased $41 million and $75 million in 2004 compared with 2003, and increased $256 million and $327 million, respectively, in 2003 compared with 2002. O&R net cash flows from financing activities increased $52 million in 2004 compared with 2003, and decreased $5 million in 2003 compared with 2002.

Con Edison's cash flows from financing activities for the years ended December 31, 2004 and 2003, reflect the issuance through public offerings of 14 million and 9.6 million Con Edison common shares resulting in proceeds of $512 million and $378 million, respectively, which were invested by Con Edison in Con Edison of New York. Cash flows from financing activities in 2003 also reflect the issuance of $200 million of Con Edison's 3.625 percent 5-year debentures (most of which was invested in the unregulated subsidiaries). Cash flows from financing activities in 2002 reflect the issuance of $325 million of Con Edison's 7.25 percent 40-year debentures (the proceeds of which were used to repay commercial paper). Cash flows from financing activities for 2004, 2003 and 2002 also reflect the issuance of Con Edison common shares through its dividend reinvestment and employee stock plans (2004: 2.7 million shares for $66 million, 2003: 2.3 million shares for $58 million; 2002: 1.7 million shares for $30 million). In addition, as a result of the stock plan issuances, cash used to pay common stock dividends was reduced by $39 million in 2004 and $40 million in 2003 and 2002, respectively.

Net cash flows from financing activities during the years ending December 31, 2004, 2003 and 2002 also reflect the following Con Edison of New York transactions:

2004

- Issued $344 million of variable rate, tax exempt Facilities Revenue Bonds, with various maturity dates between 28 and 35 years, the proceeds of which were used to redeem in advance of maturity fixed rate tax exempt Facilities Revenue Bonds, 5.25% due 2020, 5.375% due 2022, 6.0% due 2028 and 7.125% due 2029;
- Issued $200 million 4.7% 10-year debentures and $200 million 5.7% 30-year debentures, the proceeds of which were used to redeem in advance of maturity $150 million 7.125% debentures due 2029 and for general corporate purposes;
- Redeemed at maturity $150 million 7.625% 12-year debentures;
- Issued $275 million 4.7% 5-year debentures, the proceeds of which were used in July to redeem in advance of maturity $275 million 7.35% 40-year debentures;

2003

- Redeemed in advance of maturity $275 million 7.75% 35-year Subordinated Deferrable Interest Debentures due 2031 using cash held for that purpose at December 31, 2002;
- Redeemed at maturity $150 million 6.375% 10-year debentures and issued $175 million 5.875% 30-year debentures;
- Redeemed $380 million 7.5% 30-year debentures due 2023 using the net proceeds from the issuance of $200 million 3.85% 10-year debentures and $200 million 5.10 percent 30-year debentures;

2002

- Redeemed at maturity $150 million 6.625% 9-year debentures;

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Management's Discussion and Analysis of Financial Condition and Results of Operations (Combined for Con Edison, Con Edison of New York and O&R) — Continued

- Redeemed at maturity $150 million variable-rate 5-year debentures and issued $300 million 5.625% 10-year debentures;
- Redeemed at maturity $37 million 6.125% Cumulative Preferred Stock, $100 par value;
- Issued $500 million 4.875% 10-year debentures.

In 2002, Con Edison of New York changed the interest rate method applicable to $224.6 million aggregate principal amount of its tax-exempt Facilities Revenue Bonds, Series 2001A from a variable weekly rate mode to a 10-year term mode, callable at par after three years, with a 4.7 percent annual interest rate. In addition, Con Edison of New York entered into a swap agreement in connection with these bonds pursuant to which the company pays interest at a variable rate equal to the three-month LIBOR and is paid interest at a fixed rate of 5.375 percent. See Note P to the financial statements.

O&R's cash flows from financing activities for the years ended December 31, 2004 and 2003 reflect the issuance of $46 million of 5.22% Transition Bonds associated with securitization of previously deferred purchased power costs of O&R's New Jersey subsidiary, and the redemption at maturity of $35 million 6.56% 10-year debentures in 2003, partially offset by a reduction in commercial paper outstanding in 2004. Net cash flows from financing activities for the years ended December 31, 2003 and 2002 reflect the redemption at maturity of the debentures, partially offset by an increase in commercial paper.

Cash flows from financing activities of the Companies also reflect commercial paper issuance (included on the consolidated balance sheets as "Notes payable"). The commercial paper amounts outstanding at December 31, 2004, 2003 and 2002 and the average daily balance for 2004, 2003 and 2002 for Con Edison, Con Edison of New York and O&R were as follows:

	2004		*2003*		*2002*	
(Millions of Dollars, except Weighted Average Yield)	*Outstanding at December 31*	*Daily average*	*Outstanding at December 31*	*Daily average*	*Outstanding at December 31*	*Daily average*
Con Edison	$ 156	$ 166	$ 156	$ 326	$ 151	$ 256
Con Edison of New York	$ 100	$ 126	$ 99	$ 179	$ -	$ 157
O&R	$ -	$ 9	$ 15	$ 33	$ 1	$ 1
Weighted average yield	2.2%	1.2%	1.0%	1.2%	1.2%	1.7%

External borrowings are a source of liquidity that could be affected by changes in credit ratings, financial performance and capital markets. For information about the Companies' credit ratings and certain financial ratios, see "Capital Resources," below.

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Changes in Assets and Liabilities

The following table shows changes in assets and liabilities at December 31, 2004, compared with December 31, 2003, that have impacted the Companies' consolidated statements of cash flows. The changes in these balances are utilized to reconcile income to cash flow from operations. With respect to regulatory liabilities, see Note B to the financial statements.

(Millions of Dollars)	*Con Edison 2004 vs. 2003 Variance*	*Con Edison of New York 2004 vs. 2003 Variance*	*O&R 2004 vs. 2003 Variance*
Other current assets	$ 145	$ 27	$ 10
Prepaid pension costs	185	185	-
Regulatory assets	401	370	31
Deferred income taxes—liability	554	491	15
Regulatory liabilities—transmission congestion contracts	107	107	-
Regulatory liabilities—Electric, gas and steam rate deferrals	124	124	-

Other current assets for Con Edison increased at December 31, 2004 as compared with year-end 2003 due primarily to federal and state income tax receivables recorded in 2004 and mark-to-market gains.

Prepaid pension costs for Con Edison and Con Edison of New York increased at December 31, 2004 as compared with year-end 2003 due to the recognition of the current period's pension credits.

Regulatory assets increased for Con Edison, Con Edison of New York and O&R at December 31, 2004 as compared with year-end 2003. The increases for Con Edison and Con Edison of New York were due primarily to the deferral of future income tax, electric interference costs and costs incurred in the restoration of service and facilities following the World Trade Center attack. The O&R increase was due primarily to the deferral of Transition Bond Charges (see "Rate and Restructuring Agreements" in Note B to the financial statements), partially offset by a reduction in recoverable energy costs.

Deferred income taxes and investment tax credits increased for Con Edison and Con Edison of New York due primarily to higher plant related deductions for tax purposes.

Transmission congestion contract (TCC) deferred revenues increased at December 31, 2004 as compared with year-end 2003 reflecting proceeds from the sale through the New York Independent System Operator (NYISO) of transmission rights on Con Edison of New York's transmission system (see "NYISO" in Note A to the financial statements). These proceeds are being retained for customer benefit.

Electric, gas and steam rate deferrals increased at December 31, 2004 as compared with year-end 2003 reflecting the agreement with the PSC and other parties to resolve certain issues raised in the electric, gas and steam rate proceedings, related to the treatment of prior period pension credits (see "Rate and Restructuring Agreements" in Note B to the financial statements).

Capital Resources

Con Edison is a holding company that operates only through its subsidiaries and has no material assets other than its interests in its subsidiaries. Con Edison expects to finance its capital requirements primarily from dividends it receives from its subsidiaries and through the sale of securities, including commercial paper and the issuance of Con Edison common shares through its dividend reinvestment and employee stock plans. Con Edison's ability to make payments on its external borrowings and dividends on its common shares is also dependent on its receipt of dividends from its subsidiaries or proceeds from the sale of its securities or its interests in its subsidiaries.

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

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

The Utilities expect to finance their operations, capital requirements and payment of dividends to Con Edison from internally generated funds and external borrowings.

In January 2005, Con Edison of New York filed a petition with the PSC for authorization to issue up to $4.4 billion of debt securities prior to December 31, 2009. The new authorization would supersede the company's December 2001 PSC financing authorization pursuant to which currently up to $830 million of debt securities could be issued prior to 2006. O&R is authorized by the PSC to issue up to $150 million of debt securities prior to 2006. In addition, the PSC has authorized the refunding of the Utilities' outstanding debt securities and preferred stock, should the Utilities determine that it is economic to do so.

Con Edison's unregulated subsidiaries have financed their operations and capital requirements primarily with capital contributions from Con Edison, internally generated funds and external borrowings. See Note T to the financial statements.

In August 2002, Congress appropriated funds for which Con Edison of New York is eligible to apply to recover costs it incurred in connection with the World Trade Center attack. In accordance with procedural guidelines for disbursement of the federal funds, Con Edison of New York has received two installments totaling $63 million as of December 31, 2004. The Company has submitted an additional application for funds and will submit further applications when appropriate. See Note R to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

For each of the Companies, the ratio of earnings to fixed charges (Securities and Exchange Commission basis) for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 was:

	Earnings to Fixed Charges Ratio				
	2004	*2003*	*2002*	*2001*	*2000*
Con Edison	2.6	2.7	3.1	3.3	3.0
Con Edison of New York	3.1	3.4	3.4	3.7	3.2
O&R	4.0	4.4	3.3	3.5	3.4

For each of the Companies, the common equity ratio at December 31, 2004, 2003 and 2002 was:

	Common Equity Ratio		
	2004	*2003*	*2002*
Con Edison	51.0	48.0	48.1
Con Edison of New York	52.9	49.3	46.6
O&R	52.9	55.1	53.6

The commercial paper of the Companies is rated P-1, A-1 and F1, respectively, by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P) and Fitch Ratings (Fitch). Con Edison's unsecured debt is rated A2, A- and A-, respectively, by Moody's, S&P and Fitch. The unsecured debt of the Utilities is rated A1, A and A+, respectively, by Moody's, S&P and Fitch. A securities rating is subject to revision or withdrawal at any time by the assigning rating organization.

Capital Requirements

The following table contains the Companies' capital requirements for the years 2002 through 2004 and estimated amounts for 2005 through 2007.

	Actual			*Estimate*		
(Millions of Dollars)	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Regulated utility construction expenditures						
Con Edison of New York	$1,082	$1,167	$1,235	$1,492	$1,541	$1,580
O&R	58	71	79	82	86	84
Total regulated construction expenditures	$1,140	$1,238	$1,314	$1,574	$1,627	$1,664
Unregulated subsidiaries construction expenditures	282	105	38	6	8	8
Sub-total	$1,422	$1,343	$1,352	$1,580	$1,635	$1,672
Retirement of long-term securities at maturity*						
Con Edison of New York	337	805	923	450	—	330
O&R	—	35	—	2	2	23
Unregulated energy subsidiaries	11	16	16	17	20	21
Total retirement of long-term securities at maturity	348	856	939	469	22	374
Total	$1,770	$2,199	$2,291	$2,049	$1,657	$2,046

* Includes long-term securities redeemed in advance of maturity.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Combined for Con Edison, Con Edison of New York and O&R) — Continued

Con Edison of New York's utility construction expenditures in 2003 and 2004 reflect programs to meet electric load growth and reliability needs, gas infrastructure expenditures, the East River Repowering Project and expenditures for permanent electric, gas and steam system restoration following the World Trade Center attack (see Note R to the financial statements). The increase for 2005 reflects an anticipated higher level of expenditures for electric substations and ongoing improvements and reinforcements of the electric distribution system.

The unregulated energy subsidiaries' construction expenditures declined in 2004 and are expected to continue to decline, consistent with there being no major construction or acquisition identified for those businesses at this time. At December 31, 2004 and 2003, Con Edison's investment balance in these subsidiaries, on an unconsolidated basis, was $599 million and $703 million, respectively. The 2004 amount does not include Con Edison Communications.

Contractual Obligations

The following tables summarize the Companies' material obligations at December 31, 2004, to make payments pursuant to contracts. Long-term debt, capital lease obligations and other long-term liabilities are included on their balance sheets. Operating leases, non-utility generator (NUG) contracts and other purchase power agreements (PPAs) (for which undiscounted future annual payments are shown) are disclosed in the notes to the financial statements.

(Millions of Dollars)		*Payments Due by Period*			
Contractual Obligations	*Total*	*Less than 1 year*	*2–3 years*	*4-5 years*	*After 5 years*
Long-term debt, including interest (Note C)					
Con Edison of New York	$ 10,210	$ 767	$ 904	$ 1,269	$ 7,270
O&R	620	21	62	38	499
Unregulated energy subsidiaries and parent	2,455	88	179	364	1,824
Total Long-term debt, including interest	$ 13,285	$ 876	$ 1,145	$ 1,671	$ 9,593
Capital lease obligations (Note K)					
Con Edison of New York	$ 57	$ 7	$ 14	$ 16	$ 20
Total Capital lease obligations	$ 57	$ 7	$ 14	$ 16	$ 20
Operating leases (Notes K and T)					
Con Edison of New York	$ 76	$ 41	$ 11	$ 10	$ 14
O&R	25	2	4	4	15
Unregulated energy subsidiaries	13	2	4	3	4
Total operating leases	$ 114	$ 45	$ 19	$ 17	$ 33
Purchase obligations:					
Non-utility generator contracts and purchase power agreements—Utilities (Note I)					
Con Edison of New York					
Energy(a)	$ 13,618	$ 910	$ 1,560	$ 1,026	$ 10,122
Capacity	6,430	452	996	1,027	3,955
Total Con Edison of New York	$ 20,048	$ 1,362	$ 2,556	$ 2,053	$ 14,077
O&R					
Energy(a)	$ 86	$ 52	$ 34	$ —	$ —
Capacity	30	18	9	3	—
Total O&R	$ 116	$ 70	$ 43	$ 3	$ —
Total non-utility generator contracts and purchase power agreements—Utilities (b)	$ 20,164	$ 1,432	$ 2,599	$ 2,056	$ 14,077
Natural gas supply, transportation, and storage contracts—Utilities(c)					
Con Edison of New York					
Natural gas supply	$ 1,218	$ 536	$ 548	$ 134	$ —
Transportation and storage	609	135	215	158	101
Total Con Edison of New York	$ 1,827	$ 671	$ 763	$ 292	$ 101
O&R					
Natural gas supply	$ 260	$ 115	$ 109	$ 36	$ -
Transportation and storage	140	33	51	37	19
Total O&R	$ 400	$ 148	$ 160	$ 73	$ 19
Total natural gas supply, transportation and storage contracts	$ 2,227	$ 819	$ 923	$ 365	$ 120
Other purchase obligations(d)					
Con Edison of New York	$ 1,767	$ 1,126	$ 502	$ 89	$ 50
O&R	149	68	53	22	6
Total other purchase obligations	$ 1,916	$ 1,194	$ 555	$ 111	$ 56
Unregulated energy subsidiary commodity and service agreements(e)	$ 965	$ 366	$ 336	$ 48	$ 215
Total	$ 38,728	$ 4,739	$ 5,591	$ 4,284	$ 24,114

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

(b) Con Edison of New York's contractual obligations under its non-utility generator contracts and other purchase power agreements include the cost of energy and capacity that the company is obligated to purchase under the contracts described in Notes I, N and T to the financial statements.

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

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

(e) Amounts represent commitments to purchase minimum quantities of electric energy and capacity, natural gas, natural gas pipeline capacity and generating plant services entered into by Con Edison's unregulated subsidiaries. Amounts do not include commitments of Con Edison Communications.

The Companies' commitments to make payments in addition to these contractual commitments include their other liabilities reflected in their balance sheets, any funding obligations for their pension and other postretirement benefit plans, and Con Edison's guarantees of certain obligations of its subsidiaries. See Notes E, F, S and T to the financial statements.

Electric Power Requirements

In 2004, the Utilities purchased substantially all of the energy they sold to customers pursuant to firm contracts with NUGs and others and through the NYISO's wholesale electricity market. Con Edison expects that these resources will again be adequate to meet the requirements of its customers in 2005.

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

To reduce the volatility of electric energy costs, the Utilities have firm contracts to purchase electric energy and enter into derivative transactions to hedge the costs of a portion of their expected purchases, which together cover a substantial portion of the electric energy expected to be sold to customers in the summer of 2005. See Notes I and P to the financial statements. O&R's New Jersey subsidiary entered into firm contracts to purchase electric energy for substantially all of the electric energy expected to be sold to its customers in 2005.

Con Edison of New York also owns generating stations in New York City associated primarily with its steam system, with electric capacity of approximately 565 MW. In addition, the company's East River Repowering Project, which is expected to be placed in service in 2005, will add incremental electric capacity of 200 MW based on a winter nominal rating (125 MW based on a summer nominal rating). The company sells the electric output of its generating stations through the NYISO's wholesale electricity market.

In a July 1998 order, the PSC indicated that it "agree(s) generally that Con Edison of New York need not plan on constructing new generation as the competitive market develops," but considers "overly broad" and did not adopt Con Edison of New York's request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity. Con Edison of New York monitors the adequacy of the electric capacity resources and related developments in its service area, and works with other parties on long-term resource adequacy issues within the framework of the NYISO.

Mirant Corporation is the owner of the Lovett generating station located in O&R's service territory. Mirant, which is undergoing bankruptcy proceedings, has indicated in their recent Plan of Reorganization that under certain circumstances it would shut down the Lovett units in 2007 and 2008. If the units were shut down and in the absence of replacement generation added in the area, O&R's transmission system could require modification in order to meet existing transmission reliability criteria.

Con Edison's unregulated energy subsidiaries sell electricity in the wholesale and retail NYISO and other markets. At December 31, 2004, Con Edison Development's interests in electric generating facilities amounted to 1,668 MW. Con Edison Energy sells the electricity from these generating facilities under contract or on the wholesale electricity markets. See "Financial and Commodity Market Risks—Commodity Price Risk," below.

REGULATORY MATTERS

For additional information about the electric, gas and steam agreements discussed below, see "Rate and Restructuring Agreements" in Note B to the financial statements.

Electric

In September 1997, the PSC approved a restructuring agreement among Con Edison of New York, the PSC staff and certain other parties (the 1997 Restructuring Agreement). Pursuant to the 1997 Restructuring Agreement, Con Edison of New York reduced electric rates, divested most of its electric generating capacity, and enabled all of its electric customers to be served by competitive energy suppliers. O&R operates under regulatory frameworks authorized by the PSC, NJBPU and PPUC that provide for a transition to a competitive electric market.

In November 2000, the PSC approved an electric rate agreement for Con Edison of New York covering the five-year period ending March 2005, which, among other things, revised and extended the electric rate plan provisions of the 1997 Restructuring Agreement and addressed certain generation divestiture-related issues.

In December 2004, Con Edison of New York entered into a Joint Proposal with the staff of the PSC and other parties with respect to its electric rates. The new electric rate plan, which is subject to PSC approval, covers the three-year period April 2005 through March 2008, and provides for expected increases in delivery service rates of $104.6 million, effective April 1, 2005, and $220.4 million effective April 1, 2007. The rate increase is net of $100 million (pre-tax) the company agreed to apply for customer benefit relating primarily to the treatment of prior period pension credits. In addition, the company will retain the first $60 million of auction proceeds from the sale of transmission rights on the company's transmission system (transmission congestion contracts) in each of the three years. The rate increases are lower than they otherwise would have been as a result of the amortization of certain regulatory assets and liabilities, the net effect of which will be to increase electric revenues by $128 million, $173 million and $249 million in each of the 12-month periods ended March 31, 2006, 2007 and 2008, respectively.

In October 2003, the PSC approved an agreement among O&R, the staff of the PSC and other parties with respect to the rates O&R can charge to its New York customers for electric service. The agreement, which covers the period from July 1, 2003 through October 31, 2006, provides for no changes to electric base rates and contains provisions for the amortization and offset of regulatory assets and liabilities, the net effect of which will reduce electric operating income by a total of $11 million (pre tax) between July 2003 and June 2006.

In July 2003, the NJBPU ruled on the petitions of Rockland Electric Company (RECO), the New Jersey utility subsidiary of O&R, for an increase in electric rates and recovery of deferred purchased power costs. The NJBPU ordered a $7 million decrease in RECO's electric base rates, effective August 2003, authorized RECO's recovery of approximately $83 million of previously deferred purchased power costs and associated interest and disallowed recovery of approximately $19 million of such costs and associated interest. In July 2004, the NJBPU approved RECO's Phase II petition of O&R's New Jersey utility subsidiary, RECO, to increase base rates annually by $2.7 million (2.0% increase), effective August 1, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

Gas

In September 2004, the PSC approved a Joint Proposal by Con Edison of New York, the staff of the PSC and other parties with respect to the rates the company can charge its customers for gas and steam services. The approved gas rate plan covers the three-year period from October 2004 through September 2007, and provides for an increase in gas delivery rates of $46.8 million, effective October 1, 2004, with deferral accounting to be used to allocate the income statement effect of the increase over the term of the agreement. The rate increase is net of $17.5 million (pre-tax) the company agreed to apply for customer benefit relating primarily to the treatment of prior period pension credits, for which the company recognized a charge upon approval of the plan in September 2004. In addition to this rate increase, the company will retain the first $35 million of net revenues from non-firm customer transactions for each year of the rate plan and share with customers such revenues in excess of $35 million.

In October 2003, the PSC approved an agreement among O&R, the staff of the PSC and other parties with respect to the rates O&R can charge to its New York customers for gas delivery service. The agreement, which covers the period from November 1, 2003 through October 31, 2006, provides for annual increases in gas base rates of $9 million (5.8 percent) effective November 2003, $9 million (4.8 percent) effective November 2004 and $5 million (2.5 percent) effective November 2005. The agreement also contains incentives under which, among other things, the company earns additional amounts based on attaining specified targets for customer migration to its retail access programs and the achievement of certain net revenue targets for interruptible sales and transportation customers.

Steam

The Joint Proposal approved by the PSC in September 2004 for Con Edison of New York gas and steam rates includes a steam rate plan covering the two-year period from October 2004 through September 2006. The plan provides for increases in steam base rates of $49.6 million, effective October 1, 2004, and $27.4 million, effective October 1, 2005. The increases are net of a total of $6.2 million (pre-tax) the company agreed to apply for customer benefit relating primarily to the treatment of prior period pension credits, for which the company recognized a charge upon approval of the plan in September 2004.

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 subsidiaries manage interest rate risk through the issuance of mostly fixed rate-debt with varying maturities and through opportunistic refinancing of debt. Con Edison estimates that, as of December 31, 2004, each 10 percent variation in interest rates applicable to the Companies' variable rate debt of $1 billion would result in a change in annual interest expense of $2 million. For each 10 percent change in Con Edison of New York's and O&R's variable interest rates applicable to their variable rate debt of $1 billion and $44 million, respectively, annual interest expense for Con Edison of New York would change by $2 million and there would be no material impact for O&R.

In addition, from time to time, Con Edison and its subsidiaries enter into derivative financial instruments to hedge interest rate risk on certain debt securities. See "Interest Rate Hedging" in Note P to the 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 unregulated energy subsidiaries have risk management strategies to mitigate their related exposures. See Note P to the financial statements.

Con Edison estimates that, as of December 31, 2004, each 10 percent change in market prices would result in a change in fair value of $70 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which $54 million is for Con Edison of New York and $16 million for O&R. Con Edison expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In accordance with provisions approved by state regulators, the Utilities generally recover from customers the costs they incur for energy purchased for their customers, including gains and losses on certain derivative instruments used to hedge energy purchased and related costs. See "Recoverable Energy Costs" in Note A to the financial statements.

Con Edison's unregulated energy subsidiaries 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 subsidiaries estimate VaR across their electricity and natural gas commodity businesses using a delta-normal variance/covariance model with a 95 percent confidence level. Since the VaR calculation involves complex methodologies and estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. VaR for transactions associated with hedges on generating assets and commodity contracts, assuming a one-day holding period, for the years ended December 31, 2004, and 2003, respectively, was as follows:

95% Confidence Level, One-Day Holding Period	*2004*	*2003*
	(Millions of Dollars)	
Average for the period	$ 1	$ 1
High	$ 3	$ 3
Low	$ 1	$ -

Credit Risk

The Companies are exposed to credit risk related to over-the-counter transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the unregulated energy subsidiaries. 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, master netting agreements and collateral or prepayment arrangements. The Companies measure credit risk exposure as the replacement cost for open energy commodity and derivative positions plus amounts owed from counterparties for settled transactions. The replacement cost of open positions represents unrealized gains, net of any unrealized losses where the company has a legally enforceable right of setoff.

Con Edison's unregulated energy subsidiaries had $80 million of credit exposure, net of collateral and reserves, at December 31, 2004, of which $59 million was with investment grade counterparties and $21 million was with the New York Mercantile Exchange or independent system operators.

Investment Risk

The Companies' investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans. See "Application of Critical Accounting Policies—Accounting for Pensions and Other Postretirement Benefits," above. The Companies' current investment policy for pension plan assets includes investment targets of 65 percent equities and 35 percent fixed income and other securities. At December 31, 2004, the pension plan investments consisted of 67 percent equity and 33 percent fixed income and other securities. See Note E to the financial statements.

ENVIRONMENTAL MATTERS

For information concerning potential liabilities arising from laws and regulations protecting the environment and from claims relating to alleged exposure to asbestos, see Note G to the financial statements.

IMPACT OF INFLATION

The Companies are affected by the decline in the purchasing power of the dollar caused by inflation. Regulation permits the Utilities to recover through depreciation only the historical cost of their plant assets even though in an inflationary economy the cost to replace the assets upon their retirement will substantially exceed historical costs. The impact is, however, partially offset by the repayment of the Companies' long-term debt in dollars of lesser value than the dollars originally borrowed. Also, to the extent the Companies' prices change by more or less than inflation, the real price of the Companies' services will increase or decline. Over the past 20 years, for example, the real price of electric delivery service has declined substantially.

MATERIAL CONTINGENCIES

For information concerning potential liabilities arising from the Companies' material contingencies, see "Application of Critical Accounting Policies—Accounting for Contingencies."

RESULTS OF OPERATIONS

Results of operations reflect, among other things, the Companies' accounting policies (see "Application of Critical Accounting Policies," above), rate plans that cover the rates the Utilities can charge their customers (see "Regulatory Matters," above) and demand for utility service. Demand for utility service is affected by weather, economic conditions and other factors.

The Companies' results of operations for the 12 months ended December 31, 2004 were negatively affected by the lower than normal number of hot days during the summer months, which offset the benefit of the unusually warm spring. For Con Edison and Con Edison of New York, the results also reflect charges totaling $124 million ($80 million after tax) related to the new and pending electric, gas and steam rate plans (see Note B to the financial statements), higher operations and maintenance expenses, and a reduction in net credits for pensions and other postretirement benefits. In addition, higher depreciation and property taxes in 2004 reflect large continuing investments in energy delivery infrastructure. For Con Edison, results of operations for 2003 and 2002 have been restated to reflect accounting for the discontinued operations of Con Edison Communications. For additional information about major factors affecting earnings, see "Results of Operations—Summary," above.

In general, the Utilities recover on a current basis the fuel and purchased power costs they incur in supplying energy to their full-service customers (see "Recoverable Energy Costs" in Note A and "Regulatory Matters" in Note B to the financial statements). 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 Generally Accepted Accounting Principles, the measure facilitates the analysis by management and investors of the Companies' results of operations.

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Management's Discussion and Analysis of Financial Condition and Results of Operations (Combined for Con Edison, Con Edison of New York and O&R) — Continued

A discussion of the results of operations by principal business segment for the years ended December 31, 2004, 2003 and 2002 follows. For additional business segment financial information, see Note O to the financial statements.

Year Ended December 31, 2004 Compared with Year Ended December 31, 2003

The Companies' results of operations (which were discussed above under "Results of Operations— Summary") in 2004 compared with 2003 were:

	*Con Edison**		*Con Edison of New York*		*O&R*	
(Millions of Dollars)	*Increases (Decreases) Amount*	*Increases (Decreases) Percent*	*Increases (Decreases) Amount*	*Increases (Decreases) Percent*	*Increases (Decreases) Amount*	*Increases (Decreases) Percent*
Operating revenues	$ (50)	(0.5)%	$ (160)	(2.0)%	$ (24)	(3.3)%
Purchased power	77	2.0	(60)	(1.9)	(4)	(1.6)
Fuel	93	18.5	46	12.8	-	-
Gas purchased for resale	(37)	(4.2)	(6)	(0.8)	-	-
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(183)	(4.0)	(140)	(3.5)	(20)	(5.6)
Other operations and maintenance	56	3.9	77	6.7	3	1.8
Impairment charges	(18)	(100.0)	-	-	-	-
Depreciation and amortization	35	6.8	19	4.1	(1)	(2.9)
Taxes, other than income tax	(36)	(3.2)	(27)	(2.6)	(2)	(4.0)
Income tax	(107)	(26.8)	(92)	(24.7)	(17)	(50.0)
Operating income	(113)	(10.8)	(117)	(12.4)	(3)	(4.4)
Other income less deductions and related federal income tax	38	Large	17	47.2	3	Large
Net interest charges	10	2.3	(27)	(7.2)	(1)	(4.8)
Income from continuing operations	(85)	(13.4)	-	-	-	-
Discontinued operations	97	89.0	-	-	-	-
Cumulative effect of changes in accounting principles	(3)	(100.0)	-	-	-	-
Net income for common stock	$ 9	1.7%	$ (73)	(12.4)%	$ 1	2.2%

* Represents the consolidated financial results of Con Edison and its subsidiaries.

Con Edison of New York

Electric

Con Edison of New York's electric operating revenues were $181 million lower in 2004 than in 2003, due primarily to the non-cash charge ($100 million) under the pending electric rate plan (see Note B

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to the financial statements) and decreased purchased power costs of $80 million. The decrease is partially offset by the increase in recoverable fuel costs ($46 million). Changes to operating revenues also reflect variations in electric sales.

Con Edison of New York's electric sales and deliveries, excluding off-system sales, in 2004 compared with 2003 were:

MILLIONS OF KWHS

	Twelve Months Ended			*Percent*
Description	*December 31, 2004*	*December 31, 2003*	*Variation*	*Variation*
Residential/Religious	12,673	12,441	232	1.9%
Commercial/Industrial	16,966	18,033	(1,067)	(5.9)
Other	229	154	75	48.7
TOTAL FULL SERVICE CUSTOMERS	**29,868**	**30,628**	**(760)**	**(2.5)**
Retail access customers	14,143	12,637	1,506	11.9
SUB-TOTAL	**44,011**	**43,265**	**746**	**1.7**
NYPA, Municipal Agency and Other Sales	10,730	10,470	260	2.5
TOTAL SERVICE AREA	**54,741**	**53,735**	**1,006**	**1.9%**

Electric delivery volumes in Con Edison of New York's service area increased 1.9 percent in 2004 compared with 2003, reflecting principally increased new business. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, electric delivery volumes in Con Edison of New York's service area increased 1.4 percent in 2004 compared with 2003. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison of New York's electric fuel costs increased $46 million in 2004 as compared with 2003, primarily because the company's generation plants were dispatched more frequently than in the same period last year. Electric purchased power costs decreased $80 million, reflecting a decrease in purchased volumes, partially offset by higher unit costs.

Con Edison of New York's electric operating income decreased $106 million in 2004 compared with 2003. The principal components of the decrease were lower net revenues ($147 million), and increases in other operations and maintenance expense ($49 million—due primarily to a reduced net credit for pensions and other postretirement benefits), property taxes ($21 million) and depreciation ($16 million). The increase in expenses were offset in part by lower income tax ($80 million), state and local revenue taxes ($32 million), sales and use tax ($8 million).

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Gas

Con Edison of New York's gas operating revenues in 2004 increased $8 million compared with 2003, reflecting primarily higher firm and non-firm revenues due principally to the new gas rate plan ($23 million) and the reconciliation of gas distribution losses to levels reflected in rates, which resulted in a net benefit of $12 million. This increase was partially offset by non-cash charge ($18 million) under the new gas rate plan (see Note B to the financial statements).

Con Edison of New York's revenues from gas sales are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income.

Con Edison of New York's gas sales and deliveries, excluding off-system sales, in 2004 compared with 2003 were:

THOUSANDS OF DTHS

Description	*Twelve Months Ended December 31, 2004*	*Twelve Months Ended December 31, 2003*	*Variation*	*Percent Variation*
FIRM SALES				
Residential	48,569	51,944	(3,375)	(6.5)%
General	35,887	36,840	(953)	(2.6)
FIRM TRANSPORTATION	**16,795**	**16,486**	**309**	**1.9**
TOTAL FIRM SALES AND TRANSPORTATION	**101,251**	**105,270**	**(4,019)**	**(3.8)**
Off Peak/Interruptible Sales	13,187	15,247	(2,060)	(13.5)
NON-FIRM TRANSPORTATION OF GAS				
NYPA	18,623	23,360	(4,737)	(20.3)
Generation Plants	44,772	43,808	964	2.2
TOTAL NYPA AND GENERATION PLANTS	**63,395**	**67,168**	**(3,773)**	**(5.6)**
Other	18,534	17,766	768	4.3
TOTAL SALES AND TRANSPORTATION	**196,367**	**205,451**	**(9,084)**	**(4.4)%**

Con Edison of New York's sales and transportation volumes for firm customers decreased 3.8 percent in 2004 compared with 2003 reflecting the impact of milder winter and warmer spring weather, partially offset by increased new business. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, firm gas sales and transportation volumes in the company's service area increased 0.6 percent in 2004.

Non-firm transportation of customer-owned gas to NYPA and electric generating plants decreased 5.6 percent in 2004 as compared with 2003 due to higher gas prices. In 2004, because of the relative prices of gas and fuel oil, electric generating plants in the company's gas service area utilized oil rather than gas for a significant portion of their generation. The decline in gas usage had minimal impact on earnings due to the application of a fixed demand charge for local transportation.

Con Edison of New York's purchased gas cost decreased $6 million in 2004 compared with 2003, due to lower delivery volumes, partially offset by higher unit costs.

Con Edison of New York's gas operating income increased $3 million in 2004 compared with 2003, reflecting primarily higher net revenues ($14 million) and lower sales and use tax ($1 million). This increase was partially offset by increases in other operations and maintenance expense ($8 million—due primarily to a reduced net credit for pensions and other postretirement benefits), depreciation ($3 million) and income tax ($3 million).

Steam

Con Edison of New York's steam operating revenues increased $13 million and steam operating income decreased $13 million in 2004 compared with 2003. The increase includes higher purchased power costs ($20 million) in 2004 reflecting an increase in purchased volumes and higher unit costs compared with 2003, partially offset by the non-cash charge ($6 million) under the new steam rate plan (see Note B to the financial statements). The decrease in steam operating income reflects increased operations and maintenance expense ($19 million, principally related to the cost of insulating steam manhole covers) and lower net revenues of $7 million. This decrease was partially offset by lower income taxes ($15 million) due to lower income.

Con Edison of New York's steam sales and deliveries in 2004 compared with 2003 were:

MILLIONS OF POUNDS

	Twelve Months Ended			
Description	*December 31, 2004*	*December 31, 2003*	*Variation*	*Percent Variation*
General	685	729	(44)	(6.0)%
Apartment house	7,602	7,845	(243)	(3.1)
Annual power	17,842	17,674	168	1.0
TOTAL SALES	**26,129**	**26,248**	**(119)**	**(0.5)%**

Steam sales volumes decreased 0.5 percent in 2004 compared with 2003, reflecting the impact of the milder December weather in the 2004 period. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, steam sales decreased 0.4 percent in 2004.

Taxes Other Than Income Taxes

At $1 billion, taxes other than income taxes remain one of Con Edison of New York's largest operating expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

The principal components of, and variations in, taxes, other than income taxes were:

(Millions of Dollars)	*2004*	*2003*	*Increase/ (Decrease)*
Property taxes	$ 681	$ 651	$ 30
State and local taxes related to revenue receipts	283	321	(38)
Payroll taxes	53	50	3
Other taxes	(4)	18	(22)
Total	$1,013(a)	$1,040(a)	$ (27)

(a) Including sales tax on customers' bills, total taxes other than income taxes billed to customer in 2004 and 2003 were $1,357 and $1,393 million, respectively.

Income Taxes

Operating income taxes decreased $92 million in 2004 compared with 2003, due principally to lower income in the 2004 period.

Other Income (Deductions)

Other income (deductions) increased $17 million in 2004 compared with 2003, due primarily to increased allowance for equity funds used during construction and interest income associated with use tax and federal income tax.

Net Interest Charges

Net interest charges decreased $27 million in 2004 compared with 2003, due principally to lower interest expense on long-term debt as a result of refinancing long-term debt at lower interest rates, offset, in part, by additional debt issuances during the year.

O&R

Electric

Electric operating revenues decreased $31 million in 2004 compared with 2003. The decrease is due primarily to accounting in 2003 for the New York rate agreement and the NJBPU ruling on the RECO rate petitions (see "Rate and Restructuring Agreements" in Note B to the financial statements), as well as the deferral in 2004 of state income tax benefits for ratepayers, and lower purchased power costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

O&R's electric sales and deliveries, excluding off-system sales, in 2004 compared with 2003 were:

MILLIONS OF KWHS

	Twelve Months Ended			
Description	*December 31, 2004*	*December 31, 2003*	*Variation*	*Percent Variation*
Residential/Religious	1,729	1,769	(40)	(2.3)%
Commercial/Industrial	2,046	2,277	(231)	(10.1)
Other	107	111	(4)	(3.6)
TOTAL FULL SERVICE CUSTOMERS	**3,882**	**4,157**	**(275)**	**(6.6)**
Retail access customers	1,861	1,455	406	27.9
TOTAL SERVICE AREA	**5,743**	**5,612**	**131**	**2.3%**

Electric delivery volumes in O&R's service area increased 2.3 percent in 2004 compared with 2003 due to the growth in the number of customers and higher average customer usage. After adjusting for weather variations in each period and the August 2003 regional power outage, electric delivery volumes in O&R's service area increased 2.3 percent in 2004.

O&R's purchased power cost decreased $4 million in 2004 as compared with 2003 due to a decrease in the average unit cost, lower energy usage by the company's full-service customers and the regulatory actions referenced above.

O&R's electric operating income decreased $3 million in 2004 as compared with 2003 due primarily to the referenced regulatory actions offset in part by lower depreciation expense and lower revenue and income taxes.

Gas

O&R's gas operating revenues increased $7 million in 2004 compared with 2003. The increase is due primarily to the impact of the 2003 gas rate agreement and higher firm transportation volumes.

Gas sales and deliveries, excluding off-system sales, in 2004 compared with 2003 were:

THOUSANDS OF DTHS

Description	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003	Variation	Percent Variation
FIRM SALES				
Residential	9,487	10,810	(1,323)	(12.2)%
General	2,487	3,314	(827)	(25.0)
FIRM TRANSPORTATION	**9,931**	**8,498**	**1,433**	**16.9**
TOTAL FIRM SALES AND TRANSPORTATION	**21,905**	**22,622**	**(717)**	**(3.2)**
Off Peak/Interruptible Sales	6,996	6,833	163	2.4
NON-FIRM TRANSPORTATION OF GAS				
Generation Plants	659	2,833	(2,174)	(76.7)
Other	1,068	1,134	(66)	(5.8)
TOTAL SALES AND TRANSPORTATION	**30,628**	**33,422**	**(2,794)**	**(8.4)%**

Sales and transportation volumes for firm customers decreased 3.2 percent in 2004 compared with 2003 reflecting the impact of the milder winter and warm spring weather. After adjusting for weather variations in each period and the August 2003 power outage, total firm sales and transportation volumes were 0.9 percent higher in 2004 compared with 2003.

Non-firm transportation of customer-owned gas to electric generating plants decreased 76.7 percent in 2004 as compared with 2003 because the relative prices of gas and fuel oil led power plants in the company's gas service area to utilize oil rather than gas for a significant portion of their generation. In addition, one area power plant has changed equipment at its two coal-fired units to significantly reduce the volume of gas required for ignition. The decline in gas usage had minimal impact on earnings due to the application of a fixed demand charge for local transportation.

Gas operating income was the same in 2004 as in 2003. Increased gas operations and maintenance expenses of $12 million, primarily related to pensions and other postretirement benefits, were offset by an increase in net gas revenues of $7 million, reflecting the 2003 gas rate agreement, and by a decrease in federal and state income tax of $4 million and lower taxes other than income taxes of $1 million.

Taxes Other Than Income Taxes

Taxes other than income taxes decreased $2 million in 2004 compared with 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

The principal components of, and variation, in taxes, other than income taxes were:

(Millions of Dollars)	*2004*	*2003*	*Increase/ (Decrease)*
Property taxes	$ 29	$ 28	$ 1
State and local taxes related to revenue receipts	15	19	(4)
Payroll taxes	4	4	-
Other taxes	-	(1)(b)	1
Total	48(a)	$ 50(a)	$ (2)

(a) Including sales tax on customers' bills, total taxes other than income taxes, billed to customers in 2004 and 2003 were $66 million and $69 million, respectively.
(b) Includes a sales and use tax refund of approximately $800,000.

Income Taxes

Operating income taxes decreased by $17 million in 2004 compared with 2003 due primarily to the deferral of state income tax benefits for ratepayers in 2004 and lower taxable income in 2004 compared with 2003.

Other Income

O&R's other income (deductions) increased $3 million in 2004 compared with 2003, due primarily to the reclassification to other income (deductions) in 2003 of losses previously recognized in other comprehensive income related to investments in marketable securities.

UNREGULATED SUBSIDIARIES AND OTHER

Unregulated Energy Subsidiaries

The earnings of the unregulated energy subsidiaries were $12 million lower in 2004 than in 2003. Excluding the effects of asset impairment charges and the cumulative effect of changes in accounting principles, earnings were $20 million lower in 2004. The decrease in earnings reflects several factors, including lower gross margins realized on retail electric sales, a full year of operating expenses associated with generation assets placed in service in mid-2003, and depreciation expense on the Newington plant which was consolidated for financial statement purposes in the last quarter of 2003. These negative impacts were partially offset by higher mark-to-market gains on forward transactions.

Operating revenues of the unregulated energy subsidiaries were $138 million higher in 2004 than in 2003, reflecting principally sales from Con Edison Development's increased generating capacity and higher retail electric sales at Con Edison Solutions.

Operating expenses excluding income taxes increased by $129 million, reflecting principally increased purchased power and fuel costs ($192 million), depreciation ($17 million) and maintenance expenses

($8 million). This increase was offset in part by lower costs for gas purchased for resale ($32 million), impairment charges recognized at Con Edison Development and Con Edison Solutions in 2003 ($18 million), lower taxes other than income taxes ($6 million) and decreased other operations expense at Con Edison Development ($32 million) due principally to the consolidation accounting associated with the Newington plant. Lease payments were recorded in operations expense in 2003, whereas depreciation and interest expense were charged in 2004 in accordance with consolidation accounting. See Note T to the financial statements.

Operating income taxes decreased $6 million in 2004 as compared with 2003 reflecting primarily lower taxable income.

Operating income for 2004 was $15 million higher than in 2003.

Other income (deductions) increased $4 million in 2004 as compared with 2003 due principally to unrealized gains on derivatives in 2004.

Interest charges for 2004 increased by $29 million as compared with 2003 due principally to the additional interest expense attributable to the consolidation of the Newington plant discussed above.

Other

Earnings attributable to the parent company were $4 million lower in 2004 as compared with 2003 reflecting primarily higher interest expenses.

Discontinued Operations

Losses from the discontinued operations of Con Edison Communications were $97 million lower in 2004 as compared with 2003 reflecting primarily the impairment charge totaling $84 million (after tax) recorded in 2003.

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YEAR ENDED DECEMBER 31, 2003 COMPARED WITH YEAR ENDED DECEMBER 31, 2002

The Companies' results of operations (which were discussed above under "Results of Operations—Summary") in 2003 compared with 2002 were:

	*Con Edison**		*Con Edison of New York*		*O&R*	
(Millions of Dollars)	*Increases (Decreases) Amount*	*Increases (Decreases) Percent*	*Increases (Decreases) Amount*	*Increases (Decreases) Percent*	*Increases (Decreases) Amount*	*Increases (Decreases) Percent*
Operating revenues	$ 1,310	15.4%	$ 942	13.0%	$ 92	14.5%
Purchased power	683	21.3	502	19.1	31	14.1
Fuel	215	74.4	126	54.3	-	-
Gas purchased for resale	293	49.2	243	51.5	31	34.8
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	119	2.7	71	1.8	30	9.2
Other operations and maintenance	115	8.7	45	4.0	27	18.9
Impairment charges	18	N/A	-	-	-	-
Depreciation and amortization	29	6.0	20	4.6	-	-
Taxes, other than income tax	2	0.2	-	-	(2)	(3.8)
Income tax	(11)	(2.7)	18	5.1	9	36.0
Operating income	(34)	(3.2)	(12)	(1.3)	(4)	(5.6)
Other income less deductions and related federal income tax	(31)	(56.4)	(19)	(34.5)	(3)	Large
Net interest charges	(10)	(2.3)	(16)	(4.1)	(7)	(25.0)
Income from continuing operations	(55)	(8.0)	-	-	-	-
Preferred stock dividend requirements	-	-	(1)	(8.3)	-	-
Discontinued operations	(88)	Large	-	-	-	-
Cumulative effect of changes in accounting principles	25	Large	-	-	-	-
Net income for common stock	$ (118)	(18.3)%	$ (14)	(2.3)%	$ -	-%

*Represents the consolidated financial results of Con Edison and its subsidiaries.

A discussion of the results of operations by principal business segment follows. For additional business segment financial information, see Note O to the financial statements.

The results reflect the application of the Companies' accounting policies and rate plans that cover the rates the Utilities can charge their customers. In general, the Utilities recover on a current basis the fuel and purchased power costs they incur in supplying energy to their full-service customers. See "Recoverable Energy Costs" in Note A and "Regulatory Matters" in Note B to the financial statements.

CON EDISON OF NEW YORK

Electric

Con Edison of New York's electric operating revenues increased $559 million in 2003 compared with 2002, due primarily to higher fuel and purchased power costs of $503 million (which are recoverable from customers), and a lower amount reserved for earnings in excess of a specified rate of return to be retained for customer benefit ($31 million). Changes to operating revenues also reflect variations in electric sales.

Con Edison of New York's electric sales and deliveries, excluding off-system sales, in 2003 compared with 2002 were:

MILLIONS OF KWHS

	Twelve Months Ended			
Description	*December 31, 2003*	*December 31, 2002*	*Variation*	*Percent Variation*
Residential/Religious	12,441	12,481	(40)	(0.3)%
Commercial/Industrial	18,033	19,111	(1,078)	(5.6)
Other	154	181	(27)	(14.9)
TOTAL FULL SERVICE CUSTOMERS	**30,628**	**31,773**	**(1,145)**	**(3.6)**
Retail access customers	12,637	11,926	711	6.0
SUB-TOTAL	**43,265**	**43,699**	**(434)**	**(1.0)**
NYPA, Municipal Agency and Other Sales	10,470	10,267	203	2.0
TOTAL SERVICE AREA	**53,735**	**53,966**	**(231)**	**(0.4)%**

Electric delivery volumes in Con Edison of New York's service area decreased 0.4 percent in 2003 compared with 2002. The decrease in delivery volumes reflects the cool weather in the second quarter of 2003 and the lower than normal number of hot days during the summer of 2003 compared with an exceptionally warm summer in 2002, partially offset by the cold winter weather in 2003 compared with the mild winter in 2002. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, electric delivery volumes in Con Edison of New York's service area increased 0.6 percent in 2003 compared with 2002. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison of New York's electric purchased power costs increased $477 million in 2003 as compared with 2002, due to an increase in the average unit price of purchased power. This increase was offset in part by lower usage by the company's full service customers and higher volumes of electricity purchased from other suppliers by participants in the company's retail access programs. Electric fuel costs increased $26 million, reflecting an increase in the average unit price of fuel.

Con Edison of New York's electric operating income decreased $1 million in 2003 compared with 2002. The principal components of the decrease were increases in other operations and maintenance expense ($41 million—due primarily to a reduced net credit for pensions and other postretirement

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benefits), property taxes ($17 million) and depreciation ($16 million). The increases in expense were offset in part by higher net revenues ($56 million), and lower state and local revenue taxes ($7 million), sales and use tax ($5 million) and payroll taxes ($3 million).

Gas

Con Edison of New York's gas operating revenues in 2003 increased $250 million compared with 2002, due primarily to the higher cost of purchased gas of $243 million (which is recoverable from customers), and higher sales volumes.

Con Edison of New York's revenues from gas sales are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income.

Con Edison of New York's gas sales and deliveries, excluding off-system sales, in 2003 compared with 2002 were:

THOUSANDS OF DTHS

Description	*Twelve Months Ended December 31, 2003*	*December 31, 2002*	*Variation*	*Percent Variation*
FIRM SALES				
Residential	51,944	44,163	7,781	17.6%
General	36,840	32,682	4,158	12.7
FIRM TRANSPORTATION	**16,486**	**15,695**	**791**	**5.0**
TOTAL FIRM SALES AND TRANSPORTATION	**105,270**	**92,540**	**12,730**	**13.8**
Off Peak/Interruptible Sales	15,247	12,624	2,623	20.8
NON-FIRM TRANSPORTATION OF GAS				
NYPA	23,360	25,467	(2,107)	(8.3)
Generation Plants	43,808	77,516	(33,708)	(43.5)
TOTAL NYPA AND GENERATION PLANTS	**67,168**	**102,983**	**(35,815)**	**(34.8)**
Other	17,766	22,299	(4,533)	(20.3)
TOTAL SALES AND TRANSPORTATION	**205,451**	**230,446**	**(24,995)**	**(10.8)%**

Con Edison of New York's sales and transportation volumes for firm customers increased 13.8 percent in 2003 compared with 2002. The increase reflects the impact of the cold weather in the 2003 winter period compared with the mild weather in the 2002 winter period and increased new business. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, firm gas sales and transportation volumes in the company's service area increased 3.6 percent in 2003.

Non-firm transportation of customer-owned gas to NYPA and electric generating plants decreased 34.8 percent in 2003 as compared with 2002 due to higher gas prices. In 2003, because of the relative prices of gas and fuel oil, electric generating plants in the company's gas service area utilized oil rather than gas for a significant portion of their generation. The decline in gas usage had minimal impact on earnings due to the application of a fixed demand charge for local transportation.

Con Edison of New York's purchased gas cost increased $243 million in 2003 compared with 2002, due to higher unit costs and increased sales volumes for firm sales customers.

Con Edison of New York's gas operating income decreased $10 million in 2003 compared with 2002, reflecting primarily increases in other operations and maintenance expense ($4 million—due primarily to a reduced net credit for pensions and other postretirement benefits), depreciation ($4 million), state and local taxes on revenues ($5 million) and income tax ($4 million). The increases in expense were offset in part by higher net revenues of $7 million.

Steam

Con Edison of New York's steam operating revenues increased $133 million and steam operating income decreased $1 million in 2003 compared with 2002. The higher revenues reflect higher sales volumes due to the cold winter weather in 2003 as compared with the mild weather in 2002. The increase also includes higher fuel and purchased power costs ($124 million) in 2003 compared with 2002. The decrease in steam operating income reflects primarily higher income taxes ($10 million—due to higher taxable income and a lower level of removal costs in 2003) and operations and maintenance expense ($3 million—due to a reduced net credit for pensions and other postretirement benefits) offset in part by an increase in net revenues ($9 million) and lower state and local taxes on steam revenues ($4 million).

Con Edison of New York's steam sales and deliveries in 2003 compared with 2002 were:

MILLIONS OF POUNDS

	Twelve Months Ended			*Percent*
Description	*December 31, 2003*	*December 31, 2002*	*Variation*	*Variation*
General	729	600	129	21.5%
Apartment house	7,845	7,022	823	11.7
Annual power	17,674	16,897	777	4.6
TOTAL SALES	**26,248**	**24,519**	**1,729**	**7.1%**

Steam sales volumes increased 7.1 percent in 2003 compared with 2002, reflecting the impact of the cold weather in the 2003 winter period compared with the mild weather in the 2002 winter period. After adjusting for variations, principally weather and billing days in each period and the August 2003 regional power outage, steam sales increased 0.9 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

Taxes Other Than Income Taxes

The principal components of taxes, other than income taxes were:

(Millions of Dollars)	*2003*	*2002*	*Increase/ (Decrease)*
Property taxes	$ 651	$ 630	$ 21
State and local taxes related to revenue receipts	321	327	(6)
Payroll taxes	50	55	(5)
Other taxes	18	28	(10)
Total	$1,040(a)	$1,040(a)	$ -

(a) Including sales tax on customers' bills, total taxes other than income taxes billed to customer in 2003 and 2002 were $1,393 and $1,352 million, respectively.

Effective January 2003, New York City increased Con Edison of New York's annual property taxes by $94 million. Under the company's rate agreements, the company is deferring most of the property tax increase as a regulatory asset to be recovered from customers.

Income Taxes

Operating income taxes increased $18 million in 2003 compared with 2002, primarily as a result of less flow-through (non-deferred) depreciation for tax purposes. In addition, lower operating income taxes in 2002 reflected a tax benefit from an Internal Revenue Service audit for tax years 1995 through 1997 and a write-off of excess deferred tax reserves.

Other Income

Other income (deductions) decreased $19 million in 2003 compared with 2002, reflecting $27 million of interest income on a federal income tax refund claim recorded in 2002, partially offset by an increase in income tax expense in 2003 as a result of the recognition in 2002 of income tax benefits relating to the September 2001 sale of the company's nuclear generating unit.

Net Interest Charges

Net interest charges decreased $16 million in 2003 compared with 2002 due primarily to the interest expense associated with a net federal income tax deficiency related to a prior period audit ($19 million) recorded in 2002.

O&R

Electric

Electric operating revenues increased $54 million in 2003 compared with 2002. The increase is due primarily to higher purchased power costs in 2003 and accounting for the 2003 New York electric rate agreement and the NJBPU ruling on the 2003 RECO rate petitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

O&R's electric sales and deliveries, excluding off-system sales, in 2003 compared with 2002 were:

MILLIONS OF KWHS

	Twelve Months Ended			
Description	*December 31, 2003*	*December 31, 2002*	*Variation*	*Percent Variation*
Residential/Religious	1,769	1,815	(46)	(2.5)%
Commercial/Industrial	2,277	2,393	(116)	(4.8)
Other	111	111	-	-
TOTAL FULL SERVICE CUSTOMERS	**4,157**	**4,319**	**(162)**	**(3.8)**
Retail access customers	1,455	1,235	220	17.8
TOTAL SERVICE AREA	**5,612**	**5,554**	**58**	**1.0%**

Electric delivery volumes in O&R's service area increased 1.0 percent in 2003 compared with 2002 due to the growth in the number of customers, higher average customer usage, and the positive effect of the cooler-than-normal weather in the first quarter of 2003, partially offset by negative impact of weather on the last nine months of 2003. After adjusting for weather variations and the August 2003 regional power outage, electric delivery volumes in O&R's service area increased 2.5 percent in 2003.

O&R's purchased power cost increased $31 million in 2003 as compared with 2002 due to an increase in the average unit cost and the regulatory actions referenced above. This increase was offset by lower energy usage by the company's full-service customers and higher volumes of electricity purchased from other suppliers by participants in O&R's retail access program.

O&R's electric operating income decreased $6 million in 2003 as compared with 2002 due primarily to the referenced regulatory actions.

Gas

O&R's gas operating revenues increased $38 million in 2003 compared with 2002. The increase is due primarily to higher cost for gas purchased for resale in 2003, higher firm sales and transportation volumes and the impact of the 2003 gas rate agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

O&R's gas sales and deliveries, excluding off-system sales, in 2003 compared with 2002 were:

THOUSANDS OF DTHS

	Twelve Months Ended			
Description	*December 31, 2003*	*December 31, 2002*	*Variation*	*Percent Variation*
FIRM SALES				
Residential	10,810	10,203	607	5.9%
General	3,314	3,295	19	0.6
FIRM TRANSPORTATION	**8,498**	**6,368**	**2,130**	**33.4**
TOTAL FIRM SALES AND TRANSPORTATION	**22,622**	**19,866**	**2,756**	**13.9**
Off Peak/Interruptible Sales	6,833	7,366	(533)	(7.2)
NON-FIRM TRANSPORTATION OF GAS				
Generation Plants	2,833	13,983	(11,150)	(79.7)
Other	1,134	1,057	77	7.3
TOTAL SALES AND TRANSPORTATION	**33,422**	**42,272**	**(8,850)**	**(20.9)%**

O&R's sales and transportation volumes for firm customers increased 13.9 percent in 2003 compared with 2002. The increase reflects the impact of the cold weather in the 2003 winter period compared with the mild weather in the 2002 winter period. Revenues from gas sales in New York are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income. After adjusting for weather variations in each period and the August 2003 regional power outage, total firm sales and transportation volumes were 3.0 percent higher in 2003 compared with 2002.

Non-firm transportation of customer-owned gas to electric generating plants decreased 79.7 percent in 2003 as compared with 2002 due to higher gas prices. In 2003, because of the relative prices of gas and fuel oil, power plants in the company's gas service area utilized oil rather than gas for a significant portion of their generation. In addition, one area power plant completed a construction project to directly connect to a gas transmission provider. The decline in gas usage had minimal impact on earnings due to the application of a fixed demand charge for local transportation.

O&R's cost of gas purchased for resale increased $31 million in 2003 as compared with 2002 due to increased sales to firm customers and increased gas unit costs in 2003. The increase is offset in part by increased volumes of gas purchased from other suppliers by participants in O&R's retail access program. See "Recoverable Energy Costs" in Note A to the financial statements.

Gas operating income increased $2 million in 2003 as compared with 2002. The increase reflects an increase in net gas revenues of $7 million, which is due primarily to increased sales and the referenced regulatory actions. The increase in net revenues was offset in part by increased gas operations and maintenance expenses of $2 million and increased federal and state income tax of $3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

Taxes Other Than Income Taxes

Taxes other than income taxes decreased $2 million in 2003 compared with 2002.

The principal components of, and variations in taxes, other than income taxes were:

(Millions of Dollars)	*2003*	*2002*	*Increase/ (Decrease)*
Property taxes	$ 28	$ 27	$ 1
State and local taxes related to revenue receipts	19	21	(2)
Payroll taxes	4	4	-
Other taxes	(1)(b)	-	(1)
Total	$ 50(a)	$ 52(a)	$ (2)

(a) Including sales tax on customers' bills, total taxes other than income taxes, billed to customers in 2003 and 2002 were $69 and $71 million, respectively.
(b) Includes a sales and use tax refund of approximately $800,000.

Income Taxes

Operating income taxes increased by $9 million in 2003 compared with 2002, reflecting primarily to the result of less flow-through (non-deferred) depreciation for tax purposes.

Other Income

O&R's other income (deductions) decreased $3 million in 2003 compared with 2002, due primarily to the reclassification to other income (deductions) of losses related to marketable securities which were previously recognized in other comprehensive income.

Net Interest Charges

O&R's net interest charges decreased by $7 million in 2003 compared with 2002, due primarily to interest charges of $5 million recorded 2002 to reflect a ruling by the NJBPU related to carrying charges on the company's deferred purchased power costs, and to lower interest on long-term debt as a result of the redemption of a $35 million, 10-year debenture in March 2003 (see "Liquidity and Capital Resources," above).

UNREGULATED SUBSIDIARIES AND OTHER

Unregulated Energy Subsidiaries

Unregulated energy subsidiaries' operating income for 2003 was $29 million lower than 2002. Operating revenues increased $278 million in 2003 compared with 2002 due primarily to higher sales from Con Edison Development's increased generating capacity and increased retail electric sales at Con Edison Solutions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (COMBINED FOR CON EDISON, CON EDISON OF NEW YORK AND O&R) — CONTINUED

Unregulated energy subsidiaries' operating expenses, excluding income taxes, increased by $333 million, reflecting principally increased fuel and purchased power costs of $260 million, impairment charges of $18 million and increased operation and maintenance expenses of $55 million. See Note H to the financial statements. The increase in operation and maintenance expenses was attributable to increased costs at Con Edison Development ($51 million), primarily for operations and depreciation for additional generating assets ($9 million), offset in part by lower operation and maintenance costs at Con Edison Solutions ($6 million).

Operating income taxes decreased $26 million for 2003 as compared with 2002 reflecting primarily lower taxable income (including the tax-effect of the aforementioned impairment charges).

Unregulated energy subsidiaries' other income (deductions) decreased $4 million and interest charges were higher by $8 million for 2003 as compared with 2002.

Unregulated energy subsidiaries' earnings reflect an increase of $25 million for 2003 as compared with 2002 resulting from the cumulative effect of changes in accounting principles adopted in each year. For 2003, the positive cumulative effect of changes in accounting principles of $3 million (after tax) at Con Edison Development related to mark-to-market gains applicable to power sales contracts at certain generating plants, partially offset by the impact of the financial statement consolidation of its Newington plant. For 2002, the cumulative effect of changes in accounting principles included charges for goodwill impairment of certain generating assets at Con Edison Development, totaling $20 million (after tax), and a charge of $2 million (after tax) at Con Edison Energy relating to the accounting for certain contracts involved in energy trading and risk management activities.

Other

Earnings attributable to Other, representing the parent company and inter-company transactions, were $7 million lower for 2003 as compared with 2002 primarily reflecting higher interest expenses.

Discontinued Operations

Losses from the discontinued operations of Con Edison Communications were $88 million higher in 2003 as compared with 2002 reflecting primarily the impairment charge totaling $84 million (after tax) included in 2003.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Con Edison

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

Con Edison of New York

For information about Con Edison of New York's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks" in the MD&A in Item 7 (which information is incorporated herein by reference).

O&R

For information about O&R's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks" in the MD&A in Item 7 (which information is incorporated herein by reference).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

A. Financial Statements

Page

Con Edison

Con Edison of New York

O&R

Financial Statement Schedules

Con Edison

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

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B. Supplementary Financial Information

Selected Quarterly Financial Data for the years ended December 31, 2004 and 2003 (Unaudited)

	2004			
Con Edison	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
	(Millions of Dollars)			
Operating revenues*	$ 2,679	$ 2,164	$ 2,734	$ 2,182
Operating income	259	188	329	154
Income from continuing operations	158	89	250	52
Loss from discontinued operations	(3)	(3)	(4)	(1)
Net income	155	86	246	51
Basic earnings per common share				
Continuing operations	$ 0.70	$ 0.38	$ 1.04	$ 0.22
Discontinued operations	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Net income	$ 0.69	$ 0.37	$ 1.02	$ 0.21
Diluted earnings per common share				
Continuing operations	$ 0.69	$ 0.38	$ 1.03	$ 0.22
Discontinued operations	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Net income	$ 0.68	$ 0.37	$ 1.01	$ 0.21

* Includes a $124 million pre-tax charge in 2004, in accordance with Con Edison of New York's electric, gas and steam rate plans.

	2003			
Con Edison*	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
	(Millions of Dollars)			
Operating revenues	$ 2,567	$ 2,172	$ 2,796	$ 2,273
Operating income	263	170	367	244
Income from continuing operations	161	72	264	137
Loss from discontinued operations	(6)	(6)	(7)	(90)
Income for common stock before cumulative effect of changes in accounting principles	155	66	257	47
Cumulative effect of changes in accounting principles	-	-	-	3
Net income	155	66	257	50
Basic earnings per common share				
Continuing operations	$ 0.75	$ 0.32	$ 1.21	$ 0.59
Discontinued operations	(0.03)	(0.03)	(0.04)	(0.40)
Income before cumulative effect of changes in accounting principles	$ 0.72	$ 0.29	$ 1.17	$ 0.19
Cumulative effect of changes in accounting principles	-	-	-	0.02
Net income	$ 0.72	$ 0.29	$ 1.17	$ 0.21
Diluted earnings per common share				
Continuing operations	$ 0.75	$ 0.32	$ 1.20	$ 0.59
Discontinued operations	(0.03)	(0.03)	(0.04)	(0.40)
Diluted earnings per common share before cumulative effect of changes in accounting principles	$ 0.72	$ 0.29	$ 1.16	$ 0.19
Cumulative effect of changes in accounting principles	-	-	-	0.02
Net income	$ 0.72	$ 0.29	$ 1.16	$ 0.21

* Amounts were adjusted for Con Edison Communications' discontinued operations.

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

Con Edison of New York	2004 First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions of Dollars)			
Operating revenues*	$ 2,207	$ 1,751	$ 2,258	$ 1,790
Operating income	230	168	306	121
Net income for common stock	152	89	233	44

	2003			
	(Millions of Dollars)			
Operating revenues	$ 2,150	$ 1,828	$ 2,330	$ 1,858
Operating income	228	151	337	226
Net income for common stock	139	65	253	134

* Includes a $124 million pre-tax charge in 2004, in accordance with Con Edison of New York's electric, gas and steam rate plans.

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

O&R	2004 First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions of Dollars)			
Operating revenues	$ 213	$ 156	$ 180	$ 154
Operating income	19	10	18	18
Net income for common stock	15	5	13	13

	2003			
	(Millions of Dollars)			
Operating revenues	$ 201	$ 156	$ 199	$ 171
Operating income	21	9	23	15
Net income for common stock	16	3	15	11

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

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management of Con Edison assessed the effectiveness of internal control over financial reporting as of December 31, 2004, using the criteria established by the Committee of Sponsoring Organizations (COSO) in *Internal Control—Integrated Framework*. Based on that assessment, management has concluded that Con Edison had effective internal control over financial reporting as of December 31, 2004.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, has been audited by PricewaterhouseCoopers LLP, Con Edison's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

/s/ Eugene R. McGrath

Eugene R. McGrath
Chairman, President and
Chief Executive Officer

/s/ Joan S. Freilich

Joan S. Freilich
Executive Vice President and
Chief Financial Officer

February 17, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have completed an integrated audit of Consolidated Edison, Inc.'s 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedules

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Consolidated Edison, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Report of Management on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers LLP
New York, New York
February 17, 2005

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Consolidated Edison, Inc.

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
	(Millions of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST (Note A)		
Electric	$ 12,912	$ 12,097
Gas	2,867	2,699
Steam	823	799
General	1,500	1,482
TOTAL	18,102	17,077
Less: Accumulated depreciation	4,288	4,069
NET	13,814	13,008
Construction work in progress	1,354	1,276
NET UTILITY PLANT	15,168	14,284
NON-UTILITY PLANT (NOTE A)		
Unregulated generating assets, less accumulated depreciation of $78 and $52 in 2004 and 2003, respectively	841	873
Non-utility property, less accumulated depreciation of $25 and $15 in 2004 and 2003, respectively	31	56
Non-utility property held for sale (Notes H and W)	65	-
Construction work in progress	1	12
NET PLANT	16,106	15,225
CURRENT ASSETS		
Cash and temporary cash investments (Note A)	26	49
Restricted cash	18	18
Accounts receivable—customers, less allowance for uncollectible accounts of $33 and $36 in 2004 and 2003, respectively	760	798
Accrued unbilled revenue (Note A)	73	61
Other receivables, less allowance for uncollectible accounts of $5 and $7 in 2004 and 2003, respectively	179	176
Fuel oil, at average cost	32	33
Gas in storage, at average cost	170	150
Materials and supplies, at average cost	105	100
Prepayments	93	98
Current assets held for sale (Note W)	5	-
Other current assets	254	109
TOTAL CURRENT ASSETS	1,715	1,592
INVESTMENTS (Note A)	257	248
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Goodwill (Note L)	406	406
Intangible assets, less accumulated amortization of $27 and $16 in 2004 and 2003, respectively (Note L)	100	111
Prepaid pension costs (Note E)	1,442	1,257
Regulatory assets (Note B)	2,263	1,861
Other deferred charges and noncurrent assets	271	266
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	4,482	3,901
TOTAL ASSETS	$ 22,560	$ 20,966

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

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Consolidated Edison, Inc.

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
	(Millions of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholders' equity (See Statement of Common Shareholders' Equity)	$ 7,054	$ 6,423
Preferred stock of subsidiary (See Statement of Capitalization)	213	213
Long-term debt (See Statement of Capitalization)	6,561	6,733
TOTAL CAPITALIZATION	13,828	13,369
MINORITY INTERESTS	39	42
NONCURRENT LIABILITIES		
Obligations under capital leases (Note K)	33	36
Provision for injuries and damages (Note G)	180	194
Pensions and retiree benefits	207	205
Superfund and other environmental costs (Note G)	198	193
Noncurrent liabilities held for sale (Note W)	5	-
Other noncurrent liabilities	62	79
TOTAL NONCURRENT LIABILITIES	685	707
CURRENT LIABILITIES		
Long-term debt due within one year	469	166
Notes payable	156	159
Accounts payable	920	905
Customer deposits	234	228
Accrued taxes	36	69
Accrued interest	95	102
Accrued wages	88	79
Current liabilities held for sale (Note W)	11	-
Other current liabilities	215	203
TOTAL CURRENT LIABILITIES	2,224	1,911
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits (Notes A and M)	3,726	3,172
Regulatory liabilities (Note B)	1,995	1,733
Other deferred credits	63	32
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	5,784	4,937
TOTAL CAPITALIZATION AND LIABILITIES	$ 22,560	$ 20,966

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

Consolidated Edison, Inc.
CONSOLIDATED INCOME STATEMENT

	For the Years Ended December 31, 2004	2003	2002
	(Millions of Dollars/Except Share Data)		
OPERATING REVENUES (Note A)			
Electric	$ 6,652	$ 6,863	$ 6,251
Gas	1,507	1,492	1,204
Steam	550	537	404
Non-utility	1,049	916	639
TOTAL OPERATING REVENUES	9,758	9,808	8,498
OPERATING EXPENSES			
Purchased power	3,961	3,884	3,201
Fuel	597	504	289
Gas purchased for resale	852	889	596
Other operations and maintenance	1,494	1,438	1,323
Impairment charges—unregulated assets (Note H)	-	18	-
Depreciation and amortization (Note A)	551	516	487
Taxes, other than income taxes	1,080	1,116	1,114
Income taxes (Notes A and M)	292	399	410
TOTAL OPERATING EXPENSES	8,827	8,764	7,420
OPERATING INCOME	931	1,044	1,078
OTHER INCOME (DEDUCTIONS)			
Investment and other income (Note A)	42	27	50
Allowance for equity funds used during construction (Note A)	25	15	10
Preferred stock dividend requirements of subsidiary	(11)	(11)	(12)
Other deductions	(14)	(16)	(15)
Income taxes (Notes A and M)	20	9	22
TOTAL OTHER INCOME (DEDUCTIONS)	62	24	55
INTEREST EXPENSE			
Interest on long-term debt	426	401	388
Other interest	36	45	61
Allowance for borrowed funds used during construction (Note A)	(18)	(12)	(5)
NET INTEREST EXPENSE	444	434	444
INCOME FROM CONTINUING OPERATIONS	549	634	689
LOSS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES OF $8, $74, AND $ 11 IN 2004, 2003 and 2002, RESPECTIVELY) (Note W)	(12)	(109)	(21)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	537	525	668
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF INCOME TAX OF $2 MILLION IN 2003 AND $(15) MILLION IN 2002)	-	3	(22)
NET INCOME	$ 537	$ 528	$ 646
EARNINGS PER COMMON SHARE—BASIC			
Continuing operations	$ 2.33	$ 2.87	$ 3.24
Discontinued operations	$ (0.05)	$ (0.50)	$ (0.10)
Before cumulative effect of changes in accounting principles	$ 2.28	$ 2.37	$ 3.14
Cumulative effect of changes in accounting principles	$ -	$ 0.02	$ (0.11)
Net income	$ 2.28	$ 2.39	$ 3.03
EARNINGS PER COMMON SHARE—DILUTED			
Continuing operations	$ 2.32	$ 2.86	$ 3.23
Discontinued operations	$ (0.05)	$ (0.50)	$ (0.10)
Before cumulative effect of changes in accounting principles	$ 2.27	$ 2.36	$ 3.13
Cumulative effect of changes in accounting principles	$ -	$ 0.02	$ (0.11)
Net income	$ 2.27	$ 2.38	$ 3.02
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 2.26	$ 2.24	$ 2.22
AVERAGE NUMBER OF SHARES OUTSTANDING—BASIC (IN MILLIONS)	235.8	220.9	213.0
AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED (IN MILLIONS)	236.4	221.8	214.0

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

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2004	2003	2002
	(Millions of Dollars)		
NET INCOME	$537	$528	$646
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Investment in marketable securities, net of $0, $1 and $(1) taxes in 2004, 2003 and 2002, respectively	-	1	(1)
Less: Reclassification adjustment for gains/(losses) included in net income, net of $0, $(1) and $0 taxes in 2004, 2003 and 2002, respectively	-	(2)	-
Minimum pension liability adjustments, net of $0, $0 and $(3) taxes in 2004, 2003 and 2002, respectively	-	-	(3)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of $14, $9 and $13 taxes in 2004, 2003 and 2002, respectively	21	13	18
Less: Reclassification adjustment for gains/(losses) included in net income, net of $9, $13 and $(2) taxes in 2004, 2003 and 2002, respectively	14	19	(2)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	7	(3)	16
COMPREHENSIVE INCOME	$544	$525	$662

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

Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2001	212,257,244	$ 24	$ 1,458	$ 5,251	23,230,850	$ (1,002)	$ (36)	$ (29)	$5,666
Net income				646					646
Common stock dividends				(473)					(473)
Issuance of common shares - dividend reinvestment and employee stock plans	1,675,690		69	(4)	(20,150)	1			66
Other comprehensive income								16	16
BALANCE AS OF DECEMBER 31, 2002	213,932,934	$ 24	$ 1,527	$ 5,420	23,210,700	$ (1,001)	$ (36)	$ (13)	$5,921
Net income				528					528
Common stock dividends				(492)					(492)
Issuance of common shares -public offering	9,570,000	1	380				(3)		378
Issuance of common shares -dividend reinvestment and employee stock plans	2,337,286		96	(5)					91
Other comprehensive loss								(3)	(3)
BALANCE AS OF DECEMBER 31, 2003	225,840,220	$ 25	$ 2,003	$ 5,451	23,210,700	$ (1,001)	$ (39)	$ (16)	$6,423
Net income				537					537
Common stock dividends				(529)					(529)
Issuance of common shares -public offering	14,000,000	1	527				(16)		512
Issuance of common shares -dividend reinvestment and employee stock plans	2,673,963		112	(8)					104
Other comprehensive income								7	7
BALANCE AS OF DECEMBER 31, 2004	242,514,183	$ 26	$ 2,642	$ 5,451	23,210,700	$ (1,001)	$ (55)	$ (9)	$7,054

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

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended December 31, 2004	2003	2002
	(Millions of Dollars)		
OPERATING ACTIVITIES			
Net Income	$ 537	$ 528	$ 646
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME			
Depreciation and amortization	551	529	495
Deferred income taxes	362	418	315
Common equity component of allowance for funds used during construction	(25)	(15)	(10)
Prepaid pension costs (net of capitalized amounts)	(139)	(179)	(262)
Allowance for cost of removal less salvage	54	35	54
Other non-cash items (net)	78	(51)	109
Electric, gas and steam rate plan charges	124	-	-
Impairment charge	-	159	-
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable—customers, less allowance for uncollectibles	38	(115)	(96)
Materials and supplies, including fuel oil and gas in storage	(24)	(87)	25
Prepayments, other receivables and other current assets	(156)	(25)	(88)
Recoverable energy costs	(2)	35	(101)
Accounts payable	15	(20)	243
Pensions and retiree benefits	2	(1)	19
Accrued taxes	(33)	(32)	(45)
Accrued interest	(7)	8	13
Deferred charges and other regulatory assets	(237)	(6)	(164)
Deferred credits and other regulatory liabilities	55	(19)	167
Transmission congestion contracts	107	159	120
Other assets	5	(74)	107
Other liabilities	15	74	34
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,320	1,321	1,581
INVESTING ACTIVITIES			
Utility construction expenditures (excluding capitalized support costs of $45, $54 and $64 in 2004, 2003 and 2002, respectively)	(1,359)	(1,292)	(1,204)
Cost of removal less salvage	(138)	(128)	(124)
Non-utility construction expenditures	(38)	(105)	(282)
Regulated companies' non-utility construction expenditures	-	(1)	(13)
Common equity component of allowance for funds used during construction	25	15	10
Investments by unregulated subsidiaries	(9)	(12)	(19)
Demolition and remediation costs for First Avenue properties	(21)	(23)	(2)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,540)	(1,546)	(1,634)
FINANCING ACTIVITIES			
Net payments of short-term debt	(3)	(3)	(182)
Retirement of long-term debt	(939)	(856)	(311)
Issuance of long-term debt	1,065	778	1,125
Application of funds held for redemption of long-term debt	-	275	(275)
Issuance of common stock	578	436	30
Refunding of preferred stock	-	-	(37)
Debt issuance costs	(14)	(22)	(17)
Common stock dividends	(490)	(452)	(433)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	197	156	(100)
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	(23)	(69)	(153)
BALANCE AT BEGINNING OF PERIOD	49	118	271
BALANCE AT END OF PERIOD	$ 26	$ 49	$ 118
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	$ 419	$ 387	$ 359
Income taxes	$ 103	$ 90	$ 226

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

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF CAPITALIZATION

	Shares outstanding December 31, 2004	Shares outstanding December 31, 2003	At December 31, 2004	At December 31, 2003
			(Millions of Dollars)	
TOTAL COMMON SHAREHOLDERS' EQUITY LESS ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	242,514,183	225,840,220	$ 7,063	$ 6,439
ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)				
Minimum pension liability adjustment, net of $(5) and $(5) taxes in 2004 and 2003, respectively			(7)	(7)
Unrealized gains/losses on derivatives qualified as cash flow hedges, net of $9 and $(5) taxes in 2004 and 2003, respectively			13	(8)
Less: Reclassification adjustment for gains/losses included in net income, net of $10 and $1 taxes in 2004 and 2003, respectively			15	1
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			(9)	(16)
TOTAL COMMON SHAREHOLDERS' EQUITY (SEE STATEMENT OF COMMON SHAREHOLDERS' EQUITY AND NOTE C)			$ 7,054	$ 6,423
PREFERRED STOCK OF SUBSIDIARY (NOTE C)				
$5 Cumulative Preferred, without par value, authorized 1,915,319 shares	1,915,319	1,915,319	175	175
Cumulative Preferred, $100 par value, authorized 6,000,000 shares				
4.65% Series C	153,296	153,296	16	16
4.65% Series D	222,330	222,330	22	22
TOTAL PREFERRED STOCK			213	213

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

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF CAPITALIZATION

Long-term debt (Note C)			*At December 31,*	
Maturity	*Interest Rate*	*Series*	*2004*	*2003*
			(Millions of Dollars)	
Debentures:				
2004	7.625%	1992B	-	150
2005	6.625	1995A	100	100
2005	6.625	2000C	350	350
2007	6.45	1997B	330	330
2007	7.125	1997J	20	20
2008	6.25	1998A	180	180
2008	6.15	1998C	100	100
2008	3.625	2003A	200	200
2009	7.15	1999B	200	200
2009	4.70	2004C	275	-
2010	8.125	2000A	325	325
2010	7.50	2000A	55	55
2010	7.50	2000B	300	300
2012	5.625	2002A	300	300
2013	4.875	2002B	500	500
2013	3.85	2003B	200	200
2014	4.70	2004A	200	-
2018	7.07	1998C	3	3
2026	7.75	1996A	100	100
2027	6.50	1997F	80	80
2028	7.10	1998B	105	105
2028	6.90	1998D	75	75
2029	7.125	1994A	-	150
2029	7.00	1999G	45	45
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	-
2039	7.35	1999A	-	275
2041	7.50	2001A	400	400
2042	7.25	2002A	325	325
Total debentures			5,343	5,243
Transition bonds				
2019	5.22%	2004-1	46	-
Total transition bonds			46	-
Tax-exempt debt—notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds:				
2014	1.94%**	1994*	55***	55***
2015	1.94**	1995*	44	44
2020	5.25	1993B	-	128
2020	6.10	1995A	128	128
2022	5.375	1993C	-	20
2028	6.00	1993A	-	101
2029	7.125	1994A	-	100
2032	1.70**	2004B Series 1	127	-
2034	1.79**	1999A	293	293
2035	1.70**	2004B Series 2	20	-
2036	4.70	2001A***	225	225
2036	1.78**	2001B	98	98
2039	1.75**	2004A	98	-
2039	1.99**	2004C	99	-
Total tax-exempt debt			1,187	1,192
Long-term debt—Newington			336	339
Other long-term debt			136	149
Unamortized debt discount			(18)	(24)
Total			7,030	6,899
Less: long-term debt due within one year			469	166
Total long-term debt			6,561	6,733
Total capitalization			$13,828	$13,369

* Issued for O&R pollution control financing.

** Rates reset weekly or by auction held every 35 days; December 31, 2004 rate shown.

*** See Note P.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Consolidated Edison Company of New York, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 17, 2005

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Consolidated Edison Company of New York, Inc.

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
	(Millions of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST (Note A)		
Electric	$ 12,100	$ 11,324
Gas	2,531	2,381
Steam	823	799
General	1,379	1,363
Total	16,833	15,867
Less: Accumulated depreciation	3,906	3,696
Net	12,927	12,171
Construction work in progress	1,328	1,247
NET UTILITY PLANT	14,255	13,418
NON-UTILITY PROPERTY (Note A)		
Non-utility property	19	25
NET PLANT	14,274	13,443
CURRENT ASSETS		
Cash and temporary cash investments (Note A)	10	33
Accounts receivable - customers, less allowance for uncollectible accounts of $29 and $30 in 2004 and 2003, respectively	666	692
Other receivables, less allowance for uncollectible accounts of $3 and $4 in 2004 and 2003, respectively	113	105
Accounts receivable from affiliated companies	115	28
Fuel oil, at average cost	24	24
Gas in storage, at average cost	125	115
Materials and supplies, at average cost	94	89
Prepayments	73	74
Other current assets	85	58
TOTAL CURRENT ASSETS	1,305	1,218
INVESTMENTS	3	3
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Prepaid pension costs (Note E)	1,442	1,257
Regulatory assets (Note B)	2,010	1,640
Other deferred charges and noncurrent assets	210	203
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	3,662	3,100
TOTAL ASSETS	$ 19,244	$ 17,764

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

Consolidated Edison Company of New York, Inc.

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
	(Millions of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholder's equity (See Statement of Common Shareholder's Equity)	$ 6,116	$ 5,482
Preferred stock (See Statement of Capitalization)	213	213
Long-term debt (See Statement of Capitalization)	5,235	5,435
TOTAL CAPITALIZATION	11,564	11,130
NONCURRENT LIABILITIES		
Obligations under capital leases (Note K)	33	36
Provision for injuries and damages (Note G)	170	184
Pensions and retiree benefits	109	107
Superfund and other environmental costs (Note G)	141	153
Other noncurrent liabilities	34	38
TOTAL NONCURRENT LIABILITIES	487	518
CURRENT LIABILITIES		
Long-term debt due within one year	450	150
Notes payable	100	99
Accounts payable	738	713
Accounts payable to affiliated companies	40	12
Customer deposits	218	214
Accrued taxes	58	95
Accrued interest	79	88
Accrued wages	81	76
Other current liabilities	160	150
TOTAL CURRENT LIABILITIES	1,924	1,597
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits (Notes A and M)	3,346	2,855
Regulatory liabilities (Note B)	1,868	1,638
Other deferred credits	55	26
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	5,269	4,519
TOTAL CAPITALIZATION AND LIABILITIES	$ 19,244	$ 17,764

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

Consolidated Edison Company Of New York, Inc.

CONSOLIDATED INCOME STATEMENT

	For the Years Ended December 31,		
	2004	2003	2002
	(Millions of Dollars)		
OPERATING REVENUES (Note A)			
Electric	$6,153	$6,334	$5,775
Gas	1,303	1,295	1,045
Steam	550	537	404
TOTAL OPERATING REVENUES	8,006	8,166	7,224
OPERATING EXPENSES			
Purchased power	3,064	3,124	2,622
Fuel	404	358	232
Gas purchased for resale	709	715	472
Other operations and maintenance	1,234	1,157	1,112
Depreciation and amortization (Note A)	477	458	438
Taxes, other than income taxes	1,013	1,040	1,040
Income taxes (Notes A and M)	280	372	354
TOTAL OPERATING EXPENSES	7,181	7,224	6,270
OPERATING INCOME	825	942	954
OTHER INCOME (DEDUCTIONS)			
Investment and other income (Note A)	39	27	42
Allowance for equity funds used during construction (Note A)	25	15	10
Other deductions	(13)	(11)	(9)
Income taxes (Notes A and M)	2	5	12
TOTAL OTHER INCOME (DEDUCTIONS)	53	36	55
INTEREST EXPENSE			
Interest on long-term debt	333	346	345
Other interest	34	42	52
Allowance for borrowed funds used during construction (Note A)	(18)	(12)	(5)
NET INTEREST EXPENSE	349	376	392
NET INCOME	529	602	617
PREFERRED STOCK DIVIDEND REQUIREMENTS	11	11	12
NET INCOME FOR COMMON STOCK	$ 518	$ 591	$ 605

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

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Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2004	2003	2002
	(Millions of Dollars)		
NET INCOME	$529	$602	$617
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Minimum pension liability adjustments, net of $0, $0 and $(2) taxes in 2004, 2003 and 2002, respectively	-	-	(3)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of $0, $0 and $2 taxes in 2004, 2003 and 2002, respectively	-	(1)	3
Less: Reclassification adjustment for gains/(losses) included in net income, net of $0, $0 and $1 taxes in 2004, 2003 and 2002, respectively	-	(1)	1
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	-	-	(1)
COMPREHENSIVE INCOME	$529	$602	$616

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

Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other Comprehensive Loss	Total
BALANCE AS OF DECEMBER 31, 2001	235,488,094	$ 589	$ 893	$ 4,185	$ (962)	$ (36)	$ (4)	$4,665
Net income				617				617
Common stock dividend to parent				(378)				(378)
Cumulative preferred dividends				(12)				(12)
Other comprehensive loss							(2)	(2)
BALANCE AS OF DECEMBER 31, 2002	235,488,094	$ 589	$ 893	$ 4,412	$ (962)	$ (36)	$ (6)	$4,890
Net income				602				602
Common stock dividend to parent				(377)				(377)
Capital contribution by parent			381			(3)		378
Cumulative preferred dividends				(11)				(11)
BALANCE AS OF DECEMBER 31, 2003	235,488,094	$ 589	$ 1,274	$ 4,626	$ (962)	$ (39)	$ (6)	$5,482
Net income				529				529
Common stock dividend to parent				(396)				(396)
Capital contribution by parent			528			(16)		512
Cumulative preferred dividends				(11)				(11)
BALANCE AS OF DECEMBER 31, 2004	235,488,094	$ 589	$ 1,802	$ 4,748	$ (962)	$ (55)	$ (6)	$6,116

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

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Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended December 31,		
	2004	2003	2002
	(Millions of Dollars)		
OPERATING ACTIVITIES			
Net income	$ 529	$ 602	$ 617
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME			
Depreciation and amortization	477	458	438
Deferred income taxes	317	374	270
Common equity component of allowance for funds used during construction	(25)	(15)	(10)
Prepaid pension costs (net of capitalized amounts)	(139)	(179)	(262)
Allowance for cost of removal less salvage	55	51	55
Other non-cash items (net)	55	(61)	118
Electric, gas and steam rate plan charges	124	-	-
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable - customers, less allowance for uncollectibles	26	(90)	(75)
Materials and supplies, including fuel oil and gas in storage	(15)	(63)	20
Prepayments, other receivables and other current assets	(121)	(49)	(33)
Recoverable energy costs	(81)	47	(102)
Accounts payable	53	(30)	152
Pensions and retiree benefits	2	-	6
Accrued taxes	(37)	2	(49)
Accrued interest	(9)	8	7
Deferred charges and other regulatory assets	(141)	(40)	(171)
Deferred credits and other regulatory liabilities	28	(22)	181
Transmission congestion contracts	107	159	120
Other assets	4	(17)	(16)
Other liabilities	(8)	34	44
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,201	1,169	1,310
INVESTING ACTIVITIES			
Utility construction expenditures (excluding capitalized support costs of $45, $54 and $64 in 2004, 2003 and 2002, respectively)	(1,280)	(1,221)	(1,146)
Cost of removal less salvage	(136)	(126)	(122)
Non-utility construction expenditures	-	(1)	(13)
Common equity component of allowance for funds used during construction	25	15	10
Demolition and remediation costs for First Avenue properties	(21)	(4)	(2)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,412)	(1,337)	(1,273)
FINANCING ACTIVITIES			
Net proceeds from short-term debt	1	99	-
Retirement of long-term debt	(923)	(805)	(300)
Issuance of long-term debt	1,019	575	800
Application of funds held for redemption of long-term debt	-	275	(275)
Refunding of preferred stock	-	-	(37)
Debt issuance costs	(14)	(25)	(8)
Capital contribution by parent	512	381	-
Dividend to parent	(396)	(376)	(384)
Preferred stock dividends	(11)	(11)	(10)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	188	113	(214)
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	(23)	(55)	(177)
BALANCE AT BEGINNING OF PERIOD	33	88	265
BALANCE AT END OF PERIOD	$ 10	$ 33	$ 88
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	$ 329	$ 327	$ 326
Income taxes	$ 127	$ 127	$ 219

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

Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF CAPITALIZATION

	Shares outstanding December 31, 2004	Shares outstanding December 31, 2003	At December 31, 2004	At December 31, 2003
			(Millions of Dollars)	
TOTAL COMMON SHAREHOLDER'S EQUITY LESS ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	235,488,094	235,488,094	$ 6,122	$ 5,488
Accumulated other comprehensive income/(loss)				
Minimum pension liability adjustment, net of $(4) and $(4) taxes in 2004 and 2003, respectively			(6)	(6)
Unrealized gains/losses on derivatives qualified as cash flow hedges, net of $(2) and $(2) taxes in 2004 and 2003, respectively			(3)	(3)
Less: Reclassification adjustment for gains/losses included in net income, net of $(2) and $(2) taxes in 2004 and 2003, respectively			(3)	(3)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			(6)	(6)
TOTAL COMMON SHAREHOLDER'S EQUITY (SEE STATEMENT OF COMMON SHAREHOLDER'S EQUITY AND NOTE C)			$ 6,116	$ 5,482
PREFERRED STOCK (NOTE C)				
$5 Cumulative Preferred, without par value, authorized 1,915,319 shares	1,915,319	1,915,319	175	175
Cumulative Preferred, $100 par value, authorized 6,000,000 shares				
4.65% Series C	153,296	153,296	16	16
4.65% Series D	222,330	222,330	22	22
TOTAL PREFERRED STOCK			213	213

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

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Consolidated Edison Company of New York, Inc.

CONSOLIDATED STATEMENT OF CAPITALIZATION

Long-term debt (Note C)			*At December 31,*	
Maturity	*Interest Rate*	*Series*	*2004*	*2003*
			(Millions of Dollars)	
Debentures:				
2004	7.625%	1992B	-	150
2005	6.625	1995A	100	100
2005	6.625	2000C	350	350
2007	6.45	1997B	330	330
2008	6.25	1998A	180	180
2008	6.15	1998C	100	100
2009	4.70	2004C	275	-
2009	7.15	1999B	200	200
2010	8.125	2000A	325	325
2010	7.50	2000B	300	300
2012	5.625	2002A	300	300
2013	4.875	2002B	500	500
2013	3.85	2003B	200	200
2014	4.70	2004A	200	-
2026	7.75	1996A	100	100
2028	7.10	1998B	105	105
2028	6.90	1998D	75	75
2029	7.125	1994A	-	150
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	-
2039	7.35	1999A	-	275
2041	7.50	2001A	400	400
Total debentures			4,615	4,515
Tax-exempt debt—notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds:				
2020	5.25%	1993B	-	128
2020	6.10	1995A	128	128
2022	5.375	1993C	-	20
2028	6.00	1993A	-	101
2029	7.125	1994A	-	100
2032	1.70*	2004B Series 1	127	-
2034	1.79*	1999A	293	293
2035	1.70*	2004B Series 2	20	-
2036	4.70	2001A**	225	225
2036	1.78*	2001B	98	98
2039	1.75*	2004A	98	-
2039	1.99*	2004C	99	-
Total tax-exempt debt			1,088	1,093
Unamortized debt discount			(18)	(23)
Total			5,685	5,585
Less: long-term debt due within one year			450	150
Total long-term debt			5,235	5,435
Total capitalization			$ 11,564	$ 11,130

* Rates reset weekly or by auction held every 35 days; December 31, 2004 rate shown.
** See Note P.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Board of Directors of Orange and Rockland Utilities, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Orange and Rockland Utilities, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 17, 2005

Orange and Rockland Utilities, Inc.

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
	(Millions of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST (Note A)		
Electric	$ 812	$ 773
Gas	336	318
General	121	119
Total	1,269	1,210
Less: Accumulated depreciation	382	373
Net	887	837
Construction work in progress	26	29
NET PLANT	913	866
CURRENT ASSETS		
Cash and temporary cash investments (Note A)	12	9
Restricted cash	2	1
Accounts receivable—customers, less allowance for uncollectible accounts of $2 in 2004 and 2003	50	57
Accrued unbilled revenue (Note A)	28	18
Other receivables, less allowance for uncollectible accounts of $2 in 2004 and 2003	5	8
Accounts receivable from affiliated companies	25	11
Gas in storage, at average cost	43	29
Materials and supplies, at average cost	5	6
Prepayments	12	17
Other current assets	20	10
TOTAL CURRENT ASSETS	202	166
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets (Note B)	253	221
Other deferred charges and noncurrent assets	22	16
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	275	237
TOTAL ASSETS	$ 1,390	$ 1,269

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
	(Millions of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholder's equity (See Statement of Common Shareholder's Equity)	$ 388	$ 370
Long-term debt (See Statement of Capitalization)	345	301
TOTAL CAPITALIZATION	733	671
NONCURRENT LIABILITIES		
Provision for injuries and damages (Note G)	10	10
Pensions and retiree benefits	98	98
Superfund and other environmental costs (Note G)	57	40
Hedges on variable rate long-term debt (Note P)	16	17
TOTAL NONCURRENT LIABILITIES	181	165
CURRENT LIABILITIES		
Long-term debt due within one year	2	-
Notes payable	-	15
Accounts payable	66	71
Accounts payable to affiliated companies	41	33
Customer deposits	16	14
Accrued taxes	2	4
Accrued interest	6	6
Other current liabilities	10	8
TOTAL CURRENT LIABILITIES	143	151
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits (Notes A and M)	198	183
Regulatory liabilities (Note B)	127	95
Other deferred credits	8	4
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	333	282
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,390	$ 1,269

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED INCOME STATEMENT

	For the Years Ended December 31,		
	2004	2003	2002
	(Millions of Dollars)		
OPERATING REVENUES (NOTE A)			
Electric	$ 499	$ 530	$ 476
Gas	204	197	159
TOTAL OPERATING REVENUES	703	727	635
OPERATING EXPENSES			
Purchased power	247	251	220
Gas purchased for resale	120	120	89
Other operations and maintenance	173	170	143
Depreciation and amortization (Note A)	33	34	34
Taxes, other than income taxes	48	50	52
Income taxes (Notes A and M)	17	34	25
TOTAL OPERATING EXPENSES	638	659	563
OPERATING INCOME	65	68	72
OTHER INCOME (DEDUCTIONS)			
Investment and other income (Note A)	1	-	1
Other deductions	-	(2)	-
TOTAL OTHER INCOME (DEDUCTIONS)	1	(2)	1
INCOME BEFORE INTEREST EXPENSE	66	66	73
INTEREST EXPENSE			
Interest on long-term debt	19	19	21
Other interest	1	2	7
NET INTEREST EXPENSE	20	21	28
NET INCOME	$ 46	$ 45	$ 45

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2004	*2003*	*2002*
	(Millions of Dollars)		
NET INCOME	$ 46	$ 45	$ 45
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Investment in marketable securities, net of $0, $1 and $(1) taxes in 2004, 2003 and 2002, respectively	-	1	(1)
Less: Reclassification adjustment for gains/(losses) included in net income, net of $0, $(1) and $0 taxes in 2004, 2003 and 2002, respectively	-	(2)	-
Minimum pension liability adjustments, net of $0 taxes in 2004, 2003 and 2002	(1)	-	-
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of $2, $2 and $(3) taxes in 2004, 2003 and 2002, respectively	3	3	(4)
Less: Reclassification adjustment for gains/(losses) included in net income, net of $1, $1 and $(1) taxes in 2004, 2003 and 2002, respectively	2	1	(1)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	-	5	(4)
COMPREHENSIVE INCOME	$ 46	$ 50	$ 41

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY

(Millions of Dollars/Except Share Data)	*Common Stock* Shares	*Common Stock* Amount	*Additional Paid-In Capital*	*Retained Earnings*	*Accumulated Other Comprehensive Income/(Loss)*	*Total*
BALANCE AS OF DECEMBER 31, 2001	1,000	$ -	$ 194	$ 152	$ (11)	$335
Net income				45		45
Common stock dividend to parent				(28)		(28)
Other comprehensive loss					(4)	(4)
BALANCE AS OF DECEMBER 31, 2002	1,000	$ -	$ 194	$ 169	$ (15)	$348
Net income				45		45
Common stock dividend to parent				(28)		(28)
Other comprehensive income					5	5
BALANCE AS OF DECEMBER 31, 2003	1,000	$ -	$ 194	$ 186	$ (10)	$370
Net income				46		46
Common stock dividend to parent				(28)		(28)
BALANCE AS OF DECEMBER 31, 2004	1,000	$ -	$ 194	$ 204	$ (10)	$388

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

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Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Years Ended December 31, 2004	2003	2002
	(Millions of Dollars)		
OPERATING ACTIVITIES			
Net income	$ 46	$ 45	$ 45
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME			
Depreciation and amortization	33	34	34
Deferred income taxes	7	44	4
Gain on non-utility property	-	(1)	-
Other non-cash items (net)	(1)	(16)	(1)
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable—customers, less allowance for uncollectibles	7	(3)	(9)
Accounts receivable from affiliated companies	(14)	1	(12)
Materials and supplies, including gas in storage	(13)	(13)	5
Prepayments, other receivables and other current assets	(12)	(6)	10
Recoverable energy costs	5	(11)	(13)
Accounts payable	(5)	11	8
Accounts payable to affiliated companies	8	17	13
Pensions and retiree benefits	-	-	12
Accrued taxes	(2)	3	(2)
Accrued interest	-	(2)	1
Deferred charges and other regulatory assets	(22)	19	7
Deferred credits and regulatory liabilities	28	(3)	(2)
Superfund and other environmental costs	18	4	(3)
Other assets	(5)	3	4
Other liabilities	3	1	3
NET CASH FLOWS FROM OPERATING ACTIVITIES	81	127	104
INVESTING ACTIVITIES			
Utility construction expenditures	(79)	(71)	(58)
Cost of removal less salvage	(2)	(2)	(2)
Proceeds from sale of land	-	2	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(81)	(71)	(60)
FINANCING ACTIVITIES			
Net proceeds from/(retirement of) short-term debt	(15)	14	(16)
Issuance of long-term debt	46	-	-
Retirement of long-term debt	-	(35)	-
Dividend to parent	(28)	(28)	(28)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	3	(49)	(44)
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD	3	7	-
BALANCE AT BEGINNING OF PERIOD	9	2	2
BALANCE AT END OF PERIOD	$ 12	$ 9	$ 2
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	$ 17	$ 21	$ 19
Income Taxes (Refund)	$ 29	$ (17)	$ 17

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

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Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF CAPITALIZATION

			Shares outstanding December 31, 2004	Shares outstanding December 31, 2003	At December 31, 2004	At December 31, 2003
					(Millions of Dollars)	
TOTAL COMMON SHAREHOLDER'S EQUITY LESS ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)			1,000	1,000	$ 398	$ 380
ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)						
Minimum pension liability adjustment, net of $(1) and $0 taxes in 2004 and 2003, respectively					(1)	-
Unrealized gains/(losses) on derivatives qualified as cash flow hedges net of $(6) and $(8) taxes in 2004 and 2003, respectively					(8)	(11)
Less: Reclassification adjustment for gains/(losses) included in net income net of $1 and $(1) taxes in 2004 and 2003, respectively					1	(1)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES					(10)	(10)
TOTAL COMMON SHAREHOLDER'S EQUITY (SEE STATEMENT OF COMMON SHAREHOLDER'S EQUITY AND NOTE C)					$ 388	$ 370
Long-term debt (Note C)						
Maturity	*Interest Rate*	*Series*				
Debentures:						
2007	7.125%	1997J			20	20
2010	7.50	2000A			55	55
2018	7.07	1998C			3	3
2027	6.50	1997F			80	80
2029	7.00	1999G			45	45
Total debentures					203	203
Transition bonds:						
2019	5.22%	2004-1			46	-
Total transition bonds					46	-
TAX-EXEMPT DEBT—NOTES ISSUED TO NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY FOR FACILITIES REVENUE BONDS:						
2014	1.94%*	1994**			55	55
2015	1.94*	1995			44	44
Total tax-exempt debt					99	99
Unamortized debt discount					(1)	(1)
Total					347	301
Less: long-term debt due within one year					2	-
Total long-term debt					345	301
Total capitalization					$ 733	$ 671

* Rate reset weekly or by auction held every 35 days; December 31, 2004 rate shown.
** See Note P.

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

NOTES TO THE FINANCIAL STATEMENTS

General

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the three separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison), Consolidated Edison Company of New York, Inc. and its subsidiaries (Con Edison of New York) and Orange & Rockland Utilities, Inc. and its subsidiaries (O&R). Con Edison of New York and O&R (the Utilities) are subsidiaries of Con Edison and as such their financial condition and results of operations and cash flows are also consolidated, along with those of Con Edison's unregulated subsidiaries (discussed below), in Con Edison's consolidated financial statements.

As used in this report, the term the "Companies" refers to each of the three separate registrants: Con Edison, Con Edison of New York and O&R and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, neither of the Utilities makes any representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

Con Edison also has the following unregulated subsidiaries: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a retail energy supply and services company that sells energy to delivery customers of utilities, including Con Edison of New York and O&R, and also offers energy-related services; Consolidated Edison Energy, Inc. (Con Edison Energy), a wholesale energy supply company; and Consolidated Edison Development, Inc. (Con Edison Development), a company that owns and operates generating plants and participates in other infrastructure projects.

In December 2004, Con Edison entered into an agreement to sell Con Edison Communications. See Note W.

Note A - Summary of Significant Accounting Policies

Principles of Consolidation

The Companies' consolidated financial statements include the accounts of their respective majority-owned subsidiaries, and variable interest entities, as required. See Note T. All intercompany balances and transactions have been eliminated.

Accounting Policies

The accounting policies of Con Edison and its subsidiaries conform to accounting principles generally accepted in the United States of America. For the Utilities, these accounting principles include the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, the accounting requirements of the Federal Energy Regulatory Commission (FERC) and the state public utility regulatory commissions having jurisdiction.

SFAS No. 71 specifies the economic effects that result from the cause and effect relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or "regulatory assets" under SFAS No. 71. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities" under SFAS No. 71.

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

Other significant accounting policies of the Companies are referenced in Note E (Pension Benefits), Note F (Other Postretirement Benefits), Note K (Leases), Note L (Goodwill and Intangible Assets), Note N (Stock-Based Compensation), Note P (Derivative Instruments and Hedging Activities), and Note S (Guarantees).

Plant and Depreciation

Utility Plant

Utility plant is stated at original cost. The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes, pensions, other benefits and an allowance for funds used during construction (AFDC). The original cost of property is charged to expense over the estimated useful lives of the assets. Upon retirement, the original cost of property is charged to accumulated depreciation. The cost of repairs and maintenance is charged to expense and the cost of betterments is capitalized. Until the related funds are expended, the Utilities record the amounts collected from customers for the cost of removal less salvage as a regulatory liability. Although the associated removal costs do not constitute legal obligations that must be accrued in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," they do constitute regulatory liabilities under SFAS No. 71. The regulatory liabilities recorded for Con Edison, Con Edison of New York and O&R were $723 million, $666 million and $57 million in 2004 and $777 million, $721 million and $56 million in 2003, respectively.

Rates used for AFDC include the cost of borrowed funds and a reasonable rate of return on the regulated utilities' own funds when so used, determined in accordance with regulations of the FERC and the state public utility regulatory authority having jurisdiction. The rate is compounded semiannually, and the amounts applicable to borrowed funds are treated as a reduction of interest charges, while the amounts applicable to the regulated utilities' own funds are credited to other income (deductions).

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

The AFDC rates for the Utilities were as follows:

	For the Years Ended December 31,		
	2004	*2003*	*2002*
Con Edison of New York	6.9%	7.1%	6.8%
O&R	3.6%	1.1%	8.4%

The Utilities generally compute annual charges for depreciation using the straight-line method for financial statement purposes, with rates based on average service lives and net salvage factors.

The average depreciation rates for the Utilities were as follows:

	For the Years Ended December 31,		
	2004	*2003*	*2002*
Con Edison of New York	3.0%	3.0%	3.0%
O&R	2.9%	3.1%	3.3%

The estimated lives for utility plant for Con Edison of New York range from 25 to 80 years for electric, 15 to 85 years for gas, 30 to 70 years for steam and 8 to 50 years for general plant. For O&R, the estimated lives for utility plant range from 5 to 65 years for electric, 7 to 75 years for gas and 5 to 55 years for general plant.

At December 31, 2004 and 2003, the capitalized cost of the Companies' utility plant, net of accumulated depreciation, was as follows:

	Con Edison		*Con Edison of New York*		*O&R*	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Electric						
Generation	$ 381	$ 374	$ 381	$ 374	$ -	$ -
Transmission	1,361	1,304	1,262	1,200	99	104
Distribution	8,147	7,537	7,691	7,118	456	419
Gas*	2,310	2,177	2,056	1,941	254	236
Steam*	623	607	623	607	-	-
General	987	1,002	910	926	77	76
Held for future use	5	7	4	5	1	2
Construction work in progress	1,354	1,276	1,328	1,247	26	29
NET UTILITY PLANT	$15,168	$14,284	$ 14,255	$ 13,418	$913	$ 866

* Primarily distribution.

Non-Utility Plant

Non-utility plant is stated at original cost. For the Utilities, non-utility plant consists primarily of land and telecommunication facilities that are currently not used within electric, gas or steam utility operations. For Con Edison's unregulated subsidiaries, non-utility plant consists primarily of generating assets. Depreciation on these assets is computed using the straight-line method for financial statement

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

purposes over their estimated useful lives, which range from 5 to 70 years for generating assets and 3 to 50 years for other property.

The average non-utility depreciation rates for Con Edison Development were 2.7 percent, 3.0 percent and 3.9 percent for 2004, 2003 and 2002, respectively.

In accordance with SFAS No. 34, "Capitalization of Interest Costs," Con Edison capitalizes interest on its borrowings associated with the unregulated subsidiaries' capital projects in progress. Capitalized interest is added to the asset cost, and is amortized over the useful lives of the assets. The amount of such capitalized interest cost for 2003 and 2002 was $6 million and $12 million, respectively. There was no capitalized interest cost in 2004.

Impairments

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Companies evaluate the impairment of long-lived assets, based on projections of undiscounted future cash flows, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. In the event an evaluation indicates that such cash flows cannot be expected to be sufficient to fully recover the assets, the assets are written down to their estimated fair value.

Revenues

The Utilities and Con Edison Solutions recognize revenues for electric, gas and steam service on a monthly billing cycle basis. The Utilities defer over a 12-month period all net interruptible gas revenues not authorized by the New York State Public Service Commission (PSC) to be retained by the Utilities, for refund to firm gas sales and transportation customers. O&R and Con Edison Solutions accrue revenues at the end of each month for estimated energy usage not yet billed to customers, while Con Edison of New York does not accrue such revenues, in accordance with current regulatory agreements. Con Edison of New York estimates its unbilled revenues to be approximately $380 million at December 31, 2004. Unbilled revenues included in Con Edison's and O&R's balance sheets at December 31, 2004 and 2003 were as follows:

(Millions of Dollars)	*2004*	*2003*
Con Edison	$ 73	$ 61
O&R	$ 28	$ 18

The PSC requires New York regulated utility companies to record gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenues and expenses). The recovery of these taxes is included in the revenue requirement within each of the respective PSC approved rate plans.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Recoverable Energy Costs

The Utilities generally recover all of their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state public utility commissions. If the actual energy supply costs for a given month are more or less than the amounts billed to customers for that month, the difference in most cases is recoverable from or refundable to customers. Differences between actual and billed electric and steam supply costs are generally deferred for charge or refund to customers during the next billing cycle (normally within one or two months). For Con Edison of New York, rate provisions also include a possible incentive or penalty of up to $25 million annually relating to electric costs (see “Energy Price Hedging” in Note P). For the Utilities’ gas costs, differences between actual and billed gas costs during the 12-month period ending each August are charged or refunded to customers during a subsequent 12-month period.

O&R’s New Jersey subsidiary, Rockland Electric Company (RECO) purchases energy under a competitive bidding process supervised by the New Jersey Board of Public Utilities (NJBPU) for contracts ranging from one to three years. Basic Generation Service rates are adjusted to conform to contracted prices when new contracts take effect and differences between actual monthly costs and revenues collected are reconciled and charged or credited to customers on a two-month lag. See “Rate and Restructuring Agreements – Electric” in Note B for 2003 NJBPU ruling regarding previously deferred purchased power costs. O&R’s Pennsylvania subsidiary, Pike County Light and Power Company (Pike), recovers electric supply costs based on a rate (Provider of Last Resort, “POLR”) allowed by the Pennsylvania Public Utility Commission (PPUC). The POLR rate was increased by 5% effective January 1, 2005.

New York Independent System Operator (NYISO)

The Utilities purchase electricity through the wholesale electricity market administered by the NYISO. The difference between purchased power and related costs initially billed to the Utilities by the NYISO and the actual cost of power subsequently calculated by the NYISO is refunded by the NYISO to the Utilities, or paid to the NYISO by the Utilities. The reconciliation payments or receipts are recoverable from or refundable to the Utilities’ customers. At December 31, 2004 and 2003, Con Edison of New York had deferred $147 million and $134 million, respectively, of funds received from the NYISO as a regulatory liability to be applied for customer benefit.

Certain other payments to or receipts from the NYISO are also subject to reconciliation, with shortfalls or amounts in excess of specified rate allowances recoverable from or refundable to customers. These include proceeds from the sale through the NYISO of transmission rights on Con Edison of New York’s transmission system (Transmission Congestion Contracts or TCCs). In 2005, the NYISO notified market participants that it had uncovered errors associated with certain TCC calculations during prior years, involving the allocation among transmission owners of TCC revenues and shortfalls.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

For Con Edison of New York, TCC sales proceeds are deferred as a regulatory liability to be applied for customer benefit and do not affect net income.

Temporary Cash Investments

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

Investments

Investments consist primarily of the investments of Con Edison's unregulated subsidiaries, which, depending on the subsidiaries' percentage ownership, are recorded at cost, accounted for under the equity method or accounted for as leveraged leases in accordance with SFAS No. 13, "Accounting for Leases." See Note H for a discussion of Con Edison's consideration of possible impairment of its investments, Note K for a discussion of investments in Lease In/Lease Out transactions, and Note W for related information on Con Edison Communications.

Federal Income Tax

In accordance with SFAS No. 109, "Accounting for Income Taxes," the Companies have recorded an accumulated deferred federal income tax liability for temporary differences between the book and tax bases of assets and liabilities at current tax rates. In accordance with rate agreements, the Utilities have recovered amounts from customers for a portion of the tax liability they will pay in the future as a result of the reversal or "turn-around" of these temporary differences. As to the remaining tax liability, in accordance with SFAS No. 71, the Utilities have established regulatory assets for the net revenue requirements to be recovered from customers for the related future tax expense. See Notes B and M. In 1993, the PSC issued a Policy Statement approving accounting procedures consistent with SFAS No. 109 and providing assurances that these future increases in taxes will be recoverable in rates.

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

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

State Income Tax

The New York State tax laws applicable to utility companies were changed effective January 1, 2000. Certain revenue-based taxes were repealed or reduced and replaced by a net income-based tax. In June 2001, the PSC authorized each utility to use deferral accounting to record the difference between taxes

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

being collected and the actual tax expense under the new tax law until that expense is incorporated in base rates. For Con Edison of New York, effective October 1, 2004, state income tax is being recovered for its gas and steam businesses through base rates. For O&R, state income tax is being recovered through base rates effective November 1, 2003 for its electric and gas businesses.

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

Research and Development Costs

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

	For the Years Ended December 31,		
(Millions of Dollars)	*2004*	*2003*	*2002*
Con Edison	$ 11	$ 11	$ 11
Con Edison of New York	$ 10	$ 10	$ 11
O&R	$ 1	$ 1	$ -

Reclassification

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

Earnings Per Common Share

In accordance with SFAS No. 128, “Earnings per Share,” Con Edison presents basic and diluted earnings per share on the face of its consolidated income statement. Basic earnings per share are calculated by dividing earnings available to common shareholders (“Net income” on Con Edison’s consolidated income statement) by the weighted average number of Con Edison common shares outstanding during the period. In the calculation of diluted EPS, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock.

Potentially dilutive securities for Con Edison consist of restricted stock, deferred common shares and stock options whose exercise price is less than the average market price of the common shares during the reporting period. See Note N.

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

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

(Millions of Dollars, except per share amounts/Shares in Millions)	*For the Years Ended December 31,* 2004	2003	2002
Income from continuing operations	$ 549	$ 634	$ 689
Loss from discontinued operations, net of tax	(12)	(109)	(21)
Income before cumulative effect of changes in accounting principles	537	525	668
Cumulative effect of changes in accounting principles, net of tax	-	3	(22)
Net income	$ 537	$ 528	$ 646
Weighted average common shares outstanding – Basic	235.8	220.9	213.0
Add: Incremental shares attributable to effect of potentially dilutive securities	0.6	0.9	1.0
Adjusted weighted average common shares outstanding – Diluted	236.4	221.8	214.0
EARNINGS PER COMMON SHARE—BASIC			
Continuing operations	$ 2.33	$ 2.87	$ 3.24
Discontinued operations	(0.05)	(0.50)	(0.10)
Before cumulative effect of changes in accounting principles	2.28	2.37	3.14
Cumulative effect of changes in accounting principles	-	0.02	(0.11)
Net income	$ 2.28	$ 2.39	$ 3.03
EARNINGS PER COMMON SHARE—DILUTED			
Continuing operations	$ 2.32	$ 2.86	$ 3.23
Discontinued operations	(0.05)	(0.50)	(0.10)
Before cumulative effect of changes in accounting principles	2.27	2.36	3.13
Cumulative effect of changes in accounting principles	-	0.02	(0.11)
Net income	$ 2.27	$ 2.38	$ 3.02

The computation of diluted earnings per share excludes 4.4 million, 4.1 million and 3.5 million Con Edison common shares for the years ended December 31, 2004, 2003 and 2002, respectively, because the exercise prices of the options were greater than the average closing market price of the common shares during these periods.

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Stock-Based Compensation

Con Edison accounts for its stock-based compensation plans using the intrinsic value model of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. All options and units granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. No compensation expense has been reflected in the income statement for any period presented except as shown below and as described in Note N. The following table illustrates the effect on net income and earnings per share if Con Edison had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123," for the purposes of recognizing compensation expense on employee stock-based arrangements.

	Con Edison			*Con Edison of New York*			*O&R*		
(Millions of Dollars, except per share amounts)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Net income, as reported	$ 537	$ 528	$ 646	$529	$602	$617	$ 46	$ 45	$ 45
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	7	3	6	5	3	6	-	-	-
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	12	8	13	9	7	12	1	-	-
Pro forma net income	$ 532	$ 523	$ 639	$525	$598	$611	$ 45	$ 45	$ 45
Earnings per share:									
Basic – as reported	$2.28	$2.39	$3.03						
Basic – pro forma	$2.26	$2.37	$3.00						
Diluted – as reported	$2.27	$2.38	$3.02						
Diluted – pro forma	$2.25	$2.36	$2.99						

Estimates

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

Note B – Regulatory Matters

Rate and Restructuring Agreements

Electric

In September 1997, the PSC approved a restructuring agreement between Con Edison of New York, the PSC staff and certain other parties (the 1997 Restructuring Agreement). The 1997 Restructuring

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Agreement provided for a transition to a competitive electric market through the development of a retail access plan, a rate plan for the period ended March 31, 2002, the divestiture of most of the company's electric generating capacity, and a reasonable opportunity for recovery of "strandable costs" (costs that may not be recoverable in a competitive electric supply market).

At December 31, 2004, approximately 112,000 Con Edison of New York customers representing approximately 31 percent of aggregate customer peak load were purchasing electricity from other suppliers under the electric retail access program (which is available to all of the company's electric customers). The company delivers electricity to customers in this program through its regulated transmission and distribution systems. In general, its delivery rates for retail access customers are equal to the full-service rates applicable to other comparable customers, less the cost of supplying customers with energy and capacity.

In November 2000, the PSC approved an agreement (the 2000 Electric Rate Agreement) that revised and extended the rate plan provisions of the 1997 Restructuring Agreement. Pursuant to the 2000 Electric Rate Agreement, the company reduced the distribution component of its electric rates by $170 million on an annual basis, effective October 2000.

In general under the 2000 Electric Rate Agreement, Con Edison of New York's base electric transmission and distribution rates will not otherwise be changed during the five-year period ending March 2005 except (i) with respect to certain changes in costs above anticipated annual levels resulting from legal or regulatory requirements, inflation in excess of a 4 percent annual rate, property tax changes and environmental cost increases or (ii) if the PSC determines that circumstances have occurred that either threaten the company's economic viability or ability to provide, safe and adequate service, or render the company's rate of return unreasonable for the provision of safe and adequate service.

Under the 2000 Electric Rate Agreement, as approved by the PSC and as modified in December 2001, 35 percent of any earnings in each of the rate years ending March 2002 through 2005 above a specified rate of return on electric common equity are to be retained for shareholders and the balance will be applied for customer benefit as determined by the PSC. There was no sharing of earnings for the rate year ended March 2002. In 2002 and 2003, Con Edison of New York established an electric shared earnings reserve of $49 million for the rate year ending March 2003. In 2004 an electric shared earnings reserve of less than $1 million for the rate year ending March 2004 was established. An electric shared earnings reserve has not been established for the rate year ending March 2005 based on results through the end of calendar year 2004. The earnings threshold for rate years ending March 2003 through March 2005 of 11.75 percent can be increased up to 50 basis points. The threshold will increase by 25 basis points if certain demand reductions and supply increases exceed targeted projections and by an additional 25 basis points if certain customer service and reliability standards are achieved.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

The company could be required to pay up to $40 million annually in penalties if certain threshold service and reliability standards are not achieved. The reliability standards are tied to targets established in regulatory proceedings rather than to utility industry average reliability levels. The company recorded penalties relating to such standards of $2 million, $8 million and $3 million in 2004, 2003 and 2002, respectively.

The 2000 Electric Rate Agreement also continued the rate provisions pursuant to which Con Edison of New York recovers its potential strandable costs and its purchased power and fuel costs from customers. See “Recoverable Energy Costs” in Note A.

In January 2001, Con Edison of New York completed the sale of its 480 MW interest in the jointly-owned Roseton generating station for $138 million. The gain from the sale, which has been deferred as a regulatory liability, was $55 million at December 31, 2004 and 2003. In September 2001, the company completed the sale of its approximately 1,000 MW nuclear generating plant and related assets for $505 million. The net after-tax loss from the sale was deferred as a regulatory asset. The unrecovered amount was $154 million at December 31, 2004 and $159 million at December 31, 2003. Effective April 1, 2005, the net loss from the above sales will be collected from customers over a three-year period pursuant to the Joint Proposal discussed in the next paragraph.

In December 2004, Con Edison of New York entered into a Joint Proposal with the staff of the PSC and other parties with respect to the rates the company can charge its customers for electric service and related issues. The Joint Proposal, which is subject to PSC approval, covers the three-year period April 2005 through March 2008, and provides for expected increases in delivery service rates of $104.6 million, effective April 1, 2005, and $220.4 million effective April 1, 2007. In addition, the Company will retain the first $60 million of auction proceeds from the sale of transmission rights on the company’s transmission system (transmission congestion contracts) in each of the three years. The rate increases are lower than they otherwise would have been as a result of the amortization of certain regulatory assets and liabilities, the net effect of which will be to increase electric income by $128 million, $173 million and $249 million in each of the 12-month periods ended March 31, 2006, 2007 and 2008, respectively. Additional provisions of the Joint Proposal include:

- retention of 50 percent of any earnings between an 11.4 percent and a 13 percent return on equity and 25 percent of earnings in excess of a 13 percent return on equity (based upon the company’s actual capital structure, subject to a maximum equity ratio of 50 percent of capitalization), with the remainder of such earnings to be deferred for the benefit of customers;
- annual reconciliation of actual transmission and distribution utility plant, net of depreciation, to the levels reflected in rates, with the revenue requirement impact of such difference (i.e., rate of return and depreciation) deferred as a regulatory asset or liability, as the case may be;

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

- annual reconciliation of pension and other post-employment benefit costs, environmental remediation costs and, if the variation exceeds 2.5 percent, property taxes and the cost of moving facilities to avoid interfering with governmental projects (interference costs) to the amounts for such costs reflected in electric rates, with the difference deferred as a regulatory asset or liability, as the case may be; provided that only 50 percent of the difference can be deferred as a regulatory asset if the annual return on equity is between 11.4 percent and 13 percent and there is to be no deferral of the difference if the annual return on equity is in excess of 13 percent;
- recognition of a $100 million pre-tax charge in 2004 to electric operating revenues to resolve certain issues raised in the proceeding, relating primarily to the treatment of prior period pension credits;
- potential positive earnings adjustments if the company meets certain standards for its retail access and demand side management programs, and potential negative earnings adjustments if it does not meet certain standards for: (i) frequency and duration of service interruptions; (ii) major outages; (iii) repair, removal or replacement of damaged poles, temporary shunts, street lights, traffic signals and circuit breakers; and (iv) customer service;
- continuation of provisions for the recovery from customers on a current basis of the cost of purchased power and fuel, and the elimination of any incentive or penalty relating to electric costs;
- programs to promote energy efficiency, demand management and environmental quality; and
- continuation of rate discounts for low income residential customers and business incentive rates to attract and retain commercial customers.

The PSC is expected to act on the Joint Proposal in March 2005.

In 1997, the PSC approved a four-year O&R restructuring plan pursuant to which O&R sold all of its generating assets and made retail access available to all of its electric customers effective May 1999. In 1998 and 1999, similar plans for O&R's utility subsidiaries in Pennsylvania and New Jersey were approved by state regulators.

In October 2003, the PSC approved agreements among O&R, the staff of the PSC and other parties with respect to the rates O&R can charge to its New York customers for electric service. The electric agreement, which covers the period from July 2003 through October 2006, provides for no changes to electric base rates and contains provisions for the amortization and offset of regulatory assets and liabilities, the net effect of which will reduce electric operating income by a total of $11 million (pre tax) over the period covered by the agreement. The agreement continues to provide for recovery of energy costs from customers on a current basis and for O&R to share equally with customers earnings in excess of a 12.75 percent return on common equity during the three-year period from July 2003 through June 2006. The period from July 2006 through October 2006 will not be subject to earnings sharing.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

In July 2003, the NJBPU ruled on the petitions of RECO for an increase in electric rates and recovery of deferred purchased power costs. The NJBPU ordered a $7 million decrease in RECO's electric base rates, effective August 2003, authorized RECO's recovery of approximately $83 million of previously deferred purchased power costs and associated interest and disallowed recovery of approximately $19 million of such costs and associated interest. At December 31, 2002, the company had accrued a reserve for $13 million of the disallowance, and at June 30, 2003 reserved an additional $6 million for the disallowance.

In July 2004, the NJBPU approved RECO's Phase II petition to increase base rates annually by $2.7 million (2.0% increase), effective August 1, 2004. The Phase II decision provides for the recovery of carrying costs for two substation projects and specified additional reliability programs. Also in July 2004, a special purpose entity formed by RECO (which is included in the consolidated financial statements of Con Edison and O&R) issued $46 million of 5.22% Transition Bonds and used the proceeds thereof to purchase from RECO the right to be paid a Transition Bond Charge (TBC) and associated tax charges by its customers relating to the balance of previously deferred purchased power costs, discussed above. The TBC replaced a Transition Recovery Charge (TRC), a temporary surcharge that was effective August 1, 2003.

Gas

In April 2002, the PSC approved a Con Edison of New York gas rate agreement for the three-year period ending September 30, 2004. The rate agreement reduced gas rates by $25 million annually. The agreement provided for sharing of earnings with customers above specified equity rate of return levels; however, earnings on gas common equity did not exceed the specified levels for any of the three rate years.

In September 2004, the PSC approved a Joint Proposal by Con Edison of New York, the staff of the PSC and other parties with respect to the rates the company can charge its customers for gas and steam services. The approved gas rate plan covers the three-year period October 2004 through September 2007, and provides for an increase in gas base rates of $46.8 million, effective October 1, 2004, with deferral accounting to be used to allocate the income statement effect of the increase over the term of the agreement. The rate increase is net of a $17.5 million pre-tax charge to gas operating revenues the company recognized in 2004 to resolve certain issues raised in the proceeding, relating primarily to the treatment of prior period pension credits. In addition to this rate increase, the company will retain the first $35 million of net revenues from non-firm customer transactions in each year of the plan.

Additional provisions of the gas rate plan include: equal sharing with customers of earnings in excess of an 11.75 percent return on common equity (based upon the actual average common equity ratio, subject to a maximum common equity ratio of 50 percent of capitalization); reconciliation of pension and

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

other post-employment benefit costs allocable to the gas business to the amounts for such costs reflected in rates, with the difference deferred as a regulatory asset or liability, as the case may be, for future recovery from or refund to customers; opportunities to retain for shareholders a percentage of annual gas net revenues from non-firm customer transactions (20 percent of revenues between $35 million and $50 million, 25 percent between $50 million and $70 million and 10 percent over $70 million), and to earn an incentive of up to $8.5 million over the period of the rate plan depending upon the number of customers that migrate to retail access; continuation of provisions for the recovery from customers on a current basis of the cost of purchased gas and for the recovery of environmental remediation expenses; continuation of provisions pursuant to which the effects of weather on gas income are moderated; and continuation of the deferral as a regulatory asset or liability, subject to certain limitations, of differences between actual costs and amounts reflected in rates for property taxes and interference costs.

In November 2000, the PSC authorized implementation of a gas rate agreement between O&R, the PSC staff, and certain other parties covering the period November 2000 through April 2002. In October 2001, the PSC approved an extension of this agreement covering the period May 2002 through October 2003. With limited exceptions, the agreement provided for no changes to base rates. O&R was permitted to retain, and amortized to income over the period November 2000 through October 2003, $18 million of deferred credits that otherwise would have been credited to customers.

In October 2003, the PSC approved a new gas rate agreement among O&R, the PSC staff and other parties. This agreement, which covers the period November 2003 through October 2006, provides for increases in gas base rates of $9 million (5.8 percent) effective November 2003, $9 million (4.8 percent) effective November 2004 and $5 million (2.5 percent) effective November 2005. The agreement provides for O&R to share equally with customers earnings in excess of an 11 percent return on common equity. It continues to provide for recovery of energy costs from customers on a current basis and continues a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income. The agreement also contains incentives under which, among other things, the company can earn additional amounts based on attaining specified targets for customer participation in its retail access programs and the achievement of certain net revenue targets for interruptible sales and transportation customers.

In October 2004, Pike filed a request with the PPUC to increase charges for gas delivery service by $0.2 million (11.7 percent), effective July 2005. A final PPUC decision is expected by June.

Steam

In November 2000, the PSC authorized implementation of an agreement between Con Edison of New York, the PSC staff and certain other parties, that provided for a $17 million steam rate increase

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

in October 2000 and, with limited exceptions, no further changes in steam rates prior to October 2004. The agreement continued the rate provisions pursuant to which Con Edison of New York recovered purchased steam and fuel costs on a current basis.

In September 2004, the PSC approved a steam rate plan covering the two-year period October 2004 through September 2006. The plan provides for increases in steam base rates of $49.6 million, effective October 1, 2004, and $27.4 million, effective October 1, 2005. The increases are net of a $6.2 million pre-tax charge to steam operating revenues, which the company recognized in 2004, to resolve certain issues, relating primarily to the treatment of prior period pension credits.

Additional provisions of the steam rate plan include: equal sharing with customers of earnings in excess of an 11.75 percent return on common equity (based upon the actual average common equity ratio, subject to a maximum common equity ratio of 50 percent of capitalization); reconciliation of pension and other post-employment benefit costs allocable to steam business to the amounts for such costs reflected in rates, with the difference deferred as a regulatory asset or liability, as the case may be, for future recovery from or refund to customers; continuation of provisions for the recovery from customers on a current basis of the cost of fuel and purchased steam and for the recovery of environmental remediation expenses; and continuation of the deferral as a regulatory asset or liability, subject to certain limitations, of differences between actual costs and amounts reflected in rates for property taxes and interference costs.

The steam rate plan provides that starting January 1, 2005, the company will credit customers with the estimated net monthly fuel savings from the East River Repowering Project (ERRP) until the plant is in service. The company will recover all benefits credited to customers during the period January 2005 through March 2005 over the subsequent 18 months. If the plant is delayed beyond April 1, 2005, the company will continue to credit the estimated net fuel savings to customers and may petition the PSC for recovery of benefits credited to customers between April 1, 2005 and the date the plant is operational. Annual net fuel savings from the operation of ERRP are estimated to be $36.8 million. Operational testing of ERRP is ongoing and the plant is expected to be placed into service in 2005.

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Regulatory Assets and Liabilities

Regulatory assets and liabilities at December 31, 2004 and 2003 were comprised of the following items:

	Con Edison		Con Edison of New York		O&R	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Regulatory assets						
Future federal income tax	$ 762	$ 629	$ 715	$ 589	$ 47	$ 40
Recoverable energy costs	275	264	257	176	18	88
Sale costs - First Avenue properties	178	157	178	157	-	-
Sale of nuclear generating plant including interest	176	178	176	178	-	-
Environmental remediation costs	165	155	106	116	59	39
World Trade Center restoration costs	104	68	104	68	-	-
Property tax reconciliation	80	41	80	41	-	-
Transition bond charges*	74	-	-	-	74	-
Retirement program costs	71	77	29	33	42	44
Workers' compensation	48	51	48	51	-	-
Revenue taxes	46	48	46	45	-	3
Electric interference costs	44	-	44	-	-	-
Unbilled gas revenue	44	44	44	44	-	-
NYS tax law changes	40	23	40	23	-	-
Asbestos-related costs	26	39	25	38	1	1
Collection agent deferral	21	-	21	-	-	-
Other	109	87	97	81	12	6
Total Regulatory Assets	$2,263	$1,861	$2,010	$1,640	$253	$221
* Included in Recoverable energy costs in 2003.						
Regulatory liabilities						
Allowance for cost of removal less salvage	$ 723	$ 777	$ 666	$ 721	$ 57	$ 56
Transmission congestion contracts	391	284	391	284	-	-
NYISO reconciliation	147	134	147	134	-	-
2004 electric, gas and steam rate plan charges	124	-	124	-	-	-
Gain on divestiture	56	56	55	55	1	1
Deposit from sale of First Avenue properties	50	50	50	50	-	-
Electric excess earnings	50	49	50	49	-	-
NYS tax law changes	43	18	32	18	11	-
Interest on federal income tax refund	37	29	37	29	-	-
DC service incentive	33	38	33	38	-	-
Refundable energy costs	29	21	-	-	29	21
Accrued electric rate reduction	25	33	25	32	-	1
Gain on disposition of property – W. 45 St.	24	6	24	6	-	-
Gas interruptible sales credits	22	26	22	26	-	-
Excess dividends tax	18	-	18	-	-	-
Gas interference – cost sharing	11	10	11	10	-	-
Other	212	202	183	186	29	16
Total Regulatory Liabilities	$1,995	$1,733	$1,868	$1,638	$127	$ 95

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Other Regulatory Matters

In January 2004, a woman died when she came into contact with the metal frame of a Con Edison of New York service box that had been energized by a low voltage cable that had been repaired in a manner that varied from the company's written procedures. Following the accident, the PSC instituted a proceeding as to whether the company violated the safety requirements of the New York Public Service Law and ordered the company to show cause why the PSC should not commence an action seeking penalties from the company. In addition, the PSC and New York City adopted requirements for utilities to conduct annual testing and inspections of their electrical related infrastructure. The failure to meet the new requirements or the standards for repair, removal or replacement of damaged poles, temporary shunts, street lights, traffic signals and circuit breakers included in the electric rate Joint Proposal (discussed above) could result in the imposition of substantial penalties. The Utilities believe that their utility systems are safe and reliable. The Companies, however, are unable to predict whether or not any proceedings or any regulatory actions relating to the accident will have a material adverse effect on their financial condition, results of operations or liquidity.

Note C - Capitalization

Common Stock

At December 31, 2004 and 2003, Con Edison owned all of the issued and outstanding shares of common stock of the Utilities. Con Edison of New York owns 21,976,200 shares of Con Edison stock, which it purchased in 1998, 1999 and 2000 in connection with Con Edison's stock repurchase plan.

Capitalization of Con Edison

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

Preferred Stock of Utility Subsidiary

As of December 31, 2004, 1,915,319 shares of Con Edison of New York's $5 Cumulative Preferred Stock (the "$5 Preferred") and 375,626 shares of its Cumulative Preferred Stock ($100 par value) were outstanding.

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

With respect to any corporate action to be taken by a vote of shareholders of Con Edison of New York, Con Edison (which owns all of the 235,488,094 shares of Con Edison of New York's common shares that are outstanding) and the holders of the $5 Preferred are each entitled to one vote for each share held. Except as otherwise required by law, holders of the Cumulative Preferred Stock have no

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

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

Dividends

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

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

Long-term Debt

Long-term debt maturing in the period 2005-2009 is as follows:

(Millions of Dollars)	*Con Edison*	*Con Edison of New York*	*O&R*
2005	$ 469	$ 450	$ 2
2006	22	-	2
2007	374	330	23
2008	507	280	3
2009	491	475	3

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

The Utilities have issued certain series of debt through the New York State Energy Research and Development Authority (NYSERDA) that currently bear interest at a rate determined weekly and, in certain circumstances, is subject to mandatory tender for purchase by the Utilities. This tax-exempt debt includes Con Edison of New York's $99 million aggregate principal amount of Series 2004C and O&R's $55 million aggregate principal amount of Series 1994A and $44 million aggregate principal amount of Series 1995A.

Long-term debt is stated at cost, which in total, as of December 31, 2004, approximates fair value (estimated based on current rates for debt of the same remaining maturities), except for $225 million of Con Edison of New York's tax-exempt financing. See "Interest Rate Hedging" in Note P.

At December 31, 2004 and 2003, long-term debt of Con Edison and O&R included $23 million of mortgage bonds collateralized by substantially all the utility plant and other physical property of O&R's New Jersey and Pennsylvania utility subsidiaries and for 2004, $46 million of Transition Bonds issued by O&R's New Jersey utility subsidiary through a special purpose entity. See Note B. At December 31, 2004 and 2003, long-term debt of Con Edison included: $128 million and $141 million, respectively, of non-recourse debt of a Con Edison Development subsidiary collateralized by a pledge of the Lakewood (NJ) power plant, a related purchase power agreement and project assets; and $336 million and $339 million, respectively, of debt secured by the Newington (NH) power plant and related assets. See Note T. At December 31, 2004 and 2003, restricted cash relating to the operations of the Lakewood plant was $16 million and $17 million, respectively.

Significant Debt Covenants

There are no significant debt covenants under the financing arrangements for the debentures of Con Edison, Con Edison of New York or O&R, other than obligations to pay principal and interest when due and covenants not to consolidate with or merge into any other corporation unless certain conditions are met, and no cross default provisions. The tax-exempt financing arrangements of the Utilities are subject to these covenants and the covenants discussed below. The Companies believe that they were in compliance with their significant debt covenants at December 31, 2004.

The tax-exempt financing arrangements involved the issuance of uncollateralized promissory notes of the Utilities to NYSERDA in exchange for the net proceeds of a like amount of tax-exempt bonds with substantially the same terms sold to the public by NYSERDA. The tax-exempt financing arrangements include covenants with respect to the tax-exempt status of the financing, including covenants with respect to the use of the facilities financed. The failure to comply with these covenants would, except as otherwise provided, constitute an event of default with respect to the debt to which such provisions applied. The arrangements for certain series of Con Edison of New York's tax-exempt financing (Series 1999A, 2001A, 2001B, 2004A, B and C), aggregating $960 million, and O&R's tax-exempt financing (Series

1994A and Series 1995A), aggregating $99 million, include provisions for the maintenance of liquidity and credit facilities, the failure to comply with which would, except as otherwise provided, constitute an event of default with respect to the debt to which such provisions applied. If an event of default were to occur, the principal and accrued interest on the debt to which such event of default applied might and, in certain circumstances would, become due and payable immediately.

The liquidity and credit facilities currently in effect for the tax-exempt financing include covenants that the ratio of debt to total capital of the obligated utility will not at any time exceed 0.65 to 1 and that, subject to certain exceptions, the utility will not mortgage, lien, pledge or otherwise encumber its assets. Certain of the facilities also include as events of default, defaults in payments of other debt obligations in excess of specified levels ($100 million for Con Edison of New York; $13 million for O&R).

Note D - Short Term Borrowing

At December 31, 2004 and 2003, Con Edison and the Utilities had commercial paper programs totaling $950 million under which short-term borrowings are made at prevailing market rates. These programs are supported by revolving credit agreements with banks. At December 31, 2004, $56 million was outstanding under Con Edison's $350 million program and $100 million was outstanding under Con Edison of New York's $500 million program, both at a weighted average interest rate of 2.2 percent. There was no balance outstanding under O&R's $100 million program. At December 31, 2003, $42 million was outstanding under Con Edison's $350 million program, $99 million was outstanding under Con Edison of New York's $500 million program, and $15 million was outstanding under O&R's $100 million program, all at a weighted average interest rate of 1.0 percent. The Utilities change the amount of their programs from time to time, subject to FERC-authorized limits of $1 billion for Con Edison of New York and $150 million for O&R.

Bank commitments under the revolving credit agreements total $950 million, of which $388 million and $563 million expire in November 2005 and November 2006, respectively. The commitments may also terminate upon a change of control of Con Edison, and borrowings under the agreements are subject to certain conditions, including that the ratio (calculated in accordance with the agreements) of debt to total capital of the borrower not at any time exceed 0.65 to 1. At December 31, 2004, this ratio was 0.50 to 1 for Con Edison, 0.48 to 1 for Con Edison of New York and 0.47 to 1 for O&R. Borrowings under the agreements are not subject to maintenance of credit rating levels or the absence of a material adverse change with respect to the Companies. The fees charged the Companies for the revolving credit facilities and borrowings under the agreements reflect their respective credit ratings. The amount that can be borrowed by the Companies under the agreements is reduced by the amount of letters of credit issued under the agreements. At December 31, 2004, $22 million of letters of credit were outstanding under the agreements.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

See Note U for information about short-term borrowing between related parties, which the FERC has authorized.

Note E – Pension Benefits

Con Edison maintains a tax-qualified, non-contributory pension plan that covers substantially all employees of Con Edison of New York and O&R and certain employees of other Con Edison subsidiaries. The plan is designed to comply with the Internal Revenue Code and the Employee Retirement Income Security Act of 1974.

Investment gains and losses are fully recognized in expense over a 15-year period. Other actuarial gains and losses are fully recognized in expense over a 10-year period. This amortization is in accordance with the Statement of Policy issued by the PSC and is permitted under SFAS No. 87, “Employers’ Accounting for Pensions,” which provides a “corridor method” for moderating the effect of investment gains and losses on pension expense, or alternatively, allows for any systematic method of amortization of unrecognized gains and losses that is faster than the corridor method and is applied consistently to both gains and losses.

Consistent with the provisions of SFAS No. 71 and its rate agreements, O&R defers for future recovery any difference between expenses recognized under SFAS No. 87 and the current rate allowance for its New York operations. Effective October 1, 2004, Con Edison of New York, in accordance with the new gas and steam rate plans, began deferring any difference between expenses recognized under SFAS No. 87 and the current rate allowance for its gas and steam operations. Con Edison of New York’s pending electric rate plan includes a similar provision to reconcile such expenses allocable to electric operations. See Note B.

Con Edison uses a measurement date of December 31 for its pension plan.

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Net Periodic Benefit Cost

The components of the Companies' net periodic benefit costs for 2004, 2003 and 2002 were as follows:

	Con Edison			Con Edison of New York			O&R		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Service cost—including administrative expenses	$ 105	$ 102	$ 94	$ 97	$ 95	$ 88	$ 8	$ 7	$ 6
Interest cost on projected benefit obligation	414	420	440	388	393	412	26	27	28
Expected return on plan assets	(652)	(654)	(685)	(629)	(631)	(660)	(23)	(23)	(25)
Amortization of net actuarial (gain)/loss	(38)	(95)	(173)	(50)	(104)	(179)	12	9	6
Amortization of prior service costs	12	15	14	11	14	14	1	1	-
Amortization of transition (asset)/obligation	-	-	(1)	-	-	(1)	-	-	-
NET PERIODIC BENEFIT COST	$(159)	$(212)	$(311)	$(183)	$(233)	$(326)	$ 24	$ 21	$ 15
Amortization of regulatory asset*	4	4	4	4	4	4	-	-	-
TOTAL PERIODIC BENEFIT COST	$(155)	$(208)	$(307)	$(179)	$(229)	$(322)	$ 24	$ 21	$ 15
Cost capitalized	45	60	61	51	65	64	(6)	(5)	(3)
Cost deferred	1	(9)	(10)	2	-	-	(1)	(9)	(10)
Cost (credited)/charged to operating expenses	$(109)	$(157)	$(256)	$(126)	$(164)	$(258)	$ 17	$ 7	$ 2

* Relates to increases in Con Edison of New York's pension obligations of $33 million from a 1993 special retirement program and $45 million from a 1999 special retirement program.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Funded Status

The funded status at December 31, 2004, 2003 and 2002 was as follows:

	Con Edison			Con Edison of New York			O&R		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
CHANGE IN PROJECTED BENEFIT OBLIGATION									
Projected benefit obligation at beginning of year	$6,695	$6,434	$5,904	$6,267*	$6,030	$5,530	$ 425	$ 404	$ 374
Service cost—excluding administrative expenses	104	101	92	96	94	86	8	7	6
Interest cost on projected benefit obligation	414	420	440	388	393	412	26	27	28
Plan amendments	32	-	-	22	-	-	10	-	-
Net actuarial loss	400	54	300	373	43	283	26	11	17
Benefits paid	(330)	(314)	(302)	(306)	(290)	(281)	(24)	(24)	(21)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	$7,315	$6,695	$6,434	$6,840	$6,270	$6,030	$ 471	$ 425	$ 404
CHANGE IN PLAN ASSETS									
Fair value of plan assets at beginning of year	$6,710	$5,760	$6,633	$6,474	$5,563	$6,397	$ 236	$ 197	$ 236
Actual return on plan assets	872	1,261	(552)	840	1,218	(533)	32	43	(19)
Employer contributions	28	22	4	2	2	2	24	20	2
Benefits paid	(330)	(313)	(302)	(306)	(290)	(281)	(24)	(23)	(21)
Administrative expenses	(26)	(20)	(23)	(25)	(19)	(22)	(1)	(1)	(1)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$7,254	$6,710	$5,760	$6,985	$6,474	$5,563	$ 267	$ 236	$ 197
Funded status	$ (61)	$ 15	$ (674)	$ 145	$ 204	$ (467)	$(204)	$(189)	$(207)
Unrecognized net loss/(gain)	1,351	1,108	1,548	1,217	981	1,403	133	127	145
Unrecognized prior service costs	87	67	81	73	63	77	13	4	4
NET PREPAID (ACCRUED) BENEFIT COST	$1,377	$1,190	$ 955	$1,435	$1,248	$1,013	$ (58)	$ (58)	$ (58)
ACCUMULATED BENEFIT OBLIGATION	$6,582	$5,998	$5,656	$6,127	$5,591	$5,269	$ 452	$ 407	$ 387

* Certain unregulated subsidiaries had previously been included with the Con Edison of New York balance.

The amounts recognized in the consolidated balance sheet at December 31, 2004 and 2003 were as follows:

	Con Edison		Con Edison of New York		O&R	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Prepaid pension cost	$1,442	$1,257	$1,442	$1,257	$ -	$ -
Accrued benefit cost	(58)	(58)	-	-	(58)	(58)
Additional minimum pension liability	(12)	(11)	(11)	(10)	(1)	(1)
Accumulated other comprehensive income	12	11	11	10	1	1
1993 special retirement program	(7)	(9)	(7)	(9)	-	-
Net prepaid (accrued) benefit cost	$1,377	$1,190	$1,435	$1,248	$ (58)	$ (58)

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Assumptions

The actuarial assumptions were as follows:

	2004	*2003*	*2002*
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount rate	5.90%	6.30%	6.75%
Rate of compensation increase			
– Con Edison of New York	4.00%	4.00%	4.30%
– O&R	4.00%	4.00%	4.15%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	6.30%	6.75%	7.50%
Expected return on plan assets	8.80%	8.80%	9.20%
Rate of compensation increase			
– Con Edison of New York	4.00%	4.30%	4.30%
– O&R	4.00%	4.15%	4.15%

The expected return assumption reflects anticipated returns on the plan's current and future assets. The Companies use historical investment data as well as the plan's target asset class and investment management mix to determine the expected return on plan assets. This analysis incorporates such factors as real return, inflation, and expected investment manager performance for each broad asset class applicable to the plan. Historical plan performance and peer data are also reviewed to check for reasonability and appropriateness.

Expected Benefit Payments

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

(Millions of Dollars)	*2005*	*2006*	*2007*	*2008*	*2009*	*2010-2014*
Con Edison	$352	$370	$389	$410	$429	$ 2,463
Con Edison of New York	327	344	362	381	399	2,290
O & R	25	26	27	29	30	171

Expected Contributions

Based on current estimates, the Companies are not required under funding regulations and laws to make any contributions to the pension plan during 2005. Con Edison and O&R expect to make discretionary contributions of $29 million and $28 million, respectively, in 2005. Con Edison of New York does not expect to make any contributions in 2005.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Plan Assets

The asset allocations for the pension plan at the end of 2004, 2003 and 2002, and the target allocation for 2005 are as follows:

ASSET CATEGORY	*Target Allocation 2005*	*Plan Assets at December 31,* 2004	2003	2002
Equity Securities	65%	67%	64%	54%
Debt Securities	30%	28%	32%	42%
Real Estate	5%	5%	4%	4%
Total	100%	100%	100%	100%

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

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

The investment objective for the pension trust is to maximize the long-term total return on the trust assets within a prudent level of risk. The investment strategy implements the objectives of the pension trust by diversifying its funds across asset classes, investment styles and fund managers. The target asset allocation is reviewed periodically based on asset/liability studies and may be modified as appropriate. The target asset allocation for 2005 reflects the results of such a study conducted in 2003.

Individual managers operate under written guidelines provided by Con Edison, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. Manager performance, total fund performance, and compliance with asset allocation guidelines are monitored on an ongoing basis, and reviewed by the Named Fiduciaries and reported to the Committee on a regular basis. Changes in fund managers and rebalancing of the portfolio are undertaken as appropriate. The Named Fiduciaries approve such changes, which are also reported to the Committee.

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

	For the Years Ended December 31,		
(Millions of Dollars)	*2004*	*2003*	*2002*
Con Edison	$ 19	$ 18	$ 17
Con Edison of New York	17	17	16
O&R	2	1	1

Note F - Other Postretirement Benefits

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

Con Edison of New York also has a contributory life insurance program for bargaining unit employees and provides basic life insurance benefits up to a specified maximum at no cost to retired management employees. O&R has a non-contributory life insurance program for retirees.

Certain employees of other Con Edison subsidiaries are eligible to receive benefits under these programs. The company has reserved the right to amend or terminate these programs.

Investment plan gains and losses are fully recognized in expense over a 15-year period for the Utilities. Other actuarial gains and losses are fully recognized in expense over a 10-year period.

For O&R, plan assets are used to pay benefits and expenses for participants who retired on or after January 1, 1995. Plan assets include amounts owed by the plan trust to O&R for such payments of $1 million in 2004, 2003 and 2002. O&R pays benefits for other participants who retired prior to 1995.

Consistent with the provisions of SFAS No. 71, O&R defers for future recovery any difference between expenses recognized under SFAS No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions,” and the current rate allowance for its Pennsylvania and New York operations. Effective October 1, 2004, Con Edison of New York began deferring any difference between expenses recognized under SFAS No. 106 and the current rate allowance for its gas and steam operations. Con Edison of New York’s pending electric rate plan includes a similar provision to reconcile such expenses allocable to electric operations. See Note B.

Con Edison uses a measurement date of December 31 for its other postretirement benefit plans.

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Net Periodic Benefit Cost

The components of the Companies' net periodic postretirement benefit costs for 2004, 2003 and 2002 were as follows:

	Con Edison			*Con Edison of New York*			*O&R*		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Service cost	$ 11	$ 10	$ 10	$ 8	$ 8	$ 8	$ 3	$ 2	$ 2
Interest cost on accumulated other postretirement benefit obligation	74	82	88	66	73	80	8	9	8
Expected return on plan assets	(79)	(78)	(80)	(74)	(74)	(76)	(5)	(4)	(4)
Amortization of net actuarial loss	40	46	24	35	41	21	5	5	3
Amortization of prior service cost	(15)	(16)	-	(15)	(15)	-	-	(1)	-
Amortization of transition obligation	4	4	5	4	4	5	-	-	-
NET PERIODIC POSTRETIREMENT BENEFIT COST	$ 35	$ 48	$ 47	$ 24	$ 37	$ 38	$ 11	$ 11	$ 9
Cost capitalized	(10)	(15)	(10)	(7)	(11)	(9)	(3)	(4)	(1)
Cost deferred	11	(3)	(4)	12	-	-	(1)	(3)	(4)
Cost charged to operating expenses	$ 36	$ 30	$ 33	$ 29	$ 26	$ 29	$ 7	$ 4	$ 4

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Funded Status

The funded status of the programs at December 31, 2004, 2003 and 2002 was as follows:

	Con Edison			Con Edison of New York			O&R		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
CHANGE IN BENEFIT OBLIGATION									
Benefit obligation at beginning of year	$1,238	$1,248	$1,351	$1,107*	$1,116	$1,249	$ 131	$132	$102
Service cost	11	10	10	8	8	8	3	2	2
Interest cost on accumulated postretirement benefit obligation	74	82	88	66	73	80	8	9	8
Plan amendments	-	-	(306)	-	-	(306)	-	-	-
Net actuarial loss	117	99	178	91	89	151	25	10	27
Benefits paid and administrative expenses	(102)	(91)	(89)	(92)	(83)	(82)	(10)	(8)	(7)
Participant contributions	19	18	15	19	18	15	-	-	-
Medicare prescription subsidy	(42)	(128)	-	(42)	(114)	-	-	(14)	-
BENEFIT OBLIGATION AT END OF YEAR	$1,315	$1,238	$1,247	$1,157	$1,107	$1,115	$ 157	$131	$132
CHANGE IN PLAN ASSETS									
Fair value of plan assets at beginning of year	$ 839	$ 717	$ 804	$ 790	$ 674	$ 763	$ 49	$ 43	$ 41
Actual return on plan assets	91	145	(61)	87	143	(61)	4	2	-
Employer contributions	31	46	45	22	38	39	8	8	6
Participant contributions	19	18	16	19	18	16	-	-	-
Benefits paid	(98)	(87)	(82)	(92)	(83)	(78)	(6)	(4)	(4)
Administrative expenses	-	-	(5)	-	-	(5)	-	-	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$ 882	$ 839	$ 717	$ 826	$ 790	$ 674	$ 55	$ 49	$ 43
Funded status	$ (433)	$ (399)	$ (530)	$ (331)	$ (317)	$ (441)	$(102)	$ (82)	$ (89)
Unrecognized net loss	386	363	506	322	319	455	64	44	51
Unrecognized prior service costs	(119)	(133)	(148)	(118)	(132)	(147)	(1)	(1)	(1)
Unrecognized net transition liability at January 1, 1993**	29	33	36	29	33	36	-	-	-
ACCRUED POSTRETIREMENT BENEFIT COST	$ (137)	$ (136)	$ (136)	$ (98)	$ (97)	$ (97)	$ (39)	$ (39)	$ (39)

*Certain unregulated subsidiaries had previously been included with the Con Edison of New York balance.

**Being amortized over a period of 20 years and reduced by an additional amount in 2002 due to plan amendments.

Assumptions

The actuarial assumptions were as follows:

	2004	*2003*	*2002*
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount Rate	5.90%	6.30%	6.75%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount Rate	6.30%	6.75%	7.50%
Expected Return on Plan Assets			
Tax-Exempt Assets	8.80%	8.80%	9.20%
Taxable Assets			
Con Edison of New York	7.80%	7.80%	8.20%
O&R	8.30%	8.30%	8.70%

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

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

The health care cost trend rate used to determine net periodic benefit cost for the year ended December 31, 2004, is based on the 2003 assumption of 9.00%, which was assumed to decrease gradually to 4.50% for 2009 and remain at that level thereafter. The health care cost trend rate used to determine benefit obligations at December 31, 2004 was changed to 10.00%. This rate is assumed to decrease gradually to 4.50% for 2011 and remain at that level thereafter.

A one-percentage point change in the assumed health care cost trend rate would have the following effects at December 31, 2004:

	Con Edison		*Con Edison of New York 1-Percentage-Point*		*O&R*	
(Millions of Dollars)	*Increase*	*Decrease*	*Increase*	*Decrease*	*Increase*	*Decrease*
Effect on accumulated other postretirement benefit obligation	$ 120	$ 108	$ 105	$ 95	$ 15	$ 13
Effect on service cost and interest cost components for 2004	9	8	8	7	1	1

Expected Benefit Payments

Based on current assumptions, the Companies estimate the following benefit payments over the next ten years:

(Millions of Dollars)	*2005*	*2006*	*2007*	*2008*	*2009*	*2010-2014*
GROSS BENEFIT PAYMENTS						
Con Edison of New York	$ 75	$ 82	$ 89	$ 90	$ 93	$ 497
O & R	9	10	10	11	12	66
Unregulated subsidiaries	-	-	-	-	-	-
Con Edison	$ 84	$ 92	$ 99	$101	$105	$ 563
MEDICARE PRESCRIPTION SUBSIDY RECEIPTS						
Con Edison of New York	$ -	$ 7	$ 7	$ 8	$ 9	$ 52
O & R	-	1	1	1	1	6
Unregulated subsidiaries	-	-	-	-	-	-
Con Edison	$ -	$ 8	$ 8	$ 9	$ 10	$ 58

Expected Contributions

Based on current estimates, Con Edison, Con Edison of New York and O&R expect to make contributions of $46 million, $36 million and $10 million, respectively, to the other postretirement benefit plans in 2005.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Plan Assets

The asset allocations for Con Edison of New York's other postretirement benefit plans at the end of 2004, 2003 and 2002, and the target allocation for 2005 are as follows:

ASSET CATEGORY	*Target Allocation 2005*	*2004*	*Plan Assets at December 31, 2003*	*2002*
Equity Securities	65%	66%	62%	55%
Debt Securities	35%	34%	38%	45%
Total	100%	100%	100%	100%

The asset allocation for O&R's other postretirement benefit plans at the end of 2004 was 63% in equity securities and 37% in debt. For 2003 and 2002, the allocation was approximately 90% in debt and 10% in equity. O&R's target asset allocation for 2005 is 65% in equity and 35% in debt.

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

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

Effect of Medicare Prescription Subsidy

In December 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003. FASB Staff Position (FSP) No. FAS 106-2, issued by the FASB in May 2004, provides accounting and disclosure requirements relating to the Act. The Companies' actuaries have determined that each prescription drug plan provides a benefit that is at least actuarially equivalent to the Medicare prescription drug plan and projections indicate that this will be the case for 20 years; therefore, the Companies are eligible to receive the benefit. When the plans' benefits are no longer actuarially equivalent to the Medicare plan, 25% of the retirees in each plan are assumed to begin to decline participation in the Companies' prescription programs.

To reflect the effect of the Act on the plans, the accumulated postretirement benefit obligations were reduced for Con Edison, Con Edison of New York and O&R by $160 million, $139 million and $21 million, respectively, as of December 31, 2004. The 2004 postretirement benefit costs were reduced by $29 million for Con Edison, $26 million for Con Edison of New York and $3 million for O&R. The Companies will recognize the 28% subsidy (reflected as an unrecognized net gain to each plan) as an offset to plan costs. The 28% subsidy is expected to reduce prescription drug plan costs by about 25% starting in 2006.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

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 includes costs of demolition, removal, disposal, storage, replacement, containment and monitoring) and environmental 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 sites, 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 discharge their related obligations. For Superfund Sites (including the manufactured gas sites) for which one of the Utilities is managing the investigation and remediation, the accrued liability represents an estimate of the undiscounted cost to investigate the sites and, for sites that have been investigated in whole or in part, the cost to remediate the sites in light of the information available, applicable remediation standards and experience with similar sites.

For the year ended December 31, 2004, Con Edison of New York and O&R incurred approximately $44 million and $3 million, respectively, for environmental remediation costs. Insurance recoveries of $36 million were received by Con Edison of New York, $35 million of which reduced related regulatory assets, with the remainder credited to expense. For the year ended December 31, 2003, Con Edison of New York and O&R incurred approximately $21 million and $5 million, respectively, for environmental remediation costs. No insurance recoveries were received. For the year ended December 31, 2002, Con Edison of New York and O&R incurred approximately $22 million and $2 million, respectively, for environmental remediation costs, and O&R received insurance recoveries of $7 million.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

The accrued liabilities and regulatory assets related to Superfund Sites for each of the Companies at December 31, 2004 and December 31, 2003 were as follows:

	Con Edison		Con Edison of New York		O&R	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Accrued Liabilities:						
Manufactured gas plant sites	$148	$145	$ 92	$ 106	$ 56	$ 39
Other Superfund Sites	50	48	49	47	1	1
Total	$198	$193	$ 141	$ 153	$ 57	$ 40
Regulatory assets	$165	$155	$ 106	$ 116	$ 59	$ 39

Most of the accrued Superfund Site liability relates to Superfund Sites that have been investigated, in whole or in part. As investigations progress on these and other sites, the Companies expect that additional liability will be accrued, the amount of which is not presently determinable but may be material. The Utilities are permitted under their current rate agreements to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs.

Con Edison of New York estimated in 2002 that for its manufactured gas sites, many of which had not been investigated, its aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other manufactured gas plant-related environmental contaminants could range from approximately $65 million to $1.1 billion. O&R estimated in 2004 that for its manufactured gas sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of such contaminants could range from approximately $31 million to $87 million. These estimates were based on the assumption that there is contamination at each of the Utilities' sites and additional assumptions regarding the extent of contamination and the type and extent of 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 but the Companies believe that these amounts are greatly exaggerated, as experienced through the disposition of previous claims. Con Edison of New York estimated in 2004 that its aggregate undiscounted potential liability for these suits and additional such suits that may be brought over the next 15 years is $25 million. The estimate was based upon a combination of modeling, historical data analysis and risk factor assessment. Actual experience may be materially different.

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In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. Con Edison of New York is permitted under its current rate agreements to defer as regulatory assets (for subsequent recovery through rates) liabilities incurred for its asbestos lawsuits and workers' compensation claims. O&R defers as regulatory assets (for subsequent recovery through rates) liabilities incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants.

The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for each of the Companies at December 31, 2004 and December 31, 2003 were as follows:

	Con Edison		*Con Edison of New York*		*O&R*	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Accrued liability – asbestos suits	$ 26	$ 39	$ 25	$ 38	$ 1	$ 1
Regulatory assets – asbestos suits	$ 26	$ 39	$ 25	$ 38	$ 1	$ 1
Accrued liability – workers' compensation	$122	$126	$119	$122	$ 3	$ 4
Regulatory assets – workers' compensation	$ 48	$ 51	$ 48	$ 51	$ -	$ -

Note H - Impairment of Long-Lived Assets

In 2004, Con Edison's long-lived assets were tested for impairment, where required, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and Accounting Principles Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," and no impairment was identified.

In 2003, Con Edison Development recorded a total pre-tax impairment charge of $18 million, related to two combustion turbines and an equity investment in a 42 MW electric generating plant in Guatemala. Estimated fair values were determined based upon market prices of comparable assets.

In 2004, Con Edison Development decided to sell the two combustion turbines. In accordance with SFAS No. 144, these assets were classified as "held for sale" and are included at fair value of $18 million under non-utility plant on Con Edison's consolidated balance sheet.

See Note W for information about the impairment of Con Edison Communications' assets recorded in 2003.

Note I - Non-Utility Generators and Other Purchase Power Agreements

The Utilities have long-term purchase power agreements (PPAs) with non-utility generators (NUGs) and others for generating capacity. Assuming performance by the parties to the PPAs, the Utilities are obligated over the terms of the PPAs (which extend for various periods, up to 2036) to make capacity and other fixed payments.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

For the years 2005 through 2009, the capacity and other fixed payments under the contracts are estimated to be as follows:

(Millions of Dollars)	*2005*	*2006*	*2007*	*2008*	*2009*
Con Edison	$470	$493	$512	$514	$516
Con Edison of New York	452	488	508	511	516
O&R	18	5	4	3	-

Such payments gradually increase to approximately $528 million in 2013, and thereafter decline significantly. For energy delivered under most of these PPAs, the Utilities are obligated to pay variable prices that are estimated to be generally lower than expected market levels. In addition, for energy delivered under one of the contracts (for 20 MW), O&R is obligated to pay variable prices that are currently estimated to be above market levels.

At December 31, 2004, the aggregate capacity produced under the PPAs was approximately 3,100 MW, including capacity from the approximately 1,000 MW nuclear generating unit that Con Edison of New York sold in 2001. For the calendar years 2005 and 2006, the owner of that facility will provide the company with 1,000 MW of electric generating capacity, at fixed prices. The commitment will decrease to 650 MW, 350 MW and 0 MW of electric generating capacity, in 2007, 2008 and 2009, respectively. Additionally, the PPAs include 500 MW of energy and capacity that the company agreed to purchase annually for 10 years from a plant in Queens County, New York that is scheduled to begin operation in 2006.

Under the terms of its electric rate plans, Con Edison of New York recovers in rates the charges it incurs under these PPAs. The 2000 Electric Rate Agreement provides specifically that, after March 31, 2005, Con Edison of New York will be given a reasonable opportunity to recover, through a non-bypassable charge to customers, the amount, if any, by which the actual costs of its purchases under these PPAs exceed market value. Such recoveries would continue under the new electric rate plan, subject to PSC approval. See Note B. O&R recovers costs under its NUG contracts pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction.

Note J – Collection Agent Termination

In April 2004, Con Edison of New York terminated arrangements with a collection agent, which also processed payments for other large corporations and governmental agencies. The New York State Banking Department suspended the license of the collection agent. In addition, the collection agent consented to an involuntary bankruptcy proceeding commenced against it by a group of its unsecured creditors.

The collection agent has not forwarded to the company an estimated $21 million of payments it received from the company’s customers. The company is continuing to review the matter and the possible recovery of these payments from the bankrupt’s estate, insurance or other sources.

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In April 2004, the company reflected the possible loss of these payments on its balance sheet and recorded an offsetting regulatory asset. The company filed a petition with the PSC in connection with this matter.

The company offers its customers a number of ways to pay their bills, including by mail, direct payment, internet or telephone, and at customer service walk-in centers and other collection agents.

Note K – Leases

Con Edison's subsidiaries lease electric generating and gas distribution facilities, other electric transmission and distribution facilities, office buildings and equipment. In accordance with SFAS No. 13, these leases are classified as either capital leases or operating leases. Most of the operating leases provide the option to renew at the fair rental value for future periods. Generally, it is expected that leases will be renewed or replaced in the normal course of business.

Capital leases: For ratemaking purposes capital leases are treated as operating leases; therefore, in accordance with SFAS No. 71, the amortization of the leased asset is based on the rental payments recovered through rates. The following assets under capital leases are included in the accompanying consolidated balance sheet at December 31, 2004 and 2003:

	Con Edison		*Con Edison of New York*	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*
UTILITY PLANT				
Transmission	$ 16	$ 17	$ 10	$ 11
Common	26	28	26	28
TOTAL	$ 42	$ 45	$ 36	$ 39

The accumulated amortization of the capital leases for Con Edison and Con Edison of New York was $35 million and $32 million as of December 31, 2004 and 2003, respectively.

The future minimum lease commitments for the above assets, which are included as liabilities in the accompanying consolidated balance sheet at December 31, 2004 and 2003, are as follows:

(Millions of Dollars)	*Con Edison*	*Con Edison of New York*
2005	$ 7	$ 7
2006	7	7
2007	7	7
2008	8	8
2009	8	8
All years thereafter	20	20
Total	57	57
Less: amount representing interest	21	21
Present value of net minimum lease payment	$ 36	$ 36

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

In 2004, Con Edison Development paid $6 million to terminate its future minimum lease commitments with respect to its 330 MW electric generating facility, Ocean Peaking Power, located in Lakewood (NJ).

Consolidated Edison Company of New York subleases one of its capital leases. The minimum rental to be received in the future under the non-cancelable sublease is $29 million.

Operating leases: The future minimum lease commitments under Con Edison's non-cancelable operating lease agreements, excluding the lease on the Newington plant, which is discussed below, are as follows:

(Millions of Dollars)	*Con Edison*	*Con Edison of New York*	*O&R*
2005	$ 51	$ 41	$ 2
2006	15	6	2
2007	13	5	2
2008	12	5	2
2009	10	5	2
All years thereafter	40	14	15
Total	$ 141	$ 76	$ 25

In 1997 and 1999, Con Edison Development entered into two transactions, involving gas distribution and electric generating facilities in the Netherlands, in which it leased property and then immediately subleased it back to the lessor (termed "Lease In/Lease Out," or LILO transactions). 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 SFAS No. 13, Con Edison is accounting for the two LILO transactions as leveraged leases. Accordingly, the company's investment in these leases, net of deferred taxes, is carried as a single amount in Con Edison's consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive, based upon the after-tax cash flows projected at the inception of the leveraged leases. At December 31, 2004 and 2003, the company's investment in these leveraged leases ($215 million and $202 million, respectively), net of deferred tax liabilities ($165 million and $142 million, respectively), amounted to $50 million and $60 million, respectively. The estimated total tax benefits from the two LILO transactions during the tax years 1997 through 2004, in the aggregate, was $119 million. On audit of Con Edison's tax return for 1997, the Internal Revenue Service proposed that the tax losses in connection with the 1997 LILO transaction be disallowed. In a recent meeting, the FASB tentatively decided that a change in the amount or timing of the tax benefits that are realized by a lessor in a leveraged lease should result in a recalculation of the leveraged lease with any change in the recalculated net investment recognized as a gain or loss currently.

Con Edison believes that its LILO's were correctly reported in its tax returns and is currently appealing the proposed disallowance within the Internal Revenue Service. If the amount or the timing of the tax benefits anticipated to be realized by Con Edison from the LILO transactions were to be altered in

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

connection with either a settlement with the Internal Revenue Service or a final decision of a Court of competent jurisdiction, the company could be required to recalculate the LILO's, which could result in a charge to earnings that could have a material adverse effect on its results of operations.

In November 2000, a Con Edison Development subsidiary entered into an operating lease arrangement with a limited partnership to finance construction of a 525 MW gas-fired electric generating facility in Newington, NH (Newington plant). In 2003, Con Edison consolidated the Newington plant pursuant to the adoption of FIN 46R. See Note T.

Future minimum rental payments under the Newington plant operating lease are as follows:

	(Millions of Dollars)
2005	$ 33.3
2006	33.3
2007	33.3
2008	33.3
2009	33.3
All years thereafter	16.6
Total	$ 183.1

Note L - Goodwill and Intangible Assets

In 2002, the Companies adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of the net assets of a business acquired) and intangible assets with indefinite useful lives will no longer be amortized, but instead be tested for impairment at least annually. Other intangible assets will continue to be amortized over their finite useful lives.

In 2002, Con Edison recognized a loss of $34 million ($20 million after tax) as an offset to goodwill recorded by Con Edison Development relating to certain of its generation assets.

In 2004 and 2003, Con Edison completed impairment tests for its goodwill of $406 million related to the O&R merger, and determined that it was not impaired. For the impairment test, $245 million of the goodwill is allocated to Con Edison of New York and $161 million is allocated to O&R.

Con Edison's intangible assets consist of the following:

	December 31, 2004			*December 31, 2003*		
(Millions of Dollars)	*Gross*	*Accumulated Amortization*	*Net*	*Gross*	*Accumulated Amortization*	*Net*
Purchase power agreement of an unregulated subsidiary	$ 112	$ 13	$ 99	$ 112	$ 3	$109
Other	3	2	1	3	1	2
Total	$ 115	$ 15	100	$ 115	$ 4	$ 111

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NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

The purchase power agreement was written up to its fair value of $112 million in 2003 upon implementation of new FASB guidance on derivatives (Derivatives Implementation Group Issue C20), and is being amortized over its remaining useful life of 11 years. Also, in accordance with this guidance, in 2003, Con Edison repriced to fair value certain power sales contracts at Con Edison Development. The cumulative effect of this change in accounting principle was an increase to net income of $8 million. The amortization expense was $11 million and $6 million for the years ended December 31, 2004 and 2003, respectively, and is expected to be $11 million annually for the years 2005-2009.

Note M – Income Tax

The components of income tax are as follows:

	Con Edison			*Con Edison of New York*			*O&R*		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Charge/(benefit) to operations:									
State									
Current	$ 32	$ 18	$ 5	$ 39	$ 33	$ (2)	$ 3	$ -	$ 1
Deferred - net	30	72	97	30	56	87	(8)	9	3
Federal									
Current	(102)	(80)	96	(76)	(36)	92	7	(7)	16
Deferred - net	338	395	218	293	325	183	15	32	5
Amortization of investment tax credit	(6)	(6)	(6)	(6)	(6)	(6)	-	-	-
TOTAL CHARGE TO OPERATIONS	292	399	410	280	372	354	17	34	25
Charge/(benefit) to other income:									
State									
Current	(8)	(2)	(3)	(2)	(1)	(2)	-	-	-
Deferred - net	4	5	(1)	5	4	(1)	-	-	-
Federal									
Current	(12)	(10)	(13)	-	(6)	(5)	-	-	-
Deferred - net	(4)	(2)	(1)	(5)	(2)	-	-	-	-
Amortization of investment tax credit	-	-	(4)	-	-	(4)	-	-	-
TOTAL BENEFIT TO OTHER INCOME	(20)	(9)	(22)	(2)	(5)	(12)	-	-	-
TOTAL	$ 272	$390	$388	$278	$367	$342	$ 17	$ 34	$ 25

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The tax effect of temporary differences, which gave rise to deferred tax assets and liabilities, is as follows:

	Con Edison		*Con Edison of New York*		*O&R*	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Depreciation	$1,938	$1,629	$1,777	$1,493	$108	$ 98
Regulatory asset - future income tax	762	629	715	589	47	40
State income tax	331	244	272	187	10	17
Capitalized overheads	443	373	413	344	30	29
Other	153	192	75	142	(2)	(6)
NET LIABILITIES	3,627	3,067	3,252	2,755	193	178
INVESTMENT TAX CREDITS	99	105	94	100	5	5
DEFERRED INCOME TAXES AND INVESTMENT TAX CREDITS	$3,726	$3,172	$3,346	$2,855	$198	$183

Reconciliation of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes is as follows:

	Con Edison			*Con Edison of New York*			*O&R*		
(% of Pre-tax income)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
STATUTORY TAX RATE									
Federal	35%	35%	35%	35%	35%	35%	35%	35%	35%
Changes in computed taxes resulting from:									
State income tax	5	6	5	6	6	6	(5)	7	4
Depreciation related differences	3	3	3	3	3	4	-	1	1
Cost of removal	(6)	(5)	(4)	(6)	(5)	(5)	(2)	(1)	(2)
Amortization of taxes associated with divested assets	-	-	-	-	-	-	-	-	(1)
Other	(4)	(1)	(3)	(4)	(1)	(4)	(1)	1	(2)
Effective Tax Rate	33%	38%	36%	34%	38%	36%	27%	43%	35%

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the “Act”). The Act provides a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. The company has not completed its review of this provision of the Act, however, it expects the phase-in of this new deduction to result in an immaterial change in the effective tax rate due to ratemaking provisions, and based on our current earnings levels at our unregulated subsidiaries. Under the guidance in FASB Staff Position No. FAS 109-1, Application of FASB Statement No. 109, “Accounting for Income Taxes,” to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004, the deduction will be treated as a “special deduction” as described in FASB Statement No. 109. As such, the special deduction has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on a filed tax return.

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Note N – Stock-Based Compensation

The Companies provide stock-based compensation in the form of stock options, restricted stock units and contributions to a stock purchase plan.

Stock Options

The Stock Option Plan (the 1996 Plan), which was approved by shareholders in 1996, provides for awards of stock options to officers and employees for up to 10 million shares of the common stock.

The Long Term Incentive Plan (LTIP), which was approved by shareholders in 2003, among other things, provides for awards of restricted stock units to officers, stock options to employees and deferred stock units to Con Edison's non-officer directors for up to 10 million shares of common stock (of which not more than four million shares may be restricted stock or stock units).

Stock options generally vest over a three-year period and have a term of ten years. Options are granted at an exercise price equal to the fair market value of a common share when the option was granted. Upon exercise of a stock option, the option holder may receive Con Edison common shares, cash, or a combination of both.

See "Stock-Based Compensation" in Note A for an illustration of the effect on net income and earnings per share if the Companies had applied the fair value recognition provisions of SFAS No. 123 to their stock-based employee compensation. The weighted average fair values of options granted in 2004, 2003 and 2002 are \$5.12, \$4.30 and \$6.37 per share, respectively. These values were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2004	*2003*	*2002*
Risk-free interest rate	3.47%	3.35%	5.08%
Expected life	6 years	6 years	6 years
Expected stock volatility	20.63%	21.44%	21.43%
Expected dividend yield	5.16%	5.66%	5.22%

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

A summary of changes in the status of stock options awarded to officers and employees of the Companies as of December 31, 2004, 2003 and 2002 is as follows:

	Con Edison		*Con Edison of New York*		*O&R*	
	Shares	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*
Outstanding at 12/31/01	5,754,650	$ 38.157	5,346,450	$ 38.215	174,000	$ 35.547
Granted	1,584,350	42.510	1,349,850	42.510	113,000	42.510
Exercised	(413,899)	30.813	(413,199)	30.793	-	-
Forfeited	(127,450)	44.103	(116,950)	44.491	(2,000)	35.125
Outstanding at 12/31/02	6,797,651	39.506	6,166,151	39.532	285,000	38.311
Granted	1,621,700	39.639	1,346,700	39.704	113,000	39.505
Exercised	(692,175)	32.728	(660,425)	32.705	(9,500)	32.500
Forfeited	(110,000)	45.365	(99,000)	45.764	-	-
Outstanding at 12/31/03	7,617,176	40.065	6,753,426	40.142	388,500	38.800
Granted	1,333,400	43.771	1,073,700	43.765	101,500	43.753
Exercised	(943,142)	34.005	(880,175)	33.971	(24,000)	33.594
Forfeited	(198,250)	45.092	(187,700)	45.154	(1,000)	44.100
Outstanding at 12/31/04	7,809,184	$ 41.302	6,759,251	$ 41.381	465,000	$ 40.139

The following table summarizes stock options outstanding at December 31, 2004 for each plan year for the Companies:

		Con Edison			*Con Edison of New York*			*O&R*		
Plan Year	*Remaining Contractual Life*	*Options Outstanding*	*Weighted Average Exercise Price*	*Options Exercisable*	*Options Outstanding*	*Weighted Average Exercise Price*	*Options Exercisable*	*Options Outstanding*	*Weighted Average Exercise Price*	*Options Exercisable*
2004	9	1,315,750	$ 43.772	-	1,059,700	$ 43.768	-	100,500	$ 43.750	-
2003	8	1,606,700	39.638	-	1,335,200	39.700	-	113,000	39.505	-
2002	7	1,553,350	42.510	-	1,322,350	42.510	-	113,000	42.510	-
2001	6	1,242,833	37.750	1,242,833	1,072,950	37.750	1,072,950	95,000	37.750	95,000
2000	5	427,300	32.500	427,300	356,600	32.500	356,600	43,500	32.500	43,500
1999	4	960,700	47.938	960,700	915,900	47.938	915,900	-	-	-
1998	3	576,450	42.563	576,450	570,450	42.563	570,450	-	-	-
1997	2	86,101	31.500	86,101	86,101	31.500	86,101	-	-	-
1996	1	40,000	27.875	40,000	40,000	27.875	40,000	-	-	-
Total		7,809,184		3,333,384	6,759,251		3,042,001	465,000		138,500

The exercise prices of options outstanding under the 2004 and 2003 plan years range from $43.06 to $44.10 and from $38.47 to $40.81, respectively. Options outstanding under prior plan years have exercise prices equal to the weighted average exercise prices stated above.

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Restricted Stock Units

Restricted stock unit awards under the LTIP have been made as follows: (i) annual awards to officers under restricted stock unit agreements that provide for adjustment of the number of units (as described in the following paragraph); (ii) the directors' deferred compensation plan; and (iii) a restricted stock unit agreement with an officer appointed in 2004. Each restricted stock unit represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof.

The number of units in each annual restricted stock unit award under the LTIP is subject to adjustment as follows: (i) 50 percent of the units awarded will be multiplied by a factor that may range from 0 to 150 percent based on Con Edison's total shareholder return relative to the Standard & Poor's Electric Utilities Index during a specified performance period; and (ii) 50 percent of the units awarded will be multiplied by a factor that may range from 0 to 150 percent based on determinations made in connection with Con Edison of New York's Executive Incentive Plan (or, for two officers, the O&R Annual Team Incentive Plan or goals relating to Con Edison's unregulated subsidiaries). Units vest when the performance period ends. In 2004, Con Edison awarded 398,500 restricted stock units to certain officers and recognized compensation expense of $5 million for the portion of the awards for which the performance period ended December 31, 2004.

In June 2002, Con Edison terminated its Directors' Retirement Plan applicable to non-officer directors (the termination is not applicable to directors who had previously retired from the board) and adopted a deferred stock compensation plan for these directors. Under this plan, directors were granted restricted stock units for accrued service. Beginning in 2004, awards under the deferred compensation plan are covered by the LTIP. Pursuant to APB No. 25, Con Edison is recognizing compensation expense and accruing a liability for these units. Each director receives 1,300 stock units for each year of service as a director. These stock units are deferred until the director's termination of service. Directors may elect to receive dividend equivalents earned on stock units in cash payments.

The following table summarizes the expense recognized in relation to the non-officer director deferred stock compensation plan:

	Con Edison			*Con Edison of New York*			*O&R*		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Compensation expense - Non-Officer Director Deferred Stock Compensation	$ 1	$ 1	$ 2	$ 1	$ 1	$ 2	$ -	$ -	$ -

Pursuant to employment agreements, certain senior officers of Con Edison and its subsidiaries were granted restricted stock units, subject to the officers' meeting the terms and conditions of the agreements. The units, each of which represents the right to receive one share of Con Edison common stock

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

and related dividends, vest over various periods through April 2009 or immediately upon the occurrence of certain events. The restricted stock units granted in 2004 were under the LTIP. Pursuant to APB No. 25, Con Edison is recognizing compensation expense and accruing a liability for the units over the vesting period. The following table summarizes restricted stock activity for the three years ended December 31, 2004:

	Shares
Shares outstanding at 12/31/01	350,000
Granted	150,000
Redeemed	-
Shares outstanding at 12/31/02	500,000
Granted	-
Redeemed	(25,000)
Shares outstanding at 12/31/03	475,000
Granted	30,000
Redeemed	(195,000)
Shares outstanding at 12/31/04	310,000

The following table summarizes the expense recognized in relation to the restricted stock units:

	Con Edison			*Con Edison of New York*			*O&R*		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Compensation expense – restricted stock	$ 6	$ 5	$ 4	$ 4	$ 4	$ 4	$ 1	$ 1	$ -

Stock Purchase Plan

The Stock Purchase Plan, which was approved by shareholders in 2004, provides for the Companies, except O&R, to contribute $1 for each $9 invested by their directors, officers or employees to purchase Con Edison common stock under the plan. Eligible participants may invest up to $25,000 during any calendar year (subject to an additional limitation for officers and employees of not more than 20% of their pay). Dividends paid on shares held under the plan are reinvested in additional shares unless otherwise directed by the participant.

During 2004, 2003, and 2002, 605,118, 584,928, and 330,202 shares were purchased under the Stock Purchase Plan at a weighted average price of $41.67, $40.56 and $41.13 per share, respectively.

Note O - Financial Information By Business Segment

The business segments of each of the Companies were determined based on management's reporting and decision-making requirements in accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information."

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Con Edison's principal business segments are Con Edison of New York's regulated electric, gas and steam utility activities, O&R's regulated electric and gas utility activities and Con Edison's unregulated subsidiaries. Con Edison of New York's principal business segments are its regulated electric, gas and steam utility activities. O&R's principal business segments are its regulated electric and gas utility activities.

All revenues of these business segments, excluding revenues earned by Con Edison Development on certain energy infrastructure projects, which are deemed to be immaterial, are from customers located in the United States of America. Also, all assets of the business segments, excluding certain investments in energy infrastructure projects by Con Edison Development ($226 million at December 31, 2004), are located in the United States of America. The accounting policies of the segments are the same as those described in Note A.

Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

The financial data for the business segments are as follows:

As of and for the Year Ended December 31, 2004 (Millions of Dollars)	*Operating revenues*	*Inter-segment revenues*	*Depreciation and amortization*	*Income tax expense*	*Operating income*	*Interest charges*	*Changes in accounting principles*	*Total assets*	*Construction expenditures*
Con Edison of New York									
Electric	$ 6,153	$ 11	$ 383	$ 222	$ 652	$ 264	$ -	$14,375	$ 595
Gas	1,303	3	75	68	151	55	-	3,116	138
Steam	550	2	19	(10)	22	30	-	1,753	502
Total Con Edison of New York	$ 8,006	$ 16	$ 477	$ 280	$ 825	$ 349	$ -	$19,244	$ 1,235
O&R									
Electric	$ 499	$ -	$ 25	$ 13	$ 49	$ 13	$ -	$ 935	$ 51
Gas	204	-	8	4	16	6	-	406	28
Other	-	-	-	-	-	1	-	49	-
Total O&R	$ 703	$ -	$ 33	$ 17	$ 65	$ 20	$ -	$ 1,390	$ 79
Unregulated subsidiaries	$ 1,049	$ -	$ 41	$ (1)	$ 37	$ 43	$ -	$ 1,560	$ 38
Other*	-	(16)	-	(4)	4	32	-	366	-
Total Con Edison	$ 9,758	$ -	$ 551	$ 292	$ 931	$ 444	$ -	$22,560	$ 1,352

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As of and for the Year Ended December 31, 2003 (Millions of Dollars)	*Operating revenues*	*Inter-segment revenues*	*Depreciation and amortization*	*Income tax expense*	*Operating income*	*Interest charges*	*Changes in accounting principles*	*Total assets*	*Construction expenditures*
Con Edison of New York									
Electric	$ 6,334	$ 11	$ 367	$ 301	$ 758	$ 292	$ -	$13,675	$ 829
Gas	1,295	3	72	66	149	60	-	2,918	181
Steam	537	2	19	5	35	24	-	1,171	158
Total Con Edison of New York	$ 8,166	$ 16	$ 458	$ 372	$ 942	$ 376	$ -	$17,764	$ 1,168
O&R									
Electric	$ 530	$ -	$ 26	$ 26	$ 52	$ 14	$ -	$ 906	$ 53
Gas	197	-	8	8	16	7	-	361	18
Other	-	-	-	-	-	-	-	2	-
Total O&R	$ 727	$ -	$ 34	$ 34	$ 68	$ 21	$ -	$ 1,269	$ 71
Unregulated subsidiaries	$ 915	$ -	$ 24	$ 5	$ 22	$ 14	$ 3	$ 1,554	$ 105
Other*	-	(16)	-	(12)	12	23	-	379	-
Total Con Edison	$ 9,808	$ -	$ 516	$ 399	$ 1,044	$ 434	$ 3	$20,966	$ 1,344

As of and for the Year Ended December 31, 2002 (Millions of Dollars)	*Operating revenues*	*Inter-segment revenues*	*Depreciation and amortization*	*Income tax expense*	*Operating income*	*Interest charges*	*Changes in accounting principles*	*Total assets*	*Construction expenditures*
Con Edison of New York									
Electric	$ 5,775	$ 9	$ 352	$ 298	$ 759	$ 304	$ -	$13,084	$ 825
Gas	1,045	3	68	61	159	63	-	2,718	186
Steam	404	2	18	(5)	36	25	-	1,035	84
Total Con Edison of New York	$ 7,224	$ 14	$ 438	$ 354	$ 954	$ 392	$ -	$16,837	$ 1,095
O&R									
Electric	$ 476	$ -	$ 26	$ 20	$ 58	$ 20	$ -	$ 880	$ 41
Gas	159	-	8	5	14	8	-	318	17
Other	-	-	-	-	-	-	-	3	-
Total O&R	$ 635	$ -	$ 34	$ 25	$ 72	$ 28	$ -	$ 1,201	$ 58
Unregulated subsidiaries	$ 639	$ -	$ 15	$ 31	$ 52	$ 16	$ (22)	$ 1,319	$ 282
Other*	-	(14)	-	-	-	8	-	310	-
Total Con Edison	$ 8,498	$ -	$ 487	$ 410	$ 1,078	$ 444	$ (22)	$19,667	$ 1,435

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

Note P - Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS No. 133). Under SFAS No. 133, derivatives are recognized on the balance sheet at fair value, unless an exception is available under the standard. Certain qualifying derivative contracts have been designated as normal purchases or normal sales contracts. These contracts are not reported at fair value under SFAS No. 133.

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

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swaps, transmission congestion contracts and financial transmission rights contracts. The fair values of these hedges at December 31, 2004 and 2003 were as follows:

	Con Edison		Con Edison of New York		O&R	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Fair value of net assets	$ 49	$ 32*	$ 9	$ 15	$ 14	$ 5

* The fair value at December 31, 2003 includes net assets of $5 million previously classified as energy trading contracts.

Cash Flow Hedges

Con Edison's subsidiaries designate a portion of derivative instruments as cash flow hedges under SFAS No. 133. Under cash flow hedge accounting, to the extent a hedge is determined to be "effective," the unrealized gain or loss on the hedge is recorded in other comprehensive income (OCI) and reclassified to earnings at the time the underlying transaction is completed. A gain or loss relating to any portion of the hedge determined to be "ineffective" is recognized in earnings in the period in which such determination is made.

The following table presents selected information related to these cash flow hedges included in accumulated OCI at December 31, 2004:

	Maximum Term			Accumulated Other Comprehensive Income/(Loss) Net of Tax			Portion Expected to be Reclassified to Earnings during the Next 12 Months		
(Millions of Dollars/Term in Months)	*Con Edison*	*Con Edison of New York*	*O&R*	*Con Edison*	*Con Edison of New York*	*O&R*	*Con Edison*	*Con Edison of New York*	*O&R*
Energy Price Hedges	36	36	12	$ 9	$ -	$ -	$ 7	$ -	$ -

The actual amounts that will be reclassified to earnings may vary from the expected amounts presented above as a result of changes in market prices. The effect of reclassification from accumulated OCI to earnings will generally be offset by the recognition of the hedged transaction in earnings.

The unrealized net gains and losses relating to the hedge ineffectiveness of these cash flow hedges that were recognized in net earnings for the years ended December 31, 2004, 2003 and 2002 were immaterial to the results of operations of the Companies for those periods.

Other Derivatives

The Companies enter into certain derivative instruments that do not qualify or are not designated as hedges under SFAS No. 133. Management believes these instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices. The Utilities, with limited exceptions, recover all gains and losses on these instruments. See "Recoverable Energy Costs" in Note A. Con Edison's unregulated subsidiaries record unrealized gains and losses on these derivative contracts in earnings in

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

the reporting period in which they occur. For the year ended December 31, 2004, unrealized pre-tax gains amounting to $5 million were recorded in earnings as compared with $1 million of unrealized pre-tax losses for 2003 and $6 million of unrealized pre-tax gains for 2002.

Interest Rate Hedging

Con Edison's subsidiaries use interest rate swaps to manage interest rate exposure associated with debt. The fair values of these interest rate swaps at December 31, 2004 and 2003 were as follows:

	Con Edison		*Con Edison of New York*		*O&R*	
(Millions of Dollars)	*2004*	*2003*	*2004*	*2003*	*2004*	*2003*
Fair value of interest rate swaps	$ (19)	$ (23)	$ 1	$ 1	$ (16)	$ (17)

Fair Value Hedges

Con Edison of New York's swap (related to $225 million of tax-exempt debt) is designated as a fair value hedge, which qualifies for "short-cut" hedge accounting under SFAS No. 133. Under this method, changes in fair value of the swap are recorded directly against the carrying value of the hedged bonds and have no impact on earnings.

Cash Flow Hedges

Con Edison Development's and O&R's swaps are designated as cash flow hedges under SFAS No. 133. Any gain or loss on the hedges is recorded in OCI and reclassified to interest expense and included in earnings during the periods in which the hedged interest payments occur. The contractual components of the interest rate swaps accounted for as cash flow hedges are as follows:

Debt	*Maturity Date*	*Notional Amount (Millions of Dollars)*	*Fixed Rate Paid*	*Variable Rate Received*
O&R				
Pollution Control Refunding Revenue Bond, 1994 Series A	2014	$ 55	6.09%	Current bond rate
Con Edison Development				
Amortizing variable rate loans - Lakewood	2008	$ 67	6.68%	LIBOR

In addition, in 2004 Con Edison of New York entered into five forward starting swap agreements to hedge a portion of anticipated interest payments associated with future debt issuance. The swaps are designated as cash flow hedges. At the inception of each hedge, the company locks in a swap rate that has a high correlation with the company's total borrowing costs. The swap agreements are expected to be unwound at the time of debt issuance. No cash payments will be made until the unwind date, although under some circumstances, collateral may be given to, or received from, the swap counterparty.

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The following table presents selected information related to these cash flow hedges included in the accumulated OCI at December 31, 2004:

	Accumulated Other Comprehensive Income/(Loss) Net of Tax			*Portion Expected to be Reclassified to Earnings during the Next 12 Months*		
(Millions of Dollars)	*Con Edison*	*Con Edison of New York*	*O&R*	*Con Edison*	*Con Edison of New York*	*O&R*
Interest Rate Swaps	$ (11)	$ 1	$ (9)	$ (2)	$ -	$ (1)

The actual amounts that will be reclassified to earnings may vary from the expected amounts presented above as a result of changes in interest rates. For the Utilities, these costs are recovered in rates and the reclassification will have no impact on results of operations.

Note Q – Northeast Utilities Litigation

In March 2001, Con Edison commenced an action in the United States District Court for the Southern District of New York, entitled Consolidated Edison, Inc. v. Northeast Utilities (the First Federal Proceeding), seeking a declaratory judgment that Northeast Utilities has failed to meet certain conditions precedent to Con Edison's obligation to complete its acquisition of Northeast Utilities pursuant to their agreement and plan of merger, dated as of October 13, 1999, as amended and restated as of January 11, 2000 (the merger agreement). In May 2001, Con Edison amended its complaint. As amended, Con Edison's complaint seeks, among other things, recovery of damages sustained by it as a result of the material breach of the merger agreement by Northeast Utilities, the District Court's declaration that under the merger agreement Con Edison has no further or continuing obligations to Northeast Utilities and that Northeast Utilities has no further or continuing rights against Con Edison.

In June 2001, Northeast Utilities withdrew the separate action it commenced in March 2001 in the same court and filed as a counter-claim in the First Federal Proceeding its claim that Con Edison materially breached the merger agreement and that, as a result, Northeast Utilities and its shareholders have suffered substantial damages, including the difference between the consideration to be paid to Northeast Utilities' shareholders pursuant to the merger agreement and the market value of Northeast Utilities common stock (the so-called "lost premium" claim), expenditures in connection with regulatory approvals and lost business opportunities. Pursuant to the merger agreement, Con Edison agreed to acquire Northeast Utilities for $26.00 per share (an estimated aggregate of not more than $3.9 billion) plus $0.0034 per share for each day after August 5, 2000 through the day prior to the completion of the transaction, payable 50 percent in cash and 50 percent in stock.

In March 2003, the District Court ruled on certain motions filed by Con Edison and Northeast Utilities in the First Federal Proceeding. The District Court ruled that Con Edison's claim against Northeast Utilities for hundreds of millions of dollars for breach of the merger agreement, as well as Con Edison's

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

claim that Northeast Utilities underwent a material adverse change, will go to trial. The District Court also dismissed Con Edison's fraud and misrepresentation claims. In addition, the District Court ruled that Northeast Utilities' shareholders were intended third-party beneficiaries of the merger agreement and the alleged $1.2 billion lost premium claim against Con Edison would go to trial.

In May 2003, a lawsuit by a purported class of Northeast Utilities' shareholders, entitled Rimkoski, et al. v. Consolidated Edison, Inc., was filed in New York County Supreme Court (the State Proceeding) alleging breach of the merger agreement. The complaint defines the putative class as holders of Northeast Utilities' common stock on March 5, 2001, and alleges that the class members were intended third party beneficiaries of the merger agreement. The complaint seeks damages believed to be substantially duplicative of those sought by Northeast Utilities on behalf of its shareholders in the First Federal Proceeding. In December 2003, the District Court granted Rimkoski's motion to intervene in the First Federal Proceeding and, in February 2004, the State Proceeding was dismissed without prejudice. In January 2004, Rimkoski filed a motion in the First Federal Proceeding to certify his action as a class action on behalf of all holders of Northeast Utilities' common stock on March 5, 2000 and to appoint Rimkoski as class representative. The motion is pending.

In May 2004, the District Court ruled that the Northeast Utilities' shareholders who may pursue the lost premium claim against Con Edison are the holders of Northeast Utilities' common stock on March 5, 2001 and the District Court therefore dismissed Northeast Utilities' lost premium claim. The District Court certified its ruling regarding the lost premium claim for interlocutory appeal to the United States Court of Appeals for the Second Circuit (the Court of Appeals), and in June 2004 Northeast Utilities filed its motion for leave to appeal the issue to the Court of Appeals. The District Court further certified for interlocutory appeal its March 2003 determination that Northeast Utilities' shareholders are intended third-party beneficiaries under the merger agreement, and in June 2004 Con Edison filed its motion for leave to appeal the issue to the Court of Appeals. In October 2004, the Court of Appeals granted both Con Edison's motion and Northeast Utilities' motion. The parties are currently pursuing their appeals.

In May 2004, the District Court dismissed the lawsuit that was commenced in October 2003 by a purported class of Northeast Utilities' shareholders, entitled Siegel et al. v. Consolidated Edison, Inc. (the Second Federal Proceeding). The Second Federal Proceeding had sought unspecified injunctive relief and damages believed to be substantially duplicative of the damages sought from Con Edison in the First Federal Proceeding. A motion by the plaintiffs in the Second Federal Proceeding to intervene in the First Federal Proceeding is pending.

Con Edison believes that Northeast Utilities materially breached the merger agreement, and that Con Edison did not materially breach the merger agreement. Con Edison believes it was not obligated to acquire Northeast Utilities because Northeast Utilities did not meet the merger agreement's conditions that Northeast Utilities perform all of its obligations under the merger agreement. Those obligations include the obligation that it carry on its businesses in the ordinary course consistent with past practice; that the representations and warranties made by it in the merger agreement were true and correct when made and remain true and correct; and that there be no material adverse change with respect to Northeast Utilities.

Con Edison is unable to predict whether or not any Northeast Utilities related lawsuits or other actions will have a material adverse effect on Con Edison's financial position, results of operations or liquidity.

Note R – Lower Manhattan Restoration

Con Edison of New York estimates that its costs for emergency response to the September 11, 2001 attack on the World Trade Center, and for resulting temporary and subsequent permanent restoration of electric, gas and steam transmission and distribution facilities damaged in the attack will total $430 million, net of insurance payments. Most of the costs, which are capital in nature, have already been incurred. At December 31, 2004, the company has received reimbursement for $139 million of these costs ($76 million under insurance policies and $63 million from the federal government). In December 2004, the company submitted additional applications for federal government reimbursement totaling $148 million. The company expects to receive up to $10 million in additional funds from insurance policies and to submit additional applications for federal government reimbursement if and when appropriate. At December 31, 2004, the company had incurred capital costs of $194 million and, pursuant to a petition it filed with the PSC in 2001, deferred $112 million, including interest, as a regulatory asset; these amounts are net of reimbursements to that date. The company expects the PSC to permit recovery from customers of the costs, net of any federal reimbursement, insurance payments and tax savings.

In 2004, suits were brought in New York State and federal courts against Con Edison, Con Edison of New York and other parties, including the City of New York, by employees of the City and contractors working at the World Trade Center site seeking unspecified amounts of damages allegedly resulting from exposure to hazardous substances in connection with emergency response and restoration activities at the site. The company believes that its activities were prudent and in compliance with applicable laws. Neither Con Edison nor Con Edison of New York, however, is able to predict whether or not any proceedings or other actions relating to the activities will have a material adverse effect on its financial condition, results of operations or liquidity.

Based upon New York City's announced plans for improvement projects in lower Manhattan, including a transportation hub, the company anticipates that over the next five to ten years it may incur up to $250 million in incremental interference costs in lower Manhattan. The company expects that it would recover any such costs from customers through the utility ratemaking process.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

Note S – Guarantees

In December 2002, Con Edison adopted FIN 45, "Guarantor's Accounting and Disclosure Requirements, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that upon issuance of certain types of guarantees, a guarantor recognize and account for the fair value of the guarantee as a liability. FIN 45 contains exclusions to this requirement, including the exclusion of a parent's guarantee of its subsidiaries' debt to a third party.

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. In addition, a Con Edison Development subsidiary has issued guarantees on behalf of entities in which it has an equity interest. Con Edison had total guarantees of $989 million and $1 billion at December 31, 2004 and 2003, respectively.

The following table summarizes, by type and term, the total guarantees:

Guarantee Type	*0–3 years*	*4–10 years*	*> 10 years*	*Total*
		(Millions of Dollars)		
Commodity transactions	$ 685	$ 28	$ 132	$845
Affordable housing program	-	41	-	41
Intra-company guarantees	5	46	1	52
Other guarantees	35	3	13	51
TOTAL	$ 725	$ 118	$ 146	$989

COMMODITY TRANSACTIONS—Con Edison guarantees payments on behalf of its subsidiaries in order to facilitate physical and financial transactions in gas, pipeline capacity, transportation, oil, electricity and related commodity services. In addition, a Con Edison Development subsidiary has guaranteed payment for fuel oil purchases by a foreign generating project in which it has an equity interest. To the extent that liabilities exist under the contracts subject to these guarantees, such liabilities are included in the consolidated balance sheet.

AFFORDABLE HOUSING PROGRAM—Con Edison Development guarantees the repurchase and remarketing obligations of one of its subsidiaries with respect to the debt relating to moderate-income rental apartment properties eligible for tax credits under Section 42 of the Internal Revenue Code. In accordance with EITF Issue No. 94-01, "Accounting for Tax Benefits Resulting from Investments in Affordable Housing Projects," neither the rental apartment properties nor the related indebtedness is included on Con Edison's consolidated balance sheet.

INTRA-COMPANY GUARANTEES

- $46 million relates to a guarantee issued by Con Edison on behalf of Con Edison Communications to Con Edison of New York for payment relating to the use of space in the latter's facilities and the construction of new telecommunications underground facilities. (This guarantee

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will continue subsequent to the sale of Con Edison Communications with respect to facilities in operation at the time of sale. See Note W.)

- $6 million relates to commodity guarantees issued by Con Edison on behalf of Con Edison Energy and Con Edison Solutions to RECO and Con Edison of New York, respectively.

OTHER GUARANTEES—Con Edison, Con Edison Development and its subsidiaries also guarantee the following:

- $12 million for guarantees, standby financial letters of credit and comfort letters in connection with investments in energy infrastructure power and cogeneration projects;
- $2 million for franchise agreements with the City of New York and other localities;
- $12 million for certain rent payment obligations of Con Edison's subsidiaries under various lease agreements for office buildings;
- $25 million for a parental guarantee provided by Con Edison on Con Edison Solution's indemnity agreement for surety bonds.

Note T - Variable Interest Entities (VIEs)

Interpretation No. 46, "Consolidation of Variable Interest Entities," (FIN 46R) addresses the consolidation of VIEs by business enterprises that are their primary beneficiaries. A VIE is an entity that does not have sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both. Con Edison adopted FIN 46R at December 31, 2003.

Through its business activities, Con Edison enters into arrangements including leases, partnerships and power purchase agreements, with various entities. As a result of these arrangements, the company retains or may retain a variable interest in these entities.

VIE assets and obligations included in Con Edison's consolidated balance sheet are as follows:

(Millions of Dollars)	*2004*	*2003*
Non-Utility Plant and other assets	$347	$341
Debt and other liabilities	$363	$345

VIE assets include $346 million and $339 million in 2004 and 2003, respectively, related to a lease arrangement entered into by a Con Edison Development subsidiary in 2000, to finance the construction of a 525 MW gas-fired electric generating facility in Newington, New Hampshire (the "facility"). The debt and other liabilities related to the facility are $362 million and $344 million for 2004 and 2003, respectively. At the expiration of the initial lease term in June 2010, the Con Edison Development

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subsidiary has the option to extend the lease or purchase the facility for the then outstanding amounts expended by the Lessor for the facility. In the event the subsidiary chooses not to extend the lease or acquire the facility, Con Edison has guaranteed a residual value for an amount not to exceed $239.7 million. The subsidiary also has contingent payment obligations to the Lessor if an event of default should occur during the lease period. If the subsidiary were to default, its obligation would equal up to 100% of the Lessor's investment in the facility plus all other amounts then due under the lease, which could exceed the aforementioned residual value guarantee. The subsidiary's payment and performance obligations are fully and unconditionally guaranteed by Con Edison. Upon adoption of FIN 46R in 2003, Con Edison also recorded a $5 million after-tax charge to reflect the cumulative effect of this change in accounting principle.

In addition, VIE assets include $1 million and $2 million in 2004 and 2003, respectively, and VIE debt includes $1 million in 2004 and 2003 related to a partnership formed by Con Edison Solutions in 2001, to own and operate a cogeneration facility.

Con Edison has a significant variable interest in a non-consolidated VIE related to Con Edison Development's sole limited interest in an affordable housing partnership that began in 2000. Con Edison Development's maximum exposure to loss as a result of its involvement with the VIE is $6 million and $7 million for 2004 and 2003, respectively. In addition, Con Edison has guaranteed the amounts of debt undertaken by the partnership. See Note S.

Con Edison and Con Edison of New York did not apply FIN 46R to six potential VIEs. In 2004, requests were made of the counterparties each quarter for information necessary to determine whether the entity is a VIE and whether Con Edison of New York is the primary beneficiary; however, the information was not made available.

Significant terms of the six PPAs are as follows:

Facility	*Equity Owner*	*Plant Output (MW)*	*Contracted Output (MW)*	*Contract Start Date**	*Contract Term (Years)*
Selkirk	Selkirk Cogen Partners, LP	345	265	Sept. 1994	20
Brooklyn Navy Yard	Brooklyn Navy Yard Cogeneration Partners, LP	325	286	Nov. 1996	40
Linden Cogeneration	East Coast Power, LLC	715	645	May 1992	25
Indeck Corinth	Indeck Energy Services of Corinth, Inc.	140	128	July 1995	20
Independence	Sithe/Independence Partners, LP	1,000	740	Nov. 1994	20
Astoria Energy	Astoria Energy LLC	500	500	April 2006**	10

* Represents the date the plant commences commercial operation.

** Scheduled

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

A summary of Con Edison of New York's payments under the PPAs described above is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	*2004*	*2003*	*2002*
Selkirk	$178	$170	$144
Brooklyn Navy Yard	131	129	102
Linden Cogeneration	471	452	345
Indeck Corinth	99	91	82
Independence	128	127	125
Astoria Energy	-	-	-

Con Edison of New York recovers the costs associated with its PPAs pursuant to its current electric rate agreement. See "Recoverable Energy Costs" in Note A. If capacity and energy are not delivered under the PPAs, Con Edison of New York may be required to purchase power on the open market. However, the company expects that it would be allowed to recover any such replacement costs.

Note U - Related Party Transactions

The Utilities and Con Edison's other subsidiaries provide administrative and other services to each other pursuant to cost allocation procedures approved by the PSC. For O&R the services received include substantial administrative support operations, such as corporate secretarial and associated ministerial duties, accounting, treasury, investor relations, information resources, legal, human resources, fuel supply and energy management services. The costs of administrative and other services provided by, and received from, Con Edison and its subsidiaries for the years ended December 31, 2004, 2003 and 2002 were as follows:

	Con Edison of New York			O&R		
(Millions of Dollars)	*2004*	*2003*	*2002*	*2004*	*2003*	*2002*
Cost of services provided	$ 58	$ 37	$ 31	$ 14	$ 13	$ 12
Cost of services received	$ 44	$ 25	$ 24	$ 23	$ 20	$ 15

In addition, O&R purchased from Con Edison of New York $142 million, $128 million and $102 million of natural gas for the years ended December 31, 2004, 2003 and 2002, respectively. These amounts are net of the effect of related hedging transactions.

O&R also purchased from Con Edison of New York $16 million and $25 million of electricity for the years ended December 31, 2003 and 2002, respectively. These amounts include the net effect of all electric hedging transactions executed by Con Edison of New York on behalf of O&R. In 2004, such purchases resulted in a net credit of $2 million to O&R, reflecting hedging gains. O&R also purchased from Con Edison Energy $9 and $8 million of electricity for the years ended December 31, 2004 and 2003, respectively.

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

In December 2003, the FERC authorized Con Edison of New York to lend funds to O&R, for periods of not more than 12 months, in amounts not to exceed $150 million outstanding at any time, at prevailing market rates. O&R has not borrowed any funds from Con Edison of New York.

Note V - New Financial Accounting Standards

In March 2004, the Emerging Issues Task Force (EITF) reached a consensus, Issue No. 03-1 "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," regarding disclosures about unrealized losses on available-for-sale debt and equity securities accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Per the EITF, this guidance for evaluating whether an investment is other than temporarily impaired should be applied to evaluations made in reporting periods beginning after June 15, 2004. In September 2004, the FASB staff released FASB Staff Position ("FSP") EITF 03-1-1, which delays the effective date for the measurement and recognition guidance contained in EITF Issue 03-1. However, the FSP does not suspend the requirement to recognize other-than-temporary impairments as required by existing authoritative literature. The effective portions of the consensus have not had a material impact on the Companies' financial position, results of operations or liquidity.

In May 2004, the FASB issued FSP No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which is effective for periods beginning after June 15, 2004. This FSP supersedes FSP No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." The Companies elected to recognize the effects of the Act in 2003. The adoption of FSP No. FAS 106-2 did not have any additional material impact on the Companies' financial position, results of operations or liquidity. See Note F.

In June 2004, the FASB issued a proposed Interpretation of SFAS No.143, "Accounting for Asset Retirement Obligations." The proposed Interpretation would clarify that a legal obligation to perform an asset retirement activity that is conditional on a future event is within the scope of SFAS No. 143. Accordingly, an entity would be required to recognize a liability for the fair value of an asset retirement obligation that is conditional on a future event if the liability's fair value can be reasonably estimated. The Interpretation would provide additional guidance for evaluating whether sufficient information is available to make a reasonable estimate of the fair value. The FASB expects to issue a final Interpretation in the first quarter of 2005. The Companies have not yet determined the impact on the financial position, results of operations or liquidity, but it could be material.

In July 2004, the EITF reached consensus on Issue No. 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock," which is effective for

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

reporting periods beginning after September 15, 2004. An investor that has the ability to exercise significant influence over the operating and financial policies of the investee should apply the equity method of accounting only when it has an investment in common stock and/or an investment that is in-substance common stock. The adoption of this consensus did not have a material impact on the Companies' financial position, results of operations, or liquidity at December 31, 2004.

In September 2004, the EITF reached a consensus on Issue No. 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds," which is anticipated to be effective in 2005. The consensus indicated that operating segments that do not meet the quantitative thresholds specified in SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," may be aggregated under certain circumstances. The adoption of this EITF consensus is not expected to have a material impact on the Companies' financial position, results of operations or liquidity.

In November 2004, the EITF reached a consensus on Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations." This EITF is effective for fiscal years beginning after December 15, 2004. SFAS No. 144 states the results of operations of a component of an entity that either has been disposed of or is classified as held for sale shall be reported in discontinued operations if the operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. This EITF gives additional guidance on how an entity should evaluate the cash flows of a disposed component and types of continuing involvement that constitute significant continuing involvement in the operations of the disposed component. The Company applied this consensus in determining whether the operations of Con Edison Communications should be reported as discontinued operations at December 31, 2004. See Note W.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." This Statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. The Statement is effective for inventory costs incurred during fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 151 is not expected to have a material impact on the Companies' financial position, results of operations or liquidity.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets- an amendment of APB Opinion No. 29." APB No. 29 requires exchanges of nonmonetary assets to be measured on the basis of the fair value of the assets exchanged, with certain exceptions. SFAS No. 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance, that is, transactions that are not expected to result in significant changes in the future cash flows of the reporting entity. This Statement is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Companies' financial position, results of operations or liquidity.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment," which is effective as of the first interim or annual reporting period beginning after June 15, 2005. This statement requires that companies recognize an expense in their financial statements for transactions where a company exchanges its equity instruments for goods or services. SFAS No. 123(R) provides for two alternative methods of adoption, the modified prospective application and the modified retrospective application. The modified prospective application applies to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date will be recognized as the requisite service is rendered on or after the required effective date. Alternatively, the modified retrospective application may be applied either to all prior years for which SFAS No. 123 was effective or only to prior interim periods in the year of initial adoption. The Companies will adopt SFAS No. 123(R) effective for the third quarter 2005. The adoption of SFAS No. 123(R) is not expected to have a material impact on the Companies' financial position, results of operations or liquidity.

Note W - Con Edison Communications (CEC)

In 2003, Con Edison decided to consider various strategic alternatives for its telecommunications business. Testing of CEC's assets for impairment, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," resulted in a pre-tax impairment charge of $140 million. In addition, $1 million of pre-tax capitalized interest at Con Edison, related to the investment in CEC, was deemed impaired.

In December 2004, Con Edison signed an agreement to sell CEC to FiberNet Telecom Group, Inc. (FiberNet) for approximately $37 million in cash, subject to certain adjustments. The sale is subject to review or approval by the City of New York, the PSC and various federal, state and local regulators. As of December 31, 2004, CEC had assets and liabilities of $52 million and $16 million, respectively. Exit costs associated with the disposal activity include one-time termination benefits and other transaction costs of $4 million, of which $2 million has been incurred to date. The company expects to complete the sale in 2005. The sale is not expected to have a material impact on Con Edison's financial position, results of operations or liquidity.

Con Edison of New York receives lease payments from CEC for the right to use its electric conduit system in accordance with the tariff approved by PSC. Subsequent to the sale, Con Edison of

NOTES TO THE FINANCIAL STATEMENTS — CONTINUED

New York will continue to receive such lease payments from FiberNet. The continuing cash flows related to the lease payments are not considered significant in relation to the revenues expected to be generated by the CEC business.

In accordance with SFAS No. 144, in 2004, CEC's assets and liabilities were classified as "held for sale" on Con Edison's consolidated balance sheet and effective December 1, 2004, CEC ceased recording depreciation expense. CEC's total operating revenues were $33 million, $19 million and $4 million for the years ended December 31, 2004, 2003 and 2002, respectively. CEC's losses, net of income taxes, are reported as "Discontinued operations" on Con Edison's consolidated income statement. Losses for 2003 and 2002 have been restated to conform to the 2004 presentation.

SCHEDULE I

Condensed Financial Information of Consolidated Edison, Inc.

CONDENSED BALANCE SHEET (PARENT COMPANY ONLY)

	At December 31, 2004	2003
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$ 2	$ 1
Federal income tax due from taxing authority	105	-
Other current assets	10	9
TOTAL CURRENT ASSETS	117	10
Investments In Subsidiaries	8,134	7,521
Goodwill	409	409
Other Assets	17	17
TOTAL ASSETS	$8,677	$7,957
CAPITALIZATION AND LIABILITIES		
COMMON SHAREHOLDERS' EQUITY		
Common stock	$2,624	$1,982
Retained earnings	5,391	5,392
TOTAL COMMON SHAREHOLDERS' EQUITY	8,015	7,374
Long-term debt	525	525
TOTAL CAPITALIZATION	8,540	7,899
CURRENT LIABILITIES		
Notes payable	56	42
Accounts payable	12	10
Other current liabilities	82	15
TOTAL CURRENT LIABILITIES	150	67
NONCURRENT LIABILITIES	(13)	(9)
TOTAL LIABILITIES	137	58
TOTAL CAPITALIZATION AND LIABILITIES	$8,677	$7,957

Condensed Financial Information of Consolidated Edison, Inc.

CONDENSED INCOME STATEMENT
(PARENT COMPANY ONLY)

	For the Year Ended December 31,		
	2004	2003	2002
	(Millions of Dollars, except per share amounts)		
Equity in earnings of subsidiaries	$ 562	$ 650	$ 707
Other income (deductions), net of taxes	19	12	4
Interest expense	(32)	(28)	(22)
INCOME FROM CONTINUING OPERATIONS	549	634	689
LOSS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES OF $8, $74, AND $ 11 IN 2004, 2003 and 2002, RESPECTIVELY (Note W)	(12)	(109)	(21)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	537	525	668
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF INCOME TAX OF $2 MILLION IN 2003 AND $(15) MILLION IN 2002)	-	3	(22)
NET INCOME	$ 537	$ 528	$ 646
EARNINGS PER COMMON SHARE—BASIC			
Continuing operations	$ 2.33	$ 2.87	$ 3.24
Discontinued operations	$ (0.05)	$ (0.50)	$ (0.10)
Before cumulative effect of changes in accounting principles	$ 2.28	$ 2.37	$ 3.14
Cumulative effect of changes in accounting principles	$ -	$ 0.02	$ (0.11)
NET INCOME	$ 2.28	$ 2.39	$ 3.03
EARNINGS PER COMMON SHARE—DILUTED			
Continuing operations	$ 2.32	$ 2.86	$ 3.23
Discontinued operations	$ (0.05)	$ (0.50)	$ (0.10)
Before cumulative effect of changes in accounting principles	$ 2.27	$ 2.36	$ 3.13
Cumulative effect of changes in accounting principles	$ -	$ 0.02	$ (0.11)
NET INCOME	$ 2.27	$ 2.38	$ 3.02
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 2.26	$ 2.24	$ 2.22
AVERAGE NUMBER OF SHARES OUTSTANDING—BASIC (IN MILLIONS)	235.8	220.9	213.0
AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED (IN MILLIONS)	236.4	221.8	214.0

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Condensed Financial Information of Consolidated Edison, Inc.

CONDENSED STATEMENT OF CASH FLOWS (PARENT COMPANY ONLY)

	For the Year Ended December 31,		
	2004	*2003*	*2002*
		(Millions of Dollars)	
NET INCOME	$ 537	$ 528	$ 646
Equity in earnings of subsidiaries	(562)	(650)	(707)
Dividends received from:			
Consolidated Edison Company of New York, Inc.	396	376	384
Orange and Rockland Utilities, Inc.	28	28	28
Unregulated subsidiaries	40	69	37
Other—net	114	171	337
NET CASH FLOWS FROM OPERATING ACTIVITIES	553	522	725
INVESTING ACTIVITIES			
Contributions to subsidiaries	(653)	(595)	(600)
FINANCING ACTIVITIES			
Net proceeds from (payments of) short-term debt	13	(118)	(47)
Issuance of long-term debt	-	200	325
Common shares issued	578	436	30
Common stock dividends	(490)	(444)	(433)
NET CASH FLOWS FROM FINANCING ACTIVITIES	101	74	(125)
NET CHANGE FOR THE PERIOD	1	1	-
BALANCE AT BEGINNING OF PERIOD	1	-	$ -
BALANCE AT END OF PERIOD	$ 2	$ 1	$ -

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2004, 2003 and 2002

Company	COLUMN A Description		COLUMN B Balance at Beginning of Period	COLUMN C Additions (1) Charged To Costs And Expenses	(2) Charged To Other Accounts	COLUMN D Deductions**	COLUMN E Balance At End Of Period
			(Millions of Dollars)				
Con Edison	Allowance for uncollectible accounts*:						
		2004	$ 36	$ 43	-	$ 44	$ 33
		2003	$ 35	$ 43	-	$ 42	$ 36
		2002	$ 35	$ 39	-	$ 39	$ 35
Con Edison of New York	Allowance for uncollectible accounts*:						
		2004	$ 30	$ 39	-	$ 40	$ 29
		2003	$ 29	$ 36	-	$ 35	$ 30
		2002	$ 29	$ 35	-	$ 35	$ 29
O&R	Allowance for uncollectible accounts*:						
		2004	$ 2	$ 3	-	$ 3	$ 2
		2003	$ 2	$ 3	-	$ 3	$ 2
		2002	$ 3	$ 2	-	$ 3	$ 2

* This is a valuation account deducted in the balance sheet from the assets (Accounts receivable-customer) to which they apply.
** Accounts written off less cash collections, miscellaneous adjustments and amounts reinstated as receivables previously written off.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

CON EDISON

None.

CON EDISON OF NEW YORK

None.

O&R

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Companies maintain disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed in the reports that they submit to the Securities Exchange

Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. For each of the Companies, its management, with the participation of its principal executive officer and principal financial officer, has evaluated its disclosure controls and procedures as of the end of the period covered by this report and, based on such evaluation, has concluded that the controls and procedures are effective to provide such reasonable assurance. Reasonable assurance is not absolute assurance, however, and there can be no assurance that any design of controls or procedures would be effective under all potential future conditions, regardless of how remote.

For Con Edison's Report of Management On Internal Control Over Financial Reporting and the related attestation report of PricewaterhouseCoopers LLP (presented in the Report of Independent Registered Public Accounting Firm), see Item 8 of this report (which information is incorporated herein by reference).

There were no significant changes in internal controls or in other factors during the last quarter of 2004 that could significantly affect internal controls.

ITEM 9B. OTHER INFORMATION

CON EDISON

None.

CON EDISON OF NEW YORK

None.

O&R

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

CON EDISON

Information required by Part III as to Con Edison, other than the information required in Item 10 of this report by Item 406 of Regulation S-K and in Item 12 of this report by Item 201 (d) of Regulation S-K, is incorporated by reference from Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 16, 2005. The proxy statement is to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2004, the close of the fiscal year covered by this report.

The information required pursuant to Item 406 of Regulation S-K is as follows: Con Edison has adopted a code of ethics that applies to, among others, its principal executive officer, principal financial officer and principal accounting officer. The same code of ethics applies to Con Edison of New York and, among others, its principal executive officer, principal financial officer and principal accounting officer. The code of ethics and any waivers of the code for any such officers, are available on or through the Investor Information section of Con Edison's website (www.conedison.com) and Con Edison of New York's website (wwww.coned.com). This information is available in print to any person who requests it. Requests should be directed to: Corporate Secretary, Con Edison, 4 Irving Place, New York, NY 10003.

The information required pursuant to Item 201 (d) of regulation S-K is as follows:

Equity Compensation Plan Information

Plan category	*Number of securities to be issued upon exercise of outstanding options, warrants and rights*	*Weighted-average exercise price of outstanding options, warrants and rights*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))*
	(a)	(b)	(c)
Equity compensation plans approved by security holders			
Stock options	7,809,184	$ 41.302	5,594,700
Restricted stock	439,596	N/A	3,560,404
Total equity compensation plans approved by security holders	8,248,780		9,155,104
Equity compensation plans not approved by security holders	339,766	N/A	N/A
Total	8,588,546	N/A	9,155,104

For additional information about Con Edison's stock-based compensation, see Note N to the financial statements in Item 8 of this report (which information is incorporated herein by reference).

In accordance with General Instruction G(3) to Form 10-K, other information regarding Con Edison's Executive Officers may be found in Part I of this report under caption "Executive Officers of the Registrant."

CON EDISON OF NEW YORK

Information required by Part III as to Con Edison of New York, other than the information required by Item 406 of Regulation S-K in Item 10, is incorporated by reference from Con Edison of New York's definitive information statement for its Annual Meeting of Stockholders to be held on May 16, 2005. The information statement is to be filed pursuant to Regulation 14C not later than 120 days after December 31, 2004, the close of the fiscal year covered by this report. The information required pursuant to Item 406 of Regulation S-K for Con Edison of New York is shown above under "Con Edison" in this Part III.

In accordance with General Instruction G(3) to Form 10-K, other information regarding Con Edison of New York's Executive Officers may be found in Part I of this report under the caption "Executive Officers of the Registrant."

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O&R

In accordance with General Instruction I of Form 10-K, O&R is omitting the information required by Part III, other than the information required by Item 14, which follows:

Fees paid or payable by O&R to its independent auditors, PricewaterhouseCoopers LLP, for services rendered during 2004 and 2003 were as follows:

Fee Type	*2004*	*2003*
	(Dollars in Thousands)	
Audit fees	$ 552,353	$ 259,957
Audit-Related fees (a)	74,847	28,754
Tax fees (b)	124,119	-
All other fees (c)	11,950	-
Total Fees	$ 763,269	$ 288,711

(a) Relates to assurance and related service fees that are reasonably related to the performance of the annual audit or quarterly review of O&R's financial statements that are not specifically deemed "Audit Services." The major items included in Audit-Related Fees are fees for audits of O&R's pension and other benefit plans, and advice on the implementation of Section 404 of the Sarbanes-Oxley Act of 2002.

(b) Relates to tax services rendered in connection with O&R's sales and use tax audit.

(c) Relates to filing of statutory returns for O&R's benefit plans.

The Audit Committee of Con Edison's Board of Directors approves, in advance, all auditing services and non-audit services permitted by law, including tax services, to be provided to O&R by PricewaterhouseCoopers LLP.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. List of Financial Statements—See financial statements listed in Item 8.

2. List of Financial Statement Schedules—See schedules listed in Item 8.

3. List of Exhibits

Exhibits listed below which have been filed previously with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, and which were designated as noted below, are hereby incorporated by reference and made a part of this report with the same effect as if filed with the report. Exhibits listed below that were not previously filed are filed herewith.

CON EDISON

2.1 Amended and Restated Agreement and Plan of Merger, dated as of October 13, 1999, as amended and restated as of January 11, 2000, among Con Edison, Northeast Utilities, Consolidated Edison, Inc. (a Delaware corporation, originally incorporated as CWB Holdings, Inc.) and N Acquisition LLC. (Designated in Con Edison's Current Report on Form 8-K, dated January 11, 2000 (File No. 1-14514) as Exhibit 2.)

3.1.1 Restated Certificate of Incorporation of Consolidated Edison, Inc. ("Con Edison") (Designated in the Registration Statement on Form S-4 of Con Edison (No. 333-39164) as Exhibit 3.1.)

3.1.2 By-laws of Con Edison, effective as of June 23, 1998. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (File No. 1-14514) as Exhibit 3.2.1)

4.1.1 Indenture, dated as of April 1, 2002, between Con Edison and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee. (Designated in the Registration Statement on Form S-3 of Con Edison (No. 333-102005) as Exhibit 4.1.)

4.1.2 The form of Con Edison's 7.25% Debentures, Series 2002 A. (Designated in Con Edison's Current Report on Form 8-K, dated April 3, 2002. (File No. 1-14514) as Exhibit 4.)

4.1.3 The form of Con Edison's 3.625% Debentures, Series 2003 A. (Designated in Con Edison's Current Report on Form 8-K, dated July 22, 2003. (File No. 1-14514) as Exhibit 4.)

10.1.1 Con Edison 1996 Stock Option Plan, as amended and restated effective February 24, 1998. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1217) as Exhibit 10.20.)

10.1.2 The following employment agreements, and amendments thereto, between Con Edison and the executive officer listed below, dated as of the effective dates listed below, which are designated as follows:

		Securities Exchange Act File No. 1-14514		
Executive Officer	Effective Date	Form	Date	Exhibit
Eugene R. McGrath	Agreement: 9/1/00	10-Q	9/30/00	10.1.1
	Amendment: 5/31/02	10-Q	6/30/02	10.1.1
Joan S. Freilich	Agreement: 9/1/00	10-Q	9/30/00	10.1.2
	Amendment: 5/31/02	10-Q	6/30/02	10.1.2

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Executive Officer	Effective Date	Securities Exchange Act File No. 1-14514 Form	Date	Exhibit
Kevin Burke	Agreement: 9/1/00	10-K	12/31/00	10.1.6
	Amendment: 5/31/02	10-Q	6/30/02	10.1.3
John D. McMahon	Agreement: 9/1/00	10-K	12/31/00	10.1.5
	Amendment: 5/31/02	10-Q	6/30/02	10.1.4

10.1.3 Restricted Stock Unit Award Agreement, dated as of May 31, 2002, between Con Edison and Stephen B. Bram. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002 (File No. 1-14514) as Exhibit 10.1.5.)

10.1.4 Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries, effective as of September 1, 2000. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000 (File No. 1-14514) as Exhibit 10.1.3)

10.1.5.1 The Consolidated Edison, Inc. Stock Purchase Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000 (File No. 1-14514) as Exhibit 10)

10.1.5.2 Amendment, dated April 8, 2002, to The Consolidated Edison, Inc. Stock Purchase Plan. (Designated in Con Edison's Registration Statement on Form S-8 (No. 333-86820) as Exhibit 10.2.)

10.1.5.3 Amendment, dated February 19, 2004 to The Consolidated Edison, Inc. Stock Purchase Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-14514) as Exhibit 10.1.5.3.)

10.1.5.4 Amendment, dated October 25, 2004 to the Consolidated Edison, Inc. Stock Purchase Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 (File No. 1-14514) as Exhibit 10.1.)

10.1.6 Consolidated Edison, Inc. Deferred Stock Compensation Plan for Non-Officer Directors, effective July 1, 2002. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 (File No. 1-14514) as Exhibit 10.1.1.)

10.1.7 The Con Edison Retirement Plan as amended and restated, entered into November 16, 2004. (Designated in Con Edison's Current Report on Form 8-K dated November 9, 2004 (File No. 1-14514) as Exhibit 10.)

10.1.8.1 The Consolidated Edison Thrift Plan, as amended effective August 2003.

10.1.9.1 Guaranty, dated as of November 14, 2000, from Consolidated Edison, Inc. in favor of Hawkeye Funding, Limited Partnership. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-14514) as Exhibit 10.9.1.)

10.1.9.2 Lease Agreement, dated as of November 14, 2000, between Hawkeye Funding, Limited Partnership, as Lessor, and Newington Energy, L.L.C., as Lessee (the Newington Project Lease). (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-14514) as Exhibit 10.9.2.)

10.1.9.3 Amendment No. 1, dated as of April 1, 2002, to the Newington Project Lease. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-14514) as Exhibit 10.9.3.)

10.1.10.1 Consolidated Edison, Inc. Long-Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 (File No. 1-14514) as Exhibit 10.9.3.)

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10.1.10.2	Form of Restricted Stock Unit Award under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated January 24, 2005, (File No. 1-14514) as Exhibit 10.2.)
10.1.10.3	Form of Stock Option Agreement under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated January 24, 2005, (File No. 1-14514) as Exhibit 10.3.)
10.1.11	Consolidated Edison, Inc. Annual Incentive Plan. (Designated in Con Edison 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-14514) as Exhibit 10.1.11.)
10.1.12	Description of Directors' Compensation. (Designated in Con Edison's Current Report on Form 8-K, dated January 24, 2005, (File No. 1-14514) as Exhibit 10.1.)
12.1	Statement of computation of Con Edison's ratio of earnings to fixed charges for the years 2000-2004.
21.1	Subsidiaries of Con Edison. (Designated in Con Edison 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-14514) as Exhibit 21.1.)
23.1	Consent of PricewaterhouseCoopers LLP.
24.1	Powers of Attorney of each of the persons signing this report by attorney-in-fact.
31.1.1	Rule 13a-14(a)/15d-14(a) Certifications—Chief Executive Officer.
31.1.2	Rule 13a-14(a)/15d-14(a) Certifications—Chief Financial Officer.
32.1.1	Section 1350 Certifications—Chief Executive Officer.
32.1.2	Section 1350 Certifications—Chief Financial Officer.

CON EDISON OF NEW YORK

3.2.1.1 Restated Certificate of Incorporation of Con Edison filed with the Department of State of the State of New York on December 31, 1984. (Designated in the Annual Report on Form 10-K of Con Edison of New York for the year ended December 31, 1989 (File No. 1-1217) as Exhibit 3(a).)

3.2.1.2 The following certificates of amendment of Restated Certificate of Incorporation of Con Edison of New York filed with the Department of State of the State of New York, which are designated as follows:

	Securities Exchange Act File No. 1-1217		
Date Filed With Department of State	Form	Date	Exhibit
5/16/88	10-K	12/31/89	3(b)
6/2/89	10-K	12/31/89	3(c)
4/28/92	8-K	4/24/92	4(d)
8/21/92	8-K	8/20/92	4(e)
2/18/98	10-K	12/31/97	3.1.2.3

3.2.2 By-laws of Con Edison of New York, effective June 20, 2002. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002 (File 1-1217) as Exhibit 3.2.)

4.2.1.1 Participation Agreement, dated as of December 1, 1992, between New York State Energy Research and Development Authority ("NYSERDA") and Con Edison of New York (designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 1-1217) as Exhibit 4(f).)

4.2.1.2	Supplemental Participation Agreement, dated as of July 1, 1995, to Participation Agreement, dated as of December 1, 1992 between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 (File 1-1217) as Exhibit 4.2.)
4.2.2	Participation Agreement, dated as of July 1, 1999, between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (File No. 1-1217) as Exhibit 4.1.)
4.2.3.1	Participation Agreement, dated as of June 1, 2001, between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 (File No. 1-1217) as Exhibit 10.2.1)
4.2.3.2	Supplemental Participation Agreement, dated as of October 1, 2002, to Participation Agreement, dated as of June 1, 2001 between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 (File 1-1217) as Exhibit 4.2.2.)
4.2.4	Participation Agreement, dated as of November 1, 2001, between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (File No. 1-1217) as Exhibit 10.2.1.)
4.2.5	Participation Agreement, dated as of January 1, 2004, between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.6.)
4.2.6	Participation Agreement, dated as of January 1, 2004, between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.7.)
4.2.7	Participation Agreement, dated as of November 1, 2004, between NYSERDA and Con Edison of New York. (Designated in Con Edison of New York's Current Report on Form 8-K, dated November 9, 2004, (File No. 1-1217) as Exhibit 4.1.)
4.2.8.1	Indenture of Trust, dated as of December 1, 1992, between NYSERDA and Morgan Guaranty Trust Company of New York, as Trustee (Morgan Guaranty) (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 1-1217) as Exhibit 4(i)), and the following amendments thereto, which are designated as follows:
4.2.8.2	Supplemental Indenture of Trust, dated as of July 1, 1995 to Indenture of Trust, dated as of December 1, 1992, between NYSERDA and Morgan Guaranty. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 (File No. 1-1217) as Exhibit 4.3.)
4.2.9.1	Indenture of Trust, dated as of July 1, 1999 between NYSERDA and HSBC Bank USA, as trustee. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (File No. 1-1217) as Exhibit 4.2.)
4.2.9.2	Supplemental Indenture of Trust, dated as of July 1, 2001, to Indenture of Trust, dated July 1, 1999 between NYSERDA and HSBC Bank USA, as trustee. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 (File No. 1-1217) as Exhibit 10.2.2.)
4.2.10.1	Indenture of Trust, dated as of June 1, 2001 between NYSERDA and The Bank of New York, as trustee. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 (File No. 1-1217) as Exhibit 10.2.3.)

4.2.10.2 Supplemental Indenture of Trust, dated as of October 1, 2002, to Indenture of Trust, dated as of June 1, 2002, between NYSERDA and The Bank of New York, as trustee. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 (File 1-1217) as Exhibit 4.2.1.)

4.2.11 Indenture of Trust, dated as of November 1, 2001, between NYSERDA and The Bank of New York, as trustee. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (File No. 1-1217) as Exhibit 10.2.2.)

4.2.12 Indenture of Trust, dated as of January 1, 2004, between NYSERDA and The Bank of New York. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.12.)

4.2.13 Indenture of Trust, dated as of January 1, 2004, between NYSERDA and The Bank of New York. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-1217) as Exhibit 4.2.13.)

4.2.14 Indenture of Trust, dated as of November 1, 2004, between NYSERDA and The Bank of New York. (Designated in Con Edison of New York's Current Report on Form 8-K, dated November 9, 2004, (File No. 1-1217) as Exhibit 4.2.)

4.2.15.1 Indenture, dated as of December 1, 1990, between Con Edison of New York and The Chase Manhattan Bank (National Association), as Trustee (the "Debenture Indenture"). (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 1-1217) as Exhibit 4(h).)

4.2.15.2 First Supplemental Indenture (to the Debenture Indenture), dated as of March 6, 1996, between Con Edison of New York and The Chase Manhattan Bank (National Association), as Trustee. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 1-1217) as Exhibit 4.13.)

4.2.16 The following forms of Con Edison of New York's Debentures:

	Securities Exchange Act File No. 1-1217				Securities Exchange Act File No. 1-1217		
Debenture	Form	Date	Exhibit	Debenture	Form	Date	Exhibit
6 5/8% Series 1995 A	8-K	6/21/95	4	6 5/8% Series 2000 C	8-K	12/12/00	4
7 3/4% Series 1996 A	8-K	4/24/96	4	7 1/2% Series 2001 A	8-K	6/14/01	4
6.45% Series 1997 B	8-K	11/24/97	4	5.625% Series 2002 A	8-K	6/19/02	4
6 1/4% Series 1998 A	8-K	1/29/98	4.1	4.875% Series 2002 B	8-K	12/19/02	4
7.10% Series 1998 B	8-K	1/29/98	4.2	5.875% Series 2003 A	8-K	4/7/03	4
6.15% Series 1998 C	8-K	6/22/98	4	3.85% Series 2003 B	8-K	6/12/03	4.1
6.90% Series 1998 D	8-K	9/24/98	4	5.10% Series 2003 C	8-K	6/12/03	4.2
7.15% Series 1999 B	8-K	12/1/99	4	4.70% Series 2004 A	8-K	2/11/04	4.1
8 1/8% Series 2000 A	8-K	5/3/00	4	5.70% Series 2004 B	8-K	2/11/04	4.2
7 1/2% Series 2000 B	8-K	8/23/00	4	4.70% Series 2004 C	8-K	2/11/04	4.3

10.2.1 Amended and Restated Agreement and Settlement, dated September 19, 1997, between Con Edison of New York and the Staff of the New York State Public Service Commission (without Appendices). (Designated in Con Edison of New York's Current Report on Form 8-K, dated September 23, 1997, (File No. 1-1217) as Exhibit 10.)

10.2.2 Settlement Agreement, dated October 2, 2000, by and among Con Edison of New York, the Staff of the New York State Public Service Commission and certain other parties. (Designated in Con Edison of New York's Current Report on Form 8-K, dated September 22, 2000, (File No. 1-1217) as Exhibit 10.)

10.2.3.1 Planning and Supply Agreement, dated March 10, 1989, between Con Edison of New York and the Power Authority of the State of New York. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 1-1217) as Exhibit 10(gg).)

10.2.3.2 Delivery Service Agreement, dated March 10, 1989, between Con Edison of New York and the Power Authority of the State of New York. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 1-1217) as Exhibit 10(hh).)

10.2.4 Employment Contract, dated May 22, 1990, between Con Edison of New York and Eugene R. McGrath (designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1990 (File No. 1-1217) as Exhibit 10) and the following amendments thereto, which are designated as follows:

	Securities Exchange Act File No. 1-1217		
Amendment Date	Form	Date	Exhibit
8/27/91	10-Q	9/30/91	19
8/25/92	10-Q	9/30/92	19
2/18/93	10-K	12/31/92	10(o)
8/24/93	10-Q	9/30/93	10.1
8/24/94	10-Q	9/30/94	10.1
8/22/95	10-Q	9/30/95	10.3
7/23/96	10-Q	6/30/96	10.2
7/22/97	10-Q	6/30/97	10
7/28/98	8-K	9/24/98	10
7/27/99	10-Q	9/30/99	10.2
7/20/00	10-Q	9/30/00	10.2.1

10.2.5 Agreement and Plan of Exchange, entered into on October 28, 1997, between Con Edison and Con Edison of New York. (Designated in the Registration Statement on Form S-4 of Con Edison (No. 333-39164) as Exhibit 2.)

10.2.6 The Consolidated Edison Company of New York, Inc. Executive Incentive Plan, as amended and restated as of August 1, 2000. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 1-1217) as Exhibit 10.2.1.)

10.2.7 Consolidated Edison Company of New York, Inc Supplemental Retirement Income Plan, as amended and restated as of April 1, 1999. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-1217) as Exhibit 10.10.)

10.2.8 Deferred Compensation Plan for the Benefit of Trustees of Con Edison of New York, dated February 27, 1979, and amendments thereto, dated September 19, 1979 (effective February 27, 1979), February 26, 1980, and November 24, 1992 (effective January 1, 1993). (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 1-1217) as Exhibit 10(i).)

10.2.9 Supplemental Medical Plan for the Benefit of Con Edison of New York's officers. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 1-1217) as Exhibit 10(aa).)

10.2.10 The Con Edison of New York Severance Pay Plan for Management Employees. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997 (File No. 1-1217) as Exhibit 10.)

10.2.11.1	The Consolidated Edison Company of New York, Inc. Deferred Income Plan, as amended and restated as of April 1, 1999. (Designated in Con Edison of New York's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-1217) as Exhibit 10.19.)
10.2.11.2	Amendment No. 1 to The Consolidated Edison Company of New York, Inc. Deferred Income Plan, effective as of September 1, 2000. (Designated in Con Edison of New York's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001 (File No. 1-1217) as Exhibit 10.2.2.)
12.2	Statement of computation of Con Edison of New York's ratio of earnings to fixed charges for the years 2000—2004.
23.2	Consent of PricewaterhouseCoopers LLP.
24.2	Powers of Attorney of each of the persons signing this report by attorney-in-fact. (Included as part of Exhibit 24.1.)
31.2.1	Rule 13a-14(a)/15d-14(a) Certifications—Chief Executive Officer.
31.2.2	Rule 13a-14(a)/15d-14(a) Certifications—Chief Financial Officer.
32.2.1	Section 1350 Certifications—Chief Executive Officer.
32.2.2	Section 1350 Certifications—Chief Financial Officer.

O&R

3.3.1.1	Restated Certificate of Incorporation of O&R, dated May 7, 1996. (Designated in O&R's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996 (File No. 1-4315) as Exhibit 3.4.)
3.3.1.2	Certificate of Amendment of the Restated Certificate of Incorporation of O&R, dated July 14, 1999. (Designated in O&R's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 1-4315) as Exhibit 3.1.)
3.3.2	By-laws of O&R, as Adopted on July 8, 1999. (Designated in O&R's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 1-4315) as Exhibit 3.2.)
4.3.1.1	Indenture, dated as of June 15, 2000, between O&R and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee. (Designated in O&R's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-4315) as Exhibit 4.3.1.1.)
4.3.1.2	The form of O&R's 7.50% Debentures, Series 2000 A. (Designated in O&R's Current Report on Form 8-K, dated June 13, 2000 (File No. 1-4315) as Exhibit 4.)
4.3.2	Mortgage Trust Indenture of Rockland Electric Company, dated as of July 1, 1954. (Designated in O&R's Registration Statement No. 2-14159 as Exhibit 2.16.)
4.3.3	Mortgage Trust Indenture of Pike County Light & Power Company, dated as of July 15, 1971. (Designated in O&R's Registration Statement No. 2-45632 as Exhibit 4.31.)
10.3	Annual Team Incentive Plan (ATIP) Policy. (Designated in O&R's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-4315) as Exhibit 10.3.)
12.3	Statement of computation of O&R's ratio of earnings to fixed charges for the years ended 2000—2004.
21.3	Subsidiaries of O&R. (Included as part of Exhibit 21.1 hereto.)

24.3	Powers of Attorney of each of the persons signing this report by attorney-in-fact. (Included as part of Exhibit 24.1 hereto.)
31.3.1	Rule 13a-14(a)/15d-14(a) Certifications—Chief Executive Officer.
31.3.2	Rule 13a-14(a)/15d-14(a) Certifications—Chief Financial Officer.
32.3.1	Section 1350 Certifications—Chief Executive Officer.
32.3.2	Section 1350 Certifications—Chief Financial Officer.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 2005.

Consolidated Edison, Inc.

Consolidated Edison Company of New York, Inc.

By /s/ Joan S. Freilich

Joan S. Freilich
Executive Vice President and
Chief Financial Officer

Orange and Rockland Utilities, Inc.

By /s/ Robert N. Hoglund

Robert N. Hoglund
Chief Financial Officer and
Controller

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities, indicated on February 25, 2004.

Signature	*Registrant*	*Title*
Eugene R. McGrath*	Con Edison	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
	Con Edison of New York	Chairman of the Board, Chief Executive Officer and Trustee (Principal Executive Officer)
	O&R	Chairman of the Board and Director
Joan S. Freilich*	Con Edison	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
	Con Edison of New York	Executive Vice President, Chief Financial Officer and Trustee (Principal Financial Officer)
Edward J. Rasmussen*	Con Edison	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
	Con Edison of New York	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
John D. McMahon*	O&R	President, Chief Executive Officer and Director (Principal Executive Officer)
Robert N. Hoglund*	O&R	Chief Financial Officer and Controller (Principal Financial Officer and Principal Accounting Officer)
Vincent A. Calarco*	Con Edison	Director
	Con Edison of New York	Trustee
George Campbell Jr.*	Con Edison	Director
	Con Edison of New York	Trustee
Gordon J. Davis*	Con Edison	Director
	Con Edison of New York	Trustee
Michael J. Del Guidice*	Con Edison	Director
	Con Edison of New York	Trustee
Ellen V. Futter*	Con Edison	Director
	Con Edison of New York	Trustee
Sally Hernandez-Piñero*	Con Edison	Director
	Con Edison of New York	Trustee
Peter W. Likins*	Con Edison	Director
	Con Edison of New York	Trustee
Frederic V. Salerno*	Con Edison	Director
	Con Edison of New York	Trustee
Stephen R. Volk*	Con Edison	Director
George Strayton*	O&R	Director

*By /s/ Joan S. Freilich

Joan S. Freilich, Attorney-in-fact

THE
CONSOLIDATED EDISON
THRIFT SAVINGS PLAN*

Effective as of January 1, 2001
Amended as of May 8, 2002
For Inclusion of the
Employee Stock Ownership Plan
And Further Amended August 2003
For Favorable Determination Letter and
the Economic Growth and Tax Relief Reconciliation Act

***Includes**
The Consolidated Edison of New York, Inc.
Tax Reduction Act Stock Ownership Plan

THE CONSOLIDATED EDISON THRIFT SAVINGS PLAN

Introduction

The purpose of the Consolidated Edison Thrift Savings Plan (the "Plan") is to establish a convenient way for each eligible employee of the parent company, Consolidated Edison, Inc. (the "Company" and/or "CEI") and of certain of the controlled group affiliates of CEI, to supplement his or her retirement income by saving on a regular and long-term basis, while concurrently offering each employee an additional incentive to continue his or her career with the Company. The Plan is intended to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), Sections 401(k) and 401(m) and to qualify under Section 401(a). The trust established under and as a part of the Plan is intended to qualify under Code Section 501(a). The Plan and its trust provide each Participant with an opportunity to defer a portion of his or her compensation and to invest and reinvest that deferred savings under the Plan on a tax-deferred basis. It is intended that a Participant's Pre-Tax contributions, as defined in the Plan, shall constitute payments by each Employer as contributions to the trust fund on behalf of the Participant, within the meaning of Code Section 401(k).

The Plan was originally established and made effective on January 1, 1987, by the Consolidated Edison Company of New York, Inc. ("CECONY") as the Consolidated Edison Retirement Income Savings Plan for Weekly Employees ("CECONY Weekly Plan"). Thereafter, the CECONY Weekly Plan was amended from time to time. On December 1, 1996, the CECONY Weekly Plan was amended and restated in its entirety, among other reasons, to make a transition from Bankers Trust Company as trustee and record keeper to Vanguard Fiduciary Trust Company.

Effective January 1, 1998, CEI was formed and CECONY became a subsidiary corporation of CEI. From time to time thereafter, wholly-owned affiliates of CEI were formed and together with CEI create a controlled group, as defined in Code Section 414(b), in which CEI is the parent corporation. In July 1999, CEI acquired Orange and Rockland Utilities, Inc. ("O&R").

On July 20, 2000, for administrative ease, to facilitate the transfer of employees from one affiliate to another, and to reduce the cost of operational expenses, the Board of Trustees of CECONY and the Board of Directors of O&R approved the merger ("Merger"), effective January 1, 2001, of the following plans into the CECONY Weekly Plan:

(i) the Consolidated Edison Thrift Savings Plan for Management Employees (the "CECONY Management Plan");

(ii) the Orange and Rockland Utilities, Inc. Management Employees Savings Plan (the "O&R Management Plan") and

(iii) the Orange and Rockland Utilities, Inc. Hourly Group Savings Plan (the "O&R Hourly Plan".

The CECONY Weekly Plan, the CECONY Management Plan, the O&R Management Plan and the O&R Hourly Plan are called the Prior Plans.

The CECONY Weekly Plan, renamed the Consolidated Edison Thrift Savings Plan, was also amended, effective January 1, 2001, to take into account the Merger, among other things, and restated constitutes the single plan and a continuation of each one of the Prior Plans.

In the Plan, CEI is the Company, CECONY is the Plan Sponsor and an Employer, O&R is an Employer, and certain existing and future affiliates are, or will become, Employers.

The Plan is amended for the Family and Medical Leave Act of 1993, the Uniformed Services Employment and Reemployment Rights Act of 1993, the Retirement Protection Act of 1994, as enacted under the Uruguay Round Agreements Act (General Agreement on Tariffs and Trade), the Small Business Job Protection Act of 1996, and the Taxpayer Relief Act of 1997, and certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amended Plan is intended as god faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, the provisions effectuating EGTRRA will be effective beginning January 1, 2002. The EGTRRA amendments supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of the EGTRRA amendments.

Additionally, the Plan document serves as the official plan document for the Consolidated Edison Company of New York, Inc. Tax Reduction Act Stock Ownership Plan ("TRASOP"). The TRASOP is a plan separate from the Plan. CECONY has entered into a separate trust agreement with Vanguard Financing Trust Company under the TRASOP. Participation in the TRASOP is frozen.

The Plan is amended to take into account the changes made by the collective bargaining agreement covering employees who are members of Local 1-2 of the Utility Workers Union of America, AFL-CIO, as effective June 24, 2000, Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO, as effective June 24, 2001, and the collective bargaining agreement for Local 503 of the International Brotherhood of Electrical Workers, AFL-CIO, as effective June 20, 2000.

Except as otherwise specifically provided herein, the rights and benefits of any Participant who retires or whose employment is terminated are determined in accordance with the provisions of the Plan as in effect and operative at the time of such retirement or termination.

Effective May 8, 2002, the Company amended the Plan to incorporate, as a separate part, an employee stock ownership plan ("ESOP"). All Participants are eligible to participate in the ESOP. Any Participant who elects as an Investment Fund, the Company Stock Fund for his or her Employer Contributions, will be deemed to be an ESOP Participant. Only Employer Contributions will be contributed to the ESOP.

On July 30, 2003, the Internal Revenue Service issued a favorable determination letter to the Plan finding that the Plan met the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1993, the Uruguay Round Agreements Act (General Agreement on Tariffs and Trade), the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998 and the Community Renewal Tax Relief Act of 2000. The favorable determination letter was subject to the adoption of the proposed amendments submitted to the IRS on June 23, 2003 and now integrated into this Plan document.

ARTICLE I
Definitions

The following words and phrases have the following meanings in the Plan unless a different meaning is plainly required by the context:

1.01 Account Balance means the amount credited to a Participant consisting of one or more of his or her Subaccounts, as the case may be, including his or her Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, Employer Contributions Subaccount, TRASOP, Transferred Employer and Employee PAYSOP Contributions Subaccount, ESOP Account and other amounts transferred to the Plan which are accounted for under the Plan under such classification.

1.02 Actual Deferral Percentage (“ADP”) means, for a specified group of participants for a Plan Year, the average of the ratios, as set forth herein, of each group. For each Highly Compensated Employee who is a Participant, the ratio, expressed as a percentage, of (1) the amount of Pre-Tax Contributions (including Excess Pre-Tax Contributions) actually paid over to the Trust on behalf of such Highly Compensated Employee for the current Plan Year to (2) the Highly Compensated Participant’s Statutory Compensation for the entire Plan Year (whether or not the Eligible Employee was a Participant for the entire Plan Year). The ADP of each Non-highly Compensated Employee who is a Participant is the ratio, expressed as a percentage, of (1) the amount of Pre-Tax Contributions (excluding Excess Pre-Tax Contributions) for the current Plan Year to (2) the Non-Highly Compensated Employee’s Statutory Compensation for the portion of the current Plan Year in which the Participant was an Eligible Employee. For purposes of computing the ADP, an Eligible Employee who would be a Participant but for the failure to make Pre-Tax Contributions shall be treated as a Participant on whose behalf no Pre-Tax Contributions are made. The ADP of each Eligible Employee shall be rounded to the nearest 100th of 1% of each such Eligible Employee’s Statutory Compensation. For purposes of determining the ADP for a Plan Year, Pre-Tax Contributions may be taken into account for a Plan Year only if they:

(a) relate to compensation that either would have been received by the Eligible Employee in the Plan Year but for the deferral election, or are attributable to services performed by the Eligible Employee in the Plan Year and would have been received by the Eligible Employee within 2 1/2 months after the close of the Plan Year but for the deferral election;

(b) are allocated to the Eligible Employee as of a date within that Plan Year and the allocation is not contingent on the participation or performance of service after such date; and

(c) are actually paid to the Trustee no later than 12 months after the end of the Plan Year to which the contributions relate.

1.03 Affiliate means any company that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that also includes as a member the Company; any trade or business under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). Notwithstanding the foregoing, the definitions in Code Sections 414(b) and (c) shall be modified as provided in Code Section 415(h).

1.04 After-Tax Contribution means a contribution made by a Participant of amounts after income taxes have been withheld on the amount and all dividends, income, gains and losses attributable thereto. After-Tax Contributions include Participating Contributions and Non-participating Contributions. In the case of an O&R Participant, After-Tax Contributions include Transferred Employee PAYSOP Contributions.

1.05 After-Tax Contributions Subaccount means the account into which is credited all of a Participant's After-Tax Contributions within which shall be separately accounted, if applicable, a Participant's Participating Contributions and Non-Participating Contributions.

1.06 Annual Dollar Limit means, effective January 1, 1994, in accordance with Code Section 401(a)(17), $150,000, except that, if for any calendar year from 1994 to 2001 the Cost-of-Living Adjustment is equal to or greater than $10,000, then the Annual Dollar Limit for any Plan Year beginning January 1, 1995, shall be increased by the amount of such Cost-of-Living Adjustment, rounded to the next lowest multiple of $10,000. Effective January 1, 2002, the Annual Dollar Limit is increased to $200,000 and increased each subsequent Plan Year by the Cost-of-Living Adjustment equal to or greater than $5,000.

1.07 Annuity Starting Date means the first day of the first period for which an amount is paid following a Participant's retirement or other termination from employment.

1.08 Average Contribution Percentage means, with respect to a specified group of Eligible Employees for a Plan Year, the average of the actual Contribution Percentages (calculated separately for each Participant in each specified group). The Contribution Percentage for each group of Eligible Employees will be calculated to the nearest on one-hundredth of one percent.

1.09 Average Actual Deferral Percentage means, with respect to a specified group of Eligible Employees, the average of the ADPs (calculated separately for each Participant in each specified group). The ADP for each group of Eligible Employees will be calculated to the nearest one one-hundredth of one percent.

1.10 Beneficiary means the person or persons, trust or other recipient determined in accordance with the provisions of Section 11.03 to succeed to a Participant's Account Balance under the Plan in the event of the death of such Participant prior to the entire distribution of such Account Balance.

1.11 Board means the Board of Trustees of CECONY.

1.12 Break in Service means a Plan Year in which an Employee completes 500 or fewer Hours of Service. Solely for purposes of determining whether a Break-in-Service has occurred, an Employee who is absent from work on account of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee, for purposes of caring for that child or for a Family and Medical Leave Act ("FMLA"), shall be deemed to have earned at least 501 Hours of Service in the Plan Year in which he or she is absent from work or the immediately following Plan Year, whichever Plan Year is necessary to first avoiding a Break in Service.

1.13 CECONY means the Consolidated Edison Company of New York, Inc., and any successor by merger, purchase or otherwise.

1.14 CECONY Management Employee means an Employee employed by and on the management payroll of CECONY.

1.15 CECONY Management Participant means a CECONY Management Employee who is a Participant.

1.16 CECONY Management Plan means the Con Edison Thrift Savings Plan for Management Employees, as in effect and prior to January 1, 2001.

1.17 CECONY Participant means a CECONY Management Participant and/or a CECONY Weekly Participant.

1.18 CECONY Weekly Employee means an Employee employed by and on the payroll of CECONY who is (a) a member of the collective bargaining unit represented by Local 1-2 of the Utility Workers' Union of America, AFL-CIO or (b) a member of the collective bargaining unit represented by Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO.

1.19 CECONY Weekly Participant means a CECONY Weekly Employee who is a Participant.

1.20 CECONY Weekly Plan means the Con Edison Retirement Income Savings Plan for Weekly Employees, as in effect on December 31, 2000.

1.21 CEI means Consolidated Edison, Inc.

1.22 CEI Affiliate or CEI Affiliates means one, more than one or all, as the context indicates, of Consolidated Edison Communications, Inc. (CEC); Consolidated Edison Solutions, Inc. (CES); Consolidated Edison Energy, Inc. (CEE); Consolidated Edison Development, Inc. (CED); Consolidated Edison Energy Massachusetts, Inc. (CEEM); CED Operating Company, L.P. ("CEDOC") and any future Affiliate who becomes an Employer.

1.23 CEI Employee means an Employee of a CEI Affiliate.

1.24 CEI Participant means a CEI Employee who is a Participant in the Plan.

1.25 Code means the Internal Revenue Code of 1986, as amended from time to time.

1.26 Company means Consolidated Edison, Inc. or any successor by merger, purchase or otherwise, that assumes the obligations of this Plan with respect to its Eligible Employees.

1.27 Company Stock Fund shall have the meaning set forth in Plan Section 5.03.

1.28 Compensation means

(a) for a CECONY Weekly Employee, straight time wages, paid for a Payroll Period and determined prior to any reduction for—

(i) Pre-Tax Contributions,

(ii) Section 125 Contributions, and

(iii) Section 132 Contributions.

Compensation is determined by excluding bonuses, overtime pay, premium pay, incentive compensation, severance pay, deferred compensation and all other forms of special pay;

(b) for a CECONY Management Employee, a CEI Participant or an O&R Management Employee, base salary in a payroll period, determined prior to any reduction for:

(i) Pre-Tax Contributions,

(ii) Section 125 Contributions, or

(iii) Section 132 Contributions.

Compensation is determined by excluding bonuses, overtime pay, incentive compensation, commissions, severance pay, deferred compensation and all other forms of special pay; and

(c) for an O&R Hourly Employee who is not a part-time Employee, forty times the base hourly wage to an Eligible Employee in a week determined prior to any reduction for Pre-Tax Contributions and Section 125 Contributions. Compensation shall not include bonus, overtime, severance pay or other special pay, or any other employer contributions to another deferred compensation plan or employee welfare benefit plan. In the case of an O&R Participant who is a part-time Eligible Employee, twenty shall be substituted for forty in the preceding sentence.

(d) Compensation for a Plan Year in excess of the Annual Dollar Limit for such Plan Year shall be disregarded.

1.29 Contribution Percentage for a Highly Compensated Employee is the ratio, expressed as a percentage, of After-Tax Contributions and Employer Contributions on behalf of the Highly Compensated Employee for the current Plan Year to the Highly Compensated Employee’s Statutory Compensation for such Plan Year (whether or not the Employee was a Participant for the entire Plan Year). Contribution Percentage for a Non-Highly Compensated Employee is the ratio, expressed as a percentage, of After-Tax Contributions and Employer Contributions on behalf of the Non-Highly Compensated Employee for the prior Plan Year to the Non-Highly Compensated Employee's Statutory Compensation for the portion of such Plan Year in which the Participant was an Eligible Employee. However, Employer Contributions shall not be taken into account to the extent they are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Pre-Tax Contributions, Excess Contributions, or Excess Aggregate Contributions. The Contribution Percentage of each Eligible Employee shall be rounded to the nearest one-hundredth of one percent of such Employee's Statutory Compensation.

1.30 Cost-of-Living Adjustment means the cost of living adjustment prescribed by the Secretary of the Treasury under Code Section 415(d) and applied to such items and in such manner as the Secretary shall provide.

1.31 Disability means total and permanent physical or mental disability, as evidenced by (a) receipt of a Social Security disability pension or (b) waiver of premium under an Employer's group term life insurance plan.

1.32 Earnings means the amount of income, if any, to be returned to an affected Participant with any Excess Pre-Tax Contributions, Excess Contributions or Excess Aggregate Contributions. Earnings on Excess Pre-Tax Contributions and Excess Contributions shall be determined by multiplying the income earned on the Subaccount of the Participant for the Plan Year by a fraction, the numerator of which is the Excess Pre-Tax Contributions or Excess Contributions, as the case may be, for the Plan Year and the denominator of which is the Subaccount balance at the end of the Plan Year, disregarding any income or loss occurring during the Plan Year. Earnings on Excess Aggregate Contributions shall be determined in a similar manner by substituting the sum of the Employer Contributions Subaccount and After-Tax Contributions Subaccount for the Pre-Tax Subaccount, and the Excess Aggregate Contributions for the Excess Pre-Tax Contributions and Excess Contributions in the preceding sentence.

1.33 Eligible Employee means a CECONY Weekly Employee, CECONY Management Employee, an O&R Hourly Employee, an O&R Management Employee, and a CEI Employee.

1.34 Employee means an individual who is employed by and a common law employee of the Company or an Affiliate and receives Compensation other than a pension, severance pay, retainer or fee under contract. The term Employee excludes any Leased Employee.

1.35 Employer means one, more than one, or all, as the context requires of CECONY, O&R, and each CEI Affiliate. Employer also means each newly created, future established or acquired Affiliate to the extent that such Affiliate elects to participate and CECONY approves its participation in the Plan.

1.36 Employer Contribution means a contribution to the Trust Fund made by an Employer on behalf of a Participant.

1.37 Employer Contributions Subaccount means the Subaccount into which is credited a Participant's Employer Contributions.

1.38 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.39 ESOP means, effective on the ESOP Effective Date, the Consolidated Edison Employee Stock Ownership Plan ("ESOP"), which is incorporated into and becomes a separate plan within this Plan.

1.40 ESOP Effective Date means May 8, 2002.

1.41 ESOP Trust Fund means that part of the Trust Fund held exclusively for the ESOP Accounts of the ESOP Participants.

1.42 Excess Aggregate Contributions means with respect to any Plan Year, the excess of:

(a) The actual Contribution Percentage(s) taken into account in computing the numerator of the Average Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

(b) The maximum actual Contribution Percentages permitted by the Average Contribution Percentage test determined by reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentage beginning with the highest of such percentage.

Such determination shall be made after first determining Excess Pre-Tax Contributions and then Excess Contributions. In no case shall the amount of Excess Aggregate Contributions with respect to any Highly Compensated Employee exceed the amount of After-Tax Contributions and Employer Contributions made on behalf of such Highly Compensated Employee for the Plan Year.

1.43 Excess Contributions means, with respect to any Plan Year, the excess of:

(a) the aggregate amount of Employer Contributions actually taken into account in computing the Average Actual Deferral Percentage of Highly Compensated Employees for such Plan Year, over

(b) the maximum amount of Employer's contributions permitted by the Average Actual Deferral Percentage test (determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual average Deferral Percentages, beginning with the highest of such percentages).

In no case shall the amount of Excess Contributions for a Plan Year with respect to any Highly Compensated Employee exceed the amount of Pre-Tax Contributions made on behalf of such Highly Compensated Employee for the Plan Year.

1.44 Excess Deferral Percentage means the excess of:

(a) the Average Deferral Percentage for the group of eligible Highly Compensated Employees, over

(b) the Average Deferral Percentage limit permissible to such group of Highly Compensated Employees.

1.45 Excess Pre-Tax Contributions means those Pre-Tax Contributions that are includible in a Participant's gross income under Code Section 402(g) to the extent the Participant's Pre-Tax Contributions exceed the dollar limitation under Code Section 402(g).

1.46 Highly Compensated Employee means any Employee of the Company or an Affiliate (whether or not an Eligible Employee) who during the look-back year received Statutory Compensation in excess of $80,000, adjusted by the Cost-of-Living Adjustment and was in the "Top Paid Group." The term "Top Paid Group" includes all Employees who are among the 20% highest paid. A Highly Compensated Management Employee means a Highly Compensated Employee who is a CECONY Management Employee, an O&R Management Employee, or a CEI Employee who is not covered by a collective bargaining agreement. A Highly Compensated Union Employee is a Highly Compensated Employee who is a Local 1-2 Employee, Local 3 Employee, and an O&R Hourly Employee who is covered by a collective bargaining agreement.

1.47 Hour of Service means, with respect to any applicable computation period,

(a) each hour for which:

(i) the Employee is paid or entitled to payment for the performance of duties for the Company or an Affiliate;

(ii) the Employee is paid or entitled to payment by the Company or an Affiliate on account of a period during which no duties are performed, whether or not the employment relationship has terminated, due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence; and

(iii) back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company or an Affiliate, excluding any hour credited under (a)(i) or (ii), which shall be credited to the computation period or periods to which the award, agreement or payment pertains rather than to the computation period in which the award, agreement or payment is made.

(b) No hours shall be credited on account of any period during which the Employee performs no duties and receives payment solely for the purpose of complying with unemployment compensation, workers' compensation or disability insurance laws. Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically-related expenses in - -

curred by the employee. The Hours of Service credited shall be determined as required by Title 29 of the Code of Federal Regulations, Sections 2530.200b-2(b) and (c).

(c) With regard to an Employee for whom a record of his or her Hours of Service is not maintained,

(i) One day of employment equals 10 Hours of Service;

(ii) One week of employment equals 45 Hours of Service; and

(iii) One month of employment equals 190 Hours of Service.

1.48 Investment Fund means an investment fund available under the Plan for investment of assets held in the Trust Fund or the ESOP Trust Fund.

1.49 Investment Manager means an investment manager as defined in ERISA Section 3(38), which is appointed by the Named Fiduciaries.

1.50 Leased Employee means any person performing services for the Company or an Affiliate as a leased employee as defined in Code Section 414(n). In the case of any person who is a Leased Employee before or after a period of service as an Employee, the entire period during which he or she has performed services as a Leased Employee shall be counted for service as an Employee for all purposes of the Plan, except that he or she shall not, by reason of that status, become a Participant of the Plan. Effective for plan years beginning after 1996, the definition of a Leased Employee, as set forth in Code Section 414(n) and the Regulations there under is amended to delete the term "…such services are of a type historically performed by Employees in the business field of the recipient…" to "…whose services are performed under the primary direction or control by the recipient...."

1.51 Loan Reserve shall have the meaning set forth in Section 9.08.

1.52 Local 1-2 Employee means an Employee represented by Local 1-2, Utility Workers' Union of America, AFL-CIO.

1.53 Local 3 Employee means an Employee represented by Local 3, International Brotherhood of Electrical Workers, AFL-CIO.

1.54 Named Fiduciaries means the persons designated as named fiduciaries of the Plan pursuant to Section 10.01.

1.55 Non-Highly Compensated Management Employee means any CECONY Management Employee, O&R Management Employee or CEI Employee who is not covered by a collective bargaining agreement and not a Highly Compensated Employee.

1.56 Non-Participating Contribution means the portion of a CECONY Participant's or CEI Participant's Pre-Tax Contributions or After-Tax Contributions that is not matched by Employer Contributions.

1.57 O&R means Orange and Rockland Utilities, Inc.

1.58 O&R Employee means an Employee employed by and on the active payroll of O&R. A person designated by O&R as a co-op employee or employed in a co-op capacity, as such term is defined by O&R, and any employee employed on a temporary or seasonal basis shall not be considered an O&R Employee or an Eligible Employee.

1.59 O&R Hourly Employee means an Employee employed by and on the active payroll of O&R who is a member of the collective bargaining unit represented by Local 503 of the International Brotherhood of Electrical Workers, AFL-CIO.

1.60 O&R Hourly Plan means the Orange and Rockland Utilities, Inc. Hourly Group Savings Plan, as in effect on December 31, 2000.

1.61 O&R Management Employee means an Employee employed by and on the active management payroll of O&R and is not an O&R Hourly Employee.

1.62 O&R Management Plan means the Orange and Rockland Utilities, Inc. Management Employees' Savings Plan, as in effect on December 31, 2000.

1.63 O&R Participant means an O&R Hourly Employee and an O&R Management Employee who is participating in the Plan.

1.64 Participant means any person who has an Account Balance in the Plan.

1.65 Participating Contribution means the portion of the Participant's Pre-tax Contributions or After-Tax Contributions for which there is a matching Employer Contribution.

1.66 Payroll Period means

(a) for a CECONY Weekly Employee, a one week period commencing on a Sunday and ending on the next following Saturday;

(b) for a CECONY Management Employee, a one month period commencing on the first and ending on the last day of the month;

(c) for an O&R Participant, the dates that O&R provides payroll information to the Trustees in order to determine the amounts that should be withheld from an O&R Participant's pay as Pre-Tax Contributions and/or After-Tax Contributions and the amounts that should be rendered by O&R to the Trustee on behalf of an O&R Participant as an Employer Contribution; and

(d) for a CEI Participant, the prevailing payroll period for that CEI Affiliate.

1.67 Plan means the Consolidated Edison Thrift Savings Plan, as amended from time to time, as set forth herein.

1.68 Plan Administrator means the Plan Administrator appointed pursuant to Section 10.01 to administer the Plan and the ESOP.

1.69 Plan Year means the calendar year.

1.70 Pre-Tax Contribution means an Employer's contributions made to the Plan at the election of the Participant, in lieu of cash compensation and before income taxes have been withheld on the amount, and includes contributions made pursuant to a salary reduction agreement. In the case of an O&R Participant, Pre-Tax Contributions include those Transferred Employer PAYSOP-Contributions that were transferred to the O&R Plan. Pre-Tax Contributions includes amounts deemed as Pre-Tax Contributions pursuant to an election under a cafeteria plan maintained by CECONY.

1.71 Pre-Tax Contributions Subaccount means the Subaccount into which is credited all of a Participant's Pre-Tax Contributions and within which are separately accounted for as Participating Contributions and Non-Participating Contributions.

1.72 Prior Plan or Prior Plans means one, more than one, or all, as the context requires, of the CECONY Management Plan, the CECONY Weekly Plan, the O&R Hourly Plan and the O&R Management Plan.

1.73 Record keeper means the individual(s) or firm selected by the Plan Administrator to provide record keeping and Participant accounting services for the Plan, including maintenance of separate accounts for Participants in accordance with the provisions of Section 5.04.

1.74 Retirement means termination of employment by a Participant under circumstances in which he or she is entitled to receive an early retirement pension allowance, normal retirement pension allowance or late retirement pension allowance under any Employer defined benefit plan. Retirement means termination from employment on or after his or her sixty-fifth birthday.

1.75 Rollover Contributions means amounts contributed pursuant to Plan Section 3.08.

1.76 Rollover Contributions Subaccount means the account credited with a Participant's Rollover Contributions and earnings on those contributions. Effective for Rollover Contributions received on or after January 1, 2002, a Rollover Contributions Subaccount may include a separately accounted for after-tax rollover Subaccount attributable to after-tax rollover contributions directly transferred to this Plan.

1.77 Section 125 Contributions means Employee contributions made pursuant to a salary reduction agreement under a cafeteria plan as that term is defined in Code Section 125.

1.78 Section 132 Contributions means Employee contributions made for qualified transportation expenses under a transportation reimbursement account.

1.79 Shares means issued and outstanding shares of common stock of the Company and shall include fractional shares of such common stock.

1.80 Statutory Compensation means the wages, salaries, and other amounts paid in respect of an Employee for services actually rendered to the Company or an Affiliate, including by way of example, shift premiums, bonuses, overtime payments and similar payments, but excluding non-taxable contributions to deferred compensation plans, taxable non-qualified stock options and other distributions which receive special tax benefits under the Code. Statutory Compensation includes Pre-Tax Contributions, Section 125 Contributions and Section 132 Contributions. Statutory Compensation may not exceed the Annual Dollar Limit. To the extent that the above definition does not satisfy the non-discrimination requirements, Statutory Compensation may be redefined, by the Plan Administrator, to meet an alternative definition of compensation, including within Code Section 415(c)(3).

1.81 Top Heavy Group means any required aggregation group (as defined in Section 12.03) or any permissive aggregation group (as defined in Section 12.03) in which more than 60% of the sum of (a) the aggregate account balances under all plans in the group and (b) the aggregate present value of accrued benefits under all plans in the group is allocated to key employees. For the purpose of this definition, present value shall be determined on basis of the applicable interest rate and applicable mortality table as set forth in the Company's defined benefit plan.

1.82 Top-Heavy Plan means any defined contribution plan or defined benefit plan of an Employer or the Company under which more that 60% of the sum of (a) its aggregate account balances and (b) the present value of its aggregate accrued benefits is allocated to key employees. For the purposes of this definition present value shall be determined on the basis of the applicable interest rate and applicable mortality table as set forth in the Company's defined benefit plan.

1.83 Transferred Employer and Employee PAYSOP Contributions means those amounts transferred to the O&R Management Plan or the O&R Hourly Plan on behalf of an O&R Employee from the terminated Orange and Rockland Utilities, Inc. Payroll-Based Employee Stock Ownership Plan.

1.84 TRASOP means the Tax Reduction Act Stock Ownership Plan of Consolidated Edison Company of New York, Inc., as included within this plan document, effective as of July 1, 1988.

1.85 TRASOP Account means an account maintained under the TRASOP by the Trustee of the TRASOP Trust Fund for an Employee.

1.86 TRASOP Trust Fund means the Trust Fund established solely for the TRASOP Accounts.

1.87 Trust Fund means the trust fund described in Article 5.

1.88 Trustee means the trustee appointed and acting as trustee of the Trust Fund, the TRASOP Trust Fund and the ESOP Trust Fund.

1.89 Vested Portion means the portion of an Account Balance in which the Participant has a nonforfeitable interest as provided in Article 6.

1.90 Year of Service means each Plan Year in which an Employee is credited with at least 1000 Hours of Service. An Employee is credited with a Year of Service in the month in which he or she completes 1000 Hours of Service. An Employee will be credited with a Year of Service in each Plan Year in which the Employee is absent on account of qualified military service, in accordance with Code Section 414(u). For purposes of determining when and if an Employee is 100% vested in his or her Account Balance, a Year of Vesting Service is a Year of Service credited to the Employee in the month in which he or she completes 1000 Hours of Service.

ARTICLE II
Eligibility and Participation

2.01 Eligibility

(a) Any person who was a Participant in a Prior Plan will continue to be a Participant in this Plan.

(b) Each Eligible Employee is eligible to participate in the Plan.

(c) Each Eligible Employee who was a Participant in, and had an account under the TRASOP on December 31, 2000, will continue to participate in the TRASOP and have a TRASOP Account. As of July 1, 1988, the TRASOP was closed to new Eligible Employees.

2.02 Participation

(a) An Eligible Employee becomes a Participant by satisfying the service requirements, if any, as described herein, and by completing the enrollment process described below or such other enrollment process as may be prescribed by the Plan Administrator. An Eligible Employee must elect to make contributions to the Trust Fund in an amount or percentage as permitted by Section 3.01. In general, a Participant's contributions are made by regular payroll deductions authorized from time to time by such Participant in such manner and on such conditions as may be prescribed by the Plan Administrator. An Eligible Employee who elects not to make Pre-Tax Contributions is treated as a Participant who has made an election not to contribute to the Plan.

(1) CECONY Weekly Employee. A CECONY Weekly Employee may become a Participant after completing 3 months of service. Participation may begin with the next immediately following Payroll Period by making an enrollment election not later than the day specified by the Plan Administrator.

(2) CECONY Management Employee or CEI Employee. A CECONY Management Employee or a CEI Employee may become a Participant in a calendar month following his or her date of hire by making an enrollment election on or before the 20th day of the first calendar month of hire or any subsequent calendar month.

(3) O&R Hourly Employee. An O&R Hourly Employee may become a Participant in any month following the completion of one Year of Service. Thereafter, an O&R Hourly Employee may participate by making an election on or before the 24th day of any month. Participation will become effective on the first day of the first Payroll Period in the month following the month in which the election is made.

(4) O&R Management Employee. An O&R Management Employee may become a Participant in any month upon the completion of six months of service and making an election on or before the 24th day of that sixth month or any month thereafter. Participation will become effective on the first day of the first Payroll Period in the month immediately following the month in which the election is made. Six months of participation means a six-month period in which an O&R Management Employee is credited with at least five hundred Hours of Service. Such six-month period will commence on the date the O&R Management Employee first completes an Hour of Service.

(5) Other Eligible Employees. To the extent that a person becomes an Eligible Employee and is not otherwise covered by a designated classification, he or she may become a Participant in the month in which his or her Employer adopts the Plan as provided in the Plan Section 11.05 and satisfies whatever eligibility requirements, if any, his or her Employer selects.

2.03 Reemployment of Former Employees and Former Participants

Any person reemployed as an Eligible Employee, who previously was eligible to become a Participant, will become a Participant upon making an effective enrollment election as may be prescribed by the Plan Administrator.

2.04 Transferred Participants

A Participant who remains in the employ of the Company or an Affiliate but ceases to be an Eligible Employee will continue to be a Participant in the Plan but will not be eligible to make After-Tax Contributions or Pre-Tax Contributions or have Employer Contributions made on his or her behalf while his or her employment status is other than as an Eligible Employee.

2.05 Termination of Participation

A Participant's participation terminates on the date he or she is no longer employed by the Company or Affiliate and no longer has an Account Balance.

2.06 Participation in ESOP

In accordance with Article XIV, and effective on the ESOP Effective Date, each Participant who receives an Employer Contribution is eligible to participate in the ESOP.

ARTICLE III
Contributions

3.01 Contribution Election

(a) CECONY Weekly Participant. A CECONY Weekly Participant may elect to contribute for each of his or her basic straight-time Hours of Service not in excess of 40 in a Payroll Period, in one cent multiples or in the maximum permissible amount if such maximum is not a multiple of one cent, as follows: (i) for a Local 3 Employee for any Payroll Period beginning on or after: (x) January 1, 2000, and before January 1, 2001, not in excess of $3.52 per hour; (y) January 1, 2001, and before January 1, 2002, not in excess of $3.72 per hour; and (z) January 1, 2002, not in excess of $20.00 per hour; and (ii) for a Local 1-2 Employee for any Payroll Period beginning on or after: (x) January 1, 2000, and before January 1, 2001, not in excess of $3.52 per hour; (y) January 1, 2001, not in excess of $6.75 per hour; and (z) January 1, 2002, not in excess of $20.00 per hour. In any case, effective January 1, 2002, a CECONY Weekly Participant may contribute up to but no more than the lesser of $20.00 per hour or 50% of basic straight-time pay. Such maximum amount of contributions shall be subject to limitations imposed under the Code. At the time a CECONY Weekly Participant elects a contribution amount, he or she shall, in such manner and on such conditions as may be prescribed by the Plan Administrator, designate which portion is to be Pre-Tax Contributions and which is to be After-Tax Contributions. A CECONY Weekly Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she elects to make Pre-Tax Contributions. Pre-Tax Contributions and After-Tax Contributions are further limited as provided below and in Article 8.

(b) CECONY Management and a CEI Participant. For Plan Years beginning before January 1, 2002, a CECONY Management Participant and a CEI Participant may elect to reduce his or her Compensation payable while a Participant by at least 1% and not more than 18%, in multiples of 1%, and have that amount contributed to the Plan as Pre-Tax Contributions and/or After-Tax Contributions. A CECONY Management Participant or CEI Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she has elected to make Pre-Tax Contributions. An amount contributed to the Plan pursuant to the election of a CECONY Management Participant under a cafeteria plan under Code Section 125 may be designated as a Pre-Tax Contribution or an After-Tax Contribution. The maximum total percentage of Compensation which the CECONY Management Participant and CEI Participant may elect to contribute in the aggregate as Pre-Tax Contributions and After-Tax Contributions is 18%. Pre-Tax Contributions and After-Tax Contributions are further limited as provided below and in Article 8. For Plan Years beginning on and after January 1, 2002, a CECONY Management Participant and a CEI Participant may elect to contribute up to 50% of his or her Compensation as Pre-Tax Contributions and/or After-Tax Contributions, subject to the maximum annual addition limit set forth in Section 8.03 of the Plan.

(c) O&R Hourly Participant. An O&R Hourly Participant may elect to reduce his or her Compensation by at least 2% and not more than 20%, in multiples of 1%, and have that amount contributed to the Plan as Pre-Tax Contributions. Pre-Tax Contributions are further limited as provided below and in Article 8.

(d) O&R Management Participant. For Plan Years beginning before January 1, 2002, an O&R Management Participant may elect to reduce his or her Compensation payable while a Participant by at least 2% and not more than 15%, in multiples of 1%, and have that amount contributed to the Plan. Effective January 1, 2002, an O&R Management Participant may contribute up to 50% of his or her Compensation. At the time an O&R Management Participant elects a contribution amount, he or she will designate which portion is to be Pre-Tax Contributions and which is to be After-Tax Contributions. An O&R Management Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she elects to make Pre-Tax Contributions. Pre-Tax Contributions and After-Tax Contributions are to be further limited as provided below and in Article 8.

3.02 Pre-Tax Contribution Dollar Limitation and Re-characterization

In no event will a Participant's Pre-Tax Contributions made on his or her behalf by the Company or an Affiliate to all plans, contracts or arrangements, subject to the provisions of Code Section 402(g), in any calendar year exceed $7,000 multiplied by the Cost-of-Living Adjustment. The Pre-Tax Contribution limit will be increased for calendar year 2002 to $11,000; for calendar year 2003 to $12,000; for calendar year 2004 to $13,000; for calendar year 2005 to $14,000; and for calendar year 2006 to $15,000. Beginning in calendar year 2006, the $15,000 limit will be multiplied by the Cost-of-Living Adjustment, increasing in $500 increments. Once a Participant's Pre-Tax Contributions in a calendar year reach the applicable dollar limitation, his or her election of Pre-Tax Contributions for the remainder of the calendar year will be canceled. If so elected by a Participant, other than for an O&R Hourly Participant, excess Pre-Tax Contributions will be re-characterized as After-Tax Contributions at the same rate as was previously in effect for Pre-Tax Contributions. Each Participant affected by this Section 3.02 may elect to change or suspend the rate at which he or she makes After-Tax Contributions. As of the first Payroll Period of the calendar year following such cancellation, the Participant's election of Pre-Tax Contributions will again become effective at the rate in accordance with his or her most recent election.

3.03 Return of Excess Pre-Tax Contributions

In the event that the sum of the Pre-Tax Contributions and similar contributions to any other qualified defined contribution plan maintained by the Company or an Affiliate exceed the dollar limitation in Code Section 402(g) for any calendar year, the Participant will be deemed to have elected a return of Pre-Tax Contributions in excess of such limit ("Excess Pre-Tax Contributions") from this Plan. Unless

Excess Pre-Tax Contributions are characterized as After-Tax Contributions, Excess Pre-Tax Contributions, together with Earnings, will be returned to the Participant no later than the April 15th following the end of the calendar year in which the Excess Pre-Tax Contributions were made. The amount of Excess Pre-Tax Contributions to be returned for any calendar year will be reduced by any Pre-Tax Contributions previously returned to the Participant under Section 8.01 for that calendar year. In the event any Pre-Tax Contributions returned under this Section 3.03 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions. In the event any Pre-Tax Contributions returned under this Section 3.03 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions.

3.04 Excess Deferrals to Other Plans

If a Participant makes tax-deferred contributions under another qualified defined contribution plan maintained by an employer other than the Company or an Affiliate for any calendar year and those contributions when added to his or her Pre-Tax Contributions result if Excess Pre-Tax Contributions, the Participant may allocate all or a portion of the Excess Pre-Tax Contributions to this Plan. In that event, the Excess Pre-Tax Contributions, together with Earnings, will be returned to the Participant no later than the April 15th following the end of the calendar year in which the Excess Pre-Tax Contributions were made. The Plan is not required to return Excess Pre-Tax Contributions unless the Participant notifies the Plan Administrator, in writing, by March 1st of the following calendar year of the amount of the Excess Pre-Tax Contributions allocated to this Plan. The amount of Excess Pre-Tax Contributions to be returned for any calendar year will be reduced by any Pre-Tax Contributions previously returned to the Participant under Section 8.01 for that calendar year. In the event any Pre-Tax Contributions returned under this Section 3.04 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions.

3.05 Participating Contributions Eligible for Employer Contributions

(a) CECONY Weekly Participant A Participating Contribution means that amount of a Participant's contribution which is matched by an Employer Contribution. In the instance of a CECONY Weekly Participant who is a Local 1-2 Employee, his or her contribution may not exceed: (1) 97 cents per hour for any Payroll Period beginning on or after January 1, 2000, (2) $1.02 per hour for any Payroll Period beginning on or after January 1, 2001, (3) $1.07 per hour for any Payroll Period beginning on or after January 1, 2002, (4) $1.12 per hour for any Payroll Period beginning on or after January 1, 2003, or (5) $1.17 per hour for any Payroll Period beginning on or after January 1, 2004. Such contribution will be the Local 1-2 Employee's Participating Contribution for such Payroll Period. A Local 3 Employee's contribution may not exceed (1) $1.02 per hour for any Payroll Period beginning on or after January 1, 2001, (2) $1.07 per hour for any Payroll Period beginning on or after January 1, 2002, (3) $1.12 per hour for any Payroll Period beginning on or after January 1, 2003, (4) $1.17 per hour for any Payroll Period beginning on or after January 1, 2004, or (5) $1.22 per hour for any Payroll Period beginning on or after January 1, 2005. Such contributions shall be the Local 3 Employee's Participating Contribution for such Payroll Period. The amount, if any, by which a CECONY Weekly Participant's contribution for a Payroll Period exceeds his or her Participating Contribution will be his or her Non-Participating Contribution for such Payroll Period.

CECONY will contribute on behalf of a CECONY Weekly Participant who elects to make Pre-Tax Contributions or After-Tax Contributions for a Payroll Period an amount equal to 50% of the aggregate Participating Contributions made by the CECONY Weekly Participant for such Payroll Period matching first Pre-Tax Contributions and then After-Tax Contributions. Employer Contributions are made expressly conditional on the Plan satisfying the provisions of Article VIII. If any portion of the Pre-Tax Contribution or After-Tax Contribution to which the Employer Contribution relates is returned to the CECONY Weekly Participant under Section 3.01, 8.01, 8.02 or 8.03, the corresponding Employer Contribution will be forfeited, and if any amount of the Employer Contribution is deemed an Excess Aggregate Contribution under Section 8.03, such amount will be forfeited in accordance with the provisions of that Section.

(b) CECONY Management Participant and CEI Participant CECONY and each CEI Affiliate will contribute on behalf of each CECONY Management Participant or CEI Participant, as the case may be, who elects to make Pre-Tax Contributions or After-Tax Contributions an amount equal to 50% of the sum of the Pre-Tax Contributions and After-Tax Contributions made on behalf of or by the CECONY Management Participant or the CEI Participant to the Plan during each month, not to exceed 6% of Compensation for such month, to be matched first on Pre-Tax Contributions, and then on After-Tax Contributions. Employer Contributions for a month will not exceed 3% of the Participant's Compensation for such month. Employer Contributions are made expressly conditional on the Plan satisfying the provisions of Article VIII. If any portion of the Pre-Tax Contribution or After-Tax Contribution to which an Employer Contribution relates is returned to the CECONY Management Participant or CEI Participant under Section 3.01, 8.01, 8.02 or 8.03, the corresponding Employer Contribution will be forfeited, and if any amount of the Employer Contribution is deemed an Excess Aggregate Contribution under Section 8.03, the Excess Aggregate Contribution will be forfeited in accordance with the provisions of Section 8.03. In the event a CECONY Management Participant or CEI Participant elects to make Pre-Tax Contributions and/or After-Tax Contributions in an amount which, when taking into account his or her Employer Contributions, exceeds the maximum annual additions, as defined and determined in Section 8.03 of the Plan, the Employer will contribute an additional Employer contribution on behalf of such Participant ("CECONY/CEI True-Up Contribution"). The CECONY/CEI True-Up Contribution, will be made as soon as administratively possible after the end of the Plan Year, for each such CECONY Management Participant and CEI Participant who is employed at year end. The CECONY/CEI True-Up Contribution will equal the difference between 3% of such Participant's Compensation on an annual basis minus his or her total Employer Contributions made during the year.

(c) O&R Hourly Participant O&R will contribute on behalf of each O&R Hourly Participant who elects to make Pre-Tax Contributions an amount equal to 50% of Pre-Tax Contributions up to the first "x" percent of Compensation of the O&R Hourly Participant during each month, where beginning: (1) January 1, 2000, "x" equals 3; (2) January 1, 2003, "x" equals 4; and (3) January 1, 2004, "x" equals 5 of the O&R Hourly Participant's Compensation for such month. In addition, as soon as administratively possible after the end of the Plan Year, O&R will contribute, as of the end of the Plan Year, for each O&R Hourly Participant who is employed at year end and who in the prior Payroll Periods during that Plan Year had made Pre-Tax Contributions at a rate in excess of, beginning (1) January 1, 2000, 3%; (2) January 1, 2003, 4%; or (3) January 1, 2004, 5%; of the O&R Hourly Participant's Compensation, an Employer Contribution equal to 50% of the O&R Hourly Participant's Pre-Tax Contributions that were not previously matched ("True-Up Contributions"). True-Up Contributions will not exceed such amount as will result in the total O&R Employer Contributions, both those made previously during the year and those as of year end, exceeding 50% of a O&R Hourly Participant's Pre-Tax Contributions that do not exceed, beginning: (1) January 1, 2000, 3%; (2) January 1, 2003, 4%; or (3) January 1, 2004, 5%, of the O&R Hourly Participant's Compensation on an annual basis.

(d) O&R Management Participant O&R will contribute on behalf of each O&R Management Participant who elects to make Pre-Tax Contributions an amount equal to 50% of the Pre-Tax Contributions made on behalf of or by the O&R Management Participant to the Plan during each month not to exceed 3% of his or her Compensation for the month. In addition, as soon as administratively possible after the end of the Plan Year, O&R will contribute, as of the end of the Plan Year, for each O&R Management Participant who is employed at year end and who in the prior Payroll Periods during that Plan Year had made Pre-Tax Contributions at a rate in excess of 3% of his or her Compensation, a True-Up Contribution equal to 50% of his or her Pre-Tax Contributions. True-Up Contributions will not exceed such amount as will result in the total O&R Employer Contributions, both those made previously during the year and those as of year end, exceeding 50% of a O&R Management Participant's Pre-Tax Contributions that do not exceed 3% of his or her Compensation on an annual basis.

3.06 Rollover Contributions

(a) Subject to such terms and conditions as the Plan Administrator may determine to be appropriate, applied in a uniform and non-discriminatory manner to all Eligible Employees, and without regard to any limitations on contributions set forth in this Article 3, the Plan may receive from an Eligible Employee for credit to his or her Rollover Contributions Subaccount, in cash, any amount previously distributed (or deemed to have been distributed) to him or her from a qualified plan or, beginning January 1, 2002, a traditional individual retirement account ("IRA"), a government plan subject to Code Section 457 or a Code Section 403(b) tax sheltered annuity. The Plan may receive such amount either from the Eligible Employee or in the form of a direct rollover. Notwithstanding the foregoing, the Plan shall not accept any amount unless such amount is eligible to be rolled over in accordance with applicable law and the Eligible Employee provides evidence satisfactory to the Plan Administrator that such amount qualifies for rollover treatment. Unless received by the Plan in the form of a direct rollover, the rollover contribution must be paid to the Trustee on or before the 60th day after the day it was received by the Eligible Employee or be rolled over from an IRA. Effective January 1, 2002, an eligible rollover distribution from an IRA is the amount of a distribution from an IRA that is includible in gross income, including amounts attributable to an Employee's personal IRA contributions made outside of a qualified plan. At the time received by the Plan, the Eligible Employee shall, in such manner and on such conditions as may be prescribed by the Plan Administrator, elect to invest the Rollover Contribution in the investment funds then available under the Plan to a Participant. If the Eligible Employee fails to make an investment election, 100% of the Rollover Contribution shall be invested in the Fixed Income Fund.

(b) The Plan may also accept from a former Employee who is a Participant a rollover or a direct rollover of an amount received from a defined benefit plan sponsored by an Employer or from the TRASOP.

(c) Subject to terms and conditions as the Plan Administrator may determine to be appropriate, applied and non-discriminatory manner to all Participants, the Plan may receive on behalf of Participant a trust-to-trust transfer from another qualified plan. Any Participant whose benefits are the subject of a trust-to-trust transfer from another qualified plan to this Plan will be entitled to receive benefits, rights and features from the Plan that are no less than the benefits, rights and features he would be entitled to receive from the other qualified plan immediately preceding the transfer. To the extent feasible, such transfer shall be made on an in-kind basis. To the extent such transfer is made in the form of cash, at the time received by the Plan the Participant shall, in such manner and on such terms as may be prescribed by the Plan Administrator, elect to invest the cash in the Investment Funds then available under the Plan other than the Company Stock fund.

3.07 Changes in Contributions

A Participant may increase, reduce, suspend or resume his or her contributions within the limits prescribed by Sections 3.01 and/or 3.02, effective as of the next first Payroll Period, by making a new election, on or before the date set by the Plan Administrator, in such manner and on such conditions as may be prescribed by the Plan Administrator. A Participant may make changes in contribution levels once a month.

3.08 Payment To Trust

Amounts contributed by Participants will be paid by each Employer to the Trustee promptly and credited by the Trustee to their Accounts in accordance with the certification of each Employer as to the names of the contributing Participants and the respective amounts contributed by each Participant as Participating Contributions, Non-Participating Contributions, Pre-Tax Contributions, After-Tax Contributions and Rollover Contributions.

3.09 No Contributions to TRASOP

No contributions to the TRASOP by any Employer or by Participants are permitted.

3.10 Catch-Up Contributions

(a) Effective January 1, 2002, or at such later time as the Plan Administrator may determine to implement, each "Catch-Up Participant," as defined below, may contribute for each "Catch-Up Year," as defined below, an amount not to exceed the lesser of the "Catch-Up Contribution," as defined below, or the Catch-Up Participant's compensation reduced by any other Pre-Tax Contributions for that Catch-Up Year.

(b) Definitions:

(i) **Catch-Up Participant** means a Participant who has attained age 50 by the last day of a Catch-Up Year and for whom no additional Pre-Tax Contributions can be made for that Catch-Up Year because of the application of the calendar year annual dollar limit set forth in Code Section 402(g) or any other limitations in the Plan.

(ii) **Catch-Up Year** means Plan Year beginning January 2, 2002 ("CUY 2002"), January 1, 2003 ("CUY 2003"), January 1, 2004 ("CUY 2004"), January 1, 2005 ("CUY 2005"), or January 1, 2006 ("CUY 2006").

(iii) **Catch-Up Contribution** means a Pre-Tax Contribution in the amount of $1,000 for CUY 2002, $2,000 for CUY 2003, $3,000 for CUY 2004, $4,000 for CUY 2005, and $5,000 for CUY 2006. For Plan Years beginning after CUY 2006, the $5,000 Catch-Up Contribution is adjusted by the Cost of Living Adjustment, increasing, when applicable, in $500 increments. Catch-Up Contributions are not taken into account for purposes of determining the Actual Deferral Percentage or Average Actual Deferral Percentage.

3.11 Employer Contributions to ESOP

Employer Contributions made on behalf of an ESOP Participant are automatically contributed to the ESOP.

ARTICLE IV

Investment Elections—Timing and Frequency

4.01 Employer Contributions Election

A Participant may elect to have Employer Contributions allocated to his or her Employer Contributions Subaccount invested, in multiples of 1%, in one or more of the Investment Funds, including the Company Stock Fund. Effective May 8, 2002, Employer Contributions allocated to the Company Stock Fund are made to the ESOP. If the Participant fails to make an election as to the Investment Fund(s) for his or her Employer Contributions, 100% of such Contributions shall be invested in the Fixed Income Fund. Any such election shall be made in such manner and on such conditions as may be prescribed by the Plan Administrator.

4.02 Participant Pre-Tax Contributions, After-Tax Contributions and Rollover Contributions

A Participant may elect to have his or her Pre-Tax Contributions, After-Tax Contributions, and Rollover Contributions invested, in multiples of 1%, in any Investment Fund other than the Company Stock Fund. If the Participant fails to make an election as to the Investment Fund(s) for his or her contributions, 100% of such contributions will be invested in the Fixed Income Fund.

4.03 Change of Election

Subject to possible restrictions imposed on certain Funds by the Trustee or an Investment Fund Manager, a Participant may change his or her investment election regarding future contributions once a month and his or her existing Account Balance once a day. Any election will be made in such manner and on such conditions as may be prescribed by the Plan Administrator and subject to any restrictions imposed on an Investment Fund.

4.04 Certification to Company

For each Payroll Period, the Recordkeeper will certify to each Employer the amount of Employer Contributions to be made on behalf of each Participant.

4.05 Forfeitures

The total amount of the Trust Fund forfeited by Participants pursuant to Section 7.02 or otherwise, will be invested in such Investment Fund as may be specified by the Plan Administrator and will be applied to reduce future Employer Contributions due under the Plan. The Trustee will promptly advise the Employers of any such forfeiture and the amount thereof.

ARTICLE V
The Trust Fund—Investments

5.01 Trust Agreement

Contributions are held in a Trust Fund by the Trustee under a written trust agreement between CECONY and the Trustee. TRASOP Accounts are held in a TRASOP Trust Fund under a written trust agreement between CECONY and the Trustee. ESOP Accounts are held in the ESOP Trust Fund which is included in, but a separate part of the Trust Fund. No person has any rights to or interest in the Trust Fund except as provided in the Plan. The provisions of the trust agreement between CECONY and the Trustee shall be considered an integral part of the Plan as if fully set forth herein.

5.02 Investment of Trust Fund

(a) The Trust Fund shall be invested and reinvested in Investment Funds in accordance with the Participant's investment directions. The Plan is intended to be an ERISA Section 404(c) plan within the meaning of regulations issued pursuant to such section. Each Participant shall have the opportunity, on a daily basis, to give investment instructions to the Trustee, or other fiduciary who is appointed and assumes such fiduciary responsibility, with an opportunity to obtain written confirmation of such instructions as to his or her existing Account Balance among the Investment Funds. The Plan Administrator, the Trustee and the Record keeper or their delegate, will comply with such instructions except as otherwise provided in the ERISA Section 404(c) regulations. The Plan Administrator will prescribe the form and manner in which such directions will be made, as well as the frequency with which such directions may be made or changed, and the dates as of which they will be effective, in a manner consistent with the foregoing. Transfers to or from an Investment Fund may be restricted or limited by the manager of such Investment Fund or by the terms of the Trust Agreement.

(b) The Named Fiduciaries shall select a range of Investment Funds as described by ERISA Section 404(c) and applicable regulations. The Investment Fund categories shall give each Participant a reasonable opportunity to:

(i) Materially affect the potential return on and the degree of risk of assets over which the Participant exercises investment control;

(ii) Choose from at least three investment alternatives, each of which is diversified and has materially different risk and return characteristics;

(iii) Enable a Participant to achieve a portfolio with risk and return characteristics at any point within the range normally appropriate by choosing among the core alternatives; and

(iv) Diversify investments so as to minimize the risk of large losses.

(c) The Named Fiduciaries may establish new Investment Funds without the necessity of an amendment to the Plan and shall have the objectives prescribed by the Named Fiduciaries. The

Named Fiduciaries may eliminate one or more Investment Fund existing at any time without the necessity of an amendment to the Plan. The Named Fiduciaries may establish rules and procedures governing the transfer of portions of Participant's Account Balance in the event that existing Investment Funds are changed or new Investment Funds added. The Named Fiduciaries may appoint an Investment Manager to manage an Investment Fund.

5.03 Company Stock Fund

For Plan Years beginning before January 1, 2002 and for Plan Year 2002 until May 8, 2002, all funds invested in the Company Stock Fund, are invested as a Participant's Employer Contributions Subaccount, and subject to this Section 5.03(a), (b) and (c). Effective as of the ESOP Effective Date, a Participant who invests some, all, or any part of his or her Employer Contributions in the Company Stock Fund will be an ESOP Participant subject to Article XIV.

(a) Investments in Fund The Trustee shall regularly purchase Shares for the Company Stock Fund in accordance with a non-discretionary purchasing program. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the Participants. Dividends, interest and other income received on assets held in the Company Stock Fund shall be reinvested in the Company Stock Fund. All funds to be invested in the Company Stock Fund shall be invested by the Trustee in one or more transactions promptly after receipt by the Trustee, subject to any applicable requirement of law affecting the timing or manner of such transactions. All brokerage commissions and other direct expenses incurred by the Trustee in the purchase or sale of Shares under the Plan will be borne by the Account investing and/or trading in the Company Stock Fund.

(b) Units The interests of Participants in the Company Stock Fund shall be measured in Units, the number and value of which shall be determined daily.

(c) Voting of Shares Each Participant shall be entitled to direct the Trustee as to the manner in which any Shares or fractional Share allocated to the Participant's Account Balance are to be voted. Any such Shares or fractional Share for which the Participant does not give voting directions shall be voted by the Trustee in the same manner and proportions as all other Shares held by the Trustee for which voting directions are given by Participants.

The Trustee shall keep confidential a Participant's voting instructions and information regarding a Participant's purchases, holdings and sales of Shares. The Plan Administrator shall be responsible for monitoring the Trustee's performance of its confidentiality obligations.

5.04 Accounts and Subaccounts

The Recordkeeper will maintain a daily evaluation at current market values, as determined by the Trustee. The Recordkeeper will also maintain a separate TRASOP Account for each eligible Participant and a separate Account Balance for each Participant, and within each such Account Balance, as applicable, a Pre-Tax Contributions Subaccount, an After-Tax Contributions Subaccount, a Rollover Contributions Subaccount, an ESOP Account and an Employer Contributions Subaccount. The Recordkeeper will keep a separate record of the respective amounts of each Participant in the Trust Fund, including each Investment Fund and the Loan Reserve, attributable to amounts credited to a Participant's Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, ESOP Account, and Employer Contributions Subaccount.

5.05 Statements of Account

As soon as practicable after each calendar quarter, the Recordkeeper will cause to be sent to each Participant a written statement showing, as of such date, the respective amounts of the Participant's Account Balance, including each Investment Fund and the Loan Reserve, attributable to the Participant's Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, Employer Contributions Subaccount and TRASOP Account, if any. With respect to the Participant's After-Tax Contributions Subaccount, the statement will show separately the amount of the Participant's own contributions (less any withdrawal) credited to his or her After-Tax Subaccount. The Plan Administrator may direct the Recordkeeper from time to time to issue comparable statements to Participants as of other dates during the calendar year.

5.06 Responsibility for Investment

Each Participant is solely responsible for the selection of his or her Investment Funds. The Trustee, the Recordkeeper, any Investment Manager, the Named Fiduciaries, the Plan Administrator, the Company, each Employer and the trustees, officers and other Employees of each entity are not empowered to advise a Participant as to the decision in which his or her Account Balance is invested. The fact that an Investment Fund is available to Participants for investment under the Plan is not to be construed as a recommendation for a particular Participant to invest in the Investment Fund.

ARTICLE VI
Vesting

6.01 Participant Contributions

The amount to the credit of a Participant's Account Balance attributable to his or her Pre-Tax Contributions, After-Tax Contributions, Rollover Contributions and TRASOP Account is 100% vested at all times.

6.02 Employer Contributions

(a) CECONY Weekly Participant The amount to the credit of a CECONY Weekly Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, made with respect to any Payroll Period ending in a calendar year (the Contribution Year) shall become 100% vested, subject to Article 8, on the earlier of the last day of the third calendar year following the close of the Contribution Year or the first day of the month in which the CECONY Weekly Participant completes five Years of Service. Once a CECONY Weekly Participant completes five years of Vesting Service, each Employer Contribution made on behalf of the CECONY Weekly Participant becomes 100% vested. Effective January 1, 2002, each CECONY Weekly Participant shall be 100% fully vested on the first day of the month in which he or she completes three Years of Vesting service. All amounts to the credit of a CECONY Weekly Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, not yet vested will become 100% vested upon attainment of age 65, death, Disability, Retirement or termination of employment by the Company for reasons other than cause. Employer Contributions not yet vested are subject to forfeiture as provided in Section 7.01.

(b) CECONY Management or CEI Participant The amount to the credit of a CECONY Management or CEI Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, shall become 100% vested, subject to Article 8, on the first day of the calendar month in which the CECONY Management or CEI Participant completes three years of Vesting Service. Once a CECONY Management or CEI Participant completes three years of Vesting Service, each Employer Contribution made on behalf of the CECONY Management Participant or CEI shall be 100% vested. All amounts to the credit of a CECONY Management or CEI Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, not yet vested will become 100% vested upon attainment of age 65, Disability, death, retirement or termination of employment by the Company for reasons other than cause. Employer Contributions otherwise are subject to forfeiture as provided in Section 7.01.

(c) O&R Hourly Participant An O&R Hourly Participant's Account Balance is 100% vested at all times.

(d) O&R Management Participant An O&R Management Participant's Account Balance is 100% vested at all times.

6.03 Special Vesting Rules

(a) Each person employed at the electric power generating facilities purchased from Western Massachusetts Electric Company ("WMECO Facilities") on July 19, 1999, the date of the Closing of the purchase of the WMECO Facilities by a CEI Affiliate, was 100% vested as of July 19, 1999, in his or her Account Balance.

(b) Each CECONY Participant at the fossil-fueled electricity generating facilities in New York City or at the nuclear-fueled electricity generating facilities at Indian Point divested by CECONY ("Divested Operations") who became employed by the respective buyers of the Divested Operations were 100% vested as of the Date of the Closing of each Divested Operation.

(c) Each person employed at the natural gas fueled electricity generating facility known as the Lakewood Cogeneration Facility ("Lakewood Plant") purchased by a CEI Affiliate and who became an Employee of such CEI Affiliate, was 100% vested in his or her Account Balance as of June 1, 2000.

ARTICLE VII

Distributions, Withdrawals and Forfeitures

7.01 Voluntary Termination or Termination by the Company—Forfeitures

(a) If a CECONY or CEI Participant's service is terminated by the Company for cause or if the CECONY or CEI Participant voluntarily terminates his or her service other than by reason of Retirement, at on or after attainment of age 65, or Disability the non-vested portion of the CECONY or CEI Participant's Employer Contributions Subaccount and ESOP Account shall not be forfeited until the CECONY or CEI Participant incurs a five-year Break in Service. The vested portion of such CECONY or CEI Participant's Account Balance (including any amount due under any outstanding loan pursuant to Article 9) will be distributed to such CECONY or CEI Participant in accordance with Section 7.08. Termination of service for cause shall be determined by the Plan Administrator under rules uniformly applied to all CECONY or CEI Participants. If the CECONY Participant is not reemployed by the Company or an Affiliate before he or she incurs five one-year Breaks in Service or receives a distribution, the non-vested portion of his or her Employer Contributions Subaccount and ESOP Account will then be forfeited.

(b) If an amount to the credit of a Participant's Employer Contributions Subaccount and ESOP Account has been forfeited in accordance with paragraph (a) above, such amount shall subsequently be restored to his or her Employer Contributions Subaccount and ESOP Account by the Company provided; however, that within five years after his or her reemployment date if he or she makes a lump sum payment to the Trust Fund in cash in an amount equal to that portion of the distribution received which represents the Participant's Participating Contributions relating directly to Employer Contributions which were forfeited at the time of distribution. The amount restored will vest in accordance with Section 6.02 as an Employer Contribution and shall be credited to the Participant's Employer Contributions Subaccount and ESOP Account. The lump sum payment by the Participant is immediately 100% vested and will be credited to the Participant's Account Balance and ESOP Account.

(c) If any amounts to be restored to a Participant's Employer Contributions Subaccount and ESOP Account have been forfeited under paragraph (a) above, those amounts will be taken first from any forfeitures which have not as yet been applied against Employer Contributions and if any amounts remain to be restored, the Employer will make a special Employer Contribution equal to those amounts.

(d) A Participant shall elect how to invest the repayment at the time of the repayment.

7.02 Death

Upon the death of a Participant, the entire amount to the credit of his or her Account Balance (including any amount due under any outstanding loan pursuant to Article 9) will be distributed to his or her Beneficiary in accordance with Section 11.03 as soon as practicable after the calendar month in which his or her death occurs.

7.03 Withdrawals

(a) A CECONY or CEI Participant may request an in-service cash withdrawal from his or her vested Account Balance of amounts other than Pre-Tax Contributions, by making a withdrawal application in such manner and on such conditions as may be prescribed by the Plan Administrator. In-service withdrawals of Pre-Tax Contributions are restricted, as described herein. Payment of the amount withdrawn will be made as soon as practicable after such application has been completed and processed. Withdrawal requests by CECONY or CEI Participants are permitted up to four times in any calendar year and only in accordance with the following terms: Withdrawals will be made on an average cost basis within each category below and pro rata from the CECONY or CEI Participant's Account Balance available for withdrawal. A CECONY or CEI Participant may at any time withdraw an amount up to the entire vested amount to the credit of his or her After-Tax and Employer Contribution Subaccounts, and ESOP Account except that a CECONY Weekly Participant may not withdraw an amount attributable to an Employer Contribution until December 31st, of the third calendar year—and a CECONY Management Participant or CEI Participant, of the second calendar year—beginning after the calendar month for which the Employer Contribution was made. A CECONY or CEI Participant will not be permitted to make any such withdrawal amounting to less than $300 unless the maximum amount available under this paragraph is less than $300 in which case the CECONY or CEI Participant will only be permitted to withdraw such maximum amount. Withdrawals will be made in the following order from a CECONY or CEI Participant's Account Balance:

(1) If the CECONY or CEI Participant requests a nontaxable withdrawal:

- **(i)** Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon, and
- **(ii)** Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon.

(2) If the CECONY or CEI Participant requests a taxable withdrawal, without incurring a suspension as provided below:

- **(i)** Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

(ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

(iii) Non-Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;

(iv) Participating After-Tax Contributions made on or after January 1, 1987, that have been in the Account for two full calendar years after the year contributed for a CECONY Management or CEI Participant and three full calendar years after the year contributed for a CECONY Weekly Participant, including any earnings thereon;

(v) Any earnings attributable to Non-Participating After-Tax Contributions made before January 1, 1987;

(vi) Any earnings attributable to Participating After-Tax Contributions made before January 1, 1987; and

(vii) Employer Contributions that have not been in the CECONY Weekly Participant's Account for three, or in a CECONY Management or CEI Participant's Account for two, full calendar years after the contribution year, including any earnings thereon.

(3) If the CECONY or CEI Participant requests a taxable withdrawal resulting in a suspension as provided below:

(i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

(ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

(iii) Non-Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;

(iv) Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;

(v) Any earnings attributable to Non-Participating After-Tax Contributions made before January 1, 1987;

(vi) Any earnings attributable to Participating After-Tax Contributions made before January 1, 1987; and

(vii) Employer Contributions that have not been in the Account for three full calendar years for a CECONY Weekly Participant and two full calendar years for a

CECONY Management or CEI Participant, after the contribution year, including any earnings thereon.

A CECONY or CEI Participant who has withdrawn at least the entire amount available in his or her After-Tax, Employer Contribution Subaccount and ESOP Account without incurring a suspension may at any time withdraw an amount up to the entire amount to the credit of his or her Rollover Contribution Subaccount.

A CECONY or CEI Participant who has attained the age of fifty-nine and one-half and who has withdrawn at least the entire vested amount available for withdrawal in his or her After-Tax Contribution Subaccount, Employer Contribution Subaccount, ESOP Account and Rollover Contribution Subaccount without incurring a suspension, may withdraw an amount up to the entire amount to the credit of his or her Pre-tax Contribution Subaccount in the following order:

(4) If the CECONY or CEI Participant requests a withdrawal, without resulting in a suspension:

- **(i)** Non-Participating Pre-Tax Contributions, including any earnings thereon, and
- **(ii)** Participating Pre-Tax Contributions that have been in the Account for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the year contributed, including any earnings thereon.

(5) If the CECONY or CEI Participant requests a withdrawal resulting in a suspension:

- **(i)** Participating After-Tax Contributions, made on or after January 1, 1987 that have been in the Account for less than three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the contribution year, including any earning thereon;
- **(ii)** Non-Participating Pre-Tax Contributions, including any earnings thereon; and
- **(iii)** Participating Pre-Tax Contributions including any earnings thereon.

A CECONY or CEI Participant shall not be permitted to make any such withdrawal amounting to less than $300 unless the maximum amount available is less than $300 in which case the CECONY or CEI Participant shall only be permitted to withdraw such maximum amount.

Notwithstanding the preceding subparagraphs, a CECONY or CEI Participant may not withdraw any amount that would cause his or her Account Balance to be less than the minimum amount required under Section 9.12.

In the event a CECONY or CEI Participant withdraws any amounts which represent After-Tax Participating Contributions made at any time during the three full calendar years for a CECONY

Weekly Participant and two full calendar years for a CECONY or CEI Management Participant, preceding the calendar year in which the withdrawal is made, the CECONY or CEI Participant's right to make any contributions to the Plan shall be suspended throughout all Payroll Periods commencing during the six full calendar months as soon as practicable following the withdrawal. To resume contributions following such suspension, the CECONY or CEI Participant must elect on or before such day, in such manner and on such conditions as may be prescribed by the Plan Administrator, to resume making contributions.

(b) An O&R Hourly Participant who has attained the age of fifty-nine and one-half may request an in-service cash withdrawal. He or she may withdraw all or a portion of his or her Account Balance attributable to Pre-Tax Contributions and Rollover Contributions and income credited thereon (other than any portion of his or her Account Balance attributable to an outstanding loan balance), except that he or she may not withdraw such amount to the extent that under applicable state law such contributions and/or earnings, whether or not withdrawn, would be subject to state income tax if such O&R Hourly Participant had the right to withdraw it from his or her Account Balance. Such request may be made only once each twelve-month period and may not be for an amount of less than $500 or the entire amount available for withdrawal. Effective January 1, 2002, withdrawals may be made up to four times in a year and the minimum amount that may be withdrawn is reduced to $300.

(c) An O&R Management Participant may request a withdrawal from his or her Account Balance which is attributable to After-Tax Contributions in such manner and on such conditions as may be prescribed by the Plan Administrator. Additionally, an O&R Management Participant who is at least age fifty-nine and one-half may withdraw during employment all or a portion of his or her Account Balance which is attributable to Pre-Tax Contributions and Rollover Contributions and income credited thereon (except for any portion of his or her Account Balance attributable to an outstanding loan balance), except that he or she may not withdraw such amount to the extent that under applicable state law such contributions and/or earnings, whether or not withdrawn, would be subject to state income tax if such O&R Management Participant had the right to withdraw it from his or her Account Balance. Such requests may be made only once each twelve month period and may not be for an amount of less than $500 or the entire amount available for withdrawal. Effective January 1, 2002, withdrawals, when available, may be made up to four times in a year and the minimum amount that may be withdrawn is reduced to $300.

7.04 Hardship Withdrawals

A Participant may, in the event of hardship, withdraw all or any part of the amount of Pre-Tax Contributions to the credit of the Account Balance of the Participant (excluding any earnings after December 31, 1998, attributable to Pre-Tax Contributions) in excess of any minimum Account Balance required under Section 9.09. An O&R Participant may also withdraw the income credited after De - -

cember 31, 1988, attributable to Transferred Employer PAYSOP Contributions and Rollover Contributions and income attributable to After-Tax Contributions if such income is subject to the restrictions on withdrawal pursuant to Section 7.03. A Participant may apply for a hardship withdrawal in such manner and on such conditions as may be prescribed by the Plan Administrator. A Participant shall be deemed to have a hardship if the Participant has an immediate and heavy financial need and if the withdrawal is necessary to satisfy such financial need as set forth below. The Plan Administrator or his or her delegate shall determine whether the Participant satisfies the requirements for a hardship and the amount of any hardship withdrawal. Any withdrawal under this Section shall be made pro-rata from the Participant's balances in the Investment Funds from which withdrawal may be made as provided in Section 7.03. A withdrawal pursuant to this Section 7.04 shall not be subject to the limitations on number of withdrawals permitted under Section 7.03.

(a) Immediate and Heavy Financial Need. A Participant will be deemed to have an immediate and heavy financial need if the withdrawal is to made on account of any of the following:

(1) Medical expenses described in Code Section 213(d) previously incurred by the Participant, the Participant's spouse or any dependent, (as defined in Code Section 152), of the Participant, or expenses necessary for those persons to obtain medical care described in Code Section 213(d);

(2) Costs directly related to the purchase, excluding mortgage payments, of a principal residence for the Participant;

(3) Payment of tuition, related educational fees, and room and board expenses for the next twelve-months of post- secondary education for the Participant, or the Participant's spouse, children or dependents;

(4) Payment of amounts necessary to prevent the eviction of the Participant from his or her principal residence or to avoid foreclosure on the mortgage of the Participant's principal residence;

(5) Payment of funeral expenses for a family member;

(6) Any other need added to the foregoing items of deemed immediate and heavy financial needs by the Commissioner of the Internal Revenue Service through the publication of revenue rulings, notices and other documents of general availability, rather than on an individual basis.

(7) A Participant shall not be permitted to make a withdrawal in the event of a hardship on account of any reason other than as set forth above.

(b) Necessary to Satisfy Such Need. The requested withdrawal will not be treated as necessary to satisfy the Participant's immediate and heavy financial need to the extent that the amount of the requested withdrawal is in excess of the amount required to relieve the financial need or to the extent such need may be satisfied from other sources that are reasonably available to the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the hardship withdrawal. The Participant must request, on such form or otherwise as the Plan Administrator or his or her delegate may prescribe, that the Plan Administrator or his or her delegate made its determination of the necessity for the withdrawal solely on the basis of the Participant/s certification, without any supporting documents. In the event the Plan Administrator or his or her delegate shall make such determination provided all of the following requirements are met: (1) the Participant has obtained all distributions and withdrawals, other than distributions available only on account of hardship, and all nontaxable loans currently available under all plans of the Company and Affiliates, (2) the Participant is prohibited from making Pre-Tax Contributions and After-Tax Contributions to the Plan and all other plans of the Company and Affiliates under the terms of such plans or by means of an otherwise legally enforceable agreement for at least 12 months, or beginning on or after January 1, 2002, six months, after receipt of the distribution, and (3) the limitation described in Section 3.02 under all plans of the Company and Affiliates for the calendar year following the year in which the distribution is made must be reduced by the Participant's Pre-Tax Contributions made prior to such distribution in the calendar year of the distribution for hardship. All other plans of the Company and Affiliates means all qualified and non-qualified plans of deferred compensation maintained by the Company and Affiliates and includes a stock option, stock purchase (including the Company's Discount Stock Purchase Plan), qualified and non-qualified deferred compensation plans and such other plans as may be designated under regulations issued under Code Section 401(k), but shall not include health and welfare benefit plans.

7.05 Distribution from Company Stock Fund

Where an amount to be distributed pursuant to Section 7.02, 7.03 or 14.10 is represented in part by Units, the distributee may elect, in such manner and on such conditions as may be prescribed by the Plan Administrator, to have distributed the number of whole Shares represented by such Units, together with an amount of dollars representing the balance of the current value of such Units. In the absence of such an election, the distribution shall be made entirely in cash. Withdrawals for hardships or loans to be made from the Company Stock Fund shall be made entirely in cash.

7.06 Leaves of Absence

If a Participant is granted an unpaid leave of absence by an Employer, such event will not be deemed a termination of service, but such Participant's Pre-Tax Contributions and After-Tax Contributions under this Plan will be suspended as of the last day of the Payroll Period in which such leave commences. Such Participant may resume making Pre-Tax Contributions and After-Tax Contributions, as of a Payroll Period following the termination of such leave of absence, by making a new payroll deduction authorization in such manner and on such conditions as may be prescribed by the Plan Administrator. Notwithstanding the preceding sentence, and the provisions of Section 7.04, if a Participant makes a hardship withdrawal while on a leave of absence, any suspension of such Participant's right to make Pre-Tax or After-Tax Contributions which shall result from such withdrawal shall begin with the first Payroll Period beginning after such leave of absence.

7.07 Age 70 1/2 Required Distribution

(a) A Participant who attains age 70 1/2 on or after January 1, 2000, shall begin his or her distribution of his or her Account Balance no later than the April 1st following the later of the calendar year in which he or she attains age 70 1/2 or the calendar year in which the Participant terminates employment.

(b) In the event a Participant in active service was required prior to January 1, 2000 to begin receiving payments while in service under the provisions of a Prior Plan, the Plan shall distribute to the Participant in each distribution calendar year the minimum amount required to satisfy the provisions of Code Section 401(a)(9) provided; however, that the payment for the first distribution calendar year shall be made on or before April 1 of the following calendar year. Such minimum amount will be determined on the basis of the joint life expectancy of the Participant and his or her Beneficiary. Such life expectancy will be recalculated once each year; however, the life expectancy of the Beneficiary will not be recalculated if the Beneficiary is not the Participant's spouse. The amount of the withdrawal shall be allocated among the Investment Funds in proportion to the value of the Account Balance as of the date of each withdrawal. The commencement of payments under this Section shall not constitute an Annuity Starting Date for purposes of Code Sections 72, 401(a)(11) and 417. Upon the Participant's subsequent termination of employment, payment of the Participant's Account Balance shall be made in accordance with the provisions of Section 7.08.

(c) With respect to distributions under the Plan made in calendar years beginning on or after January 1, 2000, the Plan will apply the minimum distribution requirements of Code Section 401(a)(9) that were proposed in January 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Code Section 401(a)(9) or such other date specified in guidance published by the Internal Revenue Service.

7.08 Form and Timing of Distributions

(a) Timing of Distributions. Upon termination from employment with the Company and any Affiliate service, distributions will be made as follows:

(1) if the vested portion of the Participant's Account Balance equals $5000 or less, his or her Account Balance will be distributed in a single lump sum as soon as practicable but not later than 60 days after the end of the calendar year in which the Participant's termination from employment occurs; or

(2) unless the Participant consents to a distribution upon termination from employment, if the vested portion of the Participant's Account Balance exceeds $5000, distribution will be deferred until April 1 of the calendar year following the calendar year in which the Participant attains age 70 $^1/_2$ unless, and until, the Participant elects an earlier distribution under Section 7.08(b).

(3) Termination of employment entitling a Participant to a distribution does not occur in the event of a corporate transaction in which there is a transfer of the Account Balances of Participants affected by the corporate transaction to a plan maintained or created by the affected Participant's new employer.

(b) The Participant may elect an immediate or deferred distribution, subject to Code Section 401 (a)(9), Article XIV, if applicable, and, in such manner and on such conditions as may be prescribed by the Plan Administrator, any of the following:

(1) a distribution of the Participant's Vested Account Balance in a single lump sum;

(2) monthly, quarterly or annual periodic installment payments in a fixed dollar amount or fixed percentage amount, up to a 15-year period; or

(3) a distribution of all or part of the Participant's Vested Account Balance.

(c) If a Participant's distribution is deferred until April 1 of the calendar year following the calendar year in which the Participant attains again 70 $^1/_2$, the Participant may elect, in such manner and on such condition s as may be presented by the Plan administrator;

(1) a distribution in a single lump sum, or

(2) a distribution in the required minimum amounts and over the applicable distribution period prescribed under the Code's minimum distribution rules. If the Participant fails to make an election, the distribution shall be made in a single lump sum;

(d) Any distribution of less than all of a Participant's Vested Account Balance shall be made pro-rata from the Investment Funds in which the Account Balance in invested.

7.09 Proof of Death and Right of Beneficiary or Other Person

The Plan Administrator may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the vested Account Balance of a deceased Participant as the Plan Administrator may deem proper, and his or her determination of the right of that Beneficiary or other person to receive payment will be conclusive.

7.10 Distribution Limitation

Notwithstanding any other provision of this Article 7, all distributions from this Plan shall conform to the regulations issued under Code Section 401(a)(9), including the incidental death benefit provisions of Code Section 401(a)(9)(G). Such regulations override any Plan provision that is inconsistent with Code Section 401(a)(9).

7.11 Direct Rollover of Certain Distributions

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, in such manner and on such conditions as may be prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover. The following definitions apply to the terms used in this Section:

(a) Eligible Rollover Distribution means any distribution of all or any portion of the balance to the credit of the Distributee. An Eligible Rollover Distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more or any distribution to the extent such distribution is required under Code Section 401(a)(9). Any amount that is distributed on account of hardship is not an Eligible Rollover Distribution. The Distributee may not elect to have any portion of a hardship distribution paid directly to an Eligible Retirement Plan. Effective beginning January 1, 2002, a distribution does not fail to be an Eligible Rollover Distribution solely because it includes after-tax employee contributions that are not includible in gross income. The portion attributable to after-tax contributions may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(b) Eligible Retirement Plan means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a) that is a defined contribution plan, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity. Effective January 1, 2002, Eligible Retirement Plan also means an annuity plan described in Code Section 403(b), and an eligible plan under Code Section 457(b) maintained by a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, including separately accounting for the portion of such distribution that is includible in gross income and the portion of such distribution that is not so includible.

(c) Distributee means an Employee, former employee, the surviving spouse of the Employee or Former Employee, spouse or former spouse of an Employee or Former Employee who is the alternate payee under a qualified domestic relations order as defined in Code Section 414(p), are Distributees.

(d) Direct rollover means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

ARTICLE VIII

Non-Discrimination and Limitation

8.01 Actual Deferral Percentage Test

(a) Separate Testing Groups. Solely for purposes of determining whether the Plan satisfies the Average ADP tests, the Plan will be tested as if it were four separate plans (“Testing Plan”): (1) a Plan covering CECONY Management Employees, O&R Management Employees and CEI Employees (“Management Employees”), (2) a Testing Plan covering O&R Hourly Employees(“O&RU”), (3) a plan covering Local 1-2 Employees (“Local 1-2U”) and, (4) a plan covering Local 3 Employees (“Local 3U”). Each employee in the O&RU, Local 1-2U, and Local 3U is referred to as a “Union Employee.” Solely for purposes of determining whether a Testing Plan satisfies the ADP test (“ADP Test”), an Employee who is under age 21 or has less than one Year of Service is not taken into account as an Eligible Employee.

(b) The Average ADP for both Highly Compensated Management Employees (“HCMEs”) and for Highly Compensated Union Employees (“HCUEs”), respectively, who are, or are eligible to become, Participants may not exceed the greater of:

(i) the Average ADP for Non-Highly Compensated Management Employees (“NHCMEs”) or Non-Highly Compensation Union Employees (“NHCUEs”), respectively, who are, or eligible to become, Participants multiplied by 1.25; or

(ii) the Average Actual Deferral Percentage for HCMEs or HCUEs, respectively, multiplied by 2.0, but not more than 2 percentage points in excess of the Average Actual Deferral Percentage for the NHCMEs or NHCUEs, respectively.

(c) During a Plan Year, the Plan Administrator may implement rules limiting the Pre-Tax Contributions which may be made on behalf of some or all of either the HCMEs or HCUEs so that this limitation is satisfied. If the Plan Administrator determines that the limitation has been exceeded in any Plan Year, the following provisions apply:

(1) The amount of Pre-Tax Contributions made by either the HCMEs or HCUEs, as applicable, will be reduced by a leveling process under which the Pre-Tax Contributions of the HCME or HCUE, as applicable, with the highest dollar amount of Pre-Tax Contributions shall be reduced to the extent necessary to completely eliminate the excess Pre-Tax Contribution or cause such Pre-Tax Contributions to equal the amount of such contributions of the HCME or HCUE, as applicable, with the next highest dollar amount of Pre-Tax Contribution. This process will be repeated until the excess Pre-Tax Contribution is eliminated. Effective for Plan Years beginning after December 31, 1996, excess Pre-Tax Contributions is determined using the “ratio leveling” method and distributed using the “dollar leveling” method. Accordingly, excess Pre-Tax Contributions are allocated to the HCME or HCUE with the largest amounts of Employer

Contributions taken into account in calculating the ADP test for the year in which the excess arose, beginning with the HCME or HCUE with the largest amount of such employer contributions and continuing in descending order until all the Excess Pre-Tax Contributions have been allocated. The largest amount is determined after distribution of any excess contributions.

(2) Excess Pre-Tax Contributions, together with Earnings, will be paid to the Participant before the close of the Plan Year following the Plan Year in which the excess Pre-Tax Contributions were made and, to the extent practicable, within 2 1/2 months of the close of the Plan Year in which the Excess Pre-Tax Contributions were made. However, any Excess Pre-Tax Contributions for any Plan Year will be reduced by any Pre-Tax Contributions previously returned to the Participant for that Plan Year. If any returned Excess Pre-Tax Contributions were matched by Employer Contributions, such corresponding Employer Contributions, with Earnings will be forfeited and used to reduce Employer Contributions. The Participant, other than an O&R HCUE, may elect, in lieu of a return of the Excess Pre-Tax Contributions to have the Plan treat all or a portion of the Excess Pre-Tax Contributions to the Plan as After-Tax Contributions for the Plan Year in which the Excess Pre-Tax Contributions were made, subject to the limitations of Section 3.01. Re-characterized Excess Pre-Tax Contributions shall be considered After-Tax Contributions made in the Plan Year to which the Excess Pre-Tax Contributions relate for purposes of Section 8.02 and shall be subject to the withdrawal provisions applicable to After-Tax Contributions under Article 7. The Participant's election to re-characterize Excess Pre-Tax Contributions shall be made within 2 1/2 months of the close of the Plan Year in which the Excess Pre-Tax Contributions were made or within such shorter period as the Plan Administrator may prescribe. In the absence of a timely election by the Participant, the Plan shall return Excess Pre-Tax Contributions.

8.02 Actual Contribution Percentage Test

(a) Solely for purposes of determining whether the Plan satisfies the Average Contribution Percentage test, the Plan will not test Union Employees. The Plan will test only the Management Employees.

(b) The Average Contribution Percentage for HCMEs who are, or eligible to become, Participants may not exceed the Average Contribution Percentage of NHCMEs who are, or are eligible to become, Participants multiplied by 1.25. If the Average Contribution Percentage for the HCMEs does not meet the foregoing test, the Average Contribution Percentage for HCMEs may not exceed the Average Actual Contribution Percentage of NHCMEs who are, or eligible to become, Participants by more than two percentage points, and the Average Contribution Percentage for HCMEs may not be more than 2.0 times the Average Contribution Percentage for NHCMEs (or such lesser amount as the Plan Administrator shall determine to satisfy the provisions of Section 8.03). During a Plan Year, the Plan Administrator may implement rules limiting the After-Tax Contributions which may be made by some or all HCMEs so that this limitation is satisfied. If the Plan Administrator determines that the limitation under this Section 8.02 has been exceeded in any Plan Year, the following provisions shall apply:

(1) The amount of After-Tax Contributions and Employer Contributions made by or on behalf of some or all HCMEs in the Plan Year shall be reduced in the same leveling manner as Excess Pre-Tax Contributions are reduced.

(2) Any Excess Aggregate Contributions will be reduced and allocated in the following order:

(i) Non-Participating After-Tax Contributions, to the extent of the Excess Aggregate Contributions, will be paid to the Participant; and then, if necessary,

(ii) so much of the Participating After-Tax Contributions and corresponding Employer Contributions, as is necessary to meet the test will be reduced, with the After-Tax Contributions, together with Earnings, being paid to the Participant and the Employer Contributions, together with Earnings, being reduced, with vested Employer Contributions being paid to the Participant and Employer Contributions which are forfeitable under the Plan being forfeited and applied to reduce Employer Contributions; then if necessary,

(iii) so much of the Employer Contributions, together with Earnings, as is necessary to equal the balance of the Excess Aggregate Contributions will be reduced, with vested Employer Contributions being paid to the Participant and Employer Contributions which are forfeitable under the Plan being forfeited and applied to reduce Employer Contributions.

(c) Any repayment or forfeiture of Excess Aggregate Contributions will be made before the close of the Plan Year following the Plan Year for which the Excess Aggregate Contributions were made and, to the extent practicable, any repayments or forfeiture will be made within 2 1/2 months of the close of the Plan Year in which the Excess Aggregate Contributions were made.

8.03 Separate Non-Discrimination Testing

Effective for Plan Years beginning on and after January 1, 2002, solely for purposes of determining whether the Thrift Plan and the ESOP satisfy the Average Actual Deferral Percentage Test and the Average Contribution Percentage all Employer Contributions allocated to the Company Stock Fund are treated as contributions to the ESOP and tested separately.

8.04 Maximum Annual Additions

(a) Except to the extent permitting Catch-Up Contributions in accordance with Code Section 414(v), the annual addition to a Participant's Account Balance for any Plan Year, (the "Limitation Year") when added to the Participant's annual addition for the Limitation Year under any other qualified defined contribution plan of the Company or an Affiliate, may not exceed the lesser of (1) 25% or, for Plan Years beginning on January 1, 2002, 100%, of his or her Compensation for the Plan Year or (2) the greater of $30,000 or, for Plan Years beginning on January 1, 2002, $40,000, as adjusted for increases in the Cost-Of-Living Adjustment.

(b) For purposes of this Section, the annual addition to a Participant's Account Balance under this Plan or any other qualified defined contribution plan maintained by the Company or an Affiliate will be the sum of:

(1) the total contributions, including Pre-Tax Contributions, made on the Participant's behalf by each Employer and all Affiliates,

(2) all After-Tax Contributions, exclusive of any Rollover Contributions,

(3) all Employer Contributions; and

(4) forfeitures, if applicable, that have been allocated to the Participant's Account Balance under this Plan or his or her accounts under any other such qualified defined contribution plan. Any Pre-Tax Contributions distributed under Section 8.01 and any Employer Contributions or After-Tax Contributions distributed or forfeited under the provisions of Section 3.01, 8.01, 8.02 or 8.03 shall be included in the annual addition for the year allocated.

(c) If the annual addition to a Participant's Account Balance for any Plan Year, prior to the application of the limitation set forth in paragraph (a) above, exceeds that limitation due to a reasonable error in estimating a Participant's Compensation or in determining the amount of Pre-Tax Contributions that may be made with respect to a Participant under Code Section 415, or as the result of the allocation of forfeitures, the amount of contributions credited to the Participant's Account Balance in that Plan Year shall be adjusted to the extent necessary to satisfy that limitation in accordance with the following order of priority:

(1) The Participant's Non-Participating After-Tax Contributions shall be reduced to the extent necessary. The amount of the reduction shall be returned to the Participant, together with any earnings on the contributions to be returned.

(2) The Participant's Non-Participating Pre-Tax Contributions shall be reduced to the extent necessary. The amount of the reduction shall be returned to the Participant, together with any earnings on the contributions to be returned.

(3) The Participant's Participating After-Tax Contributions and corresponding Employer Contributions shall be reduced to the extent necessary. The amount of the reduction attributable to the Participant's Participating After-Tax Contributions shall be returned to the Participant, together with any earnings on those contributions to be returned, and the amount attributable to the Employer Contributions shall be forfeited and used to reduce subsequent contributions payable by the affected Employer.

(4) The Participant's Participating Pre-Tax Contributions and corresponding Employer Contributions shall be reduced to the extent necessary. The amount of the reduction attributable to the Participant's Participating Pre-Tax Contributions shall be returned to the Participant, together with any earnings on those contributions to be returned, and the amount attributable to the Employer Contributions shall be forfeited and used to reduce subsequent contributions payable by the affected Employer.

(d) Any Pre-Tax Contributions returned to a Participant under this paragraph (d) shall be disregarded in applying the dollar limitation of Pre-Tax Contributions under Section 3.01(b), and in performing the Actual Deferral Percentage Test under Section 8.01. Any After-Tax Contributions returned shall be disregarded in performing the Actual Contribution Percentage Test under Section 8.02.

ARTICLE IX

Loans

9.01 Loans Permitted

Upon terms and conditions set forth in this Article 9, and in accordance with such uniform rules as the Plan Administrator may adopt, a Participant who is not on a leave of absence and remains on the active payroll may borrow from his or her Account Balance. The Plan Administrator or his or her delegate is authorized to administer the loan program under this Article 9. Any Participant who is an Employee, a former Employee, or a Beneficiary of an O&R Participant, and who is also a "party-in-interest" (as defined in Section 3(14) of ERISA) to the Plan, may borrow from his or her Account Balance.

9.02 Amount of Loans

The minimum amount of any loan is $1,000 for a CECONY or CEI Participant and $500 for an O&R Participant. Effective January 1, 2002, the minimum amount of a loan for a CECONY or CEI Participant will be $500. The amount of any loan to a Participant may not exceed the lesser of (a) or (b), where (a) is $50,000 reduced by the excess (if any) of (i) the highest outstanding balance of loans to the Participant from the Plan during the one-year period ending on the day before the date on which such loan is made, over (ii) the outstanding balance of loans to the Participant from the Plan on the date on which such loan is made, and (b) is one-half of the vested portion of the Participant's Account Balance. Outstanding balance of loans means the outstanding amount of all loans from the Plan and any other qualified plans of the Company or an Affiliate.

9.03 Source of Loans

(a) Funds for loans from a Participant's Account Balance shall be taken from the Participant's Subaccounts in the following order:

(1) For a CECONY Participant:

(i) Non-Participating Pre-Tax Contributions and Earnings;

(ii) Participating Pre-Tax Contributions and Earnings;

(iii) Rollover Contributions and Earnings;

(iv) Vested Employer Contributions and Earnings that have been in the Account Balance for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the contribution year and Earnings;

(v) Non-Participating After-Tax Contributions and Earnings; and

(vi) Participating After-Tax Contributions and Earnings.

(2) For an O&R Participant:

(i) Pre-Tax Contributions and Earnings;

(ii) Rollover Contributions and Earnings; and

(iii) After-tax Contributions and Earnings.

(b) No loan will be made from a Subaccount or a part of a Subaccount until the entire balance in the Subaccount or part of the Subaccount preceding it on the above list has been exhausted. Within each Subaccount or part thereof, funds for loans will be taken on an average cost basis and pro-rata from each Investment Fund within the Subaccount or part of the Subaccount, and such pro-rata portion of each Investment Fund will be converted to cash for the loan based upon the market value of the investment on the date of conversion.

9.04 Interest Rate

The interest rate to be charged on loans will be a reasonable rate of interest determined from time to time by the Plan Administrator. In determining such rate the Plan Administrator seeks to provide to the Plan a rate of return commensurate with the interest rates charged by persons in the business of lending money for loans that would be made under similar circumstances on the date the loan is approved. The interest rate will be fixed for the entire term of the loan.

Effective for loans originating before January 1, 2001, the interest rate to be charged to an O&R Participant is the effective interest rate charged by the Orange and Rockland Employees' Federal Credit Union for a 48 month share-secured loan. The interest rate to be charged for a principal residence loan to an O&R Management Participant will be based upon Federal National Mortgage Association mortgage rates. Effective for loans originating after January 1, 2001, the interest rate to be charged to an O&R Participant will be the same interest rate applicable to a CECONY Participant.

9.05 Repayment

The Participant may select a period of one, two, three, four or five years for repayment of a loan, except that the Participant may, at his or her option, select a longer period of whole years, not exceeding ten, (20 in the case of an O&R Management Participant) for repayment of a loan for the purpose of purchasing his or her principal residence. Repayment will be made by level payments, not less frequently than quarterly, in such amount as shall be sufficient to pay the principal and interest thereon over the period for repayment. Repayment shall be made by payroll deductions, except that in the case of a Participant who is not on the active payroll, repayments may continue to be made by check or other similar means as the Plan Administrator shall determine. Prepayment by a CECONY Weekly Participant of a loan in full, without penalty, may be made only after 52 weekly payments have been made. Prepayment by an O&R Participant of a loan in full, without penalty, and prepayment by a CECONY Management or CEI Participant of a loan in full or in part, without penalty, may be made at any time by personal check or money order. The amount of each loan payment shall be placed into the Investment Funds, except the Company Stock Fund, in accordance with the most recent investment election made by the Participant with respect to the Participant's Contributions. Notwithstanding the foregoing, a loan which is made to a Participant who is an Employee shall become due and payable in full upon the Employee's termination of employ - -

ment; provided, however, that if a Participant becomes an employee of a buyer or one of its affiliates following the sale of the Company's or an Affiliate's assets, and if the Participant's Account is transferred to a qualified plan maintained by the buyer or one of its affiliates (the "Buyer's Plan"), any outstanding loan at his or her termination of employment with the Company will not be due and payable in full at termination but will instead be transferred to the Buyer's Plan.

9.06 Multiple Loans

A CECONY Weekly Participant may not have more than one loan outstanding at a time. A CECONY Management or CEI Participant may not have more than one loan granted in a calendar year unless all earlier loans made in the same calendar year to the Participant shall have been repaid in full. An O&R Participant may not have more than one loan outstanding at any time and may make a request for a loan only once in a twelve month period.

9.07 Pledge

The vested portion of the Participant's Account Balance shall be pledged as security for all loans to the Participant. The amount pledged shall not be greater than fifty percent of the Participant's vested portion. If a default occurs in the repayment of a loan, the entire unpaid principal balance plus accrued interest, if any: (i) will be charged, when the Participant becomes eligible to receive a distribution, against that portion of the Participant's vested portion which serves as security for the loan; (ii) will be deducted, if a distribution is to made, from the amount payable to the Participant or the Participant's Beneficiary; or (iii) if neither (i) nor (ii) applies, will continue to encumber that portion of the Participant's vested portion that serves as security for the loan.

9.08 Loan Reserve

The amount of each loan to a Participant will be transferred from the portion of the Trust Fund held for the Participant's Account Balance and invested pursuant to Section 5.02 to a special Loan Reserve maintained for such Participant's Account Balance. Such Loan Reserve will be invested solely in the loan or loans made to the Participant. Payments on any such loan will reduce the Participant's Loan Reserve and will be reinvested for the Participant's Account Balance in accordance with Section 9.05.

9.09 Minimum Account Balance

So long as any amount of a loan remains outstanding to a Participant, the Participant may not make any withdrawal from his or her Account Balance that would reduce the value of his or her vested portion to less than his or her Loan Reserve.

9.10 Other Terms

Each loan will be evidenced by a promissory note payable to the Trustee. The terms and conditions of any loan may be adjusted at any time, to the extent determined by the Plan Administrator, to be necessary for compliance with law or to maintain the qualification of the Plan under the Code.

ARTICLE X
Administration of the Plan, ESOP and TRASOP

10.01 Named Fiduciaries and Plan Administrator of Plan ESOP and TRASOP

The following persons from time to time occupying the following offices of CECONY are hereby designated as Named Fiduciaries: Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. CECONY may designate other persons who, upon acceptance of such designation, shall serve as Named Fiduciaries either instead of or in addition to those named above. Any such designation and acceptance shall be in writing and retained by the Plan Administrator. The Named Fiduciaries shall act by majority rule. The Named Fiduciaries shall appoint from among the officers of CECONY a Plan Administrator who shall serve at the discretion of the Named Fiduciaries. The Plan Administrator shall serve without compensation for his or her services as such and shall act solely in the interest of the Participants and their Beneficiaries.

Solely in this Article X, the term Plan includes the Thrift Savings Plan, the ESOP and the TRASOP unless the context clearly designates otherwise.

10.02 Authority of Plan Administrator

The Plan Administrator has the discretionary authority to control and manage the operation and administration of the Plan, ESOP, and TRASOP and, without limiting the generality of the foregoing, shall interpret the Plan, ESOP, determine eligibility for benefits under the Plan, determine any facts or resolve any questions relevant to the administration of the Plan, ESOP, and TRASOP and, in connection therewith, may remedy and correct any ambiguities, inconsistencies, or omissions in the Plan, ESOP and TRASOP. Any such action taken by the Plan Administrator shall be conclusive and binding on all Participants, ESOP Participant, Beneficiaries and other persons. The Plan Administrator is authorized to make any changes to the Plan, ESOP and TRASOP that he or she, in his or her sole discretion, determines are necessary or desirable to carry out (a) the transition to Vanguard Fiduciary Trust Company as Trustee, record keeper and Investment Manager for the O&R Hourly Plan and the O&R Management Plan, (b) the addition of new Investment Funds, (c) the merger of the CECONY Management Plan, the O&R Hourly Plan and O&R Management Plan into this Plan, ESOP and TRASOP, and (d) to make any other changes to facilitate administration of the Plan, ESOP and TRASOP.

The Plan Administrator also has the authority to adopt certain amendments to the Plan, ESOP and TRASOP, which are (a) required or desirable in order to implement corporate transactions such as mergers, acquisitions and divestitures; (b) required, necessary or recommended for compliance with ERISA, the Code or other laws; or (c) necessary or desirable for uniform or efficient administration. In all cases, any amendment(s) adopted by the Plan Administrator shall neither materially nor significantly increase the Employers' or the Company's obligations or adversely affect or reduce the Account Balance of any Participant.

10.03 Reliance on Reports

The Named Fiduciaries and the Plan Administrator are entitled to rely upon any opinions, reports, or other advice that will be furnished by specialists, subject to fiduciary responsibilities imposed by ERISA.

10.04 Delegation of Authority

With approval of the Named Fiduciaries, the Plan Administrator may designate one or more persons to exercise any power, or perform any duty, of the Plan Administrator. Any such designation will be in writing and signed by the Plan Administrator and the Named Fiduciaries and a copy thereof will be delivered to the Trustee.

10.05 Administration Expenses

All expenses arising in connection with the operation and administration of the Plan will be paid by the Plan, ESOP or TRASOP, as applicable.

The expenses of administration of the TRASOP shall include, without limitation, transfer taxes, postage, brokerage commissions and other direct selling expenses incurred by the Trustee in the sale of Shares pursuant to Article XIII, losses incurred by the Trustee on funds invested pursuant to Article XIII, and fees of the Trustee in connection with the administration of TRASOP, including fees for legal services rendered to the Trustee (whether or not rendered in connection with a judicial or administrative proceeding and whether or not incurred while it is acting as Trustee), but shall excludes brokerage fees and commissions for purchases of Shares pursuant to Section 13.02, which brokerage fees and commissions shall be paid out of the dividends being reinvested thereby. Such expenses of administration of TRASOP will, to the extent permitted by law, be paid:

(i) first, out of any available income of TRASOP;

(ii) second, out of any available dividends received by the Trustee on Shares allocated to Participants pursuant to Section 13.02, which dividends have not then been applied to the purchase of additional Shares pursuant to Section 13.02; and

(iii) Third, by CECONY.

In no event shall the amounts paid by the Trustee during such Plan Year pursuant to clauses "first" and "second" above, exceed the smaller of: the sum of (x)10 percent of the first $100,000 and (y) 5 percent of an amount in excess of $100,000 of the income from dividends paid to the Trustee with respect to common stock of the Company during such Plan Year or $100,000.

10.06 Fiduciary Insurance

The Employers may purchase and carry fiduciary responsibility insurance under which each member of the Board, each Named Fiduciary, the Plan Administrator, and any person, including each employee, to whom there may be delegated any responsibility in connection with the administration of the Plan, including the Trustee, will be indemnified against any cost or expense (including counsel's fees) or liability which may be incurred arising out of any act or failure to act in the administration of this Plan, except for gross negligence or willful misconduct.

10.07 Claim Review

(a) Upon receipt from a Participant or Beneficiary of an initial claim for benefits, the Plan Administrator shall respond in writing and deliver or mail to the Participant or Beneficiary within 90 days following the date on which the initial claim is filed. If the initial claim is denied, in part or totally, the Plan Administrator shall set forth the specific reasons for the denial, written in a plain and understandable manner, with specific reference to pertinent Plan, ESOP and TRASOP provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim, an explanation of why such material or information is necessary, and an explanation of the Plan's ESOP and TRASOP claim review procedure. If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim was filed. Such an extension may not exceed a period of 90 days beyond the end of the initial period. If the claim has not been granted, and if written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(b) Claim Review Procedure. A Participant, Beneficiary, or the authorized representative of either shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Plan Administrator. The Plan Administrator shall give the Participant, Beneficiary, or the authorized representative of either an opportunity to appear to review pertinent documents, to submit issues and comments in writing, and to present evidence supporting the claim. Not later than 60 days after receipt of the request for review, the Plan Administrator shall render and furnish to the claimant a written decision which shall include specific reasons for the decision, and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Plan Administrator shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim will be deemed to have been denied on review.

(c) Exhaustion of Remedy. No claimant shall institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan until he or she has first exhausted the procedures set forth in this section.

10.08 Appointment of Trustee

The Trustee will be appointed by the Board.

10.09 Limitation of Liability

The Company, the Board, the Named Fiduciaries, the Plan Administrator, the Employers and any officer, Employee or agent of the Company and each Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Company or Employers for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such individual or the Company or Employers from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I, of ERISA.

ARTICLE XI
Miscellaneous

11.01 Exclusive Benefit—Amendments

It shall be impossible for any part of the corpus or income of the Trust Fund, ESOP Trust Fund or the TRASOP Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of Participants or Beneficiaries entitled to benefits under the Plan and for paying the expenses of the Plan. No person has any interest in, or right to, any part of the Trust Fund except as and to the extent expressly provided in the Plan. Subject to the foregoing, the Plan may be amended, in whole or in part, at any time and from time to time by the Board or pursuant to authority granted by the Board and any amendment may be given such retroactive effect as the Board or its duly authorized delegate may determine. If an Employer, other than CECONY, wishes to amend the Plan as to its participating employees, that Employer will present a resolution of its board of directors approving the proposed amendment and requesting CECONY to amend the Plan. CECONY shall have the sole discretion whether to amend the Plan as requested by an Employer.

Solely in this Article XI, the term Plan includes the Thrift Savings Plan, the ESOP and the TRASOP and reference to the Trust Fund includes the ESOP Trust Fund and the TRASOP Trust Fund, unless the context clearly designates otherwise.

11.02 Termination—Sale of Assets of Subsidiary

(a) The Plan may be partially or fully terminated or contributions may be permanently discontinued for any reason at any time by the Board. In the event of a partial or total termination of the Plan or permanent discontinuance of contributions under the Plan: (i) no contribution will be made thereafter except for a Payroll Period the last day of which coincides with or precedes such termination or discontinuance; (ii) no distribution shall be made except as provided in the Plan; (iii) the rights of all Participants to the entire amounts to the credit of their Account Balances as of the date of such termination or partial termination or discontinuance shall become 100% vested; (iv) no person shall have any right or interest except with respect to the Trust Fund; (v) any remaining forfeitures shall be considered a special Employer Contribution and shall be allocated on a pro-rata basis, based on Account Balance, to all Participants with an Account Balance as of the date of termination, partial termination or discontinuance; and (vi) the Trustee shall continue to act until the Trust Fund shall have been distributed in accordance with the Plan.

(b) Upon termination of the Plan, Pre-Tax Contributions, with Earnings, will be distributed to Participants only if neither the Company, Employers nor an Affiliate establishes or maintains a successor defined contribution plan. For purposes of this paragraph, a “successor defined contribution plan” is a defined contribution plan, other than an employee stock ownership plan as defined in Code Section 4975(e)(7) or a simplified employee pension as defined in Code Section 408(k) which exists at the time the Plan is terminated or within the 12-month period beginning on the date all assets are distributed. A defined contribution plan will not be deemed a successor plan if fewer than two percent of the Employees who are eligible to participate in the Plan at the time of its termination are or were eligible to participate under another defined contribution plan of the Company or an Affiliate (other than an ESOP or a SEP) at any time during the period beginning 12 months before and ending 12 months after the date of the Plan's termination.

11.03 Beneficiaries

Upon the death of a Participant, his or her Account Balance shall be payable in a lump sum to his or her surviving spouse. If there is no surviving spouse or the surviving spouse has consented, in the manner provided in this Section 11.03, to a designation of a Beneficiary in addition to or instead of such spouse, and such designation is in effect at the time of the Participant's death, the Participant's Account Balance will be paid to such Beneficiary. Effective beginning June 1, 2002, the surviving spouse or Beneficiary(ies) may elect to take a distribution in monthly, quarterly or yearly installments up to but not exceeding a 15-year period; providing, however, that any distribution election is consistent with Code Section 401(a)(9) and the regulations promulgated thereunder. Each Participant may designate a primary or contingent Beneficiary or Beneficiaries in the event of the death of the Participant prior to distribution of such benefits. The Participant may file a written designation with the Plan, on a form furnished by the Plan Administrator, or his or her delegate. Such designation shall be effective only if (1) such designation is accompanied by the written consent of the Participant's spouse which acknowledges the effect on the spouse of the designation and it witnessed by a notary public, or (2) the Participant if not married. Any such designation made by an unmarried Participant shall become null and void in the event the unmarried Participant marries before his or her Annuity Starting Date. Any consent of a spouse shall be effective only with respect to such spouse. If, at the time of a Participant's death, there is no surviving spouse of the Participant and no designation of a Beneficiary by such Participant is in effect, then the Participant's benefits shall be payable to his or her estate or legal representative. A Participant may revoke a designation made pursuant to this Section 11.03 by signing and filing with the Plan Administrator or his or her delegate a written instrument to that effect, in such manner and on such conditions as may be prescribed by the Plan Administrator, or by filing a new designation pursuant to this Section 11.03. The consent of a Participant's spouse may not be revoked, but such spouse's consent shall be required for every designation of a Beneficiary other than the Participant's spouse and for every change in any such designation. The requirement for spousal consent may be waived by the Plan Administrator if he or she believes there is no spouse, or the spouse cannot be located, or because of such other circumstances as may be established by applicable law.

11.04 Assignment of Benefits

(a) No Participant or Beneficiary shall have the right to assign, transfer, alienate, pledge, encumber or subject to lien any benefits to which he or she is entitled under the Plan. Nothing in this Section shall preclude payment of Plan benefits pursuant to a qualified domestic relations order as defined in Code Section 414(p) and Section 206(d) of ERISA. The Plan Administrator will establish a written procedure to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders.

(b) Notwithstanding anything herein to the contrary, if the amount payable to the alternate payee under the qualified domestic relations order is $5,000 or less, such amount shall be paid in one lump sum as soon as practicable following the qualification of the order. If the amount exceeds $5,000, it may be paid as soon as practicable following the qualification of the order if the alternate payee consents thereto; otherwise it may not be payable before the earliest of (1) the Participant's termination of employment, (2) the time such amount could be withdrawn under Article 7 or (3) the Participant's attainment of age 50.

(c) A Participant's Account Balance may be offset against the amount owed to the Plan as a result of a breach of fiduciary duty to the Plan or criminality involving the Plan.

The participant's Account Balance will be reduced to satisfy liabilities of the Participant to the Plan due to: (1) the Participant being convicted of committing a crime involving the Plan; (2) a civil judgment (or consent order or decree) being entered by a court in an action brought in connection with a violation of ERISA's fiduciary duty rules; or (3) a settlement agreement between the Secretary of Labor and the Participant in connection with a violation of ERISA's fiduciary rules. If the Participant is married at the time at which the offset is to be made, either the Participant's spouse must consent in writing to these offset (unless there is no spouse, the spouse cannot be located, or due to other circumstances prescribed by the Secretary pursuant to Code Section 417(a)(2)(B)), or a spousal waiver of survivor benefits must be in effect for the offset to take place. Spousal consent is not required if the spouse is ordered or required by the judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of Part 4 of Title I of ERISA. Spousal consent is not required where, in the judgment, order, decree, or settlement, the spouse retains the right to receive a 50% survivor annuity under a qualified joint and survivor annuity and under a qualified pre-retirement survivor annuity. The amount of a benefit that is so offset is includible in income on the date of the offset.

11.05 Merger

The Plan may not be merged or consolidated with, or its assets or liabilities may not be transferred to any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive immediately after the merger or consolidation, or transfer of assets or liabilities, a benefit which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had then terminated.

In the event of a corporate transaction, divestiture of assets or an Affiliate, or other corporate reorganization in which one or a group of Participants are transferred to another employer, the Plan Administrator, in his or her sole discretion, may effectuate a trust-to-trust transfer of affected Participants' Account Balance to the other employer's qualified defined contribution plan.

In the event of a corporate acquisition, merger, or other corporate reorganization in which one or a group of persons become Employees, the Plan Administrator, in his or her sole discretion, or if CECONY so requires, may accept a trust-to-trust transfer of the affected persons' Account Balance from another employer's qualified defined contribution plan to the Plan.

11.06 Conditions of Employment Not Affected by Plan

The establishment and maintenance of the Plan shall not confer any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Employers to discharge any Employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant of the Plan.

11.07 Facility of Payment

If the Plan Administrator finds that a Participant or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or is a minor, the Plan Administrator may direct that any benefit due him or her, unless claim has been made by a duly appointed legal representative, be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

11.08 Information

Each Participant, Beneficiary or other person entitled to a benefit, before any benefit is payable to him or her/on his or her account under the Plan, shall file with the Plan Administrator the information that the Plan Administrator requires to establish his or her rights and benefits under the Plan.

11.09 Additional Participating Employers

(a) If any entity is or becomes an Affiliate, the Board may include the employees of that Affiliate in the participation of the Plan upon appropriate action by that Affiliate necessary to adopt the Plan. If any person becomes an Employee as the result of a merger, a consolidation, or an acquisition of all or part of the assets or business of another company, the Board shall determine to what extent, if any, previous service with the other entity will be recognized under the Plan, subject to the continued qualification of the trust for the Plan as tax-exempt under the Code.

(b) An Employer may terminate its participation in the Plan upon appropriate action. In that event, the funds of the Plan held on account of Participants in the employ of that Affiliate, and any unpaid Account Balances of Participants who have separated from the employ of that Affiliate, shall be determined by the Plan Administrator. Those funds will be distributed as provided in and permitted under Section 11.02 if the Plan, as to that employer, is terminated, or segregated by the Trustee to a separate trust, pursuant to certification to the Trustee by the Plan Administrator, continuing the Plan as a separate plan for the employees of that Affiliate under which the board of directors of that Affiliate will succeed to all the powers and duties of the Board, including the appointment of named fiduciaries and plan administrator.

11.10 IRS Determination

All contributions made to the Trust Fund, and all loans made pursuant to Article 9, which are made prior to the receipt of a determination from the Internal Revenue Service to the effect that the Plan is a qualified plan under Code Sections 401 (a) and 401(k) or the refusal of the IRS in writing to issue such a determination, shall be made on the express condition that such determination is received. In the event the Internal Revenue Service determines that the Plan is not so qualified or refuses in writing to make such determination, such contributions, increased by any earnings thereon, and reduced by any losses thereon and by the outstanding balance (principal and interest) on any loans made under Article 9, shall be returned to the Employer(s) and Participants, as appropriate, as promptly as practicable after such determination. In the event the Internal Revenue Service requires reductions in such contributions and/or changes in the terms and conditions of such loans as a condition of its determination that the Plan is so qualified, the required reductions in contributions, increased by any earnings and reduced by any losses attributable thereto, shall be returned to the Employer(s) and Participants, as appropriate, and/or the amounts and terms and conditions of any such outstanding loans shall be modified to meet Internal Revenue Service requirements, as promptly as practicable after notification from the Internal Revenue Service. If all or part of an Employer's deductions under Code Section 404 for Employer Contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the Employer Contributions to which the disallowance applies shall be returned to that Employer without earnings thereon, but reduced by any losses attributable thereto. The return shall be made within one year after the denial of qualification or disallowance of deduction, as the case may be.

11.11 Mistaken Contributions

Any contribution made by mistake of fact shall be returnable, without any earnings thereon but reduced by any losses attributable thereto, to the Employer(s) and/or Participants, as appropriate within one year after the payment of the contribution.

11.12 Prevention of Escheat

If the Plan Administrator cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Plan Administrator may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person, as shown on the records of the Plan or Employer. If such person has not made written claim therefor within three months of the date of the mailing, the Plan Administrator may, if he or she so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the applicable Employer. Upon such cancellation, the Plan and the Trust shall have no further liability therefor except that, in the event such person or his or her beneficiary later notifies the Plan Administrator of his or her whereabouts and requests the payment or payments due to him under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

11.13 Construction

The Plan shall be construed, regulated and administered under ERISA and the laws of the State of New York, except where ERISA controls. In the event a claimant institutes an action or proceeding in any state or federal court of law or equity, the applicable “statute of limitations” for such action will be New York State statute for actions brought in contract matters.

ARTICLE XII

Top-Heavy Provisions

12.01 Application of Top-Heavy Provisions

This Article XII shall apply for purposes of determining whether the plan is a top-heavy plan under Code Section 416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefit requirements of Code Section 416(c) for such years.

12.02 Minimum Benefit for Top-Heavy Year

(a) Key Employee. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Company or Affiliate having Annual Compensation greater that $130,000 (as adjusted under Code Section 416(i)(1) beginning after December 31, 2002, a 5-percent owner of the Company or Affiliate or a 1-percent owner of the Company or Affiliate having Annual Compensation of more than $150,000. The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(b) Determination of present values and amounts. This section 12.02(b) shall apply for purposes of determining the present values of accrued benefits and the amounts of Account Balances of Employees as of the determination date.

(i) Distributions during the year ending on the determination date. The present values of accrued benefits and the amounts of Account Balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any Plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distribution under a terminated plan which, had if not been terminated, would have been aggregated with the plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting “5-year period” for “1-year period.”

(ii) Employees not performing services during year ending on the determination date. The accrued benefits and Account Balances of any individual who has not performed services for the Company or an Affiliate during the 1-year period ending on the determination date shall not be taken into account.

12.03 Minimum Benefits

Matching Contributions. Employer Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416©(2) and the Plan. Employer Con - -

tributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes for the Actual Contribution Percentage Test and other requirements of Code Section 401(m).

In the event the Plan becomes a Top-Heavy Plan in any Plan Year, then the minimum Employer Contribution will not be less than 3% of Compensation per year, or if less than 3%, the highest rate allocated to any Key Employee, including amount contributed as a result of a Pre-Tax Contribution election, on behalf of each Non-Key Employee without regard to whether he or she has less than 1,000 Hours of Service or his or her Compensation.

12.04 Aggregation Groups

(a) Notwithstanding anything to the contrary herein, this Plan shall not be a Top-Heavy Plan if it is part of either a “required aggregation group” or a “permissive aggregation group” that is not a Top-Heavy Group.

(b) The “required aggregation group” consists of:

(i) Each Defined Contribution Plan or Defined Benefit Plan in which at least one Key Employee participates; and

(ii) Each other Defined Contribution Plan or Defined Benefit Plan which enables a plan referred to in the preceding subparagraph (i) to meet the nondiscrimination requirements of Section 401(a)(4) or 410 of the Code.

(c) A “permissive aggregation group” consists of the plans included in the “required aggregation group” plus any one or more other Defined Contribution Plans or Defined Benefit Plans which, when considered as a group with the “required aggregation group”, would continue to meet the nondiscrimination requirements of Section 401(a)(4) and 410 of the Code.

12.05 Special Benefit Limits

For any Plan Year for which this Article 12 is applicable the definitions of “Defined Benefit Plan Fraction” and “Defined Contribution Plan Fraction” in Sections 1.20 and 1.22, respectively, shall be modified in each case by substituting “1.0”for “1.25”. Effective for limitation years beginning after December 31, 1999, the provisions of this Section 12.05 no longer apply on account of the repeal of Section 415(e) of the Code.

12.06 Special Distribution Rule

For any Plan Year for which this Article 12 is applicable, Section 7.08(a) shall apply to Key Employees.

ARTICLE XIII
Tax Reduction Act Stock Ownership Plan

13.01 Purpose—Separate Entity

(a) The TRASOP, is a stock bonus plan, established under the Tax Reduction Act of 1975 was intended to give eligible participants an equity interest in CECONY and encourage those participants to remain in the employ of CECONY. The TRASOP is invested in Shares and in a short-term investment fund of cash and cash equivalents. Applicable laws do not permit additional contributions to the TRASOP. CECONY desires to continue the TRASOP Accounts of Participants having such accounts. Effective as of July 1, 1988, all TRASOP Accounts were transferred to this Plan, and all TRASOP provisions which continue to be applicable were added to this Plan and shall, together with other applicable provisions of this Plan, govern the TRASOP Accounts.

(b) Participant's Plan Account Balances and TRASOP Accounts shall be administered separately, although they shall be held as part of the same Trust Fund. There shall be no transfers between TRASOP Accounts and Plan Accounts.

(c) All matters relating to the TRASOP which relate to or arise out of facts, circumstances or conditions in effect prior to July 1, 1988, shall be governed by the provisions of the TRASOP as in effect on June 30, 1988 prior to the merger, unless expressly otherwise provided in this Plan.

(d) Effective on or after January 1, 2002, the Economic Growth and Tax Reduction Recovery Act of 2001 amended the definition of applicable dividend to allow a deduction for dividends paid on applicable employer securities with respect to which participants or beneficiaries are provided an election to have the dividend paid to an ESOP and distributed in cash, or reinvested in qualifying employer securities. The deduction is available both with respect to dividends that are reinvested and paid out in cash. Accordingly, effective January 1, 2002, the TRASOP is being amended to provide participants or beneficiaries with the election to have dividends paid in cash or reinvested, as set forth below.

13.02 TRASOP Accounts—Application of Dividends

(a) The TRASOP Account of each Participant in TRASOP who remained in the employ of CECONY on July 1, 1988 was transferred to this Plan effective as of July 1, 1988. Each such Participant shall continue to have a nonforfeitable right to all Shares allocated and all amounts credited to such Participant's TRASOP Account.

(b) All dividends received by the Trustee with respect to Shares allocated to the TRASOP Accounts of Participants shall be applied to the purchase of additional Shares. Such purchases shall be made promptly after the receipt of each such dividend. The Trustee shall purchase, in one or more transactions, the maximum number of whole Shares obtainable at then prevailing prices, including brokerage commissions and other reasonable expenses incurred in connection with such purchases.

Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interest of the Participants. The Trustee shall complete such purchases as soon as practical after receipt of such dividends, having due regard for any applicable requirements of law affecting the timing or manner of such purchases. The additional Shares so purchased shall be allocated among the respective TRASOP Accounts of the Participants in proportion to the number of Shares in each TRASOP Account at the record date for the payment of the dividend so applied. Such allocation shall be made as promptly as practicable but for purposes of determining the time at which such additional Shares shall become distributable pursuant to Section 13.04, the additional Shares so allocated to each Participant's TRASOP Account shall be deemed to have been allocated as of the respective allocation dates of the Shares in such TRASOP Account at such record date, in proportion to the number of such Shares previously allocated as of each such allocation date.

(c) For Plan Years beginning on and after January 1, 2002, dividends received by the Trustee with respect to Shares allocated to the TRASOP accounts of Participants, in accordance with the election of the Participant, will be either paid in cash to Participants not later than 90 days after the close of the Plan Year in which the dividends are paid, or applied by the Trustee for the purchase of additional shares. A Participant will be given a reasonable opportunity before a dividend is paid or distributed to make the election and can change a dividend election at least annually. If there is a change in the Plan governing the manner in which the dividends are paid or distributed to Participants, each Participant will be given a reasonable opportunity to make an election under the new Plan terms prior to the date on which the first dividend subject to the new Plan terms is paid or distributed. A Participant who fails to make an election as to whether to receive his or her dividend in cash or have such dividend reinvested will be treated as if he or she elected to have his or her dividend reinvested until such time that he or she makes an affirmation election for a distribution of the dividend. Dividends that are distributed will be held and invested in a short-term investment fund or like kind of cash account until distributed.

13.03 Voting Rights, Options, Rights, and Warrants

(a) Each Participant shall be entitled to direct the Trustee as to the manner in which any Shares or fractional Shares allocated to the Participant's TRASOP Account are to be voted.

(b) In the event that any option, right, or warrant shall be granted or issued with respect to any Shares allocated to the Participant's TRASOP Account, each Participant shall be entitled to direct the Trustee whether to exercise, sell, or deal with such option, right, or warrant.

(c) The Trustee shall keep confidential the Participant's voting instructions and instructions as to any option, right or warrant and any information regarding a Participant's purchases, holdings and sales of Shares.

13.04 Distribution of Shares

(a) Each Share allocated to a Participant's TRASOP Account shall be available for distribution to such Participant promptly after the earlier of the death, disability or termination of employment of such Participant.

(b) Each Share which shall become distributable to a Participant by reason of clause (a)(i) above is herein called, from the time such Share shall become so distributable, an Unrestricted Share. Notwithstanding the provisions of the aforesaid clause A.(i), Unrestricted Shares shall be distributed to Participants as follows:

(i) From time to time, a Participant may request, in such manner and on such conditions as may be prescribed by CECONY, that Unrestricted Shares held in the Participant's TRASOP Account be distributed to the Participant. If such Participant is married, the written application shall include written consent of the Participant's spouse witnessed by a Notary Public. Spousal consent shall not be required with respect to withdrawal requests made on or after March 1, 1994. Applications made in a calendar month shall be effective as of the last day of such calendar month. Any such request must be for whole Shares only and must be for at least ten Shares or the number of whole Unrestricted Shares in the TRASOP Account, whichever is less.

(ii) Certificates for Unrestricted Shares requested in accordance with the preceding paragraph B(a) shall be delivered, or a cash distribution in respect of such Unrestricted Shares if elected by the Participant pursuant to Section 13.04D below shall be made, to the Participant as soon as practicable after the effective date of the application.

(iii) Any Unrestricted Share which shall become distributable by reason of any provision of this Plan other than clause A.(i) above (including, without limitation, provision for distribution upon the death, disability or termination of employment of the Participant) shall be distributed in accordance with such provision.

(c) In the case of death of a Participant, distributions in respect of Shares allocated to the Participant's TRASOP Account shall be made to the Participant's Beneficiary. In the case of disability or termination of employment with the Company or an Affiliate of a Participant, distributions in respect of Shares allocated to the Participant's TRASOP Account shall be made to the Participant.

All distributions under the TRASOP will begin, subject to Section 7.08 and Subsection 13.04.F, not later than the 60th day after the close of the Plan Year in which the latest of the following events occurs: (1) the Participant attains age 65, (2) the 10th anniversary of the year in which the Participant commenced participation in TRASOP, or (3) the Participant becomes disabled, dies or terminates employment with the Company or an Affiliate.

(d) All distributions from a Participant's TRASOP Account shall be made in Shares; provided, however, that a Participant or Beneficiary shall have the right to elect, on a form furnished by and submitted to CECONY, to receive a distribution, other than a distribution upon termination of TRASOP, in cash. Except in the case of a final distribution from a Participant's TRASOP Account and a distribution of the Participant's entire TRASOP Account balance after such time as all Shares in a Participant's TRASOP Account have become Unrestricted Shares, all distributions from such TRASOP Account shall be made in respect of whole Shares only, and any fractional Share which is otherwise distributable shall be retained in such TRASOP Account until it can be combined, in whole or in part, with another fractional Share which shall subsequently become distributable, so as to make up a whole Share. In the case of a final distribution from a Participant's TRASOP Account (except a distribution upon termination of the TRASOP) or in the case of a distribution of the Participant's entire TRASOP Account balance after such time as all of the Shares in the Participant's TRASOP Account have become Unrestricted Shares, such distribution shall be made in respect of the number of whole Shares then remaining in the Participant's TRASOP Account, together with a cash payment in respect of any fractional Share based on the closing price of a Share as reported on the New York Stock Exchange consolidated tape on the last trading day of the month immediately preceding the month in which such final distribution is made. The Trustee, in each such case, shall purchase such fractional Share from the Participant at a price equal to the cash payment to be made to the Participant. Whenever the Trustee requires funds for the purchase of fractional Shares, such funds shall be drawn from the accumulated income of the TRASOP Trust Fund, if any, and otherwise shall be advanced by CECONY upon the Trustee's request, subject to reimbursement from future income of the TRASOP Trust. All fractional Shares so purchased by the Trustee shall be allocated to the TRASOP Accounts of the remaining Participants at such intervals as shall be determined by the Plan Administrator, but no later than the end of the next succeeding Plan Year. The Trustee shall sell any Shares in respect of which a cash distribution is to be made. The Trustee may make such sales on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions. Such sales may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the Participants. The Trustee shall complete such sales as soon as practical under the circumstances having due regard for any applicable requirements of law affecting the timing or manner of such sales. All brokerage commissions and other direct selling expenses incurred by the Trustee in the sale of Shares under this Subsection 13.04D shall be paid as provided in Section 10.05.

(e) Upon any termination of TRASOP pursuant to Section 11.02, the Trust shall continue until all Shares which have been allocated to Participants' TRASOP Accounts have been distributed to the Participants, unless the Board directs an earlier termination of the TRASOP Trust Fund. Upon the final distribution of Shares, or at such earlier time as the Board shall have fixed for the termination of the TRASOP Trust Fund, the Plan Administrator shall direct the Trustee to allocate to the Participants any Shares then held by the Trustee and not yet allocated, and the Trustee shall distribute to the Participants any whole Shares which have been allocated to their TRASOP Accounts but which have not been distributed, shall sell all fractional Shares and distribute the proceeds to the respective Participants entitled to such fractional Shares, shall liquidate any remaining assets (other than Shares) held by the TRASOP Trust Fund, and shall apply the proceeds of such liquidation and any remaining funds held by the Trustee, the disposition of which is not otherwise provided for, to a distribution to all Participants then receiving a final distribution of Shares, in proportion to the whole and fractional Shares to which each is entitled; and the TRASOP Trust Fund shall thereupon terminate.

(f) Notwithstanding any other provision of this Plan, unless a Participant otherwise elects in writing on a form furnished by CECONY:

A. Distribution of a Participant's TRASOP Account balance will commence not later than one (1) year after the close of the Plan Year

(1) in which the Participant terminates employment with the Company or an Affiliate by reason of Retirement upon or after attainment of Normal Retirement Age, death, or disability, or

(2) which is the fifth Plan Year following the Plan Year in which the Participant terminates employment for any other reason, and the Participant is not reemployed before such Plan Year.

B. Distribution of the Participant's TRASOP Account balance will be in five (5) annual distributions as promptly as practicable after the end of each Plan Year; provided, however, that a TRASOP Account balance that equals $5,000 or less shall be distributed in a single distribution as soon as practicable, but not later than 60 days after the close of the Plan Year in which the Participant's termination of employment occurs. Each such annual distribution shall be in respect of the number of Shares, rounded down to the nearest number of whole Shares, which most closely approximates the entire balance in the Participant's TRASOP Account as of December 31 of the previous year divided by the number of annual distributions remaining to be made under this subsection, except that the fifth such distribution shall be respect of the entire balance in the Participant's TRASOP Account as of the preceding December 31. Each such annual distribution shall be taken pro rata from all contribution years in Participant's TRASOP Account.

C. A Participant whose employment with the Company or an Affiliate is terminated by reason of Retirement, disability or any other reason (other than death) may elect in such a manner and on such conditions as may be prescribed by CECONY to have his TRASOP Account balance distributed in one of the following forms:

(i) a single lump sum distribution as soon as practicable, but not later than 60 days after the end of the Calendar Year in which the Participant's termination of employment occurs; or

(ii) a distribution deferred until the last day of a calendar month not later than the calendar month in which the Participant attains age 70, as designated by the Participant, in which event the distribution of the Participant's TRASOP Account balance as of the last day of the calendar month so designated by the Participant shall be made in a single lump sum as soon as practicable after such calendar month.

13.00 Diversification of TRASOP Accounts

(a) Definitions: The following terms shall have the following meanings for purposes of this Section 13.05:

(i) Qualified Participant shall mean a Participant who has a TRASOP Account and has attained at least age 55 and completed at least 10 years of participation in TRASOP.

(ii) Qualified Election Period shall mean the first ninety (90) days following the end of each Plan Year.

(iii) Eligible Shares shall mean Shares added to a Participant's TRASOP Account after December 31, 1986.

(iv) Diversifiable Amount shall, with respect to any Qualified Election Period, mean twenty-five percent (25%) of the number of Eligible Shares in the Participant's TRASOP Account as of the end of the preceding Plan Year. However, if the Diversifiable Amount for any Qualified Election Period shall have a value which may be deemed de minimis under regulations issued by the Secretary of the United States Department of the Treasury, then there shall be no Diversifiable Amount available for such Qualified Election Period.

(b) Eligibility for Diversification: Each Qualified Participant shall have the right to elect to diversify, by means of a distribution of whole Eligible Shares only, all or some portion of the Diversifiable Amount in his TRASOP Account during each of the six (6) consecutive Qualified Election Periods following the Plan Year in which such Participant first became a Qualified Participant, provided, however, that, notwithstanding subsection 13.05.A.(d), the Diversifiable Amount in the sixth Qualified Election Period for each Qualified Participant shall be fifty percent (50%) of the number of Eligible Shares in his TRASOP Account as to the end of the preceding Plan Year. A distribution pursuant to this Article 13.05 must be a minimum of ten (10) Shares, or all Whole Shares comprising the Diversifiable Amount for such Qualified Election Period if less than 10. Each Qualified Participant who desires to elect diversification under this Section shall, during the Qualified Election Period, complete and execute a diversification election and consent form provided by CECONY. Such election may be revoked or modified or a new election may be made in its stead within the Qualified Election Period, upon the expiration of which the diversification election shall be irrevocable.

(c) Diversification Procedure

(i) The TRASOP shall, within the 90 day period following each Qualified Election Period, distribute to each Qualified Participant who has elected to diversify under this Section, the number of whole Eligible Shares which most closely approximates, but does not exceed, the number of Eligible Shares duly elected to be diversified by each such Qualified Participant. Failure by a Qualified Participant to provide required consents to distribution of any Diversifiable Amount, shall relieve the TRASOP of all obligation to make any such distribution.

(ii) To the extent a Qualified Participant has Eligible Shares which are Unrestricted Shares in his TRASOP Account, such Unrestricted Shares shall be distributed pursuant to this Section 13.05. Only upon exhaustion of all such Unrestricted Shares may additional Eligible Shares then be distributed hereunder.

ARTICLE XIV
Employee Stock Ownership Plan

14.01 Purpose—Separate Entity

(a) Effective as of the ESOP Effective Date, the Company established the Consolidated Edison Employee Stock Ownership Plan ("ESOP") as a portion of, included within and separate from the Thrift Plan. The ESOP affords special rights and has specific requirements which must be satisfied that are distinct from the Thrift Plan, such as the right of an ESOP Participant to: (1) vote his or her allocated Shares; (2) request his or her distribution be in the form of Shares; (3) diversify his or her ESOP Account; (4) elect to take dividends in cash or have dividends reinvested; and, (5) be 100% fully invested immediately in those Shares purchased by reinvested dividends. Each of these distinct ESOP rights and requirements is set forth in the Thrift Plan and obligations in the Thrift Plan such as those requirements regarding eligibility to participate, vesting, distributions, in-service distributions, operational, administrative and fiduciary requirements continue to apply to the ESOP and are deemed incorporated into and so are not repeated in this Article XIV. The ESOP is intended to be an employee stock ownership plan within the meaning of Code Section 4975(e)(7). The ESOP is intended to give ESOP Participants an equity interest in CEI and encourage ESOP Participants to remain in the employ of CEI.

(b) Effective as of the ESOP Effective Date, the part of a Participant's Employer Contributions Subaccount invested in the Company Stock Fund in the Thrift Plan was transferred to the ESOP and ESOP Trust Fund and established and included into the Participant's ESOP Account.

(c) Participants' ESOP Accounts will be held in the ESOP Trust Fund and administered separately, although they shall be held as part of the same Trust Fund. Participants are permitted to transfer assets to and from their ESOP Accounts to their Thrift Plan Accounts within the ESOP Trust Fund and the Trust Fund.

14.02 Special Definitions for ESOP

(a) The following terms shall have the following meanings for purposes of the ESOP:

(i) **ESOP Account** means the account into which is credited a Participant's Employer Contributions' invested in the Company Stock Fund and dividends paid on these Shares and comprising the following Subaccounts:

(1) the Participant's **Transferred ESOP Subaccount** which is the Participant's Company Stock Fund that was transferred from the Thrift Plan to the ESOP as of the ESOP Effective Date;

(2) a Participant's **Dividend Subaccount** which, for a Participant who is credited with less than three Years of Service, consists solely of Shares purchased with reinvested dividends after the ESOP Effective Date and are 100% fully vested at all times; and

(3) a Participant's **ESOP Subaccount** which is the account into which is credited a Participant's Employer Contributions contributed to the ESOP after the ESOP Effective Date.

(4) Once a Participant is credited with at least three Years of Vesting Service, his or her Dividend Subaccount will be merged into his or her ESOP Subaccount. After the ESOP Effective Date, a Participant's ESOP Subaccount will include any Employer Contributions invested in the other Investment Funds to the extent such amounts were ever at any time invested in the ESOP after the ESOP Effective Date.

(ii) **ESOP Effective Date** means May 8, 2002.

(iii) **ESOP Participant** means a Participant in the Thrift Plan who has elected to invest some or all of his or her Employer Contributions in the Company Stock Fund.

(iv) **Diversifiable ESOP Amount,** with respect to any Qualified ESOP Election Period, means 25% of the number of Shares in the Participant's ESOP Account as of the end of the preceding Plan Year. However, if the Diversifiable ESOP Amount for any Qualified ESOP Election Period has a value which may be deemed de minimis under regulations issued by the Secretary of the United States Department of the Treasury, then there will be no Diversifiable ESOP Amount available for such Qualified ESOP Election Period.

(v) **Qualified ESOP Participant** shall mean an ESOP Participant who has an ESOP Account, attained at least age 55 and completed at least 10 years of participation in the ESOP. Years of participation in the Thrift Plan will be taken into account in determining whether a Qualified ESOP Participant has completed 10 years of participation.

(vi) **Qualified ESOP Election Period** shall mean the first 90 days following the end of each Plan Year.

14.03 Participation in ESOP

Each Participant in the Thrift Plan who elects to have his or her Employer Contributions invested in the Company Stock Fund will automatically become an ESOP Participant in the ESOP. Each ESOP Participant will have his or her ESOP Account held in the ESOP Trust Fund.

14.04 Employer Contributions

Only Employer Contributions and dividends issued on Shares held in the ESOP Trust Fund will be contributed to the ESOP.

14.05 Purchase of Shares

(a) Purchases for ESOP Trust Fund. The Trustee shall regularly purchase Shares for the ESOP Trust Fund in accordance with a non-discretionary purchasing program. Such purchases may be made on any securities exchange where Shares are traded, in the over- the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the ESOP Participants. Interest and other income received on assets held in the ESOP Trust Fund shall be reinvested in the ESOP Trust Fund. All funds to be invested shall be invested by the Trustee in one or more transactions promptly after receipt by the Trustee, subject to any applicable requirement of law affecting the timing or manner of such transactions. All brokerage commissions and other direct expenses incurred by the Trustee in the purchase of sale of Shares under the ESOP will be borne by the ESOP Account investing and/or trading in Shares.

(b) Units. The interests of an ESOP Participant in his or her ESOP Account shall be measures in Units, the number and value of which shall be determined daily.

14.06 Dividends

Beginning on and after the ESOP Effective Date, and for all Plan Years thereafter, dividends received by the Trustee with respect to Shares allocated to the ESOP Accounts, in accordance with the election of each ESOP Participant, will be either paid in cash to the ESOP Participant as soon as practicable following the declaration date but in any case not later than 90 days after the close of the Plan Year in which the dividends are paid or applied by the Trustee for the purchase of additional Shares.

An ESOP Participant will be given a reasonable opportunity before a dividend is paid or distributed to make the election. The ESOP Participant will have a reasonable opportunity to change a dividend election at least annually. If there is a change in the ESOP governing the manner in which the dividends are paid or distributed to ESOP Participants, each ESOP Participant will be given a reasonable opportunity to make an election under the new ESOP terms prior to the date on which the first dividend subject to the new ESOP terms is paid or distributed. An ESOP Participant who fails to make an election as to whether to receive his or her dividend in cash or have such dividend reinvested will be treated as if he or she elected to have his or her dividend reinvested until such time that he or she makes an affirmation election for a distribution of the dividend. If dividends are reinvested and applied to the purchase of additional Shares, such purchases shall be made promptly after the receipt of each such dividend. The Trustee shall purchase, in one or more transactions, the maximum number of whole Shares obtainable at then prevailing prices, including brokerage commissions and other reasonable expenses incurred in connection with such purchases. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interest of the ESOP Participants. The Trustee shall complete such purchases as soon as practical after receipt of such dividends, having due regard for any applicable requirements of law affecting the timing or manner of such purchases. The additional Shares so purchased shall be allocated among the respective ESOP Accounts of the Participants in proportion to the number of Shares in each ESOP Account at the record date for the payment of the dividend so applied. Such allocation shall be made as promptly as practicable but for purposes of determining the time at which such additional Shares shall become distributable, the additional Shares so allocated to each ESOP Participant's ESOP Account shall be deemed to have been allocated as of the respective allocation dates of the Shares in such ESOP Account at such record date, in proportion to the number of such Shares previously allocated as of each such allocation date.

14.07 Voting Rights, Options, Rights, and Warrants

(a) Each ESOP Participant is entitled to direct the Trustee as to the manner in which any Shares or fractional Shares allocated to the ESOP Participant's ESOP Account are to be voted. Any such Shares or fractional Share for which the Participant does not give voting directions shall be voted by the Trustee n the same manner and proportions as all other Shares held by the Trustee for which voting directions are given by ESOP Participants.

(b) In the event that any option, right, or warrant shall be granted or issued with respect to any Shares allocated to the ESOP Participant's ESOP Account, each ESOP Participant shall be entitled to direct the Trustee whether to exercise, sell, or deal with such option, right, or warrant.

(c) The Trustee shall keep confidential the ESOP Participant's voting instructions and instructions as to any option, right or warrant and any information regarding an ESOP Participant's purchases, holdings and sales of Shares. The Plan Administrator shall be responsible for monitoring the Trustee's performance of its confidentiality obligations.

14.08 Transferability

A Participant may transfer all or any part of his or her existing ESOP Account once a day to any other Investment Funds in the Trust Fund. Any election will be made in such manner and on such conditions as may be prescribed by the Plan Administrator and subject to any restrictions imposed on an Investment Fund by the Trustee or Investment Manager.

14.09 Diversification

(a) Each Qualified ESOP Participant shall have the right to elect to diversify, by means of a distribution of whole ESOP Shares only, all or some portion of the Diversifiable Amount in his ESOP Account during each of the six consecutive Qualified ESOP Election Periods following the Plan Year in which such Participant first became a Qualified ESOP Participant. The Diversifiable ESOP Amount in the sixth Qualified ESOP Election Period for each Qualified ESOP Participant shall be 50% of the number of Eligible ESOP Shares in his or her ESOP Account as of the end of the preceding Plan Year. A distribution pursuant to this must be a minimum of ten Shares, or all Whole Shares comprising the Diversifiable ESOP Amount for such Qualified ESOP Election Period if less than 10. Each Qualified ESOP Participant who desires to elect diversification under this Section shall, during the Qualified ESOP Election Period, complete and execute a diversification election and consent form provided by his or her Employer. Such election may be revoked or modified or a new election may be made in its stead within the Qualified ESOP Election Period, upon the expiration of which the diversification election shall be irrevocable.

(b) Diversification Procedure. The ESOP shall, within the 90-day period following each Qualified ESOP Election Period, distribute to each Qualified ESOP Participant who has elected to diversify under this Section, the number of whole Shares which most closely approximates, but does not exceed, the number of ESOP Shares duly elected to be diversified by each such Qualified ESOP Participant. Failure by a Qualified ESOP Participant to provide required consents to distribution of any Diversifiable ESOP Amount, shall relieve the ESOP of all obligation to make any such distribution.

14.10 Distribution of Shares

(a) An ESOP Participant's ESOP Account shall be available for distribution to such ESOP Participant promptly after the earlier of the death, disability or termination of employment of such ESOP Participant.

(b) If an ESOP Participant elects a distribution in Shares, certificates for such Shares shall be delivered to the ESOP Participant as soon as practicable after the effective date of the application.

(c) In the case of death of an ESOP Participant, distributions in respect of Shares allocated to his or her ESOP Account shall be made to his or her Beneficiary. In the case of disability or termination of employment with the Company or an Affiliate, distributions in respect of Shares allocated to the ESOP Participant's ESOP Account shall be made unless the ESOP Participant elects otherwise.

(d) All distributions from an ESOP Participant's ESOP Account shall be made in Shares; provided, however, that an ESOP Participant or Beneficiary shall have the right to elect, on a form furnished by and submitted to his or her Employer, to receive a distribution, other than a distribution upon termination of the ESOP, in cash. Except in the case of a final distribution from an ESOP Participant's ESOP Account and a distribution of the entire ESOP Account balance, all distributions from such ESOP Account made in Shares shall be made in respect of whole Shares only, and any fractional Share which is otherwise distributable shall be retained in such ESOP Account until it can be combined, in whole or in part, with another fractional Share which shall subsequently become distributable, so as to make up a whole Share. A final distribution from an ESOP Account (except a distribution upon termination of the ESOP) shall be made in respect of the number of whole Shares then remaining in the ESOP Account, together with a cash payment in respect of any fractional Share based on the closing price of a Share as reported on the New York Stock Exchange consolidated tape on the last trading day of the month immediately preceding the month in which such final distribution is made. The Trustee, in each such case, shall purchase such fractional Share from the ESOP Participant at a price equal to the cash payment to be made to the ESOP Participant.

(e) Whenever the Trustee requires funds for the purchase of fractional Shares, such funds shall be drawn from the accumulated income of the ESOP Trust Fund, if any, and otherwise shall be advanced by the Employer upon the Trustee's request, subject to reimbursement from future income of the ESOP Trust Fund. All fractional Shares so purchased by the Trustee shall be allocated to the ESOP Accounts of the remaining Participants at such intervals as shall be determined by the Plan Administrator, but no later than the end of the next succeeding Plan Year. The Trustee shall sell any Shares in respect of which a cash distribution is to be made. The Trustee may make such sales on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions. Such sales may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the ESOP Participants. The Trustee shall complete such sales as soon as practical under the circumstances having due regard for any applicable requirements of law affecting the timing or manner of such sales.

(f) Upon any termination of the ESOP, the ESOP Trust Fund shall continue until all Shares which have been allocated to ESOP Participants' ESOP Accounts have been distributed to the ESOP Participants, unless the Board directs an earlier termination of the ESOP Trust Fund. Upon the final distribution of Shares, or at such earlier time as the Board shall have fixed for the termination of the ESOP Trust Fund, the Plan Administrator shall direct the Trustee to allocate to the ESOP Participants any Shares then held by the Trustee and not yet allocated, and the Trustee shall distribute to the ESOP Participants any whole Shares which have been allocated to their ESOP Accounts but which have not been distributed, shall sell all fractional Shares and distribute the proceeds to the respective ESOP Participants entitled to such fractional Shares, shall liquidate any remaining assets (other than Shares) held by the ESOP Trust Fund, and shall apply the proceeds of such liquidation and any remaining funds held by the Trustee, the disposition of which is not otherwise provided for, to a distribution to all ESOP Participants then receiving a final distribution of Shares, in proportion to the whole and fractional Shares to which each is entitled; and the ESOP Trust Fund shall thereupon terminate.

APPENDIX A
Participating Employers

A. List of Participating Employers

The following list sets forth:

(i) the Participating Employers,

(ii) the effective date of each Employer's participation, and

(iii) the designation of those employees who will become Participants or continue their participation in the Plan.

Name of Company	Effective Date of Participation	Eligible Employees
Consolidated Edison Development, Inc.	May 1, 1996	All otherwise Eligible Employees.
Consolidated Edison Solutions, Inc.	May 1, 1997	All otherwise Eligible Employees.
Consolidated Edison Communications, Inc.	February 1, 1999	All otherwise Eligible Employees.
Consolidated Edison Energy, Inc.	March 1, 1998	All otherwise Eligible Employees.
Orange and Rockland Utilities, Inc.	January 1, 2001	All otherwise Eligible Employees
Consolidated Edison Energy Massachusetts, Inc.	July 18, 1999	Employees working at the Western Massachusetts Electric Cogeneration Facility.
CED Operating Company, L.P.	June 1, 2000	Employees working at the Lakewood Cogeneration Facility

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Consolidated Edison, Inc.
Ratio of Earnings to Fixed Charges
(Millions of Dollars)

	For the Twelve Months Ended December 31,				
	2004	2003	2002	2001	2000
Earnings					
Net Income	$ 537	$ 528	$ 646	$ 682	$ 583
Preferred Stock Dividend	11	11	13	14	14
Cumulative Effect of Changes in Accounting Principles	-	(3)	22	-	-
(Income) or Loss from Equity Investees	2	-	-	-	(1)
Minority Interest Loss	-	2	2	2	1
Income Tax	264	315	376	442	307
Pre-Tax Income from Continuing Operations	$ 814	$ 853	$1,059	$1,140	$ 904
Add: Fixed Charges*	501	491	493	480	452
Add: Distributed Income of Equity Investees	-	-	-	-	1
Subtract: Interest Capitalized	-	5	14	-	-
Subtract: Preferred Stock Dividend Requirement	17	17	19	22	21
Earnings	**$1,298**	**$1,322**	**$1,519**	**$1,598**	**$1,336**
*** Fixed Charges**					
Interest on Long-term Debt	$ 411	$ 388	$ 373	$ 384	$ 351
Amortization of Debt Discount, Premium and Expense	15	13	12	13	12
Interest Capitalized	-	5	14	-	-
Other Interest	36	45	61	42	50
Interest Component of Rentals	22	22	14	19	18
Preferred Stock Dividend Requirement	17	18	19	22	21
Fixed Charges	**$ 501**	**$ 491**	**$ 493**	**$ 480**	**$ 452**
Ratio of Earnings to Fixed Charges	2.6	2.7	3.1	3.3	3.0

Exhibit 12.2

Con Edison Company of New York, Inc.
Ratio of Earnings to Fixed Charges
(Millions of Dollars)

	For the Twelve Months Ended December 31,				
	2004	*2003*	*2002*	*2001*	*2000*
Earnings					
Net Income	518	$ 591	$ 605	$ 649	$ 570
Preferred Stock Dividend	11	11	13	14	14
Cumulative Effect of Changes in Accounting Principles	-	-	-	-	-
(Income) or Loss from Equity Investees	-	-	1	-	-
Minority Interest Loss	-	-	-	-	-
Income Tax	278	367	342	427	290
Pre-Tax Income from Continuing Operations	$ 807	$ 969	$ 961	$1,090	$ 874
Add: Fixed Charges*	387	409	408	410	392
Add: Amortization of Capitalized Interest	-	-	-	-	-
Add: Distributed Income of Equity Investees	-	-	-	-	-
Subtract: Interest Capitalized	-	-	-	-	-
Subtract: Preferred Stock Dividend Requirement	-	-	-	-	-
Earnings	**$1,194**	**$1,378**	**$1,369**	**$1,500**	**$1,266**
*** Fixed Charges**					
Interest on Long-term Debt	$ 317	$ 333	$ 333	$ 347	$ 319
Amortization of Debt Discount, Premium and Expense	15	13	12	13	13
Interest Capitalized	-	-	-	-	-
Other Interest	34	42	51	32	43
Interest Component of Rentals	21	21	12	18	17
Preferred Stock Dividend Requirement	-	-	-	-	-
Fixed Charges	**$ 387**	**$ 409**	**$ 408**	**$ 410**	**$ 392**
Ratio of Earnings to Fixed Charges	3.1	3.4	3.4	3.7	3.2

Exhibit 12.3

Orange and Rockland Utilities, Inc. and Subsidiaries
Ratio of Earnings to Fixed Charges
(Millions of Dollars)

	For the Twelve Months Ended December 31,				
	2004	*2003*	*2002*	*2001*	*2000*
Earnings					
Net Income	$ 46	$ 45	$ 45	$ 40	$ 39
Federal Income & State Tax	17	34	24	26	25
Total Earnings Before Federal and State Income Tax	63	79	69	66	64
Fixed Charges*	21	23	30	26	27
Earnings	**$ 84**	**$ 102**	**$ 99**	**$ 92**	**$ 91**
*** Fixed Charges**					
Interest on Long-Term Debt	$ 18	$ 18	$ 20	$ 21	$ 22
Amortization of Debt Discount, Premium and Expense	1	1	1	1	1
Interest Component of Rentals	1	2	2	1	1
Other Interest	1	2	7	3	3
Fixed Charges	**$ 21**	**$ 23**	**$ 30**	**$ 26**	**$ 27**
Ratio of Earnings to Fixed Charges	4.0	4.4	3.3	3.5	3.4

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in (i) the Registration Statement on Form S-3 (No. 333-84156) of Consolidated Edison, Inc. relating to the Con Edison Automatic Dividend Reinvestment and Cash Payment Plan (ii) the Registration Statement on Form S-8 (No. 333-04463-99) relating to the Con Edison 1996 Stock Option Plan; (iii) the Registration Statement on Form S-8 (No. 333-118159) relating to The Consolidated Edison Stock Purchase Plan; and (iv) the Registration Statement on Form S-8 (No. 333-108903) relating to The Consolidated Edison, Inc. Long Term Incentive Plan and Senior Executive Restricted Stock Awards and (v) the Registration Statements on Form S-3 (No. 333-114222) relating to debt and equity securities of Con Edison of our report dated February 17, 2005 relating to the financial statements, financial statement schedules, management’s assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP
New York, NY
February 25, 2005

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-114393) of Consolidated Edison Company of New York, Inc. of our report dated February 17, 2005 relating to the financial statements and financial statement schedule which appears in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP
New York, NY
February 25, 2005

Exhibit 24.1

Power of Attorney

WHEREAS Consolidated Edison, Inc. (“Con Edison”), Consolidated Edison Company of New York, Inc. (“Con Edison of New York”) and Orange and Rockland Utilities, Inc. (“O&R”) each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the “Act”), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the “Form 10-K”) with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 17th day of February 2005.

/s/ Joan S. Freilich

Joan S. Freilich

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 24th day of February 2005.

/s/ Edward J. Rasmussen

Edward J. Rasmussen

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 14th day of February 2005.

/s/ John McMahon

John McMahon

Power of Attorney

WHEREAS Consolidated Edison, Inc. (“Con Edison”), Consolidated Edison Company of New York, Inc. (“Con Edison of New York”) and Orange and Rockland Utilities, Inc. (“O&R”) each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the “Act”), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the “Form 10-K”) with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 22nd day of February 2005.

/s/ Robert Hoglund

Robert Hoglund

Power of Attorney

WHEREAS Consolidated Edison, Inc. (“Con Edison”), Consolidated Edison Company of New York, Inc. (“Con Edison of New York”) and Orange and Rockland Utilities, Inc. (“O&R”) each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the “Act”), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the “Form 10-K”) with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 24th day of February 2005.

/s/ Eugene R. McGrath

Eugene R. McGrath

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 11th day of February 2005.

/s/ George Strayton

George Strayton

Power of Attorney

WHEREAS Consolidated Edison, Inc. (“Con Edison”), Consolidated Edison Company of New York, Inc. (“Con Edison of New York”) and Orange and Rockland Utilities, Inc. (“O&R”) each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the “Act”), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the “Form 10-K”) with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 16th day of February 2005.

/s/ Vincent A. Calarco

Vincent A. Calarco

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 17th day of February 2005.

/s/ George Campbell, Jr.

George Campbell, Jr.

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 17th day of February 2005.

/s/ Gordon J. Davis

Gordon J. Davis

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 17th day of February 2005.

/s/ Michael J. Del Giudice

Michael J. Del Giudice

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 23rd day of February 2005.

/s/ Ellen V. Futter

Ellen V. Futter

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 15th day of February 2005.

/s/ Sally Hernandez-Piñero

Sally Hernandez-Piñero

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 16th day of February 2005.

/s/ Peter W. Likins

Peter W. Likins

Power of Attorney

WHEREAS Consolidated Edison, Inc. (“Con Edison”), Consolidated Edison Company of New York, Inc. (“Con Edison of New York”) and Orange and Rockland Utilities, Inc. (“O&R”) each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the “Act”), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the “Form 10-K”) with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 17th day of February 2005.

/s/ Frederic V. Salerno

Frederic V. Salerno

Power of Attorney

WHEREAS Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R") each intends to file with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "Act"), its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the "Form 10-K") with any and all exhibits and other documents having relation thereto, as prescribed by the Securities and Exchange Commission pursuant to the Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

NOW, THEREFORE,

KNOW ALL BY THESE PRESENTS that the undersigned, in his or her capacity as a director and/or officer, as the case may be, of one or more of Con Edison, Con Edison of New York and O&R, as the case may be, does hereby constitute and appoint Joan S. Freilich, Edward J. Rasmussen and Peter A. Irwin, and each of them severally, his or her true and lawful attorneys-in-fact, with power to act with or without the others and with full power of substitution and resubstitution, to execute in his or her name, place and stead, the Form 10-K for the company or companies as to which the undersigned serves in such capacity, and any and all amendments thereto, and all instruments necessary or incidental in connection therewith, and to file or cause to be filed the same with the Securities and Exchange Commission. Each of said attorneys shall have full power and authority to do and perform, in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming all that said attorneys-in-fact or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument this 18th day of February 2005.

/s/ Stephen R. Volk, Esq.

Stephen R. Volk, Esq.

CERTIFICATIONS

CON EDISON—Principal Executive Officer

I, Eugene R. McGrath, the principal executive officer of Consolidated Edison, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004 of Consolidated Edison, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2005

/s/ Eugene R. McGrath

Eugene R. McGrath
Chairman, President and Chief
Executive Officer

CERTIFICATIONS

CON EDISON—Principal Financial Officer

I, Joan S. Freilich, the principal financial officer of Consolidated Edison, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004 of Consolidated Edison, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2005

/s/ Joan S. Freilich

Joan S. Freilich
Executive Vice President and Chief
Financial Officer

CERTIFICATIONS

CON EDISON OF NEW YORK—Principal Executive Officer

I, Eugene R. McGrath, the principal executive officer of Consolidated Edison Company of New York, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004 of Consolidated Edison Company of New York, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2005

/s/ Eugene R. McGrath

Eugene R. McGrath
Chairman and Chief Executive Officer

CERTIFICATIONS

CON EDISON OF NEW YORK—Principal Financial Officer

I, Joan S. Freilich, the principal financial officer of Consolidated Edison Company of New York, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004 of Consolidated Edison Company of New York, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2005

/s/ Joan S. Freilich

Joan S. Freilich
Executive Vice President and Chief
Financial Officer

CERTIFICATIONS

O&R—Principal Executive Officer

I, John D. McMahon, the principal executive officer of Orange and Rockland Utilities, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004 of Orange and Rockland Utilities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2005

/s/ John D. McMahon

John D. McMahon
President and Chief Executive Officer

Exhibit 31.3.2

CERTIFICATIONS

O&R—Principal Financial Officer

I, Robert N. Hoglund, the principal financial officer of Orange and Rockland Utilities, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004 of Orange and Rockland Utilities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2005

/s/ Robert N. Hoglund

Robert N. Hoglund
Chief Financial Officer

Exhibit 32.1.1

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Eugene R. McGrath, the Chief Executive Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene R. McGrath

Eugene R. McGrath

Dated: February 24, 2005

Exhibit 32.1.2

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Joan S. Freilich, the Chief Financial Officer of Consolidated Edison, Inc. (the “Company”) certify that the Company’s Annual Report on Form 10-K for the year ended December 31, 2004, which this statement accompanies, (the “Form 10-K”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joan S. Freilich

Joan S. Freilich

Dated: February 24, 2005

Exhibit 32.2.1

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Eugene R. McGrath, the Chief Executive Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene R. McGrath

Eugene R. McGrath

Dated: February 24, 2005

Exhibit 32.2.2

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Joan S. Freilich, the Chief Financial Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joan S. Freilich

Joan S. Freilich

Dated: February 24, 2005

Exhibit 32.3.1

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, John D. McMahon, the Chief Executive Officer of Orange and Rockland Utilities, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John D. McMahon

John D. McMahon

Dated: February 24, 2005

Exhibit 32.3.2

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Robert N. Hoglund, the Chief Financial Officer of Orange and Rockland Utilities, Inc. (the "Company") certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which this statement accompanies, (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert N. Hoglund

Robert N. Hoglund

Dated: February 24, 2005