Orange and Rockland Utilities, Inc.

Consolidated Financial Statements (Unaudited)

First Quarter 2024

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Report of Independent Auditors

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

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated interim financial information of Orange and Rockland Utilities, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of March 31, 2024, and the related consolidated statements of income, comprehensive income, shareholder's equity, and cash flows for the three-month periods ended March 31, 2024 and 2023 including the related notes (collectively referred to as the "consolidated interim financial information").

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet (presented herein) and statement of capitalization (not presented herein) of Orange and Rockland Utilities, Inc. and its subsidiaries as of December 31, 2023, and the related consolidated statements of income, comprehensive income, shareholder's equity, and of cash flows for the year then ended (not presented herein), and in our report dated March 7, 2024, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2023, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

May 10, 2024

Orange and Rockland Utilities, Inc.

Consolidated Financial Statements (Unaudited)

First Quarter 2024

Orange and Rockland Utilities, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended March 31,	
(Millions of Dollars)	**2024**	**2023**
OPERATING REVENUES		
Electric	$190	$182
Gas	113	139
TOTAL OPERATING REVENUES	303	321
OPERATING EXPENSES		
Purchased power	65	71
Gas purchased for resale	32	63
Other operations and maintenance	96	97
Depreciation and amortization	29	25
Taxes, other than income taxes	25	24
TOTAL OPERATING EXPENSES	247	280
OPERATING INCOME	56	41
OTHER INCOME		
Allowance for equity funds used during construction	1	1
Other income, net	7	11
TOTAL OTHER INCOME	8	12
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	64	53
INTEREST EXPENSE (INCOME)		
Interest on long-term debt	13	13
Other interest expense	2	1
Allowance for borrowed funds used during construction	(1)	(1)
NET INTEREST EXPENSE	14	13
INCOME BEFORE INCOME TAX EXPENSE	50	40
INCOME TAX EXPENSE	13	9
NET INCOME	$37	$31

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
(Millions of Dollars)	**2024**	**2023**
NET INCOME	$37	$31
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES		
Pension and other postretirement benefit plan liability adjustments, net of taxes	(4)	—
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES	(4)	—
COMPREHENSIVE INCOME	$33	$31

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31,	
(Millions of Dollars)	**2024**	**2023**
OPERATING ACTIVITIES		
Net income	$37	$31
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	29	25
Deferred income taxes	4	—
Rate case amortization and accruals	5	5
Other non-cash items, net	(6)	2
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers	(6)	(7)
Allowance for uncollectible accounts - customers	3	(1)
Accounts receivable from affiliated companies	2	1
Materials and supplies, including gas in storage	5	14
Unbilled revenue	(3)	13
Revenue decoupling mechanism receivable	6	(2)
Prepayments	(3)	(4)
Other receivables and other current assets	(6)	2
Accounts payable	(2)	(4)
Accounts payable to affiliated companies	(9)	(16)
Pensions and retiree benefits obligations, net	9	—
Pensions and retiree benefits contributions	—	(1)
Accrued taxes	(1)	1
Accrued taxes from affiliated companies	7	6
System benefit charge	(2)	(2)
Deferred charges, noncurrent assets, leases, net and other regulatory assets	(16)	(5)
Deferred credits, noncurrent liabilities and other regulatory liabilities	3	(10)
Other current liabilities	(11)	(5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	45	43
INVESTING ACTIVITIES		
Utility construction expenditures	(77)	(65)
Cost of removal less salvage	(1)	(2)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(78)	(67)
FINANCING ACTIVITIES		
Net issuance/(payment) of short-term debt	42	(53)
Capital contribution by Con Edison	20	90
Dividend to Con Edison	(17)	(16)
NET CASH FLOWS FROM FINANCING ACTIVITIES	45	21
CASH AND TEMPORARY CASH INVESTMENTS		
NET CHANGE FOR THE PERIOD	12	(3)
BALANCE AT BEGINNING OF PERIOD	23	35
BALANCE AT END OF PERIOD	$35	$32
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid during the period for:		
Interest, net of capitalized interest	$9	$9
Income taxes	$2	$4
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	$25	$19

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Millions of Dollars)	**March 31, 2024**	**December 31, 2023**
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$35	$22
Accounts receivable – customers, net allowance for uncollectible accounts of $11 and $7 in 2024 and 2023, respectively	109	106
Other receivables, net allowance for uncollectible accounts of $5 in 2024 and 2023	11	8
Accrued unbilled revenue	55	53
Accounts receivable from affiliated companies	8	10
Gas in storage, at average cost	7	14
Materials and supplies, at average cost	35	33
Prepayments	35	32
Regulatory assets	20	26
Restricted cash	—	1
Revenue decoupling mechanism receivable	5	11
Fair value of derivative assets	6	3
Other current assets	11	11
TOTAL CURRENT ASSETS	337	330
INVESTMENTS	23	22
UTILITY PLANT, AT ORIGINAL COST		
Electric	2,286	2,263
Gas	1,098	1,073
General	324	305
TOTAL	3,708	3,641
Less: Accumulated depreciation	992	972
Net	2,716	2,669
Construction work in progress	270	274
NET UTILITY PLANT	2,986	2,943
OTHER NONCURRENT ASSETS		
Regulatory assets	293	294
Pension and retiree benefits	71	86
Other deferred charges and noncurrent assets	37	28
TOTAL OTHER NONCURRENT ASSETS	401	408
TOTAL ASSETS	$3,747	$3,703

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Millions of Dollars)	March 31, 2024	December 31, 2023
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Notes payable	$88	$46
Accounts payable	103	115
Accounts payable to affiliated companies	15	24
Customer deposits	17	17
Accrued taxes	2	3
Accrued taxes to affiliated companies	17	10
Accrued interest	15	11
Accrued wages	12	11
Fair value of derivative liabilities	10	14
Regulatory liabilities	48	48
System benefit charge	36	37
Other current liabilities	32	43
TOTAL CURRENT LIABILITIES	395	379
NONCURRENT LIABILITIES		
Provision for injuries and damages	4	4
Pensions and retiree benefits	64	50
Superfund and other environmental costs	92	92
Deferred income taxes and unamortized investment tax credits	418	414
Regulatory liabilities	473	497
Fair value of derivative liabilities	9	12
Other deferred credits and noncurrent liabilities	76	75
TOTAL NONCURRENT LIABILITIES	1,136	1,144
LONG-TERM DEBT	1,118	1,118
SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	1,098	1,062
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$3,747	$3,703

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (UNAUDITED)

	Common Stock					
(In Millions/Except Share Data)	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2022	1,000	$—	$439	$474	$18	$931
Net income				31		31
Common stock dividend to Con Edison				(16)		(16)
Capital contribution by Con Edison			90			90
BALANCE AS OF MARCH 31, 2023	1,000	$—	$529	$489	$18	$1,036
BALANCE AS OF DECEMBER 31, 2023	1,000	$—	$539	$506	$17	$1,062
Net income				37		37
Common stock dividend to Con Edison				(17)		(17)
Capital contribution by Con Edison			20			20
Other comprehensive loss					(4)	(4)
BALANCE AS OF MARCH 31, 2024	1,000	$—	$559	$526	$13	$1,098

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

Notes to the Financial Statements (Unaudited)

General

These notes accompany and form an integral part of the consolidated financial statements of Orange and Rockland Utilities, Inc., a New York corporation, and its subsidiaries (the Company or O&R). The Company is a regulated utility, the equity of which is owned entirely by Consolidated Edison, Inc. (Con Edison). O&R has one regulated utility subsidiary: Rockland Electric Company (RECO). For the three months ended March 31, 2024 and 2023, operating revenues for RECO were 17.5 percent and 13.3 percent, respectively, of O&R's consolidated operating revenues. O&R, along with RECO, provides electric service in southeastern New York and northern New Jersey, and gas service in southeastern New York.

The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC), the New York State Public Service Commission (NYSPSC) and the New Jersey Board of Public Utilities (NJBPU) with respect to rates and accounting.

The interim consolidated financial statements of the Company as of March 31, 2024 and for the three month periods ended March 31, 2024 and 2023 (the First Quarter Financial Statements) are unaudited but, in the opinion of the Company's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. The First Quarter Financial Statements should be read together with the audited consolidated financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, including the notes thereto.

Subsequent Events

The Company has, pursuant to the accounting rules for subsequent events, evaluated events or transactions that occurred after March 31, 2024 through the posting on its website (May 10, 2024) of the First Quarter Financial Statements for potential recognition or disclosure in the First Quarter Financial Statements.

Note A – Summary of Significant Accounting Policies

Accounting Policies

The accounting policies of the Company conform to generally accepted accounting principles in the United States of America (GAAP). For the Company, these accounting principles include the accounting rules for regulated operations and the accounting requirements of the FERC and the state regulators having jurisdiction.

Reclassification

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

Changes in Accumulated Other Comprehensive Income/(Loss) by Component

For the three months ended March 31, 2024 and 2023, changes to accumulated other comprehensive income/(loss) (OCI) were as follows:

	For the Three Months Ended March 31,	
(Millions of Dollars)	2024	2023
Beginning balance, accumulated OCI, net of taxes (a)	$17	$18
OCI before reclassifications, net of tax of $2 in 2024	(4)	1
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax (a)(b)	—	(1)
Current period OCI, net of taxes	(4)	—
Ending balance, accumulated OCI, net of taxes (a)	$13	$18

(a) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the consolidated income statement.
(b) Only RECO's portion of unrecognized pension and other postretirement benefit costs are recorded into, and amortized out of OCI. All other such costs are recorded through regulatory assets and liabilities. The net actuarial losses and prior service costs recognized during the period are included in the computation of total periodic pension and other postretirement benefit costs. See Notes E and F.

Note B – Regulatory Matters

O&R New York – Electric
In April 2024, the Company filed an update to its January 2024 request to the NYSPSC for an electric rate increase effective January 1, 2025. The Company decreased its requested January 2024 rate increase by $7.5 million to $10.7 million. For purposes of illustration, the filing calculated rate increases of $34.8 million and $55 million effective January 2026 and 2027, respectively, based upon the proposed return on common equity of 10.25 percent and a common equity ratio of 50 percent.

O&R New York – Gas
In April 2024, the Company filed an update to its January 2024 request to the NYSPSC for a gas rate increase effective January 1, 2025. The Company increased its requested January 2024 rate increase by $3.1 million to $17.5 million. For purposes of illustration, the filing calculated rate increases of $22.8 million and $19.2 million effective January 2026 and 2027, respectively, based upon the proposed return on common equity of 10.25 percent and a common equity ratio of 50 percent.

Bill Relief Program
In March 2024, the Company received $9 million pursuant to a New York State bill relief program funded by the state that provided a one-time bill credit for electric and gas customers. The program was established to partially offset the costs all customers pay to fund utility energy affordability programs.

Other Regulatory Matters

In January 2018, the NYSPSC issued an order initiating a focused operations audit of the Company's financial accounting for income taxes. The audit is investigating the Company's inadvertent understatement of a portion, the amount of which may be material, of its calculation of total federal income tax expense for ratemaking purposes. The understatement was related to the calculation of plant retirement-related cost of removal. As a result of such understatement, the Company accumulated significant income tax regulatory assets that were not reflected in O&R's rate plans prior to 2014. This understatement of historical income tax expense materially reduced the amount of revenue collected from the Company's customers in the past. As part of the audit, the Company plans to pursue a private letter ruling from the Internal Revenue Service (IRS) that is expected to confirm, among other things, that in order to comply with IRS normalization rules, such understatement may not be corrected through a write-down of a portion of the regulatory asset and must be corrected through an increase in future years' revenue requirements. The regulatory asset ($17 million as of March 31, 2024 and $18 million as of December 31, 2023 and that is not earning a return) is netted against the future income tax regulatory liability on the Company's consolidated balance sheet. The Company is unable to estimate the amount or range of its possible loss, if any, related to this matter. At March 31, 2024, the Company has not accrued a liability related to this matter.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at March 31, 2024 and December 31, 2023 were comprised of the following items:

(Millions of Dollars)	2024	2023
Regulatory assets		
Deferred storm costs	$89	$91
Environmental remediation costs	83	83
Energy efficiency and EV program	38	33
Revenue taxes	21	20
Legacy meters (a)	16	17
Deferred derivative losses - long-term	12	16
COVID - 19 pandemic deferrals	10	7
Low income aggregation program	6	3
Pension and other postretirement benefits deferrals	3	8
Other	15	16
Regulatory assets – noncurrent	293	294
Deferred derivative losses - short-term	11	15
Recoverable energy costs - short-term	9	11
Regulatory assets – current	20	26
Total Regulatory Assets	$313	$320
Regulatory liabilities		
Allowance for cost of removal less salvage	$194	$190
Future income tax *	117	118
Pension and other postretirement benefit deferrals	52	51
Unrecognized pension and other postretirement costs	48	75
Revenue levelization	10	14
Late payment charge deferral	7	6
Property tax reconciliation costs	5	5
System benefit charge carrying charge	4	4
Other	36	34
Regulatory liabilities – noncurrent	473	497
Refundable energy costs	41	40
Deferred derivative gains - short term	6	3
Revenue decoupling mechanism	1	5
Regulatory liabilities – current	48	48
Total Regulatory Liabilities	$521	$545

* See "Federal Income Tax" in "Other Regulatory Matters," above, and Note H.
(a) Pursuant to its rate plan, the Company is recovering the costs of legacy meters over a 12-year period beginning January 1, 2022.

In general, the Company receives or is being credited with a return at the Other Customer-Provided Capital rate for regulatory assets that have not been included in rate base, and receives or is being credited with a return at the pre-tax weighted average cost of capital once the asset is included in rate base. Similarly, the Company pays to or credits customers with a return at the Other Customer-Provided Capital rate for regulatory liabilities that have not been included in rate base, and pays to or credits customers with a return at the pre-tax weighted average cost of capital once the liability is included in rate base. The Other Customer-Provided Capital rate for the three months ended March 31, 2024 and 2023 was 5.95 percent and 5.20 percent, respectively.

In general, the Company is receiving or being credited with a return on its regulatory assets for which a cash outflow has been made ($180 million and $182 million at March 31, 2024 and December 31, 2023, respectively). Regulatory assets of RECO for which a cash outflow has been made $22 million and $24 million at March 31, 2024 and December 31, 2023, respectively) are not receiving or being credited with a return. RECO recovers regulatory assets over a period of up to four years or until they are addressed in its next base rate case in accordance with the rate provisions approved by the NJBPU. Regulatory liabilities are treated in a consistent manner.

Regulatory assets that represent future financial obligations and were deferred in accordance with the Company's rate plans or orders issued by state regulators do not earn a return until such time as a cash outlay has been made. Regulatory liabilities are treated in a consistent manner. At March 31, 2024 and December 31, 2023, regulatory assets that did not earn a return consisted of the following items:

Regulatory Assets Not Earning a Return*

(Millions of Dollars)	**2024**	**2023**
Environmental remediation costs	$83	$83
Revenue taxes	21	20
Deferred derivative losses - long term	12	16
Deferred derivative losses - short-term	11	15
COVID-19 deferral of uncollectible accounts receivable	5	3
Other	1	1
Total	$133	$138

*This table presents regulatory assets not earning a return for which no cash outlay has been made.

The recovery periods for regulatory assets for which a cash outflow has not been made and that do not earn a return have not yet been determined, except as noted below, and are expected to be determined pursuant to O&R's future rate plans to be filed or orders issued by the state regulators in connection therewith.

The Company recovers unrecognized pension and other postretirement costs over 10 years, and the portion of investment gains or losses recognized in expense over 15 years, pursuant to NYSPSC policy.

The deferral for revenue taxes represents the New York State metropolitan transportation business tax surcharge on the cumulative temporary differences between the book and tax basis of assets and liabilities of the Company, as well as the difference between taxes collected and paid by the Company to fund mass transportation. The Company recovers the majority of the revenue taxes over the remaining book lives of the electric and gas plant assets.

The Company recovers deferred derivative losses – current within one year, and noncurrent generally within three years.

Note C – Capitalization

The carrying amounts and fair values of long-term debt at March 31, 2024 and December 31, 2023 were:

	2024		2023	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt (including current portion) (a)	$1,118	$988	$1,118	$1,008

(a) Amounts shown are net of unamortized debt expense and unamortized debt discount of $7 million at March 31, 2024 and December 31, 2023.

Fair values of long-term debt have been estimated primarily using available market information and are classified as Level 2 liabilities (see Note L).

Note D – Short-Term Borrowing

At March 31, 2024 and December 31, 2023, O&R had $88 million and $46 million of commercial paper outstanding, respectively. The weighted average interest rate at March 31, 2024 and December 31, 2023 was 5.5 percent. At March 31, 2024 and December 31, 2023, no loans or letters of credit were outstanding for O&R under the 2023 Credit Agreement (Credit Agreement). The Company was in compliance with its significant debt covenants at March 31, 2024. In March 2024, the termination date of the Credit Agreement was extended from March 2028 to March 2029. In March 2024, the Company also entered into a First Amendment to the Credit Agreement that, among other things, amended the mechanics relating to determining the interest rate to be paid with respect to a “term SOFR loan.”

Note E – Pension Benefits

Total Periodic Benefit Credit

The components of the Company’s total periodic benefit credit for the three months ended March 31, 2024 and 2023 were as follows:

	For the Three Months Ended March 31,	
(Millions of Dollars)	2024	2023
Service cost – including administrative expenses	$3	$3
Interest cost on projected benefit obligation	9	9
Expected return on plan assets	(13)	(14)
Recognition of net actuarial gain	—	(3)
Recognition of prior service cost	1	1
TOTAL PERIODIC BENEFIT CREDIT	$—	$(4)
Cost capitalized	(1)	(1)
Reconciliation to rate level	3	5
Total expense recognized	$2	$—

Components of net periodic benefit credit other than service cost are presented outside of operating income on the Company's consolidated income statements, and only the service cost component is eligible for capitalization. Accordingly, the service cost component is included in the line "Other operations and maintenance" and the non-service cost components are included in the line "Other income, net" in the Company's consolidated income statement.

Expected Contributions

Based on estimates as of March 31, 2024, O&R expects to make contributions to the pension plans during 2024 of $3 million. O&R’s policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible and to also contribute to the non-qualified supplemental plan. During the first three months of 2024, the Company contributed $1 million to the pension plans.

Note F – Other Postretirement Benefits

Total Periodic Benefit Credit

The components of the Company’s total periodic other postretirement benefit credit for the three months ended March 31, 2024 and 2023 were as follows:

	For the Three Months Ended March 31,	
(Millions of Dollars)	2024	2023
Service cost – including administrative expenses	$1	$1
Interest cost on projected other postretirement benefit obligation	2	2
Expected return on plan assets	(3)	(4)
Recognition of net actuarial gain	(2)	(2)
Recognition of prior service credit	(1)	(1)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT CREDIT	$(3)	$(4)
Reconciliation to rate level	1	1
Total credit recognized	$(2)	$(3)

For information about the presentation of the components of other postretirement benefit credit, see Note E.

Expected Contributions

Based on estimates as of March 31, 2024, O&R does not expect to make a contribution to the other postretirement benefit plans in 2024. O&R's policy is to fund the total periodic benefit credit of the plans to the extent tax deductible.

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 O&R 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.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation and remediation costs (which include costs of demolition, removal, disposal, storage, replacement, containment and monitoring) and natural resource damages. Liability under these laws can be material and may be imposed for contamination from past acts, even though such past acts may have been lawful at the time they occurred. The sites at which O&R has been asserted to have liability under these laws, including its manufactured gas plant sites and any neighboring areas to which contamination may have migrated, are referred to herein as "Superfund Sites."

For Superfund Sites where there are other potentially responsible parties and O&R is not managing the site investigation and remediation, the accrued liability represents an estimate of the amount O&R will need to pay to investigate and, where determinable, discharge its related obligations. For Superfund Sites (including the manufactured gas plant sites) for which O&R is managing the investigation and remediation, the accrued liability represents an estimate of the Company's share of the undiscounted cost to investigate the sites and the cost to remediate the sites, if remediation is necessary and if a reasonable estimate of such cost can be made. Remediation costs are estimated in light of the information available, applicable remediation standards and experience with similar sites.

The accrued liabilities and regulatory assets related to Superfund Sites at March 31, 2024 and December 31, 2023 were as follows:

(Millions of Dollars)	**2024**	**2023**
Accrued Liabilities:		
Manufactured gas plant sites	$91	$91
Other Superfund Sites	1	1
Total	$92	$92
Regulatory assets	$83	$83

The Superfund Sites have been investigated. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As information pertaining to the required remediation becomes available, the Company expects that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Company is permitted to recover or defer as regulatory assets (for subsequent recovery through rates) prudently incurred site investigation and remediation costs.

For the three months ended March 31, 2024 and 2023, environmental remediation costs incurred related to Superfund Sites were immaterial.

No insurance or other third-party recoveries were received by the Company for the three months ended March 31, 2024 and 2023.

In 2023, O&R estimated that for its manufactured gas plant sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of coal tar and/or other environmental contaminants could range up to $145 million. These estimates were based on 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 O&R 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 O&R premises. The suits that have been resolved, that are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to the Company. The amounts specified in all the remaining suits total billions of dollars; however, the Company believes that these amounts are greatly exaggerated, based on the disposition of previous claims. At March 31, 2024 and December 31, 2023, the Company accrued its estimated aggregate undiscounted potential liability of $1 million with a corresponding regulatory asset for these suits and additional suits that may be brought through 2035. The estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Courts have applied, and may continue to apply, different standards for determining liability in asbestos suits than the standard that applied historically. As a result, the Company currently believes that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Company is unable to estimate the amount or range of such loss. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. The Company defers as regulatory assets (for subsequent recovery through rates) costs incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants.

Note H – Income Tax

O&R's income tax expense was $13 million for the three months ended March 31, 2024 and $9 million for the three months ended March 31, 2023. The increase in income tax expense is primarily due to higher income before income tax expense and higher state income taxes.

Reconciliations of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes for the three months ended March 31, 2024 and 2023 are as follows:

	For the Three Months Ended March 31,	
(% of Pre-tax income)	**2024**	**2023**
STATUTORY TAX RATE		
Federal	21%	21%
Changes in computed taxes resulting from:		
State income tax, net of federal income taxes	6	6
Cost of removal	2	2
Allowance for uncollectible accounts, net of COVID-19 assistance	—	(1)
Amortization of excess deferred federal income taxes	(3)	(4)
Other	—	(1)
Effective tax rate	26%	23%

Uncertain Tax Positions

Under the accounting rules for income taxes, O&R is not permitted to recognize the tax benefit attributable to a tax position unless such position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position.

At March 31, 2024, the estimated liability for uncertain tax positions for O&R was an immaterial amount. O&R recognizes interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in O&R’s consolidated income statement. In the three months ended March 31, 2024 and 2023, O&R recognized no interest expense or penalties for uncertain tax positions in its consolidated income statement.

In February 2024, New York State completed its examination of Con Edison and its subsidiaries' New York state income and franchise tax returns for tax years 2015 through 2021 with no changes. Con Edison and its subsidiaries' return for tax year 2022 remains open under the statute of limitations.

Note I – Revenue Recognition

The following table presents, for the three months ended March 31, 2024 and 2023, revenue from contracts with customers as defined in Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers," as well as additional revenue from sources other than contracts with customers, disaggregated by major source.

	For the Three Months Ended March 31, 2024			For the Three Months Ended March 31, 2023		
(Millions of Dollars)	Revenues from contracts with customers	Other revenues (a)	Total operating revenues	Revenues from contracts with customers	Other revenues (a)	Total operating revenues
Electric	$190	$—	$190	$178	$4	$182
Gas	115	(2)	113	138	1	139
Total	$305	($2)	$303	$316	$5	$321

(a) This includes primarily revenue or negative revenue adjustments from alternative revenue programs, such as the revenue decoupling mechanisms under the New York electric and gas rate plans, as well as net earnings adjustment mechanisms (EAMs) and positive incentives primarily for achieving energy efficiency goals (see "Rate Plans" in Note B).

Revenues are recorded as energy is delivered, generated or services are provided and billed to customers. Amounts billed are recorded in accounts receivable - customers, with payment generally due the following month. The Company’s accounts receivable - customers balance also reflects the Company’s purchase of receivables from energy service companies to support retail choice programs. Accrued revenues not yet billed to customers are recorded as accrued unbilled revenues.

O&R has the obligation to deliver electricity and gas to its customers. As the energy is immediately available for use upon delivery to the customer, the energy and its delivery are identifiable as a single performance obligation. The Company recognizes revenues as this performance obligation is satisfied over time as the

Company delivers, and the customers simultaneously receive and consume, the energy. The amount of revenues recognized reflects the consideration the Company expects to receive in exchange for delivering the energy. Under its tariffs, the transaction price for full-service customers includes the Company's energy cost and for all customers includes delivery charges determined based on customer class and in accordance with established tariffs and guidelines of the NYSPSC or the NJBPU, as applicable. Accordingly, there is no unsatisfied performance obligation associated with these customers. The transaction price is applied to the Company's revenue generating activities through the customer billing process. Because energy is delivered over time, the Company uses output methods that recognize revenue based on direct measurement of the value transferred, such as units delivered, that provides an accurate measure of value for the energy delivered. The Company accrues revenues at the end of each month for estimated energy delivered but not yet billed to customers. The Company defers over a 12-month period, net interruptible gas revenues, other than those authorized by the NYSPSC to be retained by the Company, for refund to firm gas sales and transportation customers.

Note J – Current Expected Credit Losses

Allowance for Uncollectible Accounts

The Company's "Accounts receivable - customers" balance consists of utility bills due (bills are generally due the month following billing) from customers who have energy delivered, generated, or services provided by the Company. The balance also reflects the Company's purchase of receivables from energy service companies to support the retail choice programs.

"Other receivables" balance generally reflects costs billed by the Company for goods and services provided to external parties, such as accommodation work for private parties and certain governmental entities, real estate rental and pole attachments.

The Company develops expected loss estimates using past events data and considers current conditions and future reasonable and supportable forecasts. Changes to the Company's reserve balances that result in write-offs of customer accounts receivable balances above existing rate allowances are not reflected in rates during the term of the current rate plans. For the Company's customer accounts receivable allowance for uncollectible accounts, past events considered include write-offs relative to customer accounts receivable; current conditions include macro-and micro-economic conditions related to trends in the local economy, bankruptcy rates and aged customer accounts receivable balances, among other factors; and forecasts about the future include assumptions related to the level of write-offs and recoveries. Generally, the Company writes off customer accounts receivable as uncollectible 90 days after the account is turned off for non-payment, or the account is closed during the collection process.

Other receivables allowance for uncollectible accounts is calculated based on a historical average of collections relative to total other receivables, including current receivables. Current macro-and micro-economic conditions are also considered when calculating the current reserve. Probable outcomes of pending litigation, whether favorable or unfavorable to the Company, are also included in the consideration.

Starting in 2020, the potential economic impact of the COVID-19 pandemic was also considered in forward-looking projections related to write-off and recovery rates and resulted in an increase to the allowance for uncollectible accounts. The allowance for customer uncollectible accounts increased $4 million for the three months ended March 31, 2024. The allowance for customer uncollectible accounts decreased $1 million for the three months ended March 31, 2023.

Customer accounts receivable and the associated allowance for uncollectible accounts are included in the line "Accounts receivable - customers" on the Company's consolidated balance sheet. Other receivables and the associated allowance for uncollectible accounts are included in "Other receivables" on the consolidated balance sheet.

The table below presents a roll forward by major portfolio segment type for the three months ended March 31, 2024 and 2023:

	For the Three Months Ended March 31,			
	Accounts receivable - customers		Other receivables	
(Millions of Dollars)	**2024**	**2023**	**2024**	**2023**
Allowance for credit losses				
Beginning Balance at January 1,	$7	$8	$5	$2
Recoveries	1	—	—	—
Write-offs	(2)	(2)	—	—
Reserve adjustments	5	1	—	—
Ending Balance March 31,	$11	$7	$5	$2

Note K – Derivative Instruments and Hedging Activities

The Company hedges market price fluctuations associated with physical purchases and sales of electricity, natural gas and, to a lesser extent, refined fuels by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts. These are economic hedges, for which the Company does not elect hedge accounting. The Company uses economic hedges to manage commodity price risk in accordance with provisions set by state regulators. The volume of hedging activity at the Company depends upon the forecasted volume of physical commodity supply to meet customer needs, and program costs or benefits are recovered from or credited to full-service customers, respectively. Derivatives are recognized on the consolidated balance sheet at fair value (see Note L), unless an exception is available under the accounting rules for derivatives and hedging. Qualifying derivative contracts that have been designated as normal purchases or normal sales contracts are not reported at fair value under the accounting rules.

The fair values of the Company's commodity derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at March 31, 2024 and December 31, 2023 were:

(Millions of Dollars)	2024				2023			
Balance Sheet Location	**Gross Amounts of Recognized Assets/ (Liabilities)**	**Gross Amounts Offset**	**Net Amounts of Assets/ (Liabilities) (a)**		**Gross Amounts of Recognized Assets/ (Liabilities)**	**Gross Amounts Offset**	**Net Amounts of Assets/ (Liabilities) (a)**	
Fair value of derivative assets								
Current	$6	$(1)	$5	(b)	$4	$(2)	$2	(b)
Noncurrent	2	(2)	—		2	(2)	—	
Total fair value of derivative assets	$8	$(3)	$5		$6	$(4)	$2	
Fair value of derivative liabilities								
Current	$(7)	$2	$(5)	(b)	$(13)	$4	$(9)	(b)
Noncurrent	(11)	2	(9)		(15)	3	(12)	
Total fair value of derivative liabilities	$(18)	$4	$(14)		$(28)	$7	$(21)	
Net fair value derivative assets/(liabilities)	$(10)	$1	$(9)		$(22)	$3	$(19)	

(a) Derivative instruments and collateral were offset on the consolidated balance sheet as applicable under the accounting rules. The Company enters into master agreements for its commodity derivatives. These agreements typically provide offset in the event of contract termination. In such case, generally the non-defaulting party's payable will be offset by the defaulting party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.

(b) At March 31, 2024, margin deposits of $1 million and $(5) million were classified as derivative assets and derivative liabilities, respectively, on the consolidated balance sheet, but not included in the table. At December 31, 2023, margin deposits of $1 million and $(5) million were classified as derivative assets and derivative liabilities, respectively, on the consolidated balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

The Company generally recovers its prudently incurred purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility regulators. In accordance with the accounting rules for regulated operations, the Company records a regulatory asset or regulatory liability to defer recognition of unrealized gains and losses on its electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power and gas costs in the Company's consolidated income statement.

O&R and CECONY (CECONY together with O&R, the Utilities) have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services (including hedging market price fluctuations associated with the physical purchase of gas) are provided by, CECONY (for itself and as agent for O&R) and costs (net of the effect of the related hedging transactions) are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note M.

The following table presents the realized and unrealized gains or losses on commodity derivatives that have been deferred for the three months ended March 31, 2024 and 2023:

		For the Three Months Ended March 31,	
(Millions of Dollars)	**Balance Sheet Location**	**2024**	**2023**
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:			
Current	Regulatory liabilities	$3	$(12)
Noncurrent	Regulatory liabilities	—	(15)
Total deferred gains/(losses)		$3	$(27)
Current	Regulatory assets	$4	$(4)
Current	Recoverable energy costs	(10)	(18)
Noncurrent	Regulatory assets	4	(3)
Total deferred gains/(losses)		$(2)	$(25)
Net deferred gains/(losses) (a)		$1	$(52)

(a) Unrealized net deferred losses on electric and gas derivatives for O&R decreased as a result of higher electric and gas commodity prices during the three months ended March 31, 2024. Upon settlement, short-term deferred derivative losses generally increase the recoverable costs of electric and gas purchases.

The following table presents the hedged volume of the Company's commodity derivative transactions at March 31, 2024:

Electric Energy (MWh) (a)	Capacity (MW-mos) (a)	Natural Gas (Dt) (a)
2,572,750	9,000	17,630,000

(a) Volumes are reported net of long and short positions.

The Company is exposed to credit risk related to transactions entered into primarily for the various electric supply and hedging activities. Credit risk relates to the loss that may result from a counterparty's nonperformance. The Company uses credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements and collateral or prepayment arrangements, credit insurance and credit default swaps. The Company measures 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 to offset.

At March 31, 2024, the Company had $4 million of credit exposure in connection with open energy supply net receivables and hedging activities, net of collateral, related to investment-grade counterparties and exchange brokers.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Company's consolidated statement of cash flows. Most derivative instrument contracts contain provisions that may require a party to provide collateral on its derivative instruments that are in a net liability position. The amount of collateral to be provided will depend on the fair value of the derivative instruments and the party's credit ratings.

The following table presents the aggregate fair value of the Company's derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at March 31, 2024:

(Millions of Dollars)	
Aggregate fair value – net liabilities (a)	$11
Collateral posted	—
Additional collateral (b) (downgrade one level from current ratings)	10
Additional collateral (b) (downgrade to below investment grade from current ratings)	18 (c)

(a) Non-derivative transactions for the purchase and sale of electricity, gas and qualifying derivative instruments, that have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Company was no longer extended unsecured credit for such purchases, the Company would be required to post $1 million of additional collateral at March 31, 2024. For certain other such non-derivative transactions, the Company could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.

(b) The additional collateral amounts shown above are based upon the estimated O&R allocation of the Utilities' collateral requirements. The Utilities measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Company has a legally enforceable right to offset.

(c) Derivative instruments that are net assets have been excluded from the table. At March 31, 2024, if the Company had been downgraded to below investment grade, it would have been required to post $3 million of additional collateral.

Note L – Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, that refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company often makes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Company classifies fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted quoted prices quoted directly from the exchange.

- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors, and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.

- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 are summarized below.

	2024					2023				
(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustment (d)	Total	Level 1	Level 2	Level 3	Netting Adjustment (d)	Total
Derivative assets:										
Commodity (a)(b)(c)	$—	$5	$1	$1	$7	$—	$4	$1	$(2)	$3
Cash Value of Life Insurance Policies (a)(b)	—	5	—	—	5	—	5	—	—	5
Mutual Funds (a)(b)	18	—	—	—	18	17	—	—	—	17
Total assets	$18	$10	$1	$1	$30	$17	$9	$1	$(2)	$25
Derivative liabilities:										
Commodity (a)(b)(c)	$2	$13	$1	$3	$19	$2	$21	$3	$—	$26
Total liabilities	$2	$13	$1	$3	$19	$2	$21	$3	$—	$26

(a) The Company's policy is to review the fair value hierarchy and recognize transfers into and transfers out of the levels at the end of each reporting period.
(b) Level 2 assets and liabilities include investments held in the deferred compensation plan and/or non-qualified retirement plans, exchange-traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1 and certain over−the−counter derivative instruments for electricity and natural gas. Derivative instruments classified as Level 2 are valued using industry standard models that incorporate corroborated observable inputs, such as pricing services or prices from similar instruments that trade in liquid markets, time value and volatility factors.
(c) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At March 31, 2024 and December 31, 2023, the Company determined that nonperformance risk would have no material impact on its financial position or results of operations.
(d) Amounts represent the impact of legally-enforceable master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

The employees in CECONY's risk management group develop and maintain the valuation policies and procedures for, and verify pricing and fair value valuation of, commodity derivatives for the Utilities. Under CECONY's policies and procedures, multiple independent sources of information are obtained for forward price curves used to value commodity derivatives. Fair value and changes in fair value of commodity derivatives are reported monthly to the Utilities' risk committees, comprised of officers and employees of the Utilities that oversee energy hedging. The risk management group reports to CECONY's Vice President and Treasurer.

	Fair Value of Level 3 at March 31, 2024 (*Millions of Dollars*)	Valuation Techniques	Unobservable Inputs	Range
Commodity				
Electricity	$1	Discounted Cash Flow	Forward energy prices (a)	$37.65 - $88.95 per MWh
Electricity	$(1)	Discounted Cash Flow	Forward capacity prices (a)	$1.92 - $7.53 per kW-month
Total O&R - Commodity	$—			

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

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value for the three months ended March 31, 2024 and 2023 and classified as Level 3 in the fair value hierarchy:

	For the Three Months Ended March 31,	
(Millions of Dollars)	**2024**	**2023**
Beginning balance as of January 1,	$(2)	$(8)
Included in earnings	(1)	(1)
Included in regulatory assets and liabilities	—	1
Settlements	3	2
Ending balance as of March 31,	$—	$(6)

Realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power and gas costs. The Company generally recovers these costs in accordance with rate provisions approved by the applicable state public utilities regulators. Unrealized gains and losses for commodity derivatives are generally deferred on the consolidated balance sheet in accordance with the accounting rules for regulated operations.

Note M – Related Party Transactions

The Company provides and receives administrative and other services to and from Con Edison and its other subsidiaries pursuant to cost allocation procedures developed in accordance with rules approved by the NYSPSC and/or other regulatory authorities, as applicable. The services received include substantial administrative support operations, such as corporate secretarial and associated managerial duties, accounting, treasury, investor relations, information technology, legal, human resources, fuel supply and energy management services. The costs of administrative and other services provided by the Company, and received from Con Edison and its other subsidiaries for the three months ended March 31, 2024 and 2023 were as follows:

	For the Three Months Ended March 31,	
(Millions of Dollars)	**2024**	**2023**
Cost of services provided	$4	$4
Cost of services received	$15	$16

At March 31, 2024 and December 31, 2023, O&R's net payable to Con Edison and its other subsidiaries associated with these services was $6 million and $11 million, respectively.

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which O&R purchased from CECONY $24 million and $33 million of natural gas for the three months ended March 31, 2024 and 2023, respectively. These amounts are net of the effect of related hedging transactions. At March 31, 2024 and December 31, 2023, O&R's net payable to CECONY associated with these gas purchases was $5 million and $9 million, respectively.

At March 31, 2024 and December 31, 2023, the Company's net payable to Con Edison for income taxes was $13 million and $5 million, respectively.

FERC has authorized CECONY to lend funds to O&R, for a period of not more than 12 months, in an amount not to exceed $250 million at prevailing market rates. At March 31, 2024 and December 31, 2023, there were no outstanding loans to O&R.