

PART I. - FINANCIAL INFORMATION

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The following consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (which include only normal recurring adjustments) necessary to a fair statement of the results for the interim periods presented. These condensed unaudited interim financial statements do not contain the detail, or footnote disclosure concerning accounting policies and other matters, which would be included in full-year financial statements and, accordingly, should be read in conjunction with the Company's audited financial statements (including the notes thereto) included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-1217).

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 1994, DECEMBER 31, 1993 AND JUNE 30, 1993

As At
June 30, 1994 Dec. 31, 1993 June 30, 1993
(Thousands of Dollars)

ASSETS

| | | | |
|---|---------------|---------------|---------------|
| Utility plant, at original cost | | | |
| Electric | \$ 10,709,492 | \$ 10,530,193 | \$ 10,422,016 |
| Gas | 1,378,489 | 1,341,704 | 1,285,827 |
| Steam | 411,538 | 403,411 | 384,463 |
| General | 1,048,747 | 1,015,947 | 972,453 |
| Total | 13,548,266 | 13,291,255 | 13,064,759 |
| Less: Accumulated depreciation | 3,718,838 | 3,594,784 | 3,578,894 |
| Net | 9,829,428 | 9,696,471 | 9,485,865 |
| Construction work in progress | 382,789 | 389,244 | 337,530 |
| Nuclear fuel assemblies and components, less accumulated amortization | 62,335 | 70,441 | 77,385 |
| Net utility plant | 10,274,552 | 10,156,156 | 9,900,780 |
| Current assets | | | |
| Cash and temporary cash investments | 80,649 | 36,756 | 143,320 |
| Accounts receivable - customers, less allowance for uncollectible accounts of \$21,208, \$21,600 and \$20,383 | 461,794 | 459,261 | 428,853 |
| Other receivables | 67,306 | 84,955 | 40,677 |
| Regulatory accounts receivable | 55,114 | 97,117 | 163,492 |
| Fuel, at average cost | 46,324 | 53,755 | 57,846 |
| Gas in storage, at average cost | 37,832 | 49,091 | 29,638 |
| Materials and supplies, at average cost | 241,998 | 245,785 | 270,080 |
| Prepayments | 50,873 | 56,274 | 49,515 |
| Other current assets | 12,111 | 11,486 | 11,208 |
| Total current assets | 1,054,001 | 1,094,480 | 1,194,629 |
| Investments and nonutility property | | | |
| Investments | 106,377 | 92,108 | 81,703 |
| Nonutility property | 1,204 | 1,791 | 1,301 |
| Total investments and nonutility property | 107,581 | 93,899 | 83,004 |
| Deferred charges | | | |
| Recoverable fuel costs | (31,635) | 17,649 | 2,462 |
| Enlightened Energy program costs | 153,372 | 140,057 | 113,069 |
| Unamortized debt expense | 140,857 | 144,928 | 120,661 |
| Power contract termination costs | 158,896 | 121,740 | 103,740 |
| Other deferred charges | 330,806 | 337,826 | 274,346 |
| Total deferred charges | 752,296 | 762,200 | 614,278 |
| Regulatory asset-future federal income taxes | 1,349,721 | 1,376,759 | 1,317,280 |
| Total | \$ 13,538,151 | \$ 13,483,494 | \$ 13,109,971 |

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 1994, DECEMBER 31, 1993 AND JUNE 30, 1993

As At
June 30, 1994 Dec. 31, 1993 June 30, 1993
(Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

Capitalization

| | | | |
|--|--------------|--------------|--------------|
| Common stock, authorized 340,000,000 shares; outstanding 234,884,279 shares, 234,372,931 shares and 233,970,506 shares | \$ 1,463,752 | \$ 1,448,845 | \$ 1,436,740 |
| Capital stock expense | (39,041) | (39,201) | (39,285) |
| Retained earnings | 3,682,947 | 3,658,886 | 3,461,524 |
| Total common equity | 5,107,658 | 5,068,530 | 4,858,979 |

Preferred stock

Subject to mandatory redemption

| | | | |
|-----------------|--------|--------|--------|
| 7.20 % Series I | 50,000 | 50,000 | 50,000 |
| 6-1/8% Series J | 50,000 | 50,000 | 50,000 |

| | | | |
|---------------------------------------|---------|---------|---------|
| Total subject to mandatory redemption | 100,000 | 100,000 | 100,000 |
|---------------------------------------|---------|---------|---------|

Other preferred stock

| | | | |
|---------------------------|---------|---------|---------|
| \$ 5 Cumulative Preferred | 175,000 | 175,000 | 175,000 |
| 5-3/4% Series A | 60,000 | 60,000 | 60,000 |
| 5-1/4% Series B | 75,000 | 75,000 | 75,000 |
| 4.65 % Series C | 60,000 | 60,000 | 60,000 |
| 4.65 % Series D | 75,000 | 75,000 | 75,000 |
| 5-3/4% Series E | 50,000 | 50,000 | 50,000 |
| 6.20 % Series F | 40,000 | 40,000 | 40,000 |
| 6% Convertible Series B | 5,471 | 5,728 | 5,952 |

| | | | |
|-----------------------------|---------|---------|---------|
| Total other preferred stock | 540,471 | 540,728 | 540,952 |
|-----------------------------|---------|---------|---------|

| | | | |
|-----------------------|---------|---------|---------|
| Total preferred stock | 640,471 | 640,728 | 640,952 |
|-----------------------|---------|---------|---------|

| | | | |
|----------------|-----------|-----------|-----------|
| Long-term debt | 3,787,061 | 3,643,891 | 3,788,054 |
|----------------|-----------|-----------|-----------|

| | | | |
|----------------------|-----------|-----------|-----------|
| Total capitalization | 9,535,190 | 9,353,149 | 9,287,985 |
|----------------------|-----------|-----------|-----------|

Noncurrent liabilities

| | | | |
|----------------------------------|---------|---------|---------|
| Obligations under capital leases | 49,080 | 50,355 | 51,629 |
| Other noncurrent liabilities | 90,771 | 125,369 | 113,377 |
| Total noncurrent liabilities | 139,851 | 175,724 | 165,006 |

Current liabilities

| | | | |
|------------------------------------|---------|-----------|---------|
| Long-term debt due within one year | 133,964 | 133,639 | 88,260 |
| Accounts payable | 305,379 | 399,543 | 308,452 |
| Customer deposits | 160,302 | 157,380 | 156,023 |
| Accrued income taxes | 7,534 | 28,410 | 24,749 |
| Other accrued taxes | 10,449 | 30,896 | 24,767 |
| Accrued interest | 83,228 | 82,002 | 81,593 |
| Accrued wages | 80,880 | 81,174 | 78,196 |
| Other current liabilities | 152,153 | 172,876 | 158,561 |
| Total current liabilities | 933,889 | 1,085,920 | 920,601 |

Deferred credits

| | | | |
|---|-----------|-----------|-----------|
| Accumulated deferred federal income tax | 1,110,670 | 1,083,720 | 1,060,721 |
| Accumulated deferred investment tax credits | 196,344 | 201,144 | 207,104 |
| Federal income tax refund | 52,957 | - | - |
| Other deferred credits | 219,529 | 207,078 | 151,274 |
| Total deferred credits | 1,579,500 | 1,491,942 | 1,419,099 |

Deferred tax liability-future

| | | | |
|----------------------|-----------|-----------|-----------|
| federal income taxes | 1,349,721 | 1,376,759 | 1,317,280 |
|----------------------|-----------|-----------|-----------|

| | | | |
|-------|---------------|---------------|---------------|
| Total | \$ 13,538,151 | \$ 13,483,494 | \$ 13,109,971 |
|-------|---------------|---------------|---------------|

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED JUNE 30, 1994 AND 1993

| | 1994 | 1993 |
|---|------------------------|--------------|
| | (Thousands of Dollars) | |
| Operating revenues | | |
| Electric | \$ 1,145,751 | \$ 1,169,280 |
| Gas | 189,499 | 168,404 |
| Steam | 56,837 | 58,326 |
| Total operating revenues | 1,392,087 | 1,396,010 |
| Operating expenses | | |
| Fuel and purchased power | 320,444 | 363,613 |
| Gas purchased for resale | 73,583 | 60,987 |
| Other operations | 276,914 | 269,283 |
| Maintenance | 140,708 | 138,195 |
| Depreciation and amortization | 104,554 | 100,379 |
| Taxes, other than federal income tax | 263,134 | 284,838 |
| Federal income tax | 54,710 | 44,190 |
| Total operating expenses | 1,234,047 | 1,261,485 |
| Operating income | 158,040 | 134,525 |
| Other income (deductions) | | |
| Investment income | 2,277 | 1,346 |
| Allowance for equity funds used during construction | 2,579 | 1,700 |
| Other income less miscellaneous deductions | (1,266) | (433) |
| Federal income tax | (290) | (330) |
| Total other income | 3,300 | 2,283 |
| Income before interest charges | 161,340 | 136,808 |
| Interest on long-term debt | 71,854 | 70,669 |
| Other interest | 3,409 | 4,473 |
| Allowance for borrowed funds used during construction | (1,135) | (785) |
| Net interest charges | 74,128 | 74,357 |
| Net income | 87,212 | 62,451 |
| Preferred stock dividend requirements | 8,897 | 8,903 |
| Net income for common stock | \$ 78,315 | \$ 53,548 |
| Common shares outstanding - average (000) | 234,830 | 233,962 |
| Earnings per share | \$.33 | \$.23 |
| Dividends declared per share of common stock | \$.50 | \$.485 |
| Sales | | |
| Electric (Thousands of Kwhrs.) | | |
| Con Edison Customers | 8,290,405 | 8,079,689 |
| Deliveries for NYPA Customers | 2,033,473 | 1,901,462 |
| Service for Municipal Agencies | 95,774 | 86,147 |
| Total Sales in Service Territory | 10,419,652 | 10,067,298 |
| Other Electric Utilities (a) | 404,173 | 287,774 |
| Gas - Firm Customers (Dekatherms) | 17,940,876 | 17,537,367 |
| Steam (Thousands of Lbs.) | 5,172,992 | 5,191,228 |

(a) There were no sales to the New York Power Authority ("NYPA") in the 1994 and 1993 periods.

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 1994 AND 1993

| | 1994 | 1993 |
|---|------------------------|--------------|
| | (Thousands of Dollars) | |
| Operating revenues | | |
| Electric | \$ 2,293,542 | \$ 2,304,663 |
| Gas | 583,562 | 486,401 |
| Steam | 212,743 | 191,031 |
| Total operating revenues | 3,089,847 | 2,982,095 |
| Operating expenses | | |
| Fuel and purchased power | 662,555 | 711,142 |
| Gas purchased for resale | 252,130 | 180,633 |
| Other operations | 555,124 | 546,584 |
| Maintenance | 274,290 | 280,738 |
| Depreciation and amortization | 208,320 | 198,917 |
| Taxes, other than federal income tax | 554,102 | 583,493 |
| Federal income tax | 160,160 | 123,770 |
| Total operating expenses | 2,666,681 | 2,625,277 |
| Operating income | 423,166 | 356,818 |
| Other income (deductions) | | |
| Investment income | 2,685 | 2,013 |
| Allowance for equity funds used during construction | 4,651 | 4,737 |
| Other income less miscellaneous deductions | (3,216) | 1,229 |
| Federal income tax | (1,170) | (1,140) |
| Total other income | 2,950 | 6,839 |
| Income before interest charges | 426,116 | 363,657 |
| Interest on long-term debt | 142,326 | 140,524 |
| Other interest | 9,315 | 8,929 |
| Allowance for borrowed funds used during construction | (2,047) | (2,187) |
| Net interest charges | 149,594 | 147,266 |
| Net income | 276,522 | 216,391 |
| Preferred stock dividend requirements | 17,796 | 17,811 |
| Net income for common stock | \$ 258,726 | \$ 198,580 |
| Common shares outstanding - average (000) | 234,632 | 233,952 |
| Earnings per share | \$ 1.10 | \$.85 |
| Dividends declared per share of common stock | \$ 1.00 | \$.97 |
| Sales | | |
| Electric (Thousands of Kwhrs.) | | |
| Con Edison Customers | 17,284,349 | 16,893,901 |
| Deliveries for NYPA Customers | 4,303,693 | 4,100,229 |
| Service for Municipal Agencies | 192,357 | 174,338 |
| Total Sales in Service Territory | 21,780,399 | 21,168,468 |
| Other Electric Utilities (a) | 727,509 | 326,711 |
| Gas - Firm Customers (Dekatherms) | 63,102,005 | 57,911,828 |
| Steam (Thousands of Lbs.) | 18,287,025 | 16,393,819 |

(a) There were no sales to the New York Power Authority ("NYPA") in the 1994 and 1993 periods.

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED JUNE 30, 1994 AND 1993

| | 1994 | 1993 |
|---|------------------------|--------------|
| | (Thousands of Dollars) | |
| Operating revenues | | |
| Electric | \$ 5,120,545 | \$ 5,071,706 |
| Gas | 905,549 | 780,063 |
| Steam | 347,052 | 327,013 |
| Total operating revenues | 6,373,146 | 6,178,782 |
| Operating expenses | | |
| Fuel and purchased power | 1,369,242 | 1,422,485 |
| Gas purchased for resale | 361,205 | 279,416 |
| Other operations | 1,115,504 | 1,095,542 |
| Maintenance | 564,348 | 561,890 |
| Depreciation and amortization | 413,132 | 392,022 |
| Taxes, other than federal income tax | 1,129,893 | 1,182,089 |
| Federal income tax | 402,410 | 339,930 |
| Total operating expenses | 5,355,734 | 5,273,374 |
| Operating income | 1,017,412 | 905,408 |
| Other income (deductions) | | |
| Investment income | 5,607 | 7,169 |
| Allowance for equity funds used during construction | 7,136 | 9,753 |
| Other income less miscellaneous deductions | (12,011) | (1,371) |
| Federal income tax | 980 | (2,690) |
| Total other income | 1,712 | 12,861 |
| Income before interest charges | 1,019,124 | 918,269 |
| Interest on long-term debt | 283,558 | 275,958 |
| Other interest | 20,107 | 20,479 |
| Allowance for borrowed funds used during construction | (3,194) | (4,628) |
| Net interest charges | 300,471 | 291,809 |
| Net income | 718,653 | 626,460 |
| Preferred stock dividend requirements | 35,601 | 36,015 |
| Net income for common stock | \$ 683,052 | \$ 590,445 |
| Common shares outstanding - average (000) | 234,331 | 233,721 |
| Earnings per share | \$ 2.91 | \$ 2.53 |
| Dividends declared per share of common stock | \$ 1.97 | \$ 1.92 |
| Sales | | |
| Electric (Thousands of Kwhrs.) | | |
| Con Edison Customers | 36,631,447 | 35,261,039 |
| Deliveries for NYPA Customers | 8,645,088 | 8,278,940 |
| Service for Municipal Agencies | 379,873 | 352,874 |
| Total Sales in Service Territory | 45,656,408 | 43,892,853 |
| Other Electric Utilities (a) | 1,005,643 | 463,656 |
| Gas - Firm Customers (Dekatherms) | 95,029,502 | 90,848,544 |
| Steam (Thousands of Lbs.) | 31,287,541 | 29,449,358 |

(a) The 1994 period includes 2,142 thousands of Kwhrs. which were sold to the New York Power Authority ("NYPA") and are also included in the deliveries for NYPA. There were no such sales for the 1993 period.

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1994 AND 1993

| | 1994 | 1993 |
|--|------------------------|------------|
| | (Thousands of Dollars) | |
| Operating activities | | |
| Net income | \$ 276,522 | \$ 216,391 |
| Principal non-cash charges (credits) to income | | |
| Depreciation and amortization | 208,320 | 198,917 |
| Deferred recoverable fuel costs | 49,284 | 19,060 |
| Federal income tax deferred | 13,280 | 91,940 |
| Common equity component of allowance for funds used during construction | (4,386) | (4,431) |
| Other non-cash charges (credits) | 17,218 | (26,846) |
| Changes in assets and liabilities | | |
| Accounts receivable - customers, less allowance for uncollectibles | (2,533) | (4,504) |
| Regulatory accounts receivable | 42,003 | 4,439 |
| Materials and supplies, including fuel and gas in storage | 22,477 | 51,621 |
| Prepayments, other receivables and other current assets | 22,425 | 19,079 |
| Enlightened Energy program costs | (13,315) | (32,309) |
| Federal income tax refund | 52,957 | - |
| Power contract termination costs | (63,480) | (51,870) |
| Accounts payable | (94,164) | (68,083) |
| Other - net | (66,221) | (98,292) |
| Net cash flows from operating activities | 460,387 | 315,112 |
| Investing activities including construction | | |
| Construction expenditures | (313,082) | (349,428) |
| Nuclear fuel expenditures | (4,651) | (7,471) |
| Contributions to nuclear decommissioning trust | (8,752) | (7,771) |
| Common equity component of allowance for funds used during construction | 4,386 | 4,431 |
| Net cash flows from investing activities including construction | (322,099) | (360,239) |
| Financing activities including dividends | | |
| Issuance of common stock | 14,650 | - |
| Issuance of long-term debt | 150,000 | 1,231,000 |
| Retirement of long-term debt | (4,223) | (78,860) |
| Advance refunding of long-term debt | - | (922,257) |
| Issuance and refunding costs | (2,362) | (79,144) |
| Common stock dividends | (234,666) | (226,937) |
| Preferred stock dividends | (17,794) | (17,809) |
| Net cash flows from financing activities including dividends | (94,395) | (94,007) |
| Net increase (decrease) in cash and temporary cash investments | 43,893 | (139,134) |
| Cash and temporary cash investments at January 1 | 36,756 | 282,454 |
| Cash and temporary cash investments at June 30 | \$ 80,649 | \$ 143,320 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for: | | |
| Interest | \$ 130,906 | \$ 132,722 |
| Income taxes | 154,381 | 45,836 |

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1994 AND 1993

| | 1994 | 1993 |
|--|------------------------|-------------|
| | (Thousands of Dollars) | |
| Operating activities | | |
| Net income | \$ 718,653 | \$ 626,460 |
| Principal non-cash charges (credits) to income | | |
| Depreciation and amortization | 413,132 | 392,022 |
| Deferred recoverable fuel costs | 34,097 | (12,064) |
| Federal income tax deferred | 15,550 | 131,430 |
| Common equity component of allowance for funds used during construction | (6,750) | (9,122) |
| Other non-cash charges | 19,613 | 16,175 |
| Changes in assets and liabilities | | |
| Accounts receivable - customers, less allowance for uncollectibles | (32,941) | (56,413) |
| Regulatory accounts receivable | 108,378 | (118,269) |
| Materials and supplies, including fuel and gas in storage | 31,410 | 11,881 |
| Prepayments, other receivables and other current assets | (28,890) | 11,892 |
| Enlightened Energy program costs | (40,303) | (65,993) |
| Federal income tax refund | 52,957 | - |
| Power contract termination costs | (79,990) | (51,870) |
| Accounts payable | (3,073) | 22,927 |
| Other - net | (31,303) | (7,346) |
| Net cash flows from operating activities | 1,170,540 | 891,710 |
| Investing activities including construction | | |
| Construction expenditures | (752,722) | (795,693) |
| Nuclear fuel expenditures | (11,272) | (40,740) |
| Contributions to nuclear decommissioning trust | (20,228) | (7,771) |
| Common equity component of allowance for funds used during construction | 6,750 | 9,122 |
| Net cash flows from investing activities including construction | (777,472) | (835,082) |
| Financing activities including dividends | | |
| Issuance of common stock | 26,531 | - |
| Issuance of preferred stock | - | 50,000 |
| Issuance of long-term debt | 297,475 | 1,581,000 |
| Retirement of long-term debt and preferred stock | (103,260) | (232,050) |
| Advance refunding of long-term debt and preferred stock | (147,475) | (1,111,257) |
| Issuance and refunding costs | (31,780) | (100,698) |
| Common stock dividends | (461,631) | (449,161) |
| Preferred stock dividends | (35,599) | (35,985) |
| Net cash flows from financing activities including dividends | (455,739) | (298,151) |
| Net decrease in cash and temporary cash investments | (62,671) | (241,523) |
| Cash and temporary cash investments at beginning of period | 143,320 | 384,843 |
| Cash and temporary cash investments at June 30 | \$ 80,649 | \$ 143,320 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for: | | |
| Interest | \$ 263,659 | \$ 264,039 |
| Income taxes | 388,667 | 232,286 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of these interim financial statements, the information in this note supplements the information under the same headings in Note A to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-1217).

NUCLEAR DECOMMISSIONING

In the first quarter of 1994 a site-specific study was prepared for both the Indian Point 2 and the retired Indian Point 1 nuclear units. The estimated decommissioning cost in 1993 dollars is \$657 million, comprised of \$609 million for nuclear and \$48 million for non-nuclear portions of the units. Assuming the expenditures will be made in 2016, on a dollar-weighted average basis, and assuming an average annual escalation rate of five percent, the estimated decommissioning cost in future dollars is \$2,019 million, comprised of \$1,870 million for nuclear and \$149 million for non-nuclear portions. Based on the study, the Company is seeking in its electric rate filing submitted to the Public Service Commission in April 1994 an increase of \$27.6 million in the annual decommissioning allowance for the nuclear portion of the plant.

INVESTMENTS

In the first quarter of 1994 the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting

for Certain Investments in Debt and Equity Securities". Pursuant to the Statement, the securities held in the Company's nuclear decommissioning trust fund at June 30, 1994 are reported at fair value. Pursuant to the accounting requirements of the Federal Energy Regulatory Commission, gains or losses are included in nuclear decommissioning trust assets and added to accumulated decommissioning included within Accumulated Depreciation. Accordingly, the \$1.6 million net unrealized gain resulting from reporting the securities at fair value at June 30, 1994 has been included in the accumulated depreciation reserve.

NOTE B - CONTINGENCIES

INDIAN POINT. Nuclear generating units similar in design to the Company's Indian Point 2 unit have experienced problems of varying severity in their steam generators, which in a number of instances have required steam generator replacement. Inspections of the Indian Point 2 steam generators since 1976 have revealed various problems, some of which appear to have been arrested, but the remaining service life of the steam generators is uncertain and may be shorter than the unit's life. The projected service life of the steam generators is reassessed periodically in the light of the inspections made during scheduled outages of the unit. Based on data from the latest inspection (1993) and other sources, the Company estimates that steam generator replacement will not be required before 1997, and possibly not until some years later. To avoid procurement delays in the event replacement is necessary, the Company purchased, and has stored at the site, replacement steam generators. If replacement of the steam generators is required, such replacement is presently estimated (in 1993 dollars) to require additional expenditures of approximately \$135 million (exclusive of replacement power costs) and an outage of approximately six months. However, securing necessary permits and approvals or other factors could require a substantially longer outage if steam generator replacement is required on short notice.

NUCLEAR INSURANCE. The insurance policies covering the Company's nuclear facilities for property damage, excess property damage, and outage costs permit assessments under certain conditions to cover insurers' losses. As of June 30, 1994, the highest amount which could be assessed for losses during the current policy year under all of the policies was \$24.5 million. While assessments may also be made for losses in certain prior years, the Company is not aware of any losses in such years which it believes are likely to result in an assessment.

Under certain circumstances, in the event of nuclear incidents at facilities covered by the federal government's third-party liability indemnification program, the Company could be assessed up to \$79.3 million per incident of which not more than \$10 million may be assessed in any one year. The per-incident limit is to be adjusted for inflation not later than 1998 and not less than once every five years thereafter.

The Company participates in an insurance program covering liabilities for injuries to certain workers in the nuclear power industry. In the event of such injuries, the Company is subject to assessment up to an estimated maximum of approximately \$3.2 million.

SUPERFUND CLAIMS. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) by its terms imposes joint and several strict liability, regardless of fault, upon generators of hazardous substances for resulting removal and remedial costs and environmental damages. Complex technical and factual determinations must be made prior to the ultimate disposition of these claims. Accordingly, estimates of removal, remedial and environmental damage costs for these sites may not be accurate. Moreover, the Company at appropriate times seeks recovery of its share of these costs under any applicable insurance coverage and through inclusion of such costs in allowable costs for rate-making purposes.

The Company has received process or notice concerning possible claims under Superfund or similar state statutes relating to 14 sites at which it is alleged that hazardous substances generated by the Company (and, in most instances, a large number of other potentially responsible parties) were deposited. For most, but not all, of these sites, the Company has developed estimates of investigative, removal, remedial and environmental damage costs it will be obligated to pay. These estimates aggregate approximately \$12 million and the Company has accrued a liability in this amount. It is possible that substantial additional costs may be incurred with respect to the 14 sites and other sites.

The Company evaluates its potential Superfund liability on an ongoing basis. Based on the information and relevant circumstances known to the Company at this time, it is the opinion of the Company that the amounts it will be obligated to pay for the 14 sites will not have a material adverse effect on the Company's financial position.

DEC PROCEEDING. In June 1992 the Staff of the New York State Department of Environmental Conservation (DEC) instituted a civil administrative proceeding against the Company before the DEC, alleging environmental violations. The complaint seeks approximately \$20 million in civil penalties, and injunctive measures which could require substantial capital expenditures. The Company does not believe that this proceeding will materially interfere with its operations or materially adversely affect the Company's financial position.

ASBESTOS CLAIMS. Suits were brought in New York State and federal courts against the Company and many other defendants, wherein hundreds 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 Company. Many of these suits have been disposed of without any payment by the Company, or for immaterial amounts. Additional settlements, also for immaterial amounts, are

pending. The amounts specified in all the remaining suits, including those for which settlements are pending, total billions of dollars but the Company believes that these amounts are greatly exaggerated, as were the claims already disposed of. Based on the information and relevant circumstances known to the Company at this time, it is the opinion of the Company that these suits will not have a material adverse effect on the Company's financial position.

ELECTRIC AND MAGNETIC FIELDS. Electric and magnetic fields (EMF) are found wherever electricity is used. Several scientific studies have raised concerns that EMF surrounding electric equipment and wires, including power lines, may present health risks. In the event that a causal relationship between EMF and adverse health effects is established, there could be a material adverse effect on the electric utility industry, including the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS

The following discussion and analysis relates to the interim financial statements appearing in this report and should be read in conjunction with Management's Discussion and Analysis appearing in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-1217). Reference is made to the notes to the financial statements in Item 1 of this report, which notes are incorporated herein by reference.

LIQUIDITY AND CAPITAL RESOURCES

Cash and temporary investments were \$80.6 million at June 30, 1994 compared with \$36.8 million at December 31, 1993 and \$143.3 million at June 30, 1993. The Company's cash balances reflect the timing and amounts of external financing. As discussed below, in March 1994, the Company received approximately \$60 million of federal income tax refunds and related interest.

In February 1994 the Company issued \$150 million of 35-year debentures. The debentures bear an interest rate of 7-1/8 percent. Pursuant to its amended dividend reinvestment plan, in the first quarter of 1994 the Company issued new shares of common stock for \$14.6 million.

On July 6, 1994 the Company issued \$150 million of

five-year floating rate debentures, Series 1994 B due July 1, 1999 which were offered to the public at 99.9452 percent. The interest rate, which is based on a spread of 0.1875 percent over LIBOR (London Interbank Offered Rate), was initially fixed at 5.125 percent and will be reset quarterly.

The Company expects to finance the balance of its capital requirements for the remainder of 1994 and 1995, including \$140 million for securities maturing during this period, from internally generated funds and external financing of about \$300 million. Most, if not all, of this financing will be debt issues.

Customer accounts receivable, less allowance for uncollectible accounts, amounted to \$461.8 million at June 30, 1994 compared with \$459.3 million at December 31, 1993 and \$428.9 million at June 30, 1993. In terms of equivalent days of revenue outstanding, these amounts represented 27.7, 27.6 and 26.1 days, respectively.

Regulatory accounts receivable, amounting to \$55.1 million at June 30, 1994, \$97.1 million at December 31, 1993 and \$163.5 million at June 30, 1993, represents accruals under the three-year electric rate settlement agreement effective April 1, 1992. It includes the "ERAM" accrual (differences in actual electric sales revenues from the levels forecast in the

agreement), incentives and "lost revenues" related to the Company's Enlightened Energy program, incentives for customer service, and savings achieved in fuel and purchased power costs relative to target levels. Regulatory accounts receivable were reduced in 1993 and the first half of 1994 by billings to customers of prior period ERAM accruals and by negative ERAM accruals for the first half of the year (reflecting sales in excess of estimated levels).

Fuel balances at June 30, 1994 were \$7.4 million lower than December 1993 due principally to lower oil inventory levels. Gas in storage decreased \$11.3 million in the first half of 1994 reflecting a seasonal reduction in storage balances.

Deferred charges include Enlightened Energy program costs of \$153.4 million at June 30, 1994, \$140.1 million at December 31, 1993 and \$113.1 at June 30, 1993. Under the provisions of the 1992 electric rate settlement agreement, these costs are generally recoverable over a five year period.

In March 1994 the Company received federal income tax refunds and interest for years 1980 through 1986 amounting to approximately \$60 million, which has been deferred and included in other deferred credits pending future rate treatment.

Interest coverage under the SEC formula for the twelve

months ended June 30, 1994 was 4.48 times compared with 4.19 times for the year 1993 and 4.07 times for the twelve months ended June 30, 1993.

Gas and Steam Rate Settlements

The Company has reached agreements with the Staff of the Public Service Commission ("PSC") for three year rate plans for gas and steam service. Under the plans, which must be approved by the PSC, gas and steam rates would increase by \$7.0 million (0.8 percent) and \$10.0 million (3.0 percent), respectively, effective October 1994. For both services, the October 1994 increases reflect a 10.9 percent rate of return on common equity and a 52 percent common equity ratio. In addition, the agreements contain incentive/penalty mechanisms that will allow the Company to earn an annual maximum of \$9.5 million (85 basis points in return on equity) in gas and \$1.7 million (50 basis points) in steam or to incur comparable penalties. The agreements have been approved by the Administrative Law Judge. A PSC decision is expected in October 1994.

1992 Electric Rate Settlement Agreement

In March 1994 the PSC approved an electric rate increase of \$55.2 million (1.1 percent), which became effective April 1, 1994 for the third and final year of the 1992 electric rate settlement agreement, the twelve months ended March 31, 1995. Effective April 1, 1994, the Company's electric rates

reflect the increase in the federal income tax rate from 34% to 35% which had previously been deferred.

For the second rate year, the twelve months ended March 31, 1994, the Company's rate of return on electric common equity, calculated in accordance with the provisions of the agreement, which excludes incentives earned and labor productivity in excess of amounts reflected in rates, was approximately 11.2 percent, which was below the 11.85 percent threshold for sharing earnings with ratepayers.

Electric Rate Increase Filing

In April 1994, the Company filed for a \$191.3 million (3.6 percent) electric rate increase to become effective April 1, 1995. This consists of an increase of \$168.7 million for Con Edison customers and \$22.6 million for the New York Power Authority ("NYPA") and Economic Development delivery services. The rate increase is premised upon an allowed equity return of 11.75 percent and a common equity ratio of 52.0 percent of total capitalization. The major reasons for the requested increase are power purchases required from independent power producers ("IPPs"), increased taxes and infrastructure investment.

The filing includes measures to distribute more equitably the Company's costs of providing service and better position the Company in the increasingly competitive electric utility industry. The Company has proposed tariff changes for

back-up and supplemental service to customers that install on-site generation, so as to reflect more accurately the cost of these services, and charges to reimburse the Company for the costs incurred to serve present Company customers that currently are eligible for and elect to take service from NYPA. The Company has also requested additional depreciation allowances for retired generation facilities and acceleration of recovery of other production plant.

The filing includes a proposal for a three year rate agreement, with estimated increases in the second and third year averaging 1.5 percent a year. These estimated increases do not reflect the possible effect of any incentives earned (or penalties) or ERAM reconciliation.

Electric Generating Capacity

In May 1994, the Company terminated a power purchase arrangement with NYPA under which it would have received substantial amounts of electricity from Hydro-Quebec during a 20 year period beginning in 1999. This arrangement no longer represented an economical power purchase for the Company's electric customers. The Company is exploring with Hydro-Quebec an extension of the existing summer diversity contract, set to expire in 1998, for a period of up to five years. Under the current contract, the Company purchases 780 MW of capacity and associated energy from Hydro-Quebec during the summer months.

The Company has terminated IPP contracts involving approximately 585 MW for \$169 million (exclusive of interest) to be paid over a period of several years. The Company's electric customers will save substantially more than this amount based on current estimates of future market prices for power. Termination costs for approximately 440 MW of capacity are being recovered in rates over a three year period beginning April 1, 1994; recovery of the cost of terminating the balance will be addressed in the update stage of the Company's current electric rate case.

Nuclear Fuel Disposal

Reference is made to the heading, "Fuel Supply - Nuclear Fuel" in Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1993. The Company has a contract with the United States Department of Energy (DOE), under the Federal Nuclear Waste Policy Act of 1982, which provides that, in return for payments being made by the Company to the DOE pursuant to the contract, the DOE starting in 1998 will take title to the Company's spent nuclear fuel (SNF), transport it to a Federal repository and store it permanently. Although the contract has not been changed, the DOE has announced that it will probably not take possession of SNF before 2010. Recently, the DOE has also taken the position that it is not obligated to begin accepting SNF until it has an appropriate facility for such purpose. In June 1994 the Company and a number of other utilities petitioned the United States Court of Appeals for the District of Columbia for a declaratory judgment that the DOE is

unconditionally obligated to begin accepting SNF by 1998, an order directing the DOE to implement a program enabling it to begin acceptance of SNF by 1998, and, if warranted, appropriate relief for the financial burden to the utilities resulting from the DOE's delay. The Company estimates that it will incur substantial additional costs for interim storage of SNF after 2005 if the DOE facility is not available by then.

Nuclear Decommissioning

Reference is made to Note A to the financial statements in this report for information concerning new estimates of decommissioning costs and proposed rate treatment of such costs.

New Financial Accounting Standard

Reference is made to Note A to the financial statements in this report for information concerning the provisions of Statement of Financial Accounting Standards No. 115.

Superfund and Asbestos Claims and Other Contingencies

Reference is made to Note B to the financial statements included in this report for information concerning potential liabilities of the Company arising from the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), from claims relating to alleged exposure to asbestos, and from certain other contingencies to which the Company is subject.

RESULTS OF OPERATIONS

Net income for common stock for the second quarter of 1994 was \$24.8 million (\$.10 a share) higher than the second quarter of 1993. Net income for common stock for the six and twelve months ended June 30, 1994 was \$60.1 million (\$.25 a share) and \$92.6 million (\$.38 a share), respectively, more than the corresponding 1993 periods.

| | Increases (Decreases) | | | | | |
|---|-----------------------|------------------|------------------|---------------------|---------------------|--------|
| | Three Months Ended | | Six Months Ended | | Twelve Months Ended | |
| | June 30, 1994 | | June 30, 1994 | | June 30, 1994 | |
| | Compared With | | Compared With | | Compared with | |
| Three Months Ended | | Six Months Ended | | Twelve Months Ended | | |
| June 30, 1993 | | June 30, 1993 | | June 30, 1993 | | |
| Amount | Percent | Amount | Percent | Amount | Percent | |
| (Amounts in Millions) | | | | | | |
| Operating revenues | \$ (3.9) | (0.3)% | \$ 107.7 | 3.6 % | \$ 194.4 | 3.1 % |
| Fuel and purchased power | (43.2) | (11.9) | (48.6) | (6.8) | (53.2) | (3.7) |
| Gas purchased for resale | 12.6 | 20.7 | 71.5 | 39.6 | 81.8 | 29.3 |
| Operating revenues less fuel and purchased power and gas purchased for resale (Net revenues) | 26.7 | 2.7 | 84.8 | 4.1 | 165.8 | 3.7 |
| Other operations and maintenance | 10.2 | 2.5 | 2.1 | 0.3 | 22.4 | 1.4 |
| Depreciation and amortization | 4.2 | 4.2 | 9.4 | 4.7 | 21.1 | 5.4 |
| Taxes, other than federal income tax | (21.7) | (7.6) | (29.4) | (5.0) | (52.2) | (4.4) |
| Federal income tax | 10.5 | 23.8 | 36.4 | 29.4 | 62.5 | 18.4 |
| Operating income | 23.5 | 17.5 | 66.3 | 18.6 | 112.0 | 12.4 |
| Other income less deductions, less related federal income tax | 1.0 | 44.5 | (3.9) | (56.9) | (11.1) | (86.7) |
| Interest charges and preferred stock dividend requirements | (0.3) | (0.3) | 2.3 | 1.4 | 8.3 | 2.5 |
| Net income for common stock | \$ 24.8 | 46.3 % | \$ 60.1 | 30.3 % | \$ 92.6 | 15.7 % |

In reviewing the following period-to-period comparisons, it should be noted that not all changes in sales volume affect operating revenues. Under the ERAM, increases (or decreases) in electric sales revenues compared with revenues forecast pursuant to the electric rate agreement are deferred for subsequent credit (or billing) to customers. Under the weather stabilization clause in the Company's gas rates, most weather-related variations in gas sales do not affect gas revenues.

Second Quarter 1994 Compared with
the Second Quarter 1993

Net revenues (operating revenues less fuel and purchased power and gas purchased for resale) increased \$26.7 million in the second quarter of 1994 compared with the 1993 period, primarily as a result of electric and gas rate increases, higher electric and gas sales volume due to weather and economic conditions, and increased incentives accrued under the electric rate agreement. Electric and gas net revenues increased \$19.9 million and \$8.5 million, respectively, while steam net revenues decreased by \$1.7 million.

Net electric revenues for the second quarter of 1994 reflect a revenue reduction of \$6.1 million under the ERAM compared with an increase of \$5.5 million for the 1993 period. The ERAM accrual reflects the variation from the estimate of net electric revenues forecast in the electric rate agreement.

Net electric revenues for the second quarter of 1994 include \$22.9 million compared with \$10.7 million for the 1993 period for incentives earned by achieving goals for the Company's

Enlightened Energy program, customer service and fuel costs.

Electric sales, excluding sales to other utilities, in the second quarter of 1994 compared with the 1993 period were:

| Description | Millions of Kwhrs. | | | Percent Variation |
|--------------------------------|--------------------|------------------|-----------|-------------------|
| | 2nd Quarter 1994 | 2nd Quarter 1993 | Variation | |
| Residential/Religious | 2,274 | 2,186 | 88 | 4.0 % |
| Commercial/Industrial | 5,879 | 5,751 | 128 | 2.2 % |
| Other | 138 | 143 | (5) | (3.5)% |
| Total Con Edison Customers | 8,291 | 8,080 | 211 | 2.6 % |
| NYP&A & Municipal Agency Sales | 2,129 | 1,987 | 142 | 7.1 % |
| Total Service Area | 10,420 | 10,067 | 353 | 3.5 % |

For the second quarter of 1994 firm gas sales volume increased 2.3 percent and steam sales volume decreased 0.4 percent over the 1993 period.

After adjustment for comparability in both periods, primarily for variations in weather, electric sales volume in the Company's service territory in the second quarter of 1994 increased 1.3 percent. Similarly adjusted, firm gas sales volume increased 1.1 percent and steam sales volume increased 0.1 percent.

Electric fuel and purchased power costs for the second quarter of 1994 decreased \$43.4 million primarily due to lower unit fuel and purchased power cost, offset in part by increased

sendout. Electric fuel costs were also impacted by the reduced level of low-cost nuclear generation in the 1993 period due to the scheduled refueling and maintenance outage at the Indian Point 2 nuclear unit. The higher electric sendout resulted from warmer weather for the quarter and improved economic conditions. Gas purchased for resale increased \$12.6 million and steam fuel cost increased \$0.2 million reflecting principally higher unit fuel costs.

Other operations and maintenance expenses increased \$10.2 million in the second quarter of 1994 compared with the 1993 period due principally to increases in employee welfare expenses and distribution expenses, offset by lower production expenses due principally to the Indian Point 2 refueling and maintenance outage in the 1993 period (there was no such outage in the 1994 period) and cost containment measures.

Depreciation and amortization increased \$4.2 million due principally to higher plant balances.

Taxes, other than federal income tax, decreased \$21.7 million in the second quarter of 1994 due principally to decreases in property taxes (\$18.6 million) and revenue taxes (\$5.3 million).

Federal income taxes increased \$10.5 million for the second quarter reflecting higher pre-tax income.

Other income less deductions, less related income taxes, increased \$1.0 million reflecting higher temporary cash investment earnings offset by a decrease in other income (primarily interest income on boiler fuel sales tax refund). Interest on long-term debt increased \$1.2 million reflecting the net effect of new debt issues offset by debt refunding in the 1993 period.

First Six Months of 1994 Compared
with the First Six Months of 1993

Net revenues (operating revenues less fuel and purchased power and gas purchased for resale) increased \$84.8 million in the first six months of 1994 compared with the first six months of 1993 principally as a result of electric and gas rate increases, higher electric, gas and steam sales volume, lower electric fuel and purchased power costs, and increased incentives accrued under the electric rate agreement. Electric, gas and steam net revenues increased \$44.1 million, \$25.7 million and \$15.0 million, respectively.

Net electric revenues for the first six months of 1994 include a decrease of \$29.2 million under the ERAM compared with an increase of \$23.7 million in the 1993 period. The ERAM accrual reflects the variation from the estimate of net electric revenues forecast in the electric rate agreement.

Net electric revenues for the first six months of 1994 also include \$65.1 million compared with \$22.4 million for the 1993 period for incentives earned under the provisions of the

rate agreement.

Electric sales, excluding sales to other utilities, in the first six months of 1994 compared with the 1993 period were:

| Description | Millions of Kwhrs. | | | |
|--------------------------------|--------------------------------|--------------------------------|-----------|-------------------|
| | Six Months Ended June 30, 1994 | Six Months Ended June 30, 1993 | Variation | Percent Variation |
| Residential/Religious | 4,903 | 4,750 | 153 | 3.2 % |
| Commercial/Industrial | 12,097 | 11,850 | 247 | 2.1 % |
| Other | 284 | 294 | (10) | (3.4)% |
| Total Con Edison Customers | 17,284 | 16,894 | 390 | 2.3 % |
| NYP&A & Municipal Agency Sales | 4,496 | 4,274 | 222 | 5.2 % |
| Total Service Area | 21,780 | 21,168 | 612 | 2.9 % |

For the first six months of 1994 firm gas sales volume increased 9.0 percent and steam sales volume increased 11.5 percent over the 1993 period.

After adjustment for comparability in both periods, primarily for variations in weather, electric sales volume in the Company's service territory in the first six months of 1994 increased 1.5 percent. Similarly adjusted, firm gas sales volume increased 2.0 percent and steam sales volume increased 2.9 percent.

Electric fuel and purchased power costs decreased \$55.2 million primarily due to lower unit fuel and purchased power cost, offset in part by increased sendout. Electric fuel

costs were also impacted by the lower level of nuclear generation in the 1993 period due to the scheduled refueling and maintenance outage at the Indian Point 2 nuclear unit. Steam fuel cost increased \$6.6 million due to increased sendout. Gas purchased for resale increased \$71.5 million reflecting a higher unit cost and higher sendout.

Other operations and maintenance expenses increased \$2.1 million in the first six months of 1994 compared with the 1993 period principally due to increases in employee welfare expenses, amortization of previously deferred Enlightened Energy program costs and higher distribution expenses, offset by lower production expenses principally due to the Indian Point 2 refueling and maintenance outage in the 1993 period (there was no such outage in the 1994 period) and cost containment measures.

Depreciation and amortization increased \$9.4 million due principally to higher plant balances.

Taxes, other than federal income tax, decreased \$29.4 million in the first six months of 1994 compared with the 1993 period due primarily to reduced property taxes (\$37.1 million), offset in part by increased revenue taxes (\$6.6 million).

Federal income tax increased \$36.4 million in the first six months of 1994 compared with the 1993 period, principally due to higher pre-tax income.

Other income less deductions, less related income taxes, decreased \$3.9 million due principally to lower interest income accrued on deferred revenues under the electric rate settlement agreement and to lower interest income accrued on the Company's deferred gas take or pay charges. Interest on long-term debt increased \$1.8 million reflecting the net effect of new debt issues offset by debt refundings in the 1993 period.

Twelve Months Ended June 30, 1994 Compared with the Twelve Months Ended June 30, 1993

Net revenues (operating revenues less fuel and purchased power and gas purchased for resale) increased \$165.8 million principally as a result of electric, gas and steam rate increases, and increased incentives accrued under the electric rate agreement. Electric, gas and steam net revenues increased \$110.8 million, \$43.7 million and \$11.3 million, respectively.

Net electric revenues for the twelve months ended June 30, 1994 reflect a reduction of \$41.9 million under the ERAM compared with an increase of \$121.5 million for the 1993 period.

Net electric revenues for the twelve months ended June 30, 1994 also include \$112.4 million for incentives earned under the provisions of the rate agreement, compared with \$61.9 million for the 1993 period.

Electric sales, excluding sales to other utilities, for the twelve months ended June 30, 1994 compared with the twelve months ended June 30, 1993 were:

| Description | Millions of Kwhrs. | | | Percent Variation |
|----------------------------------|-----------------------------------|-----------------------------------|-----------|-------------------|
| | Twelve Months Ended June 30, 1994 | Twelve Months Ended June 30, 1993 | Variation | |
| Residential/Religious | 10,665 | 9,932 | 733 | 7.4 % |
| Commercial/Industrial | 25,365 | 24,720 | 645 | 2.6 % |
| Other | 601 | 609 | (8) | (1.3)% |
| Total Con Edison Customers | 36,631 | 35,261 | 1,370 | 3.9 % |
| NYP&A and Municipal Agency Sales | 9,025 | 8,632 | 393 | 4.6 % |
| Total Service Area | 45,656 | 43,893 | 1,763 | 4.0 % |

For the twelve months ended June 30, 1994 firm gas sales volume increased 4.6 percent and steam sales volume increased 6.2 percent over the 1993 period.

After adjustment for comparability in both periods, primarily for variations in weather, electric sales volume in the Company's service territory in the twelve months ended June 30, 1994 increased 1.3 percent. Similarly adjusted, firm gas sales volume increased 2.7 percent and steam sales volume increased 1.9 percent.

Electric fuel and purchased power costs decreased by \$62.0 million, gas purchased for resale increased by \$81.8

million and steam fuel costs increased by \$8.8 million. Electric fuel and purchased power costs decreased as a result of lower unit fuel and purchased power cost, offset in part by increased sendout. Electric fuel costs were also impacted significantly by the lower level of nuclear generation in the 1993 period due to the scheduled refueling and maintenance outage at the Indian Point 2 nuclear unit. Gas purchased for resale reflects the higher unit cost of purchased gas and higher sendout. Steam fuel cost increased as a result of increased steam sendout.

Other operations and maintenance expenses increased \$22.4 million in the twelve months ended June 30, 1994 compared with the 1993 period due to increased electric and gas distribution expenses, increased labor and labor related expenses, amortization of previously deferred Enlightened Energy program costs, offset in part by lower production cost principally due to the Indian Point 2 refueling and maintenance outage in the 1993 period.

Depreciation and amortization increased \$21.1 million due principally to higher plant balances.

Taxes, other than federal income tax, decreased \$52.2 million in the twelve months ended June 30, 1994 compared with the 1993 period due primarily to reduced property taxes (\$73.2 million), offset in part by increased revenue taxes (\$20.8 million).

Federal income taxes increased \$62.5 million for the twelve months ended June 30, 1994 compared with the 1993 period, principally due to higher pre-tax income.

Other income less deductions, less related income taxes, decreased \$11.1 million due principally to lower interest income accrued on deferred revenues under the electric rate settlement agreement and to lower interest income accrued on the Company's deferred gas take or pay charges. Interest on long-term debt increased \$7.6 million reflecting the net effect of new debt issues offset by debt refundings.

ITEM 1. LEGAL PROCEEDINGS

GRAMERCY PARK

Reference is made to the information under the caption, "Gramercy Park", in Part I, Item 3, Legal Proceedings, in the Company's Annual Report on Form 10-K, for the year ended December 31, 1993 and in Part 2, Item 1, Legal Proceedings, in the Company's Quarterly Report on Form 10-Q, for the quarterly period ended March 31, 1994.

NUCLEAR FUEL DISPOSAL

Reference is made to the information under the caption, "Liquidity and Capital Resources -- Nuclear Fuel Disposal" in Item 2 of Part I of this report, for information concerning a suit brought by the Company and a number of other utilities against the United States Department of Energy. The suit is entitled Northern States Power Co., et al. v. Department of Energy, et al.

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

(a) At the Annual Meeting of Stockholders of the Company held on May 16, 1994, the stockholders of the Company voted to elect management's nominees for the Board of Trustees, to ratify and approve the appointment of the Company's independent accountants, and not to adopt two stockholder proposals.

(b) The name of each nominee for election (including two non-management nominees -- Messrs. Dyer and Cox) and the number of shares voted for or with respect to which authority to vote for was withheld are as follows:

| | For | Withheld |
|----------------------|-------------|-----------|
| E. Virgil Conway | 186,294,836 | 2,536,558 |
| Gordon J. Davis | 185,816,514 | 3,014,880 |
| Ruth M. Davis | 186,097,188 | 2,734,206 |
| Ellen V. Futter | 185,851,521 | 2,979,873 |
| Arthur Hauspurg | 186,084,294 | 2,747,100 |
| Peter W. Likins | 186,193,320 | 2,638,074 |
| Raymond J. McCann | 186,289,984 | 2,541,410 |
| Eugene R. McGrath | 186,189,920 | 2,641,474 |
| Frederick P. Rose | 186,050,938 | 2,780,456 |
| Donald K. Ross | 185,820,677 | 3,010,717 |
| Robert G. Schwartz | 186,130,662 | 2,700,732 |
| Richard A. Voell | 186,199,029 | 2,632,365 |
| Myles V. Whalen, Jr. | 186,150,552 | 2,680,842 |
| William H. Dyer | 100 | -- |
| MacDonald J. Cox | 100 | -- |

(c) The results of the vote on the appointment of Price Waterhouse as independent accountants for the Company for 1994 were as follows: 182,861,362 shares were voted for this proposal; 1,277,920 shares were voted against the proposal; and 4,692,112 shares were abstentions.

(d) The following stockholder-proposed resolution was voted upon at the Annual Meeting:

"RESOLVED: That the stockholders of Consolidated Edison Company of New York, Inc., assembled in annual meeting in person and by proxy, hereby request the Board of Directors to take the steps necessary to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit."

The results of the vote on this proposal were as follows: 34,350,010 shares were voted for this proposal; 117,551,763 shares were voted against the proposal; 4,783,018 shares were abstentions; and 32,146,603 shares were broker nonvotes.

(e) The following stockholder-proposed resolution was voted upon at the Annual Meeting:

"RESOLVED: That the shareholders recommend that the Board take the necessary step that Con Edison specifically identify by name and corporate title in all future proxy statements those executive officers, not otherwise so identified, who are contractually entitled to receive in excess of \$100,000 annually as base salary, together with whatever other additional compensation bonuses and other cash payments were due them."

The results of the vote on this proposal were as follows: 18,395,536 shares were voted for this proposal; 132,366,899 shares were voted against the proposal; 5,921,857 shares were abstentions; and 32,147,102 shares were broker nonvotes.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Exhibit 3.1 Resolution adopted July 26, 1994 by the Board of Trustees of the Company amending the Company's By-Laws.

Exhibit 3.2 By-laws of the Company, effective as of July 26, 1994.

Exhibit 4 The form of the Company's Floating Rate Debentures, Series 1994 B. (Incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K, dated June 29, 1994, in Commission File No. 1-1217.)

Exhibit 12 Statement of computation of ratio of earnings to fixed charges for the twelve-month periods ended June 30, 1994 and 1993.

(b) REPORTS ON FORM 8-K

During the quarter ended June 30, 1994, the Company filed a Current Report on Form 8-K, dated June 29, 1994, reporting (under Item 5) the sale of \$150 million aggregate principal amount of the Company's Floating Rate Debentures, Series 1994 B.

SIGNATURES

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

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

DATE: August 12, 1994 Raymond J. McCann
Raymond J. McCann
Executive Vice President,
Chief Financial Officer and
Duly Authorized Officer

DATE: August 12, 1994 Carl W. Greene
Carl W. Greene
Senior Vice President and
Chief Accounting Officer

INDEX TO EXHIBITS

| EXHIBIT NO. | DESCRIPTION | SEQUENTIAL PAGE NUMBER AT WHICH EXHIBIT BEGINS |
|----------------|---|--|
| 3.1 | Resolution adopted July 26, 1994 by the Board of Trustees of the Company amending the Company's By-Laws. | |
| 3.2 | By-laws of the Company, effective as of July 26, 1994. | |
| 4 | The form of the Company's Floating Rate Debentures, Series 1994 B. (Incorporated by reference to Exhibit 4 to the Current Report on Form 8-K, dated June 29, 1994, in Commission File No. 1-1217.) | |
| 12 | Statement of computation of ratio of earnings to fixed charges for the twelve-month periods ended June 30, 1994 and 1993. | |

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

BOARD OF TRUSTEES

JULY 26, 1994

RESOLVED, That, effective July 26, 1994, the first sentence of Section 8 of the By-Laws be and the same hereby is amended to read as follows:

"Section 8. The affairs of the Company shall be managed under the direction of a Board consisting of fourteen Trustees, who shall be elected annually by the stockholders by ballot and shall hold office until their successors are elected and qualified."

BY-LAWS
OF
CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

Effective as of July 26, 1994

SECTION 1. The annual meeting of stockholders of the Company for the election of Trustees and such other business as may properly come before such meeting shall be held on the third Monday in May in each year at such hour and at such place in the City of New York or the County of Westchester as may be designated by the Board of Trustees.

SECTION 2. Special meetings of the stockholders of the Company may be held upon call of the Chairman of the Board, the Vice Chairman of the Board, the President, the Board of Trustees, or stockholders holding one-fourth of the outstanding shares of stock entitled to vote at such meeting.

SECTION 3. Notice of the time and place of every meeting of stockholders, the purpose of such meeting and, in case of a special meeting, the person or persons by or at whose direction the meeting is being called, shall be mailed by the Secretary, or other officer performing his duties, at least ten days, but not more than fifty days, before the meeting to each stockholder of record, at his last known Post Office address; provided, however, that if a stockholder be present at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, or in writing waives notice thereof before or after the meeting, the mailing to such stockholder of notice of such meeting is unnecessary.

SECTION 4. The holders of a majority of the outstanding shares of stock of the Company, entitled to vote at a meeting, present in person or by proxy shall constitute a quorum, but less than a quorum shall have power to adjourn.

SECTION 5. The Chairman of the Board, or in his absence the Vice Chairman of the Board, or in his absence the President shall preside over all meetings of stockholders. In their absence one of the Vice Presidents shall preside over such meetings. The Secretary of the Board of Trustees shall act as Secretary of such meeting, if present. In his absence, the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

SECTION 6. At each meeting of stockholders at which votes are to be taken by ballot there shall be at least two and not more than five inspectors of election and of stockholders' votes, who shall be either designated prior to such meeting by the Board of Trustees or, in the absence of such designation, appointed by the Chairman of the meeting.

SECTION 7. Transfer of shares of stock of the Company will be registered on the books of the Company maintained for that purpose upon presentation of share certificates appropriately endorsed. The Board of Trustees may, in their discretion, appoint one or more registrars of the stock.

SECTION 8. The affairs of the Company shall be managed under the direction of a Board consisting of fourteen Trustees, who shall be elected annually by the stockholders by ballot and shall hold office until their successors are elected and qualified. Vacancies in the Board of Trustees may be filled by the Board at any meeting, but if the number of Trustees is increased or decreased by the Board by an amendment of this section of the By-laws, such amendment shall require the vote of a majority of the whole Board. Members of the Board of Trustees shall be entitled to receive such reasonable fees or other forms of compensation, on a per diem, annual or other basis, as may be fixed by resolution of the Board of Trustees or the stockholders in respect of their services as such, including attendance at meetings of the Board and its committees; provided, however, that nothing herein contained shall be construed as precluding any Trustee from serving the Company in any capacity other than as a member of the Board or a committee thereof and receiving compensation for such other services.

SECTION 9. Meetings of the Board of Trustees shall be held at the time and place fixed by resolution of the Board or upon call of the Chairman of the Board, the Vice Chairman of the Board, the President, or a Vice President or any two Trustees. The Secretary of the Board or officer performing his duties shall give 24 hours' notice of all meetings of Trustees; provided that a meeting may be held without notice immediately after the annual election of Trustees, and notice need not be given of regular meetings held at times fixed by resolution of the Board. Meetings may be held at any time without notice if all the Trustees are present and none protests the lack of notice either prior to the meeting or at its commencement, or if those not present waive notice either before or after the meeting. Notice by mailing or telegraphing, or delivering by hand, to the usual business address or residence of the Trustee not less than the time above specified before the meeting shall be sufficient. A majority of the Trustees in office shall constitute a quorum, but less than such quorum shall have power to adjourn. The Chairman of the Board or, in his absence the Vice Chairman of the Board or, in his absence a Chairman pro tem elected by the meeting from among the Trustees present shall preside at all meetings of the Board. Any one or more members of the Board may participate in a special meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.

Participation by such means shall constitute presence in person at such special meeting. Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board consent in writing to the adoption of a resolution authorizing the action; provided, however, that no action taken by the Board by unanimous written consent shall be taken in lieu of a regular monthly meeting of the Board. Each resolution so adopted and the written consents thereto by the members of the Board shall be filed with the minutes of the proceedings of the Board.

SECTION 10. The Board of Trustees, as soon as may be after the election of Trustees in each year, shall elect from their number a Chairman of the Board, who shall be the chief executive officer of the Company, and shall elect a Vice Chairman of the Board and a President. The Board shall also elect one or more Vice Presidents, a Secretary and a Treasurer, and may from time to time elect such other officers as they may deem proper. Any two or more offices may be held by the same person, except the offices of President and Secretary.

SECTION 11. The term of office of all officers shall be until the next election of Trustees and until their respective successors are chosen and qualify, but any officer may be removed from office at any time by the Board of Trustees. Vacancies among the officers may be filled by the Board of Trustees at any meeting.

SECTION 12. The Chairman of the Board and the President shall have such duties as usually pertain to their respective offices, except as otherwise directed by the Board of Trustees or the Executive Committee, and shall also have such powers and duties as may from time to time be conferred upon them by the Board of Trustees or the Executive Committee. The Vice Chairman of the Board shall have such powers and duties as may from time to time be conferred upon him by the Board of Trustees, the Executive Committee or the Chairman of the Board. In the absence or disability of the Chairman of the Board, the Vice Chairman of the Board shall perform the duties and exercise the powers of the Chairman of the Board. The Vice Presidents and the other officers of the Company shall have such duties as usually pertain to their respective offices, except as otherwise directed by the Board of Trustees, the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board or the President, and shall also have such powers and duties as may from time to time be conferred upon them by the Board of Trustees, the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board or the President.

SECTION 13. The Board of Trustees, as soon as may be after the election of Trustees in each year, may by a resolution passed by a majority of the whole Board, appoint an Executive Committee, to consist of the Chairman of the Board (and in his absence the Vice Chairman of the Board) and three or more additional Trustees as the Board may from time to time determine, which shall have and may exercise during the intervals between the meetings of the Board all the powers vested in the Board except that neither the Executive Committee nor any other committee appointed pursuant to this section of the By-laws shall have authority as to any of the following

matters: the submission to stockholders of any action as to which stockholders' authorization is required by law; the filling of vacancies on the Board or on any committee thereof; the fixing of compensation of any Trustee for serving on the Board or on any committee thereof; the amendment or repeal of these By-laws, or the adoption of new By-laws; and the amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable. The Board shall have the power at any time to change the membership of such Executive Committee and to fill vacancies in it. The Executive Committee may make rules for the conduct of its business and may appoint such committees and assistants as it may deem necessary. Four members of said Executive Committee shall constitute a quorum. The Chairman of the Board or, in his absence a Chairman pro tem elected by the meeting from among the members of the Executive Committee present shall preside at all meetings of the Executive Committee. The Board may designate one or more Trustees as alternate members of any committee appointed pursuant to this section of the By-laws who may replace any absent member or members at any meeting of such committee. The Board of Trustees may also from time to time appoint other committees consisting of three or more Trustees with such powers as may be granted to them by the Board of Trustees, subject to the restrictions contained in this section of the By-laws. Any one or more members of any committee appointed pursuant to this section may participate in any meeting of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting. Any action required or permitted to be taken by any committee appointed pursuant to this section may be taken without a meeting if all members of such committee consent in writing to the adoption of a resolution authorizing the action. Each resolution so adopted and the written consents thereto by the members of such committee shall be filed with the minutes of the proceedings of such committee.

SECTION 14. The Board of Trustees are authorized to select such depositories as they shall deem proper for the funds of the Company. All checks and drafts against such deposited funds shall be signed by such person or persons and in such manner as may be specified by the Board of Trustees.

SECTION 15. The Company shall fully indemnify in all circumstances to the extent not prohibited by law any person made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, including an investigative, administrative or legislative proceeding, and including an action by or in the right of the Company or any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, by reason of the fact that he, his testator or intestate, is or was a Trustee or officer of the Company, or is or was serving at the request of the Company any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, as a director, officer or in any other capacity against any and all judgments, fines, amounts paid in settlement, and expenses,

including attorneys' fees, actually and reasonably incurred as a result of or in connection with any such action or proceeding or related appeal; provided, however, that no indemnification shall be made to or on behalf of any Trustee, director or officer if a judgment or other final adjudication adverse to the Trustee, director or officer establishes that his acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled; and, except in the case of an action or proceeding specifically approved by the Board of Trustees, the Company shall pay expenses incurred by or on behalf of such a person in defending such a civil or criminal action or proceeding (including appeals) in advance of the final disposition of such action or proceeding promptly upon receipt by the Company, from time to time, of a written demand of such person for such advancement, together with an undertaking by or on behalf of such person to repay any expenses so advanced to the extent that the person receiving the advancement is ultimately found not to be entitled to indemnification for such expenses; and the right to indemnification and advancement of defense expenses granted by or pursuant to this by-law (i) shall not limit or exclude, but shall be in addition to, any other rights which may be granted by or pursuant to any statute, certificate of incorporation, by-law, resolution or agreement, (ii) shall be deemed to constitute contractual obligations of the Company to any Trustee, director or officer who serves in such capacity at any time while this by-law is in effect, (iii) are intended to be retroactive and shall be available with respect to events occurring prior to the adoption of this by-law and (iv) shall continue to exist after the repeal or modification hereof with respect to events occurring prior thereto. It is the intent of this by-law to require the Company to indemnify the persons referred to herein for the aforementioned judgments, fines, amounts paid in settlement and expenses, including attorneys' fees, in each and every circumstance in which such indemnification could lawfully be permitted by an express provision of a by-law, and the indemnification required by this by-law shall not be limited by the absence of an express recital of such circumstances. The Company may, with the approval of the Board of Trustees, enter into an agreement with any person who is, or is about to become, a Trustee or officer of the Company, or who is serving, or is about to serve, at the request of the Company any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, as a director, officer or in any other capacity, which agreement may provide for indemnification of such person and advancement of defense expenses to such person upon such terms, and to the extent, as may be permitted by law.

SECTION 16. Wherever the expression "Trustees" or "Board of Trustees" is used in these By-laws the same shall be deemed to apply to the Directors or Board of Directors, as the case may be, if the designation of those persons constituting the governing board of this Company is changed from "Trustees" to "Directors".

SECTION 17. Either the Board of Trustees or the stockholders may alter or amend these By-laws at any meeting duly held as above provided, the notice of which includes notice of the proposed amendment.

EMERGENCY BY-LAWS
OF
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
As Amended February 23, 1966
Effective May 16, 1966

SECTION 1. These Emergency By-laws may be declared effective by the Defense Council of New York as constituted under the New York State Defense Emergency Act in the event of attack and shall cease to be effective when the Council declares the end of the period of attack.

SECTION 2. In the event of attack and until the Defense Council declares the end of the period of attack the affairs of the Company shall be managed by such Trustees theretofore elected as are available to act, and a majority of such Trustees shall constitute a quorum. In the event that there are less than three Trustees available to act, then and in that event the Board of Trustees shall consist of such Trustees theretofore elected and available to act plus such number of senior officers of the Company not theretofore elected as Trustees as will make a Board of not less than three nor more than five members. The Board as so constituted shall continue until such time as the Defense Council declares the end of the period of attack and their successors are duly elected.

SECTION 3. The By-laws of the Company shall remain in effect during the period of emergency to the extent that said By-laws are not inconsistent with these Emergency By-laws.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
RATIO OF EARNINGS TO FIXED CHARGES
TWELVE MONTHS ENDED

(Thousands of Dollars)

| | JUNE 1994 | JUNE 1993 |
|---|--------------|--------------|
| Earnings | | |
| Net Income | \$ 718,653 | \$ 626,460 |
| Federal Income Tax | 385,880 | 211,190 |
| Federal Income Tax Deferred | 26,310 | 144,630 |
| Investment Tax Credits Deferred | (10,760) | (13,200) |
| Total Earnings Before Federal Income Tax | 1,120,083 | 969,080 |
| Fixed Charges* | 322,107 | 315,173 |
| Total Earnings Before Federal Income Tax and Fixed Charges | \$1,442,190 | \$1,284,253 |
| | | |
| *Fixed Charges | | |
| Interest on Long-Term Debt | \$ 272,505 | \$ 270,127 |
| Amortization of Debt Discount, Premium and Expenses | 11,053 | 5,831 |
| Interest Component of Rentals | 18,442 | 18,736 |
| Other Interest | 20,107 | 20,479 |
| Total Fixed Charges | \$ 322,107 | \$ 315,173 |
| Ratio of Earnings to Fixed Charges | 4.48 | 4.07 |