SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 8-K

Current Report

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

Date of Report: February 28, 2000

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

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS

Dr. George Campbell, Jr., was elected to the Board of Directors, effective February 17, 2000. Dr. Campbell is the President and Chief Executive Officer of the National Action Council for Minorities in Engineering.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

23 Consent of PricewaterhouseCoopers LLP

27 Financial Data Schedule. (To the extent provided in Rule 402 of Regulation S-T, this exhibit shall not be deemed "filed", or otherwise subject to liabilities, or be deemed part of a registration statement.)

99.1 Consolidated balance sheet and statement of capitalization at December 31, 1999 and 1998, and related consolidated statements of income, of retained earnings, and of cash flows for each of the three years in the period ended December 31, 1999, and the notes thereto, of Consolidated Edison, Inc. and its subsidiaries ("1999 Financial Statements").

99.2 Report of PricewaterhouseCoopers LLP, dated February 17, 2000, relating to the 1999 Financial Statements.

99.3 Management's Discussion and Analysis of Financial Condition and Results of Operations, dated February 17, 2000 relating to the 1999 Financial Statements.

SIGNATURE

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

CONSOLIDATED EDISON, INC.

By: Hyman Schoenblum
Hyman Schoenblum
Vice President, Controller
and Chief Accounting Officer

DATE: February 28, 2000

CONSOLIDATED EDISON, INC.

Ratio of Earnings to Fixed Charges
Twelve Months Ended
(Thousands of Dollars)

	YEAR 1995	YEAR 1996	YEAR 1997	YEAR 1998	YEAR 1999
Earnings					
Net Income Available for Common	$688,285	$688,169	$694,479	$712,742	$700,615
Preferred Dividends	35,565	5,916 **	18,344	17,007	13,593
Federal Income Tax	328,600	355,590	357,100	318,980	838,213
Federal Income Tax Deferred	78,330	49,510	31,450	95,140	(428,008)
Investment Tax Credits Deferred	(9,310)	(8,910)	(8,830)	(8,710)	(37,380)
Earnings Before Federal Income Tax	1,121,470	1,090,275	1,092,543	1,135,159	1,087,033
Fixed Charges*	350,254	343,308	353,689	345,513	357,178
Earnings Before Federal Income Tax and Fixed Charges	$1,471,724	$1,433,583	$1,446,232	$1,480,672	$1,444,211

* Fixed Charges

Interest on Long-Term Debt	$287,842	$296,443	$306,109	$294,894	$305,879
Amort. of Debt Discount, Premium and Expense	14,075	11,376	12,049	13,777	13,514
Interest on Component of Rentals	19,383	18,157	18,448	18,442	17,720
Other Interest	28,954	17,332	17,083	18,400	20,065
Total Fixed Charges	$350,254	$343,308	$353,689	$345,513	$357,178
Ratio of Earnings to Fixed Charges	4.20	4.18	4.09	4.29	4.04

** Reflects gain on refunding of preferred stock

EXHIBIT 23 TO FORM 8-K REPORT

Consent of Independent Accountants

We hereby consent to the incorporation by reference of our report dated February 17, 2000 included in Exhibit 99.2 of this Current Report on Form 8-K of Consolidated Edison, Inc.("Con Edison") in: (i) the Prospectus constituting part of Con Edison's Registration Statement on Form S-3 (No. 333-69013) relating to the Con Edison Automatic Dividend Reinvestment and Cash Payment Plan; (ii) the Prospectus constituting part of Con Edison's Registration Statement on Form S-8 (No. 333-04463-99) relating to the Con Edison 1996 Stock Option Plan; and (iii) the Prospectus constituting part of Con Edison's Registration Statement on Form S-8 (No. 333-48475) relating to The Consolidated Edison Discount Stock Purchase Plan.

PricewaterhouseCoopers LLP
New York, NY

February 28, 2000

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The schedule contains summary financial information extracted from Consolidated Balance Sheet, Income Statement and Statement of Cash Flows for Consolidated Edison, Inc. and is qualified in its entirety by reference to such financial statements and the notes thereto.

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Consolidated Edison, Inc.
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Dec-31-1999

Dec-31-1999

12-Mos

Per-Book

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31,972

1,051,771

337,563

714,208

13,593

700,615

478,155

319,393

1,205,370

3.14

3.13

CONSOLIDATED BALANCE SHEET

CONSOLIDATED EDISON, INC.

	AT DECEMBER 31	
	1999	1998
	(THOUSANDS OF DOLLARS)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST (NOTE A)		
Electric	$11,323,826	$12,039,082
Gas	2,197,735	1,838,550
Steam	722,265	604,761
General	1,328,544	1,204,262
Unregulated generating assets	48,583	--
Total	15,620,953	15,686,655
Less: Accumulated depreciation	4,733,613	4,726,211
Net	10,887,340	10,960,444
Construction work in progress	381,804	347,262
Nuclear fuel assemblies and components, less accumulated amortization	84,701	98,837
NET UTILITY PLANT	11,353,845	11,406,543
CURRENT ASSETS		
Cash and temporary cash investments (Note A)	485,050	102,295
Accounts receivable--customer, less allowance for uncollectible accounts of $34,821 and $24,957 at December 31, 1999 and 1998, respectively	647,545	521,648
Other receivables	122,474	49,381
Fuel, at average cost	24,271	33,289
Gas in storage, at average cost	55,387	49,656
Materials and supplies, at average cost	142,905	184,916
Prepayments	197,671	131,374
Other current assets	39,262	20,984
TOTAL CURRENT ASSETS	1,714,565	1,093,543
INVESTMENTS		
Nuclear decommissioning trust funds	305,717	265,063
Other	182,201	113,382
TOTAL INVESTMENTS (NOTE A)	487,918	378,445
DEFERRED CHARGES		
Goodwill	427,496	--
Regulatory assets (Notes A and J)	1,382,265	1,359,135
Other deferred charges	165,387	143,737
TOTAL DEFERRED CHARGES	1,975,148	1,502,872
TOTAL	$15,531,476	$14,381,403

CONSOLIDATED BALANCE SHEET
CONSOLIDATED EDISON, INC.

	AT DECEMBER 31	
	1999	1998
	(THOUSANDS OF DOLLARS)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (NOTE B)		
COMMON SHAREHOLDERS' EQUITY		
Common stock, $.10 par value, authorized 500,000,000 shares; 213,810,634 shares and 232,833,494 shares outstanding, net of treasury stock, at December 31, 1999 and 1998, respectively	$ 1,482,341	$ 1,482,341
Retained earnings	4,921,089	4,700,500

Treasury stock, at cost; 21,358,500 shares and 2,654,600 shares at December 31, 1999 and 1998, respectively	(955,311)	(120,790)
Capital stock expense	(36,112)	(36,446)
TOTAL COMMON SHAREHOLDERS' EQUITY	5,412,007	6,025,605
Preferred stock subject to mandatory redemption	37,050	37,050
Other preferred stock	212,563	212,563
Long-term debt	4,524,604	4,050,108
TOTAL CAPITALIZATION	10,186,224	10,325,326
NONCURRENT LIABILITIES		
Obligations under capital leases	34,544	37,295
Other noncurrent liabilities	305,632	203,543
TOTAL NONCURRENT LIABILITIES	340,176	240,838
CURRENT LIABILITIES		
Long--term debt due within one year	395,000	225,000
Notes payable	495,371	--
Accounts payable	615,983	371,274
Customer deposits	204,421	181,236
Accrued taxes	18,389	15,670
Accrued interest	60,061	76,466
Accrued wages	79,408	83,555
Other current liabilities	232,706	188,186
TOTAL CURRENT LIABILITIES	2,101,339	1,141,387
DEFERRED CREDITS		
Accumulated deferred federal income tax (Note L)	2,267,548	2,392,812
Regulatory liabilities (Note J)	636,022	281,018
Other deferred credits	167	22
TOTAL DEFERRED CREDITS	2,903,737	2,673,852
CONTINGENCIES (NOTE F)		
TOTAL	$15,531,476	$14,381,403

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

CONSOLIDATED INCOME STATEMENT
CONSOLIDATED EDISON, INC.

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
OPERATING REVENUES (NOTE A)			
Electric	$ 5,792,673	$ 5,674,446	$ 5,635,575
Gas	1,000,083	959,609	1,093,880
Steam	340,026	321,932	391,799
Non-utility	358,541	137,061	74,898
TOTAL OPERATING REVENUES	7,491,323	7,093,048	7,196,152
OPERATING EXPENSES			
Purchased power	1,824,023	1,253,783	1,349,587
Fuel	430,050	579,006	596,824
Gas purchased for resale	485,155	437,308	552,597
Other operations	1,188,623	1,157,958	1,124,703
Maintenance	437,979	477,413	474,788
Depreciation and amortization (Note A)	526,182	518,514	503,455
Taxes, other than federal income tax	1,179,796	1,208,102	1,181,156
Federal income tax (Notes A and L)	399,716	407,639	377,722
TOTAL OPERATING EXPENSES	6,471,524	6,039,723	6,160,832
OPERATING INCOME	1,019,799	1,053,325	1,035,320
OTHER INCOME (DEDUCTIONS)			
Investment income (Note A)	14,842	11,801	12,214
Allowance for equity funds used during construction (Note A)	3,810	2,431	4,448
Other income less miscellaneous deductions	(13,571)	(14,212)	(4,100)
Federal income tax (Notes A and L)	26,891	2,229	(1,998)
TOTAL OTHER INCOME	31,972	2,249	10,564
INCOME BEFORE INTEREST CHARGES	1,051,771	1,055,574	1,045,884
Interest on long-term debt	319,393	308,671	318,158
Other interest	20,065	18,400	17,083
Allowance for borrowed funds used during construction (Note A)	(1,895)	(1,246)	(2,180)
NET INTEREST CHARGES	337,563	325,825	333,061
PREFERRED STOCK DIVIDEND REQUIREMENTS	13,593	17,007	18,344
NET INCOME FOR COMMON STOCK	$ 700,615	$ 712,742	$ 694,479
BASIC EARNINGS PER COMMON SHARE	$ 3.14	$ 3.04	$ 2.95
DILUTED EARNINGS PER COMMON SHARE	$ 3.13	$ 3.04	$ 2.95
AVERAGE NUMBER OF SHARES OUTSTANDING	223,442,315	234,307,767	235,082,063

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

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
CONSOLIDATED EDISON, INC.

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
BALANCE, JANUARY 1	$4,700,500	$4,484,703	$4,283,935
Less: Stock options exercised	1,922	--	--
Add: Orange & Rockland purchase accounting adjustment	51	--	--
NET INCOME FOR COMMON STOCK FOR THE YEAR	700,615	712,742	694,479
TOTAL	5,399,244	5,197,445	4,978,414
Dividends declared on common, $2.14, $2.12 and $2.10 per share, respectively	478,155	496,945	493,711
BALANCE, DECEMBER 31	$4,921,089	$4,700,500	$4,484,703

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

CONSOLIDATED STATEMENT OF CASH FLOWS
CONSOLIDATED EDISON, INC.

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
OPERATING ACTIVITIES			
Net income for common stock	$ 700,615	$ 712,742	$ 694,479
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME			
Depreciation and amortization	526,182	518,514	503,455
Federal income tax deferred (excluding taxes resulting from divestiture of plant)	41,784	86,430	22,620
Common equity component of allowance for funds used during construction	(3,730)	(2,364)	(4,321)
Other non-cash charges	42,050	11,297	17,268
CHANGES IN ASSETS AND LIABILITIES NET OF EFFECTS FROM PURCHASE OF ORANGE AND ROCKLAND			
Accounts receivable-customer, less allowance for uncollectibles	(66,371)	59,515	(37,159)
Materials and supplies, including fuel and gas in storage	56,554	14,804	31,824
Prepayments, other receivables and other current assets	(91,588)	(50,689)	16,062
Deferred recoverable fuel costs	(66,655)	76,288	3,161
Cost of removal less salvage	(71,451)	(72,033)	(73,719)
Accounts payable	167,598	(68,840)	8,999
Other-net	(29,618)	104,165	103,490
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,205,370	1,389,829	1,286,159
INVESTING ACTIVITIES INCLUDING CONSTRUCTION			
Construction expenditures	(678,157)	(618,844)	(654,221)
Nuclear fuel expenditures	(16,537)	(7,056)	(14,579)
Contributions to nuclear decommissioning trust	(21,301)	(21,301)	(21,301)
Common equity component of allowance for funds used during construction	3,730	2,364	4,321
Payment for purchase of Orange and Rockland, net of cash and cash equivalents	(509,083)	--	--
Divestiture of utility plant (net of federal income tax)	1,138,750	--	--
Unregulated subsidiary investments	(101,953)	(24,072)	(66,032)
NET CASH FLOWS FROM INVESTING ACTIVITIES INCLUDING CONSTRUCTION	(184,551)	(668,909)	(751,812)
FINANCING ACTIVITIES INCLUDING DIVIDENDS			
Repurchase of common stock	(817,399)	(115,247)	--
Net proceeds from short-term debt	430,196	--	--
Issuance of long-term debt	767,689	460,000	480,000
Retirement of long-term debt	(225,000)	(200,000)	(106,256)
Advance refunding of preferred stock and long-term debt	(300,000)	(773,645)	--
Issuance and refunding costs	(16,440)	(8,864)	(8,930)
Funds held for refunding of debt	--	328,874	(328,874)
Common stock dividends	(477,110)	(493,201)	(493,711)
NET CASH FLOWS FROM FINANCING ACTIVITIES INCLUDING DIVIDENDS	(638,064)	(802,083)	(457,771)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	382,755	(81,163)	76,576
CASH AND TEMPORARY CASH INVESTMENTS AT JANUARY 1	102,295	183,458	106,882
CASH AND TEMPORARY CASH INVESTMENTS AT DECEMBER 31	$ 485,050	$ 102,295	$ 183,458
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	$ 321,785	$ 285,956	$ 310,310
Income taxes	846,559	355,707	335,586

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

CONSOLIDATED STATEMENT OF CAPITALIZATION
CONSOLIDATED EDISON, INC.

	SHARES OUTSTANDING		YEAR ENDED DECEMBER 31	
	DECEMBER 31, 1999	DECEMBER 31, 1998	1999	1998
			(THOUSANDS OF DOLLARS)	
COMMON SHAREHOLDERS' EQUITY (NOTE B)				
Common stock..........................	213,810,634	232,833,494	$1,482,341	$1,482,341
Retained earnings.....................			4,921,089	4,700,500
Treasury stock, at cost...............			(955,311)	(120,790)
Capital stock expense.................			(36,112)	(36,446)
TOTAL COMMON SHAREHOLDERS' EQUITY.....			5,412,007	6,025,605
PREFERRED STOCK (NOTE B)				
Subject to mandatory redemption				
Cumulative Preferred, $100 par value, 6 1/8% Series J....................	370,500	370,500	37,050	37,050
TOTAL SUBJECT TO MANDATORY REDEMPTION..........................			37,050	37,050
OTHER PREFERRED STOCK				
$5 Cumulative Preferred, without par value, authorized 1,915,319 shares...	1,915,319	1,915,319	175,000	175,000
Cumulative Preferred, $100 par value, authorized 6,000,000 shares*				
4.65% Series C....................	153,296	153,296	15,330	15,330
4.65% Series D....................	222,330	222,330	22,233	22,233
TOTAL OTHER PREFERRED STOCK...........			212,563	212,563
TOTAL PREFERRED STOCK.................			$ 249,613	$ 249,613

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* Represents total authorized shares of cumulative preferred stock, $100 par value, including preferred stock subject to mandatory redemption.

LONG-TERM DEBT (NOTE B)

MATURITY	INTEREST RATE		SERIES	AT DECEMBER 31 1999	1998
				(THOUSANDS OF DOLLARS)	
Debentures:					
1999	6 1/2	%	1992D	$ --	$ 75,000
1999	--		1994B	--	150,000
2000	9 3/8		1990A	80,000	--
2000	7 3/8		1992A	150,000	150,000
2000	7.60		1992C	125,000	125,000
2000	6.14		1993C	20,000	--
2001	6 1/2		1993B	150,000	150,000
2001	6.22	*	1996B	150,000	150,000
2002	6 5/8		1993C	150,000	150,000
2002	6.18	*	1997A	150,000	150,000
2003	6 3/8		1993D	150,000	150,000
2003	6.56		1993D	35,000	--
2004	7 5/8		1992B	150,000	150,000
2005	6 5/8		1995A	100,000	100,000
2007	6.45		1997B	330,000	330,000
2008	6 1/4		1998A	180,000	180,000
2008	6.15		1998C	100,000	100,000
2009	7.15		1999B	200,000	--
2023	7 1/2		1993G	380,000	380,000
2026	7 3/4		1996A	100,000	100,000
2027	6 1/2		1997F	80,000	--
2028	7.10		1998B	105,000	105,000
2028	6.90		1998D	75,000	75,000
2029	7 1/8		1994A	150,000	150,000
2029	7.00		1999G	45,000	--
2039	7.35		1999A	275,000	--
Total debentures				3,430,000	2,920,000

LONG-TERM DEBT (NOTE B)--(CONTINUED)

Tax-exempt debt--notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds:

MATURITY	INTEREST RATE		SERIES	AT DECEMBER 31 1999	1998
				(THOUSANDS OF DOLLARS)	
2014	6.09		1994***	55,000	--
2015	3.07	**	1995***	44,000	--
2020	5 1/4		1993B	127,715	127,715
2020	6.10		1995A	128,285	128,285
2022	5 3/8		1993C	19,760	19,760
2024	7 1/4		1989C	--	150,000
2025	7 1/2		1990A	--	150,000
2026	7 1/2		1991A	128,150	128,150
2027	6 3/4		1992A	100,000	100,000
2027	6 3/8		1992B	100,000	100,000
2028	6.00		1993A	101,000	101,000
2029	7 1/8		1994A	100,000	100,000
2034	4.12	**	1999A	292,700	--
Total tax-exempt debt				1,196,610	1,104,910
Subordinated deferrable interest debentures:					
2031	7 3/4		1996A	275,000	275,000
Other long-term debt				43,236	868
Unamortized debt discount				(25,242)	(25,670)
Total				4,919,604	4,275,108
Less: long-term debt due within one year				395,000	225,000
Total long-term debt				4,524,604	4,050,108
Total capitalization				$10,186,224	$10,325,326

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*   Rates reset quarterly; December 31, 1999 rate shown.

** Rates reset weekly; December 31, 1999 rate shown.

*** Issued for pollution control financing for Bowline and Lovett generating stations.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These notes form an integral part of the accompanying consolidated financial statements of Consolidated Edison, Inc. (Con Edison) and its subsidiaries.

CON EDISON

On January 1, 1998, Con Edison was established as the parent holding company for Consolidated Edison Company of New York, Inc. (Con Edison of New York) pursuant to an agreement and plan of exchange which provided for the exchange of the outstanding shares of common stock, $2.50 par value, of Con Edison of New York for an equal number of shares of common stock, $.10 par value, of Con Edison.

Con Edison, through its subsidiaries, provides a wide range of energy-related services to its customers.

Con Edison of New York, a regulated utility, provides electric service to over three million customers and gas service to over a million customers in New York City and Westchester County. It also provides steam service in parts of Manhattan.

Orange and Rockland Utilities, Inc. (O&R), a regulated utility which Con Edison acquired in July 1999 (see Note K), provides electric service to over 275,000 customers and gas service to over 100,000 customers in southeastern New York and in adjacent sections of New Jersey and northeastern Pennsylvania.

Con Edison's non-utility subsidiaries provide competitive gas and electric supply and energy-related products and services (Con Edison Solutions); invest in and manage energy infrastructure projects (Con Edison Development); market specialized energy supply services to wholesale customers (Con Edison Energy); and invest in telecommunications infrastructure (Con Edison Communications). These subsidiaries operate primarily in the Mid-Atlantic and New England states.

NORTHEAST UTILITIES MERGER

In October 1999 Con Edison agreed to acquire Northeast Utilities (Northeast) for an estimated aggregate purchase price of not more than $3.8 billion, payable 50 percent in cash and 50 percent in stock and subject to adjustment as discussed below.

To effect the acquisition, Con Edison will merge into a new parent holding company (New Con Edison) and a subsidiary of New Con Edison will merge into Northeast (collectively these mergers are referred to as the Merger). The Merger is subject to certain conditions, including the approval of Con Edison's and Northeast's shareholders and federal and state regulatory agencies.

Upon completion of the Merger, the former holders of Con Edison and Northeast common shares will together own all of the outstanding shares of common stock of New Con Edison, and New Con Edison will in turn own all of the outstanding common shares of Con Edison of New York, O&R (which will continue to own its regulated utility subsidiaries), its unregulated subsidiaries and Northeast (which will continue to own its regulated utilities) and its unregulated subsidiaries.

New Con Edison is expected to account for the Merger under the purchase method of accounting in accordance with accounting principles generally accepted in the United States.

Con Edison will pay a base price of $25 for each Northeast common share, subject to adjustment as follows: (i) $1 per share will be added to the price if, prior to the closing of the Merger, Northeast enters into binding agreements and receives certain regulatory approvals with respect to the sale of certain nuclear facilities (the "divestiture condition") and (ii) $0.0034 per share will be added to the price for each day after August 5, 2000 through the day prior to the closing of the Merger. The stock consideration (i.e., the number of shares of New Con Edison common stock) to be received by Northeast shareholders will be determined by dividing the adjusted price to be paid for each Northeast share by a calculated average market price of Con Edison common shares over a specified period prior to the closing. The calculated average market price to be used in this determination is subject to a "price collar" of not more than $46 per share or less than $36 per Con Edison share. As a result of the price collar, Northeast shareholders may receive more (if the calculated average market price of Con Edison's shares exceeds $46 per share) or fewer (if the calculated average market price is less than $36 per share) New Con Edison shares than they would have in the absence of the collar. If the divestiture condition is satisfied following the completion of the Merger but prior to December 31, 2000, the $1 per Northeast share referred to above would be separately paid by New Con Edison to the former Northeast shareholders in cash.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION Con Edison's consolidated financial statements include the accounts of Con Edison and its consolidated subsidiaries, including the regulated utilities, Con Edison of New York and O&R. Intercompany transactions have been eliminated.

RESTRUCTURING AGREEMENTS In May 1996 the New York State Public Service Commission (PSC), in its Competitive Opportunities proceeding, endorsed a fundamental restructuring of the electric utility industry in New York State, based on competition in the generation and energy services sectors of the industry. In September 1997 the PSC approved a restructuring agreement between Con Edison of New York, the PSC staff and certain other parties (the Restructuring Agreement). The Restructuring Agreement provides for a transition to a competitive electric market through the development of a "retail access" plan, a rate plan for the period ending March 31, 2002, a reasonable opportunity for recovery of "strandable costs" and the divestiture of electric generation capacity by Con Edison of New York.

At December 31, 1999 approximately 70,000 Con Edison of New York customers representing approximately 20 percent of aggregate customer load were purchasing electricity from other suppliers under the electric Retail Choice program. In February 2000 the PSC issued an order requiring Con Edison of New York to make available the program to all of its electric customers by November 2000. Con Edison of New York delivers electricity to customers in this program through its regulated transmission and distribution systems. In general, Con Edison of New York's delivery rates for Retail Choice customers are equal to the rates applicable to other comparable Con Edison of New York customers, less an amount representing the cost of the energy and capacity it avoids by not supplying these customers. In its February 2000 order, the PSC reduced the delivery rate for large electric Retail Choice customers and authorized Con Edison of New York to recover the resulting lost revenues by recognizing a portion of the deferred generation divestiture gain. See Note I.

Con Edison of New York reduced electric rates by $129 million in 1998 and $80 million in April 1999 as part of the Restructuring Agreement's rate plan. Under this plan, the revenues that the company receives over the five-year transition period ending in March 2002 are reduced by $1 billion from the amount that would have been received had the March 1997 rate levels remained in effect. Pursuant to the rate plan, rate reductions of approximately $103 million and $209 million are scheduled to take effect in April 2000 and 2001, respectively. The April 2001 rate decrease will be partially offset by $36 million of a rate increase attributable to the New York Power Authority, the recognition of which is being deferred over the first four years of the rate plan, and $50 million of deferred generation divestiture gain (see Note I). In addition, a regulatory liability was established in 1997 for rate reductions for certain customers that is being amortized over the remaining years of the rate plan.

Con Edison of New York's potential electric strandable costs are those prior utility investments and commitments that may not be recoverable in a competitive electric supply market. These include the unrecovered book cost of its remaining electric generating plants, including its Indian Point 2 nuclear generating unit, the future cost of decommissioning Indian Point 2 and its retired Indian Point 1 nuclear generating unit and charges under contracts with non-utility generators (NUGs). Con Edison of New York is recovering these costs in the rates it charges all customers, including those customers purchasing electricity from others. Pursuant to the Restructuring Agreement, following March 31, 2002, Con Edison of New York will be given a reasonable opportunity to recover, through a non-bypassable charge to customers, any remaining strandable costs, including a reasonable return on investment. For any remaining fossil-related strandable costs, the recovery period will be 10 years. For additional information about nuclear generation, see "Rate Recovery" in Note G. For information about NUG-related strandable costs, see Note H.

Pursuant to the Restructuring Agreement, as amended by a July 1998 PSC order, Con Edison of New York has sold approximately 6,300 MW of the approximately 8,300 MW of generating capacity that it owned. See Note I.

In late 1997 the PSC, in its Competitive Opportunities proceeding, approved a four-year O&R Restructuring Plan. Under this plan, O&R has sold all of its generating assets and has made retail access available to all of its electric customers effective May 1, 1999. O&R's electric rates have been reduced by approximately $32.4 million through rate reductions implemented in December 1997 and 1998. No further rate reductions are required under the plan. In 1998 and 1999 similar plans for O&R's utility subsidiaries in Pennsylvania and New Jersey were approved by state regulators. The Pennsylvania plan provides for retail access for all customers effective May 1999. The New Jersey plan provides for rate reductions of $6.8 million effective August 1999, an additional reduction of $2.7 million effective January 2001 and a final reduction of $6.3 million effective August 2002.

In accordance with the April 1999 PSC order approving Con Edison's acquisition of O&R, Con Edison of New York is accruing approximately $27 million over the three-year period ending March 2002 for the future benefit of its electric customers and has reduced its gas rates by approximately $2 million. O&R reduced its electric rates by $6.1 million and its gas rates by approximately $1.1 million.

ACCOUNTING POLICIES The accounting policies of Con Edison and its subsidiaries conform to accounting principles generally accepted in the United States. For regulated public utilities, like Con Edison of New York and O&R, accounting principles generally accepted in the United States include Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, the accounting requirements and rate-making practices of the Federal Energy Regulatory Commission (FERC) and the PSC.

The standards in SFAS No. 101, "Regulated Enterprises--Accounting for the Discontinuation of Application of the Financial Accounting Standards Board (FASB) Statement No. 71," apply to the non-nuclear electric supply portion of Con Edison of New York's business that is being deregulated as a result of the Restructuring Agreement (the Deregulated Business). The Deregulated Business includes all of Con Edison of New York's fossil electric generating assets and its NUG contracts and related regulatory assets and liabilities. The application of SFAS No. 101 to the Deregulated Business had no material adverse effect on the financial position or results of operations of Con Edison or Con Edison of New York.

No impairment of Con Edison of New York's fossil generating assets has been recognized under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," because most of these assets have been sold at a gain (see Note I) and the estimated cash flows from the operation and/or sale of the remaining generating assets, together with the cash flows from the strandable cost recovery provisions of the Restructuring Agreement, will not be less than the net carrying amount of the fossil generating assets.

Likewise, there has been no charge against earnings for the deferred charges (regulatory assets--principally relating to future federal income taxes) and deferred credits (regulatory liabilities) relating to the Deregulated Business because recovery of regulatory assets net of regulatory liabilities is probable under the Restructuring Agreement. At December 31, 1999 net regulatory assets amounted to approximately $750 million. See Note J.

No loss has been accrued for Con Edison of New York's NUG contracts under SFAS No. 5, "Accounting for Contingencies," because it is not probable that the charges by NUGs under the contracts will exceed the cash flows from the sale by Con Edison of New York of the electricity provided by the NUGs, together with the cash flows provided pursuant to the Restructuring Agreement. See Note H.

UTILITY PLANT AND DEPRECIATION The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes, pensions, other benefits and an allowance for funds used during construction (AFDC). The original cost of property, together with removal cost, less salvage, is charged to accumulated depreciation as property is retired. The cost of repairs and maintenance is charged to expense, and the cost of betterments is capitalized.

Rates used for AFDC include the cost of borrowed funds and a reasonable rate on Con Edison of New York's own funds when so used, determined in accordance with PSC and FERC regulations. The AFDC rate was 9.1 percent in 1999, 1998 and 1997. The rate was compounded semiannually, and the amounts applicable to borrowed funds were treated as a reduction of interest charges.

The annual charge for depreciation is computed using the straight-line method for financial statement purposes with rates based on average lives and net salvage factors, with the exception of Indian Point 2, Con Edison of New York's share of the jointly-owned Roseton generating station, certain leaseholds and certain general equipment, which are depreciated using a remaining life amortization method. Con Edison's depreciation rates averaged approximately 3.4 percent in 1999, 1998 and 1997.

Con Edison of New York has a 40 percent ownership interest in the 1,200-MW Roseton electric generating station operated by Central Hudson Gas & Electric Corp. This station is expected to be sold not later than July 2001.

Con Edison of New York's investment in the Roseton station at original cost and as included on its balance sheet at December 31, 1999 and 1998 was:

	1999	1998
	(THOUSANDS OF DOLLARS)	
Plant in service	$147,194	$146,778
Construction work in progress	391	262
Accumulated depreciation	(86,950)	(80,944)
Net investment	$ 60,635	$ 66,096

NUCLEAR GENERATION For information about the accounting policies followed for Con Edison of New York's nuclear generation, see Note G.

REVENUES Con Edison's utility subsidiaries recognize revenues for electric, gas and steam service on a monthly billing cycle basis. O&R accrues revenues at the end of each month for estimated energy usage not yet billed to customers, while Con Edison of New York does not accrue such revenues. Con Edison of New York defers for refund to firm gas sales and transportation customers over a 12-month period all net interruptible gas revenues not authorized by the PSC to be retained by the company.

RECOVERABLE FUEL COSTS Con Edison's utility subsidiaries' fuel, purchased power and gas costs that are above the levels included in base rates are recoverable under electric, gas and steam fuel adjustment clauses. If costs fall below these levels, the difference is credited to customers. For electric and steam, such costs are deferred until the period in which they are billed or credited to customers (between one and two months after the costs are incurred). For gas, the excess or deficiency is accumulated for refund or surcharge to customers on an annual basis.

The electric fuel adjustment clauses provide for the utility subsidiaries to share with customers any savings or excess costs resulting from the difference between actual costs for electric fuel and purchased power and monthly target amounts. The subsidiaries will retain or bear 10 to 30 percent of the savings or excess costs, as the case may be.

TEMPORARY CASH INVESTMENTS Temporary cash investments are short-term, highly liquid investments which generally have maturities of three months or less. They are stated at cost which approximates market. Con Edison considers temporary cash investments to be cash equivalents.

INVESTMENTS For 1999 and 1998, investments consisted primarily of the external nuclear decommissioning trust fund and investments of Con Edison Solutions and Con Edison Development. The nuclear decommissioning trust fund is stated at market, net of federal income tax; investments of Con Edison Solutions and Con Edison Development are recorded using the equity method. Earnings on the nuclear decommissioning trust fund are not recognized in income but are included in the accumulated depreciation reserve. See "Decommissioning" in Note G.

GAS HEDGING Con Edison of New York uses derivative instruments under its gas hedging program in order to hedge its gas in storage and anticipated gas purchases against adverse market price fluctuations. Con Edison of New York defers the related hedging gains and losses until the underlying gas commodity is withdrawn from storage or purchased from a supplier and then adjusts the cost of its gas accordingly. All hedging gains or losses are credited or charged to customers through Con Edison of New York's gas fuel adjustment clause.

Con Edison Solutions uses derivative instruments to hedge natural gas transactions in order to minimize the risk of unfavorable market price fluctuations. Gains or losses on these instruments are deferred until gas is purchased, at which time gas expense is adjusted accordingly. At December 31, 1999, deferred gains or losses were not material.

Neither Con Edison nor any of its consolidated subsidiaries enters into derivative transactions that do not meet the criteria for hedges and that do not qualify for deferred accounting treatment. If for any reason a derivative transaction were no longer classified as a hedge, the cost of gas in storage or gas expense, as appropriate, would be adjusted for unrealized gains and losses relating to the transaction.

NEW FINANCIAL ACCOUNTING STANDARDS SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was to be effective for fiscal years beginning after June 15, 1999. In June 1999 the FASB issued SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," that postponed the effective date to fiscal years beginning after June 15, 2000. The application of SFAS No. 133 is not expected to have a material effect on the financial position or results of operations of Con Edison or materially change its current disclosure practices.

FEDERAL INCOME TAX In accordance with SFAS No. 109, "Accounting for Income Taxes," Con Edison's utility subsidiaries have recorded an accumulated deferred federal income tax liability for substantially all temporary differences between the book and tax bases of assets and liabilities at current tax rates. In accordance with rate agreements, the utility subsidiaries have recovered amounts from customers for a portion of the tax expense they will pay in the future as a result of the reversal or "turn-around" of these temporary differences. As to the remaining temporary differences, in accordance with SFAS No. 71, the utility subsidiaries have established regulatory assets for the net revenue requirements to be recovered from customers for the related future tax expense. (See Notes J and L.) In 1993 the PSC issued an Interim Policy Statement proposing accounting procedures consistent with SFAS No. 109 and providing assurances that these future increases in taxes will be recoverable in rates. The final policy statement is not expected to differ materially from the Interim Policy Statement.

Accumulated deferred investment tax credits are amortized ratably over the lives of the related properties and applied as a reduction in future federal income tax expense. Con Edison and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to each company based on its taxable income.

RESEARCH AND DEVELOPMENT COSTS Research and development costs relating to specific construction projects are capitalized. All other such costs are charged to operating expenses as incurred. Research and development costs in 1999, 1998 and 1997, amounting to $12.4 million, $20.3 million and $25.9 million, respectively, were charged to operating expenses. No research and development costs were capitalized in these years.

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

ESTIMATES The accompanying consolidated financial statements reflect judgments and estimates made in the application of the above accounting policies.

NOTE B CAPITALIZATION

CAPITALIZATION OF CON EDISON Con Edison's outstanding capitalization, on a consolidated basis, consists of its common shareholders' equity and the outstanding preferred stock and long-term debt of its utility subsidiaries. Con Edison's authorized capitalization also includes six million authorized, but unissued, Preferred Shares, $1.00 par value.

PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION Con Edison of New York has the option to redeem its $5 cumulative preferred stock at $105 and its cumulative preferred stock, Series C and Series D, at a price of $101 per share (in each case, plus accrued and unpaid dividends).

PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION Con Edison of New York is required to redeem its cumulative preferred stock, Series J shares on August 1, 2002. The redemption price is $100 per share (plus accrued and unpaid dividends). Series J shares may not be called for redemption while dividends are in arrears on outstanding shares of $5 cumulative preferred stock or other cumulative preferred stock.

COMMON STOCK In May 1998 Con Edison commenced a repurchase program for up to $1 billion of its common stock. Through December 31, 1999, a total of 21.4 million Con Edison shares were repurchased by Con Edison of New York, at a total cost of $940.5 million. In January 2000 Con Edison announced the expansion of its stock repurchase program by an additional $300 million.

DIVIDENDS Beginning in 1998, with the establishment of Con Edison as a holding company, dividends on Con Edison's common shares depend primarily on the dividends and other distributions that Con Edison of New York and Con Edison's other subsidiaries pay to Con Edison and the capital requirements of Con Edison and its subsidiaries. The Restructuring Agreement limits the dividends that Con Edison of New York may pay to not more than 100 percent of Con Edison of New York's income available for dividends, calculated on a two-year rolling average basis. Excluded from the calculation of "income available for dividends" are non-cash charges to income resulting from accounting changes or charges to income resulting from significant unanticipated events. The restriction also does not apply to dividends paid in order to transfer to Con Edison proceeds from major transactions, such as asset sales, or to dividends reducing Con Edison of New York's equity ratio to a level appropriate to its business risk.

Payment of Con Edison of New York's common stock dividends to Con Edison is subject to certain additional restrictions. No dividends may be paid, or funds set apart for payment, on Con Edison of New York's common stock until all dividends accrued on the $5 cumulative preferred stock and other cumulative preferred stock have been paid, or declared and set apart for payment, and unless Con Edison of New York is not in arrears on its mandatory redemption obligation for the Series J cumulative preferred stock. No dividends may be paid on any of Con Edison of New York's capital stock during any period in which Con Edison of New York has deferred payment of interest on its subordinated deferrable interest debentures.

LONG-TERM DEBT Long-term debt maturing in the period 2000-2004 is as follows:

	(MILLIONS OF DOLLARS)
2000	$395
2001	300
2002	300
2003	185
2004	150

Long-term debt of Con Edison's utility subsidiaries is stated at cost which, as of December 31, 1999, approximates fair value (estimated based on current rates for debt of the same remaining maturities).

NOTE C SHORT TERM BORROWING

At December 31, 1999 Con Edison and its utility subsidiaries had commercial paper programs, under which short-term borrowings are made at prevailing market rates, totaling $950 million. These programs are supported by revolving credit agreements with banks. At December 31, 1999, $495.4 million, at a weighted average interest rate of 5.03 percent per annum, was outstanding under Con Edison of New York's $500 million program. No amounts were outstanding at December 31, 1999 under Con Edison's $350 million program or O&R's $100 million program. No amounts were outstanding at December 31, 1998 under the Con Edison or Con Edison of New York programs. During 1999, Con Edison expanded, and subsequently reduced, its program by $600 million in connection with its July 1999 acquisition of O&R. In February 2000, the FERC authorized Con Edison of New York to expand its program to $800 million.

Bank commitments under the revolving credit agreements may terminate upon a change of control of Con Edison, and borrowings under the agreements are subject to certain conditions, including that the ratio (calculated in accordance with the agreements) of debt to total capital of the borrower not at any time exceed 0.65 to 1. At December 31, 1999 this ratio was .49 to 1 for Con Edison, .52 to 1 for Con Edison of New York and .55 to 1 for O&R.

NOTE D PENSION BENEFITS

CON EDISON OF NEW YORK

Con Edison of New York has non-contributory pension plans that cover substantially all of its employees and certain employees of other Con Edison subsidiaries. The plans are designed to comply with the Employee Retirement Income Security Act of 1974 (ERISA).

Investment gains and losses are recognized over five years and unrecognized actuarial gains and losses are amortized over 10 years.

The company offered a special retirement program in 1999 providing enhanced pension benefits for those employees who met specified eligibility requirements and retired within specific time limits. These incentives fall within the category of special termination benefits as described in SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." The increase in pension obligations as a result of this program amounts to $45.0 million. These obligations have been deferred for disposition by the PSC in accordance with the Restructuring Agreement.

The components of the company's net periodic pension cost for 1999, 1998 and 1997 were as follows:

	1999	1998	1997
	(MILLIONS OF DOLLARS)		
Service cost--including administrative expenses*	$105.1	$104.7	$111.4
Interest cost on projected benefit obligation	358.7	346.8	334.3
Expected return on plan assets	(486.6)	(445.1)	(407.3)
Amortization of net actuarial (gain)	(90.1)	(71.7)	(42.0)
Amortization of prior service cost	10.5	10.3	10.2
Amortization of transition obligation	3.0	3.0	3.0
Net periodic pension cost	(99.4)	(52.0)	9.6
Amortization of regulatory asset**	2.2	2.2	2.2
Total pension cost	$(97.2)	$(49.8)	$ 11.8
Cost capitalized	(19.2)	(9.2)	2.5
Cost charged to operating expenses	(78.0)	(40.6)	9.3

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* Effective January 1, 1998, an assumption for administrative expenses is included as a component of service cost.

** Relates to $33.3 million increase in pension obligations from a 1993 special retirement program.

The funded status of the plans at December 31, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
	(MILLIONS OF DOLLARS)		
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	$5,384.1	$4,940.6	$4,703.0
Service cost--excluding administrative expenses	103.8	103.4	111.4
Interest cost on projected benefit obligation	358.7	346.8	334.3
Plan amendments	0.8	2.1	0.5
Actuarial (gain) loss	(728.0)	192.6	(24.2)
Special termination benefits	45.0	--	--
Benefits paid	(249.3)	(201.4)	(184.4)
Benefit obligation at end of year	$4,915.1	$5,384.1	$4,940.6
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	$6,679.2	$5,988.7	$5,269.3
Actual return on plan assets	1,017.2	903.3	886.9
Employer contributions	1.7	1.4	25.2
Benefits paid	(249.3)	(201.4)	(184.4)
Administrative expenses	(18.0)	(12.8)	(8.3)
Fair value of plan assets at end of year	$7,430.8	$6,679.2	$5,988.7
Funded status	$2,515.7	$1,295.1	$1,048.1
Unrecognized net (gain)	(2,491.6)	(1,339.8)	(1,157.4)
Unrecognized prior service costs	72.5	82.2	90.4
Unrecognized net transition liability at January 1, 1987*	5.3	8.3	11.3
Prepaid (accrued) benefit cost	$ 101.9	$ 45.8	$ (7.6)

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* Being amortized over approximately 15 years.

The actuarial assumptions at December 31, 1999, 1998 and 1997 were as follows:

	1999	1998	1997
Discount rate	8.00%	6.75%	7.25%
Expected return on plan assets	8.50%	8.50%	8.50%
Rate of compensation increase	4.80%	4.80%	5.80%

PENSION BENEFITS

ORANGE AND ROCKLAND

Orange and Rockland (O&R) has a non-contributory defined benefit retirement plan, covering substantially all employees. The plan is designed to comply with the Employee Retirement Income Security Act of 1974 (ERISA).

Investment gains and losses are recognized over three years and unrecognized actuarial gains and losses are amortized over 10 years.

During 1999, O&R sold its electric generating assets to Southern Energy. Also during 1999, O&R offered a special retirement program providing enhanced pension benefits for those employees who met specified eligibility requirements and retired within specific time limits. Because of the relative number of O&R employees who stopped accruing benefits in the plan as a result of these events, a curtailment charge was recorded in accordance with SFAS No. 88. A portion of this curtailment charge was recorded as a regulatory asset in accordance with SFAS No. 71 and a portion was expensed.

The acquisition of O&R by Con Edison in July 1999 triggered purchase accounting requirements that are reflected in the net periodic pension cost. Under such accounting O&R's accrued pension liability was adjusted to recognize all previously unrecognized gains or losses arising from past experience different from that assumed, all unrecognized prior service costs, and the remainder of any unrecognized obligation or asset existing at the date of the initial application of SFAS No. 87, "Employers' Accounting for Pensions." A portion of these adjustments was recorded as a regulatory liability in accordance with SFAS No. 71 and a portion was expensed.

O&R is currently allowed to recover in rates pension costs recognized under SFAS No. 87. In accordance with the provisions of SFAS No. 71, the company defers for future recovery any difference between expenses recognized under SFAS No. 87 and the current rate allowance authorized by each regulatory jurisdiction in which it operates.

The components of O&R's net periodic pension cost for 1999, 1998 and 1997 were as follows:

	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
Service cost--including administrative expenses............	$ 5,824	$ 6,868	$ 6,535
Interest cost on projected benefit obligation...............	19,702	19,194	17,993
Expected return on plan assets.............................	(19,024)	(17,480)	(15,838)
Amortization of net actuarial (gain).......................	(2,725)	(6,338)	(4,688)
Amortization of prior service cost.........................	2,128	4,251	3,822
Amortization of transition (asset).........................	(504)	(1,009)	(1,009)
Recognition of curtailment and termination benefits.........	7,321	--	--
Recognition of purchase accounting.........................	3,229	--	--
Net periodic pension cost..................................	$15,951	$ 5,486	$ 6,815
Amortized/(deferred and capitalized).......................	66	90	(751)
Net expense*...	$16,017	$ 5,576	$ 6,064

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* Net expense for the period July 1, 1999 through December 31, 1999 was $1.9 million. This amount is reflected in Con Edison's consolidated financial statements and excludes the effects of curtailment, termination benefits, and purchase accounting.

The funded status of the plan at December 31, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	$289,765	$260,306	$232,990
Service cost--excluding administrative expenses	5,825	6,868	6,535
Interest cost on projected benefit obligation	19,702	19,194	17,993
Plan amendments	54	--	12,852
Actuarial loss	22,551	18,375	2,387
Curtailment and termination benefits	4,707	--	--
Benefits paid	(16,132)	(14,978)	(12,451)
Benefit obligation at end of year	$326,472	$289,765	$260,306
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	$266,511	$247,523	$225,997
Actual return on plan assets	29,811	34,640	34,526
Employer contributions	10,023	--	--
Benefits paid	(14,799)	(14,131)	(11,637)
Administrative expenses	(2,235)	(1,521)	(1,363)
Fair value of plan assets at end of year	$289,311	$266,511	$247,523
Funded status	$(37,161)	$(23,254)	$(12,783)
Unrecognized net loss (gain)	13,390	(57,031)	(66,108)
Unrecognized prior service costs	--	35,830	40,081
Unrecognized net transition asset at January 1, 1987*	--	(3,026)	(4,034)
Prepaid (accrued) benefit cost	$(23,771)	$(47,481)	$(42,844)

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* Was being amortized over approximately 15 years.

The actuarial assumptions at December 31, 1999, 1998 and 1997 were as follows:

	1999	1998	1997
Discount rate	8.00%	6.75%	7.50%
Expected return on plan assets	8.50%	8.00%	8.00%
Rate of compensation increase			
Hourly	3.00%	3.00%	3.00%
Management	1.00%	1.00%	1.00%

NOTE E POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)

CON EDISON OF NEW YORK

Con Edison of New York has a contributory comprehensive hospital, medical and prescription drug program for all retirees, their dependents and surviving spouses. The company also has a contributory life insurance program for bargaining unit employees. In addition the company provides basic life insurance benefits up to a specified maximum at no cost to retired management employees. Retired management employees must contribute to the cost of supplemental life insurance benefits in excess of the specified maximum. Certain employees of other Con Edison subsidiaries are eligible to receive benefits under these programs. The company has reserved the right to amend or terminate these programs.

Investment gains and losses are recognized over five years and unrecognized actuarial gains and losses are amortized over 10 years.

The components of the company's postretirement benefit (health and life insurance) costs for 1999, 1998 and 1997 were as follows:

	1999	1998	1997
	(MILLIONS OF DOLLARS)		
Service cost	$13.7	$14.9	$15.7
Interest cost on accumulated postretirement benefit obligation	72.5	70.8	71.0
Expected return on plan assets	(41.5)	(38.2)	(36.5)
Amortization of net actuarial loss	26.8	20.9	21.4
Amortization of prior service cost	1.4	--	--
Amortization of transition obligation	17.4	21.5	25.9
Net periodic postretirement benefit cost	$90.3	$89.9	$97.5
Cost capitalized	17.8	16.7	20.0
Cost charged to operating expenses	72.5	73.2	77.5

The program's funded status at December 31, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
	(MILLIONS OF DOLLARS)		
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	$1,097.0	$ 964.1	$ 999.1
Service cost	13.7	14.9	15.7
Interest cost on accumulated postretirement benefit obligation	72.5	70.8	71.0
Plan amendments	--	(44.8)	(66.5)
Actuarial (gain) loss	(211.8)	133.7	(13.4)
Benefits paid and administrative expenses	(58.1)	(51.7)	(50.2)
Participant contributions	10.7	10.0	8.4
Benefit obligation at end of year	$ 924.0	$1,097.0	$ 964.1
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	$ 665.8	$ 574.1	$ 444.2
Actual return on plan assets	100.5	119.3	100.4
Employer contributions	115.5	14.1	71.3
Participant contributions	10.7	10.0	8.4
Benefits paid	(53.9)	(47.7)	(46.7)
Administrative expenses	(4.2)	(4.0)	(3.5)
Fair value of plan assets at end of year	$ 834.4	$ 665.8	$ 574.1
Funded status	$ (89.6)	$ (431.2)	$(390.0)
Unrecognized net (gain) loss	(224.6)	73.0	41.3
Unrecognized prior service costs	11.2	12.6	--
Unrecognized transition obligation at January 1, 1993*	226.2	243.6	322.6
Accrued postretirement benefit cost	$ (76.8)	$ (102.0)	$ (26.1)

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* Being amortized over a period of 20 years.

The actuarial assumptions at December 31, 1999, 1998 and 1997 were as follows:

	1999	1998	1997
Discount rate	8.00%	6.75%	7.25%
Expected return on plan assets			
Tax-exempt assets	8.50%	8.50%	8.50%
Taxable assets	7.50%	7.50%	8.50%

The health care cost trend rate assumed for 1999 was 7.5 percent; for 2000, 7.0 percent; and then declining one-half percent per year to 5 percent for 2004 and thereafter.

A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
	(MILLIONS OF DOLLARS)	
Effect on accumulated postretirement benefit obligation	$113.4	$99.3
Effect on service cost and interest cost components	$ 12.7	$10.8

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)

ORANGE AND ROCKLAND

Orange and Rockland (O&R) has a contributory medical and prescription drug program for all retirees, their dependents and surviving spouses. The company also has a non-contributory life insurance program for retirees.

Investment gains and losses are recognized over three years and unrecognized actuarial gains and losses are amortized over 10 years.

During 1999, O&R sold its electric generating assets to Southern Energy. Because of the relative number of O&R employees who stopped accruing benefits in the plan as a result of this event, a curtailment charge was recorded in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions."

The acquisition of O&R by Con Edison in July 1999 triggered purchase accounting requirements that are reflected in the net periodic benefit cost. Under purchase accounting O&R's accrued postretirement liability was adjusted to recognize all previously unrecognized gains or losses arising from past experience different from that assumed, all unrecognized prior service costs, and the remainder of any unrecognized obligation or asset existing at the date of the initial application of SFAS 106. The total of these adjustments along with the curtailment charge discussed above were recorded as a regulatory asset in accordance with SFAS No. 71.

O&R is currently allowed to recover in rates OPEB costs recognized under SFAS No. 106. In accordance with the provisions of SFAS No. 71, the company defers for future recovery any difference between expenses recognized under SFAS No. 106 and the current rate allowance authorized by each regulatory jurisdiction in which it operates.

The components of O&R's postretirement benefit (health and life insurance) costs for 1999, 1998 and 1997 were as follows:

	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
Service cost	$1,699	$ 1,463	$1,863
Interest cost on accumulated postretirement benefit obligation	5,302	5,326	6,013
Expected return on plan assets	(2,174)	(1,654)	(907)
Amortization of net actuarial loss	383	21	1,011
Amortization of prior service cost	4	9	84
Amortization of transition obligation	1,213	2,427	2,572
Net periodic postretirement benefit cost	6,427	7,592	10,636
Amortized/(deferred and capitalized)	(1,147)	3,169	(1,009)
Net expense	$5,280	$10,761	$9,627

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* Net expense for the period July 1, 1999 through December 31, 1999 was $2.3 million. This amount is reflected in Con Edison's consolidated financial statements and excludes the effects of curtailment, termination benefits, and purchase accounting.

The program's funded status at December 31, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	$ 80,477	$ 80,625	$ 82,999
Service cost	1,699	1,463	1,863
Interest cost on accumulated postretirement benefit obligation	5,302	5,326	6,013
Plan amendments	--	98	(6,898)
Actual loss (gain)	6,314	(1,802)	1,230
Benefits paid and administrative expenses	(5,405)	(5,334)	(4,582)
Participant contributions	149	101	--
Benefit obligation at end of year	$ 88,536	$ 80,477	$ 80,625
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	$ 31,180	$ 22,238	$ 14,822
Actual return on plan assets	3,512	2,086	735
Employer contributions	5,512	12,089	11,263
Participant contributions	54	101	--
Benefits paid and administrative expenses	(2,368)	(5,334)	(4,582)
Fair value of plan assets at end of year	$ 37,890	$ 31,180	$ 22,238
Funded status	$(50,646)	$(49,297)	$(58,387)
Unrecognized net loss/(gain)	9,008	5,016	6,393
Unrecognized prior service costs	--	89	--
Unrecognized transition obligation at January 1, 1993*	--	34,601	37,027
Accrued postretirement benefit cost	$(41,638)	$ (9,591)	$(14,967)

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* Being amortized over a period of 20 years.

The actuarial assumptions at December 31, 1999, 1998 and 1997 were as follows:

	1999	1998	1997
Discount rate	8.00%	6.75%	7.50%
Expected return on plan assets			
Tax-exempt assets	8.50%	6.25%	6.25%
Taxable assets	7.50%	6.25%	6.25%

The health care cost trend rate assumed for 1999 was 6.5 percent for health care and 8.0 percent for prescription drug; for 2000, 7.0 percent; and then declining one-half percent per year to 5 percent for 2004 and thereafter.

A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
	(THOUSANDS OF DOLLARS)	
Effect on accumulated postretirement benefit obligation	$9,431	$7,930
Effect on service cost and interest cost components	$ 940	$ 770

NOTE F ENVIRONMENTAL MATTERS

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of Con Edison's utility subsidiaries and may be present in their facilities and equipment.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and similar state statutes impose joint and several strict liability, regardless of fault, upon generators of hazardous substances for resulting removal and remedial costs and environmental damages. Liabilities under these laws can be material and in some instances may be imposed without regard to fault, or may be imposed for past acts, even though such past acts may have been lawful at the time they occurred.

At December 31, 1999, Con Edison had accrued a $38 million liability as its best estimate of the utility subsidiaries' liability for sites as to which they have received process or notice alleging that hazardous substances generated by them (and, in most instances, other potentially responsible parties) were deposited. There will be additional liability at these sites and other sites, the amount of which is not presently determinable but may be material to Con Edison's financial position, results of operations or liquidity.

Under Con Edison of New York's current electric, gas and steam rate agreements, site investigation and remediation costs in excess of $5 million annually incurred with respect to hazardous waste for which it is responsible is to be deferred and subsequently reflected in rates. At December 31, 1999, $10 million of such costs had been deferred as a regulatory asset.

Suits have been brought in New York State and federal courts against Con Edison's utility subsidiaries and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the utility subsidiaries. Many of these suits have been disposed of without any payment by the utility subsidiaries, or for immaterial amounts. The amounts specified in all the remaining suits total billions of dollars but Con Edison believes that these amounts are greatly exaggerated, as were the claims already disposed of. Based on the information and relevant circumstances known to Con Edison this time, it does not believe that these suits will have a material adverse effect on its financial position, results of operations or liquidity.

NOTE G NUCLEAR GENERATION

Con Edison of New York owns the Indian Point 2 nuclear generating unit, which has a capacity of approximately 1,000 MW, and the retired Indian Point 1 nuclear generating unit.

The book value of Indian Point 2, net of accumulated depreciation, was $382 million and $459 million at December 31, 1999 and 1998, respectively. The net book value of Indian Point 2 was reduced by $50 million in 1999 as a result of the use of a portion of the net after-tax gain from fossil plant sales to increase its accumulated depreciation reserve (see Note I).

In 1999 Con Edison of New York announced its intention to explore alternatives to its continued ownership and operation of Indian Point 2 and the retired Indian Point 1. In February 2000 the company announced an auction process for the Indian Point 2 unit, the retired Indian Point 1 unit and related gas turbines. A proceeding initiated in 1998 by the PSC to consider the future of nuclear generating facilities in New York State is continuing. The Restructuring Agreement does not contemplate the divestiture of Indian Point 2, and any such divestiture would be subject to regulatory approvals, including the approvals of the PSC and the Nuclear Regulatory Commission.

OUTAGE ACCOUNTING Scheduled refueling and maintenance outages are generally required after a cycle of approximately 22 months. Con Edison of New York's electric rates reflect a charge for the cost of scheduled refueling and maintenance outages. Under Con Edison of New York's current and previous electric rate agreements, these charges have been deferred for recognition in income during the period in which expenses are incurred for the outage. The costs of unscheduled outages are expensed as incurred and are not reflected in rates.

RATE RECOVERY Pursuant to the Restructuring Agreement, Con Edison of New York is recovering its investment in Indian Point 2 and funds to decommission Indian Point 1 and 2 in the rates it charges all its electric customers. Under the Restructuring Agreement, following March 31, 2002, Con Edison of New York will be given a reasonable opportunity to recover its remaining investment in Indian Point 2 and additional funds needed to decommission Indian Point 1 and 2 through a non-bypassable charge to customers over a period that will extend no longer than the end of Indian Point 2's operating license in 2013. Reconciliation of estimated and actual decommissioning costs may be reflected in rates after 2013.

DECOMMISSIONING Since 1975 Con Edison of New York has been collecting costs of decommissioning from customers and accruing such amounts within its internal accumulated depreciation reserve. Amounts collected to fund decommissioning of the nuclear portions of the units have been deposited in external trust funds and earnings on such funds have been accrued as additional accumulated depreciation. The trust funds amounted to $305.7 million and $265.1 million, respectively, at December 31, 1999 and 1998. See "Investments" in Note A.

Accumulated decommissioning provisions at December 31, 1999 and 1998 were as follows:

	AMOUNTS INCLUDED IN ACCUMULATED DEPRECIATION	
	1999	1998
	(MILLIONS OF DOLLARS)	
Nuclear	$305.7	$265.1
Non-nuclear	55.4	56.7
Total	$361.1	$321.8

The Restructuring Agreement continued in rates annual expense allowances of $21.3 million and $1.8 million, respectively, to fund the estimated costs of decommissioning the nuclear and non-nuclear portions of the Indian Point 1 and 2 units. These amounts were established pursuant to a 1995 electric rate agreement based upon a 1994 site-specific study. The study estimated the decommissioning costs to be approximately $657 million in 1993 dollars (assuming 2016 as the midpoint for decommissioning expenditures), including $252 million for extended storage of spent nuclear fuel. The minimum decommissioning fund estimate calculated in accordance with Nuclear Regulatory Commission (NRC) regulations was between $507 million and $862 million as of December 31, 1998. A new site-specific study is currently underway.

The FASB is currently reviewing the utility industry's accounting treatment of nuclear and certain other plant decommissioning costs. In an exposure draft issued in February 1996, the FASB concluded that decommissioning costs should be accounted for as a liability at expected present value, with a corresponding asset in utility plant, rather than as a component of depreciation. The FASB expects to issue a new exposure draft in the first quarter of 2000.

NUCLEAR FUEL Nuclear fuel assemblies and components are amortized to operating expense based on the quantity of heat produced in the generation of electricity. Nuclear fuel costs are recovered in revenues through base rates or through the fuel adjustment clause.

Nuclear fuel costs include provisions for payments to the U.S. Department of Energy (DOE) for future off-site storage of the spent fuel and for a portion of the costs to decontaminate and decommission the DOE facilities used to enrich uranium purchased by Con Edison of New York. Such payments amounted to $10.0 million in 1999.

The DOE has defaulted on its obligation to Con Edison of New York to begin to take title to the spent nuclear fuel generated at Indian Point 2. Con Edison of New York and a number of other utilities are pursuing their legal remedies against the DOE. Con Edison of New York estimates that it has adequate on-site capacity for interim storage of its spent fuel until 2005 after which, absent regulatory or technological developments, additional on-site or other spent fuel storage facilities would be required. The operation of Indian Point 2 would be curtailed if appropriate arrangements for the storage of its spent fuel are not made.

STEAM GENERATORS Nuclear generating units similar in design to Indian Point 2 have experienced problems that 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. The remaining service life of the steam generators is uncertain. 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 the latest available data and current NRC criteria, Con Edison of New York estimates that steam generator replacement will not be required before 2002. On February 15, 2000 Con Edison of New York shut down Indian Point 2 following a leak in one if its steam generators. The cause of the leak is being investigated.

Con Edison of New York has replacement steam generators, which are stored at the site. Replacement of the steam generators would require estimated additional expenditures of up to $100 million (exclusive of replacement power costs) and an outage of approximately three 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 Con Edison of New York's nuclear facilities for property damage, excess property damage, and outage costs permit assessments under certain conditions to cover insurers' losses. As of December 31, 1999, the highest amount that could be assessed for losses during the current policy year under all of the policies was $18.6 million. While assessments may also be made for losses in certain prior years, Con Edison of New York is not aware of any losses in such years that 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, Con Edison of New York could be assessed up to $88.1 million per incident, of which not more than $10 million may be assessed in any one year.

NOTE H NON-UTILITY GENERATORS

Con Edison of New York has contracts with NUGs for approximately 2,100 MW of electric generating capacity. Assuming performance by the NUGs, Con Edison of New York is obligated over the terms of the contracts (which extend for various periods, up to 2036) to make capacity and other fixed payments.

For the years 2000-2004, the capacity and other fixed payments under the contracts are estimated to be $477 million, $485 million, $494 million, $503 million and $516 million. Such payments gradually increase to approximately $600 million in 2013, and thereafter decline significantly. For energy delivered under these contracts, Con Edison of New York is obligated to pay variable prices that are estimated to be approximately at market levels.

Under the terms of its Restructuring Agreement, Con Edison of New York is recovering in rates the charges it incurs under contracts with NUGs (see "Restructuring Agreements" in Note A). The Restructuring Agreement provides that, following March 31, 2002, Con Edison of New York will be given a reasonable opportunity to recover, through a non-bypassable charge to customers, the amount, if any, by which the actual costs of its purchases under the contracts exceed market value.

The Restructuring Agreement provided for a potential NUG contract disallowance of the lower of (i) 10 percent of the above-market costs or (ii) $300 million (in 2002 dollars). As contemplated by the Restructuring Agreement, Con Edison of New York may offset the potential disallowance by NUG contract mitigation and by 10 percent of the gross proceeds of any generating unit sales to third parties. Con Edison of New York will be permitted a reasonable opportunity to recover any costs subject to disallowance that are not offset by these two factors if it makes good faith efforts in implementing provisions of the Restructuring Agreement leading to the development of a competitive electric market in its service territory, including providing a choice of suppliers to its customers through its Retail Choice program and working to establish an independent system operator, which would administer the wholesale electric market in New York State.

In October 1998 the PSC allowed Con Edison of New York to offset the potential disallowance by approximately $115 million (in 2002 dollars) as a result of termination of NUG contracts for 42.5 MW of capacity. As permitted by the PSC, Con Edison of New York has retained revenues relating to capacity costs avoided as a result of the terminations. As a result, $92 million remained available at December 31, 1999 to offset a potential NUG contract disallowance.

In June and August 1999, Con Edison of New York completed the sale of its in-City fossil electric generating units to third parties for a total of $1.8 billion, resulting in an additional $180 million of credit against a possible disallowance. Any additional NUG contract mitigation and 10 percent of the gross proceeds of any additional generating unit sales, including the planned sale of Con Edison of New York's share of the Roseton plant by Central Hudson Gas & Electric, would further offset any potential disallowance. (See Note I.)

NOTE I GENERATION DIVESTITURE

In 1999 Con Edison of New York completed the sales of almost 6,300 MW of its approximately 8,300 MW of electric generating assets for an aggregate price of $1.8 billion. The net book value of the assets sold was approximately $1 billion, and the net after-tax gain from the sales was $379 million, of which $29 million of accumulated deferred taxes and investment tax credits relating to the assets sold were recognized in income in 1999.

Consistent with the Restructuring Agreement, as amended by a July 1998 PSC order relating to the divestiture, $50 million of the net after-tax gain has been retained for shareholders, approximately $250 million has been deferred for disposition by the PSC and $50 million was applied as an increase to the accumulated depreciation reserve for Indian Point 2 (see Note G). The $50 million retained for shareholders will be recognized in income during the last year of the Restructuring Agreement (12 months ending March 31, 2002) as a partial offset to the rate reductions scheduled for that year, pursuant to the Restructuring Agreement. (See "Restructuring Agreements" in Note A.)

The approximately 2,000 MW of electric generating assets that Con Edison of New York continues to own include the 1,000 MW Indian Point 2 plant and its 480 MW interest in the jointly-owned Roseton generating station (see "Utility Plant and Depreciation" in Note A).

O&R completed the sale of all of its generating assets prior to the completion of Con Edison's purchase of O&R in July 1999.

The Restructuring Agreement and related PSC orders provide for the recovery of the incremental cost of capacity and energy required by Con Edison of New York to serve its remaining full-service customers. Con Edison of New York has agreed to purchase capacity from the buyers of the generating assets it sold for at least the period until the Installed Capacity (ICAP) market of the New York Independent System Operator (NYISO) is operational, and has submitted a petition to the PSC relating to the recovery of the incremental cost of this capacity. Such incremental capacity costs, which are estimated will total about $75 million if the NYISO ICAP market commences operation as now scheduled in May 2000, are being deferred as a regulatory asset. (See Note J.) In the event of a prolonged delay in the commencement of the NYISO ICAP market, additional incremental capacity costs could be material. The cost of the electric energy actually purchased from the buyers of the generating assets is recoverable under the electric fuel adjustment clause. (See "Recoverable Fuel Costs" in Note A.)

NOTE J REGULATORY ASSETS AND LIABILITIES

The utility subsidiaries of Con Edison have established various regulatory assets to defer specific costs that the applicable regulatory agencies have permitted or are expected to permit to be recovered in rates over time. Similarly, certain regulatory liabilities have been established to defer specific gains or credits to be refunded to customers over time. The principal regulatory assets and liabilities included in the deferred charges at December 31, 1999 and 1998 were as follows:

	1999	1998
	(THOUSANDS OF DOLLARS)	
REGULATORY ASSETS		
Future federal income tax (See Note A)	$ 785,014	$ 951,016
Recoverable fuel costs (See Note A)	95,162	22,013
Power contract termination costs (See Note H)	71,861	70,621
Accrued unbilled gas revenues (See Note A)	67,775	43,594
MTA business tax surcharge*	60,712	66,274
O&R Pension/OPEB expenses (See Notes D and E)	57,630	2,774
Enlightened Energy program costs**	34,065	68,381
Other	210,046	134,462
Total Regulatory Assets	1,382,265	1,359,135
REGULATORY LIABILITIES		
Gain on divestiture (See Note I)	306,867	--
Accumulated deferred investment tax credits (See Note A)	139,838	154,970
NYPA rate increase (See Note A)	25,630	16,175
O&R Pension expenses (See Note D)	23,854	--
Interruptible sales credits (See Note A)	23,745	20,969
Nuclear refueling outage expenses (See Note G)	22,273	--
Electric rate decrease (See Note A)	12,000	16,250
Other	81,815	72,654
Total Regulatory Liabilities	636,022	281,018
NET REGULATORY ASSETS/LIABILITIES	$ 746,243	$1,078,117

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* Business tax surcharge imposed by New York State to provide funds to the Metropolitan Transit Authority; recovered from customers annually.

** Cost of demand-side management programs; recovered from customers generally over a five-year period.

NOTE K ORANGE AND ROCKLAND UTILITIES (O&R)

In July 1999 Con Edison completed its acquisition of O&R for $791.5 million in cash. Con Edison is accounting for the acquisition under the purchase method of accounting in accordance with generally accepted accounting principles. The results of operations of O&R for the six months ended December 31, 1999 have been included in the consolidated income statement of Con Edison for the year ended December 31, 1999. Con Edison has recorded in its consolidated financial statements all of the assets and liabilities of O&R. The fair value of O&R's regulatory assets approximates book value. All other assets and liabilities of O&R were adjusted to their estimated fair values. The $437 million excess of the purchase price paid by Con Edison over the estimated fair value of net assets acquired and liabilities assumed was recorded as goodwill (O&R Goodwill) and is being amortized over 40 years. In accordance with regulatory settlements, costs to achieve the merger have been deferred as regulatory assets and are being amortized over a five-year period ending May 2004.

The unaudited pro forma consolidated Con Edison financial information shown below has been prepared based upon the historical consolidated income statements of Con Edison and O&R, giving effect to Con Edison's acquisition of O&R as if it had occurred at the beginning of each period. The historical information has been adjusted to reflect the amortization of O&R Goodwill for the entire period and the after-tax cost Con Edison would have incurred for financing the acquisition of O&R by issuing debt at the beginning of the period at an assumed 8.0 percent per annum interest rate. The pro forma information is not necessarily indicative of the results that Con Edison would have had if its acquisition of O&R had been completed prior to July 1999, or the results that Con Edison will have in the future.

	1999	1998
	(THOUSANDS OF DOLLARS)	
Revenues	$7,794,204	$7,719,152
Operating income	969,916	1,077,185
Net income	646,435	705,579
Non-recurring charges	19,782	--
Adjusted net income	666,217	--
Average shares outstanding (000)	223,442	234,308
Earnings per share	$ 2.98	$ 3.01

NOTE L FEDERAL INCOME TAX

The components of federal income taxes are as follows:

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
Charged to operations:			
Current	$836,783	$322,259	$354,112
Deferred--net	(428,859)	94,090	32,440
Amortization of investment tax credit	(8,208)	(8,710)	(8,830)
Total charged to operations	399,716	407,639	377,722
Charged to other income:			
Current	1,430	(3,279)	2,988
Deferred--net	851	1,050	(990)
Amortization of investment tax credit	(164)	--	--
Amortization of accumulated deferred investment tax credits and excess income tax reserves associated with divested generating plants	(29,008)	--	--
Total charged to other income	(26,891)	(2,229)	1,998
Total	$372,825	$405,410	$379,720

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

	AS OF DECEMBER 31		
	1999	1998	1997
	(MILLIONS OF DOLLARS)		
Liabilities:			
Depreciation	$1,284.6	$1,307.6	$1,188.7
Excess deferred federal income tax on depreciation	159.5	186.7	190.4
Advance refunding of long-term debt	32.5	35.5	30.1
Other	204.2	86.9	118.3
Total liabilities	1,680.8	1,616.7	1,527.5
Assets:			
Unbilled revenues	(86.1)	(87.2)	(98.3)
Federal income tax audit adjustments--1992-1994	(30.5)	--	--
Other	(81.7)	(87.7)	(94.5)
Total assets	(198.3)	(174.9)	(192.8)
Regulatory liability--future federal income taxes	785.0	951.0	973.1
Net liability	$2,267.5	$2,392.8	$2,307.8

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

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	(% OF PRE-TAX INCOME)		
Statutory tax rate	35%	35%	35%
Changes in computed taxes resulting from:			
Excess book over tax depreciation	8%	7%	7%
Cost of removal	-3%	-2%	-3%
Amortization of deferred federal income tax on depreciation	-3%	-3%	-3%
Amortization of accumulated deferred investment tax credits and excess income tax reserves associated with divested generating plants	-3%	--	--
Other	--	-1%	-1%
Effective tax rate	34%	36%	35%

NOTE M STOCK-BASED COMPENSATION

Under Con Edison's Stock Option Plan, options may be granted to officers and key employees for up to 10 million shares of Con Edison's common stock. Generally, options become exercisable three years after the grant date and remain exercisable until 10 years from the grant date. Options that were granted in 1996 became exercisable in 1999.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Con Edison has elected to follow Accounting Principles Board Opinion No. 25 (APB 25) "Accounting for Stock Issued to Employees," and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of Con Edison's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Disclosure of pro-forma information regarding net income and earnings per share is required by SFAS No. 123. The information presented below is in regards to the income and earnings per share of Con Edison. This information has been determined as if Con Edison had accounted for its employee stock options under the fair value method of that statement. The fair values of 1999, 1998 and 1997 options are $7.90, $4.76 and $2.84 per share, respectively. They were estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	1999	1998	1997
Risk-free interest rate..............................	5.24%	5.61%	6.46%
Expected lives--in years.............................	8	8	8
Expected stock volatility............................	18.76%	12.68%	14.08%
Dividend yield.......................................	4.46%	4.98%	6.67%

The following table reflects pro forma net income and earnings per share had Con Edison elected to adopt the fair value approach of SFAS 123 (income in millions):

	1999	1998	1997
Net income:			
As reported.......................................	$ 701	$ 713	$ 694
Pro forma...	697	711	694
Diluted earnings per share:			
As reported.......................................	$3.13	$3.04	$2.95
Pro forma...	3.11	3.03	2.95

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. For 1999 the number of total shares after giving effect to the dilutive common stock equivalents is 223,890,546.

A summary of the status of Con Edison's Stock Option Plan as of December 31, 1999, 1998 and 1997 and changes during those years is as follows:

	SHARES	WEIGHTED AVERAGE PRICE
Outstanding at 12/31/96	697,200	$27.875
Granted	834,600	31.500
Exercised	0	0
Forfeited	(14,100)	29.620
Outstanding at 12/31/97	1,517,700	29.850
Granted	901,650	42.605
Exercised	0	0
Forfeited	(20,600)	37.055
Outstanding at 12/31/98	2,398,750	34.584
Granted	1,279,000	47.938
Exercised	(113,440)	27.875
Forfeited	(74,800)	37.559
Outstanding at 12/31/99	3,489,510	$39.632

The following summarizes the Plan's stock options outstanding:

PLAN YEAR	WEIGHTED AVERAGE EXERCISE PRICE	SHARES OUTSTANDING AT 12/31/99	REMAINING CONTRACTUAL LIFE
1999	$47.938	1,261,000	9 years
1998	$42.605	871,350	8 years
1997	$31.500	798,200	7 years
1996	$27.875	558,960	6 years

CONSOLIDATED EDISON, INC.

NOTE N FINANCIAL INFORMATION BY BUSINESS SEGMENT (a)

	ELECTRIC			STEAM		
	1999	1998	1997	1999	1998	1997
	(THOUSANDS OF DOLLARS)					
Operating revenues....................	$ 5,792,673	$ 5,674,446	$ 5,635,575	$ 340,026	$ 321,932	$ 391,799
Intersegment revenues.................	150,488	53,464	11,341	1,667	1,655	1,619
Depreciation and amortization.........	433,203	439,869	429,407	17,996	17,361	16,239
Income tax expense....................	339,630	351,088	311,878	2,910	5,057	8,442
Operating income......................	858,681	905,976	855,061	19,450	19,416	36,080
Total assets..........................	10,670,017	10,919,857	10,972,735	565,945	575,018	557,607
Construction expenditures.............	$ 530,068	$ 465,258	$ 504,644	$ 28,488	$ 30,512	$ 29,905

	GAS			UNREGULATED AND OTHER		
	1999	1998	1997	1999	1998	1997
	(THOUSANDS OF DOLLARS)					
Operating revenues..................	$1,000,083	$ 959,609	$ 1,093,880	$ 358,541	$ 137,061	$ 74,898
Intersegment revenues...............	2,812	2,460	2,177	--	290	--
Depreciation and amortization.......	66,262	60,596	57,133	8,721	688	676
Income tax expense..................	60,598	58,665	62,590	(3,422)	(7,171)	(5,188)
Operating income....................	152,212	141,680	154,247	(10,544)	(13,747)	(10,068)
Total assets........................	2,097,200	1,795,567	1,730,048	2,198,314	1,090,961	1,462,128
Construction expenditures...........	$ 119,601	$ 123,074	$ 119,672	$ --	$ --	$ --

	TOTAL		
	1999	1998	1997
	(THOUSANDS OF DOLLARS)		
Operating revenues......................................	$ 7,491,323	$ 7,093,048	$ 7,196,152
Intersegment revenues...................................	154,967	57,869	15,137
Depreciation and amortization...........................	526,182	518,514	503,455
Income tax expense......................................	399,716	407,639	377,722
Operating income..	1,019,799	1,053,325	1,035,320
Total assets..	15,531,476	14,381,403	14,722,518
Construction expenditures...............................	$ 678,157	$ 618,844	$ 654,221

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(a) For a description of Con Edison, see "Con Edison" appearing before Note A.

EXHIBIT 99.2 TO FORM 8-K REPORT

Report of Independent Accountants

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

In our opinion, the consolidated balance sheet and the related consolidated statements of income, of retained earnings, of capitalization, and of cash flows included in Exhibit 99.1 of this Current Report on Form 8-K presents fairly, in all material respects, the financial position of Consolidated Edison, Inc. and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
New York, NY

February 17, 2000

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

This discussion and analysis relates to the accompanying consolidated financial statements of Consolidated Edison, Inc. (Con Edison) and should be read in conjunction with the consolidated financial statements and the notes thereto.

CON EDISON'S BUSINESS

Con Edison is a holding company that provides a wide range of energy-related services to its customers through its regulated and unregulated subsidiaries. Con Edison's core business is energy distribution and it is also pursuing related growth opportunities in competitive businesses.

Con Edison's principal subsidiary is Consolidated Edison Company of New York, Inc. (Con Edison of New York), a regulated utility which provides electric service to over three million customers and gas service to over a million customers in New York City and Westchester County. It also provides steam service in parts of Manhattan.

Orange and Rockland Utilities, Inc. (O&R) is also a regulated utility subsidiary of Con Edison. O&R, along with its regulated utility subsidiaries, provides electric service to over 275,000 customers and gas service to over 100,000 customers in southeastern New York and in adjacent sections of New Jersey and northeastern Pennsylvania.

In October 1999, Con Edison agreed to acquire Northeast Utilities (Northeast), which, through its three regulated utility subsidiaries, provides electric service to over 1.7 million customers in Connecticut, New Hampshire and western Massachusetts and, following completion of its acquisition of Yankee Energy System, Inc., will provide gas service to over 185,000 customers in Connecticut.

SIGNIFICANT DEVELOPMENTS

Several significant developments in 1999 materially affected Con Edison's financial condition and results of operations. In July 1999 Con Edison completed its $791.5 million acquisition of O&R. See Note K to the financial statements. In June and August 1999, Con Edison of New York completed the sales of almost 6,300 Megawatts (MW) of its approximately 8,300 MW electric generating capacity, for a total of $1.8 billion. See Note I to the financial statements. During 1999, Con Edison substantially completed its $1 billion common stock repurchase program. See "Liquidity and Capital Resources--Stock Repurchases," below.

Significant developments are also expected in 2000, including the completion of the acquisition of Northeast for an estimated aggregate price of not more than $3.8 billion and additional purchases of common stock under a $300 million expansion of the repurchase program. See "Liquidity and Capital Resources--Northeast Utilities Merger and Stock Repurchases," below. The company has also announced that it will conduct an auction for the possible sale of the Indian Point 2 nuclear generating unit. See "Nuclear Generation," below.

LIQUIDITY AND CAPITAL RESOURCES

CASH AND SHORT-TERM BORROWING

Cash and temporary cash investments and commercial paper outstanding at December 31, 1999 and 1998 were:

	1999	1998
	(MILLION OF DOLLARS)	
Cash and temporary cash investments	$485.1	$102.3
Commercial paper	$495.4	--

The 1999 amounts reflect short-term borrowing in December 1999 in anticipation of January 2000 cash requirements. Con Edison's cash requirements are subject to substantial fluctuations due to seasonal variations in cash flow and generally peak in January and July of each year when semi-annual payments of New York City property taxes are due.

Con Edison's average daily commercial paper outstanding in 1999 was $125 million compared to $35 million in 1998. The weighted average interest rate was approximately 5.0 percent in 1999 compared to approximately 5.6 percent in 1998. The increased commercial paper issuance during 1999 reflects temporary short-term borrowing to complete the O&R acquisition and to continue the common stock repurchase program. This borrowing was repaid with cash proceeds from the generation divestiture. The increased borrowing also reflects Con Edison's plan to maintain commercial paper as a cost-effective component of its capital structure.

For additional information about Con Edison's commercial paper programs, see Note C to the financial statements.

CASH FLOWS FROM OPERATIONS

Net cash flows from operating activities for years 1997 through 1999 were as follows:

	1999	1998	1997
	(MILLIONS OF DOLLARS)		
Net cash flows from operating activities............	$1,205	$1,390	$1,286
Common stock dividends.............................	(477)	(493)	(494)
Net cash flows.....................................	$ 728	$ 897	$ 792

Net cash flows from operations in 1999 were lower than in 1998 due to higher capacity charges and other cash flow effects of the generation divestiture. Net cash flows in 1998 were higher than in 1997 due principally to higher electric sales revenue from warmer than normal summer weather and an improved New York City economy.

Customer accounts receivable, less allowance for uncollectible accounts, increased at December 31, 1999 compared to December 31, 1998, primarily because of Con Edison's acquisition of O&R and increased sales by Con Edison's unregulated subsidiaries. See "Unregulated Subsidiaries," below. For Con Edison of New York, the equivalent number of days of revenue outstanding (ENDRO) of customer accounts receivable was 28.8 days at December 31, 1999, compared with 28.0 days at December 31, 1998. For O&R, the ENDRO was 40.4 days at December 31, 1999.

Net utility plant decreased at December 31, 1999 compared to December 31, 1998 reflecting the net effect of generation divestiture and the acquisition of O&R. Accounts payable was higher at December 31, 1999 primarily because of increased purchased power billings and the acquisition of O&R. Other receivables were higher at December 31, 1999 primarily because of the acquisition of O&R. Materials and supplies decreased at December 31, 1999 reflecting the sale of inventory along with the generating plants.

Prepayments at December 31, 1999 reflect cumulative credits to pension expense of $116.0 million compared with $62.0 million at December 31, 1998, resulting primarily from the amortization of past investment gains. See Note D to the financial statements.

For information about regulatory assets and liabilities, see Note J to the financial statements.

CAPITAL RESOURCES

Con Edison expects to finance its operations, capital requirements (other than those relating to its pending acquisition of Northeast) and the payment of dividends to its shareholders primarily from dividends and other distributions it receives from its subsidiaries and through external borrowings, including commercial paper. For information about restrictions on the payment of dividends by Con Edison of New York, see Note B to the financial statements. For information about Con Edison's capital requirements relating to its pending acquisition of Northeast, see "Northeast Utilities Merger," below.

In February 2000 Con Edison of New York and O&R requested the New York State Public Service Commission (PSC) to authorize additional long-term debt issuances of up to $1.5 billion and $150 million, respectively, prior to 2003. The PSC has already authorized Con Edison of New York to issue securities for the refunding of its outstanding debt and preferred stock from time to time prior to the year 2003. O&R has requested similar authorization to refund its outstanding debt securities.

Con Edison's ratio of earnings to fixed charges for 1999, 1998 and 1997 and common equity ratio at December 31, 1999, 1998 and 1997 were:

	1999	1998	1997
Earnings to fixed charges (SEC basis).....................	4.04	4.29	4.09
Common equity...	53.1	58.4	56.8

The changes in interest coverage in these years reflect changes in pre-tax income and changes in interest charges due to debt issuances and refundings. The decrease in the equity ratio for 1999 reflects the $1 billion common stock repurchase program and debt issuances. Con Edison expects that these ratios will decrease in 2000 when it expects to complete the acquisition of Northeast and continue to repurchase its common stock. Con Edison's interest coverage and equity ratio are currently among the highest in the industry.

Con Edison of New York issued $275 million aggregate principal amount of 40-year 7.35% debentures in June 1999 and $200 million aggregate principal amount of 10-year 7.15% debentures in December 1999. In addition, it repaid at maturity $150 million of floating rate taxable debentures in July 1999 and $75 million of 7-year 6.5 percent debentures in September 1999.

Con Edison of New York issued $292.7 million of 35-year adjustable rate tax-exempt debt in July 1999, the proceeds of which, along with other funds, were used in August 1999 to redeem $150 million of 7 1/4 percent Series 1989 C tax-exempt debt and $150 million of 7 1/2 percent Series 1990 A tax-exempt debt. In 1998, it issued $385 million of debentures with interest rates ranging from 6.15 to 7.10 percent to refund debentures and tax-exempt debt with interest rates ranging from 7 1/8 to 8.05 percent and $75 million of 30-year 6.90 percent debentures to redeem three series of preferred stock.

The commercial paper of Con Edison and its utility subsidiaries is rated P-1 and A-1, respectively, by Moody's Investor Service (Moody's) and Standard and Poor's Rating Group (S&P). S&P has assigned an issuer rating of A to Con Edison, which has not yet issued any long-term debt. The debentures of Con Edison's utility subsidiaries are rated A1 and A+, respectively, by Moody's and S&P. The rating agencies are reviewing these ratings in light of Con Edison's pending acquisition of Northeast.

CAPITAL REQUIREMENTS

The following table compares Con Edison's capital requirements, other than requirements relating to its stock repurchases and pending Northeast acquisition, for the years 1997 through 1999 and estimated amounts for 2000 and 2001:

	2001	2000	1999	1998	1997
	(MILLIONS OF DOLLARS)				
Utility construction expenditures	$ 908	$ 829	$ 678	$619	$654
Investment in unregulated subsidiaries	293	221	165	56	86
Nuclear decommissioning trust	21	21	21	21	21
Nuclear fuel	47	28	17	7	15
Retirement of long-term debt at maturity	300	395	525	200	106
Total	$1,569	$1,494	$1,406	$903	$882

The increased utility construction expenditures in 2000 and 2001 reflect expenditures to repower Con Edison of New York's East River steam-electric generating plant, expenditures related to meeting load growth on the distribution system and the construction programs of O&R. The repowering will provide additional, more efficient and lower-cost steam capacity, and will allow for the retirement and sale of the Waterside generating station. See "Regulatory Matters--Steam," below.

The increased investment in unregulated subsidiaries in 2000 and 2001 reflects plans to invest in electric generation and telecommunications. See "Unregulated Subsidiaries," below.

STOCK REPURCHASES

During 1999 18.7 million shares of Con Edison common stock were repurchased at an average price of $43.82 per share, and a total cost of $819.7 million under the previously announced $1 billion repurchase program. Through December 31, 1999, a total of 21.4 million shares were purchased under the program at an average price of $44.03 per share, and a total cost of $940.5 million.

In January 2000 Con Edison announced the expansion of its stock repurchase program by an additional $300 million. Con Edison expects that purchases will be made from time to time on the open market, as determined by market conditions and Con Edison's other financial needs.

Con Edison purchased 432,400 shares of its common stock (at an aggregate cost of approximately $19.8 million) in April and May 1999 to be used for exercises of options under its 1996 Stock Option Plan. At December 31, 1999, approximately 318,960 of these shares remained available for future option exercises. Shares of Con Edison common stock to be issued upon the exercise of options may be either purchased on the market or newly issued shares. See Note M to the financial statements.

NORTHEAST UTILITIES MERGER

In October 1999 Con Edison agreed to acquire Northeast Utilities for an estimated aggregate purchase price of not more than $3.8 billion, payable 50 percent in cash and 50 percent in common stock (subject to election and proration procedures). Con Edison expects that, following receipt of all required shareholder and regulatory approvals, it will complete the merger in 2000.

In January 2000 Con Edison and Northeast submitted filings relating to the merger with the relevant federal and state agencies, including the Federal Energy Regulatory Commission (FERC), Securities and Exchange Commission (SEC), Department of Justice and Nuclear Regulatory Commission (NRC).

Con Edison has not yet entered into any agreements or made any arrangements with respect to financing the cash portion of the merger consideration. Con Edison expects to meet this need with a combination of cash on hand and issuance of long-term or short-term debt, and does not expect to experience any difficulty in obtaining the requisite financing. See "Financial Market Risks," below.

For additional information about the merger, see "Northeast Utilities Merger" which precedes Note A in the footnotes to the financial statements.

UNREGULATED SUBSIDIARIES

Con Edison's unregulated subsidiaries provide competitive gas and electric supply and energy-related products and services (Con Edison Solutions); invest in and manage energy infrastructure projects (Con Edison Development); market specialized energy supply services to wholesale customers (Con Edison Energy); and invest in telecommunications infrastructure (Con Edison Communications). These subsidiaries operate primarily in the New England and Mid-Atlantic states.

Con Edison's investment in these subsidiaries was $284.4 million at December 31, 1999. See "Capital Requirements," above.

Northeast also has unregulated subsidiaries that provide telecommunications, energy management and marketing and other energy related services.

The unregulated subsidiaries participate in new unregulated energy supply and services businesses that are subject to competition and different investment risks than those involved in the businesses of the regulated utility subsidiaries.

REGULATORY MATTERS

Federal and state initiatives have resulted in a fundamental restructuring of Con Edison and the rest of the utility industry by promoting the development of competition in the sale of electricity and gas. These initiatives "unbundle," or separate, the integrated supply and delivery services that utilities have traditionally provided, and enable customers to purchase electric and gas supply from others for delivery by the utilities over their electric and gas systems.

ELECTRIC

In 1996 the FERC issued its Order 888 requiring electric utilities to make their transmission facilities available to wholesale sellers and buyers of electric energy and allow utilities to recover related legitimate and verifiable stranded costs subject to FERC's jurisdiction. In November 1999 following FERC approval, the New York State Independent System Operator (ISO) commenced operations and began controlling and operating most electric transmission facilities in New York as an integrated system. Con Edison's utility subsidiaries continue to own and maintain, but not operate, their transmission facilities and receive fees for use of the facilities.

In 1996 the PSC, in its Competitive Opportunities proceeding, endorsed a fundamental restructuring of the electric utility industry in New York State, based on competition in the generation and energy services sectors of the industry.

In September 1997 the PSC approved a restructuring agreement between Con Edison of New York, the PSC staff and certain other parties. The restructuring agreement provides for:

- cumulative rate reductions of approximately $1 billion;

- "retail choice" for all electric customers;

- the divestiture of electric generation capacity; and

- a reasonable opportunity for recovery of "strandable costs."

Con Edison of New York reduced electric rates by $129 million in 1998 and $80 million in April 1999 as part of the restructuring agreement's rate plan.

Under this plan, the revenues that the company receives over the five-year transition period ending in March 2002 are reduced by $1 billion from the amount that would have been received had the March 1997 rate levels remained in effect. Additional rate reductions of approximately $103 million and $209 million are scheduled to take effect in April 2000 and 2001, respectively.

At December 31, 1999, approximately 70,000 Con Edison of New York customers representing approximately 20 percent of the aggregate customer load were purchasing electricity from other suppliers under the electric Retail Choice program. In February 2000 the PSC issued an order requiring Con Edison of New York to make available the program to all of its electric customers by November 2000. Con Edison of New York delivers electricity to customers in this program through its regulated transmission and distribution system. In general, Con Edison of New York's delivery rates for Retail Choice customers are equal to the rates applicable to other comparable Con Edison of New York customers, less an amount representing the cost of the energy and capacity it avoids by not supplying these customers. In its February 2000 order, the PSC reduced the delivery rate for large electric Retail Choice customers and authorized Con Edison of New York to recover the resulting lost revenues by recognizing a portion of the deferred generation divestiture gain (see Note I to the financial statements).

Con Edison's utility subsidiaries have sold most of their electric generating assets (see Note I to the financial statements). Con Edison of New York still owns about 2,000 MW of generating assets and has contracts with non-utility generators (NUGs) for approximately 2,100 MW of electric generating capacity (see Note H to the financial statements). Con Edison's utility subsidiaries use these remaining generating resources, and energy and capacity purchased from the buyers of the generating assets sold and others, to supply electricity to their full-service customers (i.e., those customers who are not participants in the electric retail access program) and to other suppliers who supply electricity under the retail access programs.

Con Edison's utility subsidiaries no longer earn an equity return on the generating assets that were sold. Instead, the utility subsidiaries purchase electricity from the buyers of the generating assets sold and recover the cost of the electricity either in base rates or pursuant to applicable fuel adjustment clauses. (See Note A--Recoverable Fuel Costs and Note I to the financial statements).

Con Edison does not expect its utility subsidiaries to add long-term electric generation resources other than in connection with the repowering of the East River generating plant, which will add incremental electric capacity of 250 MW. In a July 1998 order, the PSC indicated that it "agree(s) generally that Con Edison of New York need not plan on constructing new generation as the competitive market develops," but considers "overly broad" and did not adopt its request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity. Con Edison's unregulated subsidiaries, which at December 31, 1999 have invested in 450 MW of electric generating assets, may invest in additional generating assets.

Con Edison of New York's potential electric strandable costs are those prior utility investments and commitments that may not be recoverable in a competitive electric supply market, including the unrecovered book cost of its remaining electric generating plants, including its Indian Point 2 nuclear generating unit, the future cost of decommissioning Indian Point 2 and its retired Indian Point 1 nuclear generating unit and charges under contracts with NUGs. Con Edison of New York is recovering potential electric strandable costs in the rates it charges all customers, including those customers purchasing electricity from others. Pursuant to the restructuring agreement, following March 31, 2002, Con Edison of New York will be given a reasonable opportunity to recover, through a non-bypassable charge to customers, any remaining strandable costs, including a reasonable return on investments. For any remaining strandable costs relating to fossil-fueled generating assets, the recovery period will be

10 years. For additional information about nuclear generation and NUG-related strandable costs, see Notes G and H to the financial statements.

O&R has entered into settlement agreements or similar arrangements with the PSC and the New Jersey and Pennsylvania public utility commissions which also provide for a transition to a competitive electric market, including the divestiture of its generating assets. See "Restructuring Agreements" in Note A to the financial statements.

GAS

Under Con Edison of New York's gas Retail Choice program, which began in 1996, all of its gas customers may purchase gas from other suppliers. At December 31, 1999, approximately 22,000 Con Edison of New York customers representing approximately 25 percent of aggregate firm customer load were participating in the program. The delivery of gas continues to be through Con Edison of New York's distribution system.

In January 1997 the PSC approved a four-year gas rate settlement agreement with the following major provisions: base rates will, with limited exceptions, remain at September 1996 levels through September 2000; Con Edison of New York will share in net revenue from interruptible gas sales (previously used only to reduce firm customer gas costs) by retaining in each rate year the first $7.0 million of net revenue from such sales above 8.5 million dekatherms and 50 percent of additional net revenues; and 86 percent of any increase in property taxes above levels implicit in rates will be recovered by offsetting amounts, if any, that would otherwise be returned to customers. Con Edison of New York will share with customers 50 percent of earnings above a 13 percent rate of return on gas common equity. No amounts were deferred for earnings sharing in 1999, 1998 or 1997.

In December 1999, O&R filed with the PSC a request to increase gas rates by $12 million over a four year period.

STEAM

In a December 1999 order, the PSC concurred with Con Edison of New York that a competitive steam market is not currently feasible.

In 1999, Con Edison of New York began a project to repower its East River steam-electric generating plant (see "Capital Requirements," above). The repowering of the East River plant will provide enhanced reliability and lower costs to steam customers and permit the company to sell its Waterside generating station as part of a nine-acre development site in midtown Manhattan along the East River. The sale of the nine acre site and the disposition of the expected net after-tax gain from the sale will be subject to PSC approval.

In November 1999 Con Edison of New York filed a steam rate plan with the PSC requesting a cumulative rate increase of $33.1 million over a four-year period ending September 2004. The current three-year steam rate agreement between Con Edison of New York and the PSC staff, which expires in October 2000, provided for a $16 million rate increase.

FINANCIAL MARKET RISKS

Con Edison's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, are interest rate risk and commodity price risk.

The interest rate risk relates primarily to new debt financing needed to fund capital requirements, including utility construction expenditures, maturing debt securities and the pending Northeast acquisition, and to variable rate debt. See "Capital Requirements" and "Northeast Utilities Merger," above.

In general, the rates Con Edison's utility subsidiaries charge customers for electric, gas and steam service are not subject to change for fluctuations in the cost of capital during the respective terms of the current rate agreements. The utility subsidiaries manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refundings of debt through optional redemptions and tender offers. In addition, Con Edison of New York, has from time to time, entered into derivative financial instruments to hedge interest rate risk.

At December 31, 1999, neither Con Edison nor any of its subsidiaries had derivative or other financial instruments outstanding for purposes of hedging its interest rate risk.

Derivative instruments are used by the company to hedge flowing gas and gas in storage. In addition, Con Edison Solutions and Con Edison Energy use derivatives to hedge its gas purchases to meet future load requirements. The utility subsidiaries do not generally use derivatives to hedge purchases of electricity and fuel because the related commodity price risks are mitigated by the fuel adjustment provisions of their current rate agreements (see Note A to the financial statements). At December 31, 1999 neither the fair value of the hedged positions outstanding nor potential, near-term derivative losses from reasonably possible near-term changes in market prices were material to the financial position, results of operations or liquidity of Con Edison.

NUCLEAR GENERATION

Con Edison of New York, which has operated its approximately 1,000 MW Indian Point 2 nuclear generating unit since 1973, is exploring alternatives to its continued ownership and operation of Indian Point 2. In February 2000, the company announced an auction process for the Indian Point 2 unit, the retired Indian Point 1 unit and related gas turbines. The company has reserved the right to reject any and all proposals, to terminate the auction process, and/or to decline to sell all or any part of the assets being auctioned. Any sale would be subject to the approval of the PSC and the NRC.

For information about the recovery of Con Edison of New York's investment in Indian Point 2, decommissioning Indian Point 2 and additional information about nuclear generation, see Note G to the financial statements.

ENVIRONMENTAL MATTERS

For information concerning potential liabilities arising from laws and regulations protecting the environment, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), and from claims relating to alleged exposure to asbestos, see Note F to the financial statements.

IMPACT OF INFLATION

Con Edison is affected by the decline in the purchasing power of the dollar caused by inflation. Regulation permits Con Edison's utility subsidiaries to recover through depreciation only the historical cost of their plant assets even though in an inflationary economy the cost to replace the assets upon their retirement will substantially exceed historical costs. The impact is, however, partially offset by the repayment of the utility subsidiaries' long-term debt in dollars of lesser value than the dollars originally borrowed.

FORWARD-LOOKING STATEMENTS

This discussion and analysis includes forward-looking statements, which are statements of future expectation and not facts. Words such as "estimates," "expects," "anticipates," "intends," "plans" and similar expressions identify forward-looking statements. Actual results or developments might differ materially from those included in the forward-looking statements because of factors such as competition and industry restructuring, the Northeast merger, technological developments, changes in economic conditions, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

Con Edison's earnings per share in 1999 were $3.14 ($3.13 on a diluted basis). Earnings per share in 1998 and 1997 were $3.04 and $2.95, respectively, on both basic and diluted bases. See "Liquidity and Capital Resources - Stock Repurchases."

Earnings for the years ended December 31, 1999, 1998 and 1997 were as follows:

	1999	1998	1997
	(MILLIONS OF DOLLARS)		
Con Edison of New York	$ 698.3	$728.1	$704.0
O&R*	22.2	--	--
Unregulated subsidiaries	(10.9)	(18.4)	(9.5)
Other**	(9.0)	3.0	--
Con Edison	$ 700.6	$712.7	$694.5

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* O&R earnings are for the period subsequent to its acquisition in July 1999.
**Includes parent company expenses and inter-company eliminations.

Con Edison's earnings for 1999, compared to 1998, decreased $12.1 million. The principal components of the decrease were: $42.3 million of electric rate reductions; $41.9 million of lost equity return on generating assets that were divested; and $8.5 million of higher distribution expenses relating to Hurricane Floyd and a July 1999 heat wave, offset by $22.2 million of O&R earnings reflecting the acquisition of O&R in July 1999 and approximately $65.7 million of lower nuclear and pension expenses. Earnings also reflect the levels of electric, gas and steam sales discussed below.

Con Edison's earnings for 1998, compared to 1997, increased $18.2 million as the result of higher electric revenues of $36.5 million from warmer than normal summer weather and an improving New York City economy, net of rate reductions, offset, in part, by expenses of $19.3 million from an extended Indian Point 2 maintenance outage.

Con Edison's operating revenues in 1999, compared to 1998, increased by $398.3 million, and its operating income decreased by $33.5 million. Operating revenues in 1998, compared to 1997, decreased from the prior year by $103.1 million, and operating income increased by $18.0 million.

A discussion of Con Edison's operating revenues and operating income by business segment follows. Con Edison's principal business segments are its electric, gas and steam utility businesses. For additional information about Con Edison's business segments, see Note N to the financial statements.

Electric

Con Edison's electric operating revenues in 1999 increased $118.2 million, from 1998 and in 1998 increased $38.9 million from 1997. The increases reflect increased sales volumes, offset by electric rate reductions of approximately $65 million in 1999 and $102 million in 1998. The 1999 increase also reflects $258.1 million of O&R electric operating revenues.

Electricity sales volume in Con Edison of New York's service territory increased 3.9 percent in 1999 and 3.1 percent in 1998.

The increases in sales volume reflect both the continued strength of the New York City economy and warmer than normal summer weather. Con Edison's electric sales vary seasonally in response to weather, and peak in the summer.

After adjusting for variations, principally weather and billing days, in each period, electricity sales volume in Con Edison of New York's service territory increased 2.7 percent in 1999 and 2.5 percent in 1998. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison's electric operating income decreased $47.3 million in 1999 compared to 1998. The principal components of the decrease were: $41.9 million of lost equity return on generating assets that were divested; approximately $8.5 million of increased distribution expenses relating to Hurricane Floyd and a July 1999 heat wave; and $42.3 million of electric rate reductions, offset, in part, by approximately $65 million of reduced expenses at Indian Point 2 (which had an extended maintenance outage in 1998) and decreased pension costs; and $28.4 million of electric operating income attributable to O&R.

Con Edison's 1998 electric operating income increased $50.9 million compared to 1997 primarily as a result of increased electric revenues of $36.5 million and decreased pension expenses of $28.6 million, partly offset by increased expenses of $19.3 million at Indian Point 2.

Gas

Con Edison's gas operating revenues and gas operating income increased $40.5 million and $10.5 million, respectively, in 1999 and decreased $134.3 million and $12.6 million, respectively, in 1998. These changes reflect gas sales and transportation volumes. The 1999 increases also reflect O&R gas operating revenues of approximately $56.4 million and O&R gas operating income of approximately $0.3 million.

Gas sales and transportation volume to firm customers of Con Edison of New York increased 5.8 percent in 1999 compared to 1998 and decreased 9.7 percent in 1998 compared to 1997.

Con Edison's gas sales and transportation vary seasonally in response to weather, and peak in the winter. The increase in volumes from 1998 reflects the colder 1999 winter compared to 1998. The decrease in 1998 compared to 1997 reflects the relatively warm 1998 winter.

After adjusting for variations, principally weather and billing days, in each period, gas sales and transportation volume to firm customers increased 1.3 percent in 1999 and decreased 0.1 percent in 1998.

A weather-normalization provision that applies to Con Edison's utility subsidiaries of New York's gas business moderates, but does not eliminate, the effect of weather-related changes on gas operating income.

Steam

Con Edison's steam operating revenues and steam operating income increased $18.1 million and $0.1 million, respectively, in 1999, but decreased $69.9 million and $16.7 million, respectively in 1998, primarily because of changes in steam sales volume.

Steam sales volume increased 6.1 percent in 1999 and decreased 8.8 percent in 1998.

Con Edison's steam sales vary seasonally in response to weather, and peak in the winter. The increase in volume for steam sales from 1998 reflects the colder 1999 winter compared to 1998. The decrease in 1998 compared to 1997 reflects the relatively warm 1998 winter.

After adjusting for variations, principally weather and billing days, in each period, steam sales volume decreased 1.4 percent in 1999 and decreased 1.7 percent in 1998.

Taxes, Other Than Federal Income Tax

At $1.2 billion, taxes other than federal income tax remain one of Con Edison's utility subsidiaries' largest operating expenses.

The principal components of and variations in operating taxes were:

		INCREASE (DECREASE)	
	1999 AMOUNT	1999 OVER 1998	1998 OVER 1997
	(MILLIONS OF DOLLARS)		
Property taxes	$ 606.2	$(12.2)	$27.7
State and local taxes on revenues	470.7	4.9	(9.0)
Payroll taxes	59.6	2.9	(2.6)
Other taxes	43.3	(23.9)	10.9
Total	$1,179.8*	$(28.3)	$27.0

*Including sales taxes on customers' bills, total taxes, other than federal income taxes, billed to customers in 1999 were $1,458.2 million.

Other Income

Other income increased $29.7 million in 1999 due principally to deferred federal income tax credits realized as a result of the generation divestiture. See Notes I and L to the financial statements. Other income decreased $8.3 million in 1998 due principally to the write-off of a $10 million investment made by an unregulated subsidiary.

Net Interest Charges

Net interest charges increased $11.7 million in 1999, compared to 1998, reflecting the addition of $15.4 million of O&R debt expense and $3.4 million of increased interest on short-term borrowing, partially offset by refunding of long-term debt and favorable tax audit adjustments. Net interest charges decreased $7.2 million in 1998, reflecting the interest savings from the refunding of long-term debt in 1998.

Federal Income Tax

Federal income tax decreased $32.6 million in 1999 and increased $25.7 million in 1998, reflecting the changes each year in income before tax and in tax credits. See Note L to the financial statements.

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