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Form 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended JUNE 30, 2002

or

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

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	Consolidated Edison, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	Consolidated Edison Company of New York, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340
1-4315	Orange and Rockland Utilities, Inc. One Blue Hill Plaza, Pearl River, New York 10965 (914) 352-6000	New York	13-1727729

Indicate by check mark whether each Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of the close of business on July 31, 2002, Consolidated Edison, Inc. ("Con Edison") had outstanding 213,144,081 Common Shares (\$.10 par value). Con Edison owns all of the outstanding common equity of Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R").

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

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* O&R is omitting this information pursuant to General Instruction H of Form 10-Q.

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Filing Format

This Quarterly Report on Form 10-Q is a combined report being filed separately by three different registrants: Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R"). Neither Con Edison of New York nor O&R makes any representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

O&R, a wholly-owned subsidiary of Con Edison, meets the conditions specified in General Instruction H of Form 10-Q and is permitted to use the reduced disclosure format for wholly-owned subsidiaries of companies, such as Con Edison, that are reporting companies under the Securities Exchange Act of 1934. Accordingly, O&R has omitted from this report the information called for by Part 1, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations and has included in this report its Management's Narrative Analysis of the Results of Operations. In accordance with general instruction H, O&R has also omitted from this report the information, if any, called for by Part 1, Item 3, Quantitative and Qualitative Disclosure About Market Risk; Part II, Item 2, Changes in Securities and Use of Proceeds; Part II, Item 3, Defaults Upon Senior Securities; and Part II, Item 4, Submission of Matters to a Vote of Security Holders.

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Consolidated Edison, Inc.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	<i>As at</i>	
	<i>June 30, 2002</i>	<i>December 31, 2001</i>
	<i>(Thousands of Dollars)</i>	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 11,335,704	\$ 11,145,400
Gas	2,444,138	2,405,730
Steam	760,053	758,600
General	1,425,696	1,354,099
TOTAL	15,965,591	15,663,829
Less: Accumulated depreciation	4,576,424	4,472,994
NET	11,389,167	11,190,835
Construction work in progress	770,743	654,107
NET UTILITY PLANT	12,159,910	11,844,942
NON-UTILITY PLANT		
Unregulated generating assets, less accumulated depreciation of \$25,048 and \$21,289 in 2002 and 2001, respectively	463,176	291,039
Non-utility property, less accumulated depreciation of \$14,484 and \$11,235 in 2002 and 2001 respectively	130,728	112,394
NET PLANT	12,753,814	12,248,375
CURRENT ASSETS		
Unrestricted cash and temporary cash investments	59,202	271,356
Restricted cash	13,824	69,823
Accounts receivable - customer, less allowance for uncollectible accounts of \$33,632 and \$34,775 in 2002 and 2001, respectively	640,183	613,733
Other receivables	236,772	124,343
Fuel, at average cost	13,253	18,216
Gas in storage, at average cost	70,971	111,507

Materials and supplies, at average cost	91,398	90,976
Prepayments	68,463	79,687
Other current assets	89,090	50,454
TOTAL CURRENT ASSETS	1,283,156	1,430,095
INVESTMENTS		
Other	217,822	216,979
TOTAL INVESTMENTS	217,822	216,979
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Goodwill	439,944	439,944
Intangible assets	83,903	85,783
Accrued pension credits	868,706	697,807
Regulatory assets		
Future federal income tax	610,276	659,891
Recoverable energy costs	302,276	210,264
Sale of nuclear generating plant	124,463	170,241
Real estate sale costs - First Avenue properties	106,917	105,407
Deferred special retirement program costs	82,909	81,796
Accrued unbilled revenue	63,151	64,249
Deferred environmental remediation costs	61,451	62,559
Workers' compensation	55,453	62,109
Divestiture - capacity replacement reconciliation	58,850	58,850
Deferred revenue taxes	54,969	41,256
World Trade Center restoration costs	34,975	32,933
Other	111,599	88,260
TOTAL REGULATORY ASSETS	1,667,289	1,637,815
Other deferred charges and noncurrent assets	233,041	239,313
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	3,292,883	3,100,662
TOTAL	\$ 17,547,675	\$ 16,996,111

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

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Consolidated Edison, Inc.

**CONSOLIDATED BALANCE SHEET
(UNAUDITED)**

As at

June 30, 2002

December 31, 2001

(Thousands of Dollars)

CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Common stock, authorized 500,000,000 shares; outstanding 213,043,030 shares and 212,257,244 shares	\$	1,514,493	\$ 1,482,341
Retained earnings		5,276,276	5,251,017
Treasury stock, at cost; 23,210,700 shares and 23,230,850 shares		(1,001,241)	(1,002,107)
Capital stock expense		(35,412)	(35,547)
Accumulated other comprehensive income		(15,083)	(29,436)
TOTAL COMMON SHAREHOLDERS' EQUITY		5,739,033	5,666,268
Preferred stock		212,563	212,563
Long-term debt		5,935,001	5,501,217
TOTAL CAPITALIZATION		11,886,597	11,380,048
MINORITY INTERESTS		8,639	9,522
NONCURRENT LIABILITIES			

Obligations under capital leases	39,801	41,088
Accumulated provision for injuries and damages	179,352	175,665
Pension and benefits reserve	234,165	187,739
Other noncurrent liabilities	39,551	30,159
TOTAL NONCURRENT LIABILITIES	492,869	434,651
CURRENT LIABILITIES		
Long-term debt due within one year	196,630	310,950
Preferred stock to be redeemed in one year	37,050	37,050
Notes payable	165,657	343,722
Accounts payable	769,339	665,342
Customer deposits	221,347	214,121
Accrued taxes	96,909	146,657
Accrued interest	81,528	80,238
Accrued wages	75,218	77,131
Other current liabilities	341,632	372,404
TOTAL CURRENT LIABILITIES	1,985,310	2,247,615
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Accumulated deferred income tax	2,368,229	2,235,295
Accumulated deferred investment tax credits	115,051	118,350
Regulatory liabilities		
NYISO reconciliation	102,471	92,504
World Trade Center casualty loss	78,787	81,483
Gain on divestiture	42,182	59,030
Deposit from sale of First Avenue properties	50,000	50,000
Refundable energy costs	46,408	45,008
Accrued electric rate reduction	38,018	38,018
Transmission Congestion Contracts	78,757	4,896
Gas Rate Plan—World Trade Center Recovery	36,388	—
Other	201,657	185,188
TOTAL REGULATORY LIABILITIES	674,668	556,127
Other deferred credits	16,312	14,503
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	3,174,260	2,924,275
TOTAL	\$ 17,547,675	\$ 16,996,111

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

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Consolidated Edison, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Three Months
Ended June 30,*

2002

2001

(Thousands of Dollars)

OPERATING REVENUES			
Electric	\$	1,400,045	\$ 1,531,949
Gas		242,355	305,394
Steam		70,488	89,666
Non-utility		187,351	185,206
TOTAL OPERATING REVENUES		1,900,239	2,112,215
OPERATING EXPENSES			
Purchased power		752,587	766,678
Fuel		46,749	57,230
Gas purchased for resale		119,220	197,979

Other operations	230,496	278,123
Maintenance	98,863	116,340
Depreciation and amortization	122,126	136,782
Taxes, other than income taxes	269,253	256,661
Income taxes	60,927	86,600
TOTAL OPERATING EXPENSES	1,700,221	1,896,393
OPERATING INCOME	200,018	215,822
OTHER INCOME (DEDUCTIONS)		
Investment income	403	1,840
Allowance for equity funds used during construction	1,915	258
Other income less miscellaneous deductions	2,229	(9,191)
Income taxes	1,975	1,552
TOTAL OTHER INCOME (DEDUCTIONS)	6,522	(5,541)
INCOME BEFORE INTEREST CHARGES	206,540	210,281
Interest on long-term debt	98,994	98,355
Other interest	8,205	9,536
Allowance for borrowed funds used during construction	(1,637)	(1,684)
NET INTEREST CHARGES	105,562	106,207
NET INCOME	\$ 100,978	\$ 104,074
PREFERRED STOCK DIVIDEND REQUIREMENTS	3,398	3,398
NET INCOME FOR COMMON STOCK	\$ 97,580	\$ 100,676
EARNINGS PER COMMON SHARE-BASIC	\$ 0.46	\$ 0.48
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.46	\$ 0.48
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$ 0.555	\$ 0.550
AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC	212,756,843	212,115,094
AVERAGE NUMBER OF SHARES OUTSTANDING-DILUTED	213,931,052	212,554,995

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

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Consolidated Edison, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Six Months
Ended June 30,*

2002

2001

(Thousands of Dollars)

OPERATING REVENUES		
Electric	\$ 2,700,893	\$ 3,239,323
Gas	716,219	1,007,213
Steam	211,954	347,918
Non-utility	370,312	404,024
TOTAL OPERATING REVENUES	3,999,378	4,998,478
OPERATING EXPENSES		
Purchased power	1,466,083	1,775,284
Fuel	111,292	241,288
Gas purchased for resale	349,374	655,168
Other operations	467,095	539,531

Maintenance	198,571	244,786
Depreciation and amortization	242,569	271,866
Taxes, other than income taxes	536,484	564,469
Income taxes	170,471	203,772
TOTAL OPERATING EXPENSES	3,541,939	4,496,164
OPERATING INCOME	457,439	502,314
OTHER INCOME (DEDUCTIONS)		
Investment income	1,105	4,623
Allowance for equity funds used during construction	6,121	501
Other income less miscellaneous deductions	501	(13,626)
Income taxes	16,067	7,138
TOTAL OTHER INCOME (DEDUCTIONS)	23,794	(1,364)
INCOME BEFORE INTEREST CHARGES	481,233	500,950
Interest on long-term debt	193,190	197,562
Other interest	18,768	20,023
Allowance for borrowed funds used during construction	(1,707)	(3,221)
NET INTEREST CHARGES	210,251	214,364
NET INCOME	\$ 270,982	\$ 286,586
PREFERRED STOCK DIVIDEND REQUIREMENTS	6,796	6,796
NET INCOME FOR COMMON STOCK	\$ 264,186	\$ 279,790
EARNINGS PER COMMON SHARE-BASIC	\$ 1.24	\$ 1.32
EARNINGS PER COMMON SHARE-DILUTED	\$ 1.24	\$ 1.32
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$ 1.11	\$ 1.10
AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC	212,546,200	212,078,295
AVERAGE NUMBER OF SHARES OUTSTANDING-DILUTED	213,677,032	212,439,716

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

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Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)**

	<i>As at</i>	
	<i>June 30, 2002</i>	<i>December 31, 2001</i>
	<i>(Thousands of Dollars)</i>	
BALANCE, JANUARY 1	\$ 5,251,017	\$ 5,040,931
Less: Stock options exercised	3,059	5,430
Net income for the period	270,982	695,835
TOTAL	5,518,940	5,731,336
DIVIDENDS DECLARED ON CAPITAL STOCK		
Cumulative Preferred, at required annual rates	6,796	13,593
Common, \$.555 and \$2.20 per share, respectively	235,868	466,726
TOTAL DIVIDEND DECLARED	242,664	480,319
BALANCE AT END OF PERIOD	\$ 5,276,276	\$ 5,251,017

Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

*For the Three Months
Ended June 30,*

	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 97,580	\$ 100,676
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
INVESTMENT IN MARKETABLE EQUITY SECURITIES, NET OF (\$118) AND \$16 TAXES, RESPECTIVELY	(168)	23
MINIMUM PENSION LIABILITY ADJUSTMENTS, NET OF \$0 AND \$293 TAXES, RESPECTIVELY	-	293
UNREALIZED GAINS/(LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES DUE TO CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, NET OF \$0 AND \$1,178 TAXES, RESPECTIVELY	-	850
UNREALIZED GAINS/(LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES, NET OF (\$634) AND (\$8,253) TAXES, RESPECTIVELY	(886)	(10,439)
LESS: RECLASSIFICATION ADJUSTMENT FOR GAINS/(LOSSES) INCLUDED IN NET INCOME, NET OF \$353 AND (\$1,415) TAXES, RESPECTIVELY	506	(2,639)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(1,560)	(6,634)
COMPREHENSIVE INCOME	\$ 96,020	\$ 94,042

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

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Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

*For the Six Months
Ended June 30,*

	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 264,186	\$ 279,790
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
INVESTMENT IN MARKETABLE EQUITY SECURITIES, NET OF (\$245) AND (\$279) TAXES, RESPECTIVELY	(348)	(189)
MINIMUM PENSION LIABILITY ADJUSTMENTS, NET OF (\$2,049) AND (\$1,656) TAXES, RESPECTIVELY	(2,959)	(2,055)
UNREALIZED GAINS/(LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES DUE TO CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, NET OF \$0 AND (\$5,587) TAXES, RESPECTIVELY	-	(8,050)
UNREALIZED GAINS/(LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES, NET OF \$6,990 AND (\$8,659) TAXES, RESPECTIVELY	9,971	(12,452)
LESS: RECLASSIFICATION ADJUSTMENT FOR GAINS/(LOSSES) INCLUDED IN NET INCOME, NET OF (\$5,413) AND (\$378) TAXES, RESPECTIVELY	(7,689)	(713)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	14,353	(22,033)
COMPREHENSIVE INCOME	\$ 278,539	\$ 257,757

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

*For the Six Months
Ended June 30,*

	2002	2001
<i>(Thousands of Dollars)</i>		
OPERATING ACTIVITIES		
Net income	\$ 270,982	\$ 286,586
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME		
Depreciation and amortization	242,569	271,866
Income tax deferred (excluding taxes resulting from divestiture of plant)	94,713	(55,354)
Common equity component of allowance for funds used during construction	(6,121)	(501)
Accrued pension credits	(170,900)	(161,285)
Other non-cash charges	20,229	6,534
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable—customer, less allowance for uncollectibles	(26,450)	160,808
Materials and supplies, including fuel and gas in storage	45,077	3,305
Other receivables	(112,429)	37,174
Prepayments (other than pensions) and other current assets	(27,412)	94,307
Deferred recoverable energy costs	(92,012)	85,048
Cost of removal less salvage	(64,240)	(44,570)
Accounts payable	103,997	(207,739)
Other-net	71,638	(76,880)
NET CASH FLOWS FROM OPERATING ACTIVITIES	349,641	399,299
INVESTING ACTIVITIES INCLUDING CONSTRUCTION		
Utility construction expenditures	(506,360)	(448,215)
Nuclear fuel expenditures	-	(6,229)
Contributions to nuclear decommissioning trust	-	(10,650)
Common equity component of allowance for funds used during construction	6,121	501
Divestiture of utility plant (net of federal income tax)	-	99,951
Investments by unregulated subsidiaries	(468)	(12,435)
Non-utility plant	(175,896)	(37,728)
NET CASH FLOWS USED IN INVESTING ACTIVITIES INCLUDING CONSTRUCTION	(676,603)	(414,805)
FINANCING ACTIVITIES INCLUDING DIVIDENDS		
Net proceeds from short-term debt	(45,001)	(32,776)
Additions to long-term debt	625,000	624,600
Retirement of long-term debt	(300,000)	(150,000)
Issuance and refunding costs	(10,602)	(14,846)
Funds held for refunding of NYSERDA Notes	-	(224,600)
Common stock dividends	(235,868)	(233,271)
Issuance of common stock	32,076	-
Preferred stock dividends	(6,796)	(6,796)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES INCLUDING DIVIDENDS	58,809	(37,689)
NET DECREASE IN CASH AND TEMPORARY CASH INVESTMENTS	(268,153)	(53,195)
CASH AND TEMPORARY CASH INVESTMENTS AT JANUARY 1	341,179	94,828
CASH AND TEMPORARY CASH INVESTMENTS AT JUNE 30	\$ 73,026	\$ 41,633
LESS: RESTRICTED CASH	13,824	-
BALANCE: UNRESTRICTED CASH AND TEMPORARY CASH INVESTMENTS	\$ 59,202	\$ 41,633

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

These footnotes accompany and form an integral part of the interim consolidated financial statements of Consolidated Edison, Inc. (Con Edison) and its subsidiaries, including the regulated utility Consolidated Edison Company of New York, Inc. (Con Edison of New York), the regulated utility Orange and Rockland Utilities, Inc. (O&R) and several non-utility subsidiaries. These financial statements are unaudited but, in the opinion of Con Edison's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These financial statements should be read together with the audited Con Edison financial statements (including the notes thereto) included in the combined Con Edison, Con Edison of New York and O&R Annual Reports on Form 10-K for the year ended December 31, 2001 (the Form 10-K). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Earnings Per Common Share

For the three months ended June 30, 2002 and 2001, the weighted average number of shares used to calculate the diluted earnings per common share included dilutive common stock equivalents of approximately 1,174,209 shares and 439,901 shares, respectively. For the six months ended June 30, 2002 and 2001, the weighted average number of shares used to calculate the diluted earnings per common share included dilutive common stock equivalents of approximately 1,130,832 shares and 361,421 shares, respectively. Stock options to purchase 6.35 million and 5.34 million common shares for the three months and 6.39 million and 5.42 million common shares for the six months ended June 30, 2002 and 2001, respectively, were not included in the respective period's computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares. See "Earnings Per Common Share" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Note B - 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 liabilities 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 June 30, 2002, Con Edison had accrued \$129 million 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 relating to 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.

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Con Edison's utility subsidiaries are permitted under current rate agreements to defer for subsequent recovery through rates certain site investigation and remediation costs with respect to hazardous waste. At June 30, 2002, \$61.5 million of such costs had been deferred as regulatory assets.

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. The suits that have been resolved, which are many, have been resolved without any payment by the utility subsidiaries, or for amounts that were not, in the aggregate, material to the company. The amounts specified in all the remaining suits total billions of dollars 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 at this time, these suits are not expected to have a material adverse effect on Con Edison's financial position, results of operations or liquidity. At June 30, 2002, the company had accrued an \$8.7 million provision as its best estimate of liability for these suits and deferred a like amount as a regulatory asset.

Workers' compensation administrative proceedings have been commenced, wherein current and former employees claim benefits based upon alleged disability from exposure to asbestos. Based on the information and relevant circumstances known to Con Edison at this time, these claims are not expected to have a material adverse effect on Con Edison's financial position, results of operations or liquidity. At June 30, 2002, Con Edison had accrued a \$134 million provision as its best estimate of the utility subsidiaries' liability for workers' compensation claims, including those related to asbestos exposure. Of this amount \$55.5 million was deferred as a regulatory asset.

Note C - Nuclear Generation

The New York State Public Service Commission (PSC) is investigating the February 2000 to January 2001 outage of the nuclear generating unit sold by Con Edison of New York in September 2001, its causes and the prudence of the company's actions regarding the operation and maintenance of the generating unit. The proceeding covers, among other things, Con Edison of New York's inspection practices, the circumstances surrounding prior outages, the basis for postponement of the unit's steam generator replacement and whether, and to what extent, increased replacement power costs and repair and replacement costs should be borne by Con Edison's shareholders.

Con Edison of New York has billed to customers replacement power costs for the outage incurred prior to August 2000 and after October 2000, but not approximately \$90 million of replacement power costs incurred in August through October 2000. Con Edison of New York has also accrued a \$40 million liability for the possible disallowance of replacement power costs that it had previously recovered from customers.

On June 5, 2002, the United States Court of Appeals for the Second Circuit unanimously affirmed the October 2000 decision by the United States District Court for the Northern District of New York, in an action entitled Consolidated Edison Company of New York, Inc. v. Pataki, et al., in which the district court had determined that the New York State law that directed the PSC to prohibit Con Edison of New York from recovering replacement power costs for the outage from customers was unconstitutional and

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granted the company's motion for a permanent injunction to prevent its implementation. Unless extended by a Justice of the United States Supreme Court, defendants have 90 days from entry of the decision to seek a writ of certiorari to the Supreme Court.

The company is unable to predict whether or not any proceedings, lawsuits, legislation or other actions relating to the nuclear generating unit will have a material adverse effect on its financial position, results of operations or liquidity.

Note D - Northeast Utilities

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

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

Con Edison believes that Northeast Utilities has materially breached the merger agreement, and that Con Edison has not materially breached the merger agreement. Con Edison believes it is not obligated to acquire Northeast Utilities because Northeast Utilities does not meet the merger agreement's conditions that Northeast Utilities perform all of its obligations under the merger agreement. Those obligations include the obligation that it carry on its businesses in the ordinary course consistent with past practice; that the representations and warranties made by it in the merger agreement were true and correct when made and remain true and correct; and that there be no material adverse change with respect to Northeast Utilities.

Both parties have filed motions for summary judgement. Con Edison is unable to predict whether or not any Northeast Utilities related lawsuits or other actions will have a material adverse effect on Con Edison's financial position, results of operations or liquidity.

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Note E - Leases

In accordance with SFAS No. 13 "Accounting for Leases" and related Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) issue statements, a 525 MW electric generating facility being developed under an operating lease arrangement by a Con Edison unregulated subsidiary in Newington, New Hampshire (the Newington Project) and the related lease obligations are not included in Con Edison's consolidated balance sheet.

In June 2002, the FASB issued an exposure draft of a proposed Interpretation on "Consolidation of Certain Special Purpose Entities" (SPEs). If the exposure draft were adopted in its current form, Con Edison would be required to include the Newington Project and the related lease obligations on its consolidated balance sheet. Con Edison estimates that this would result in a decrease in annual net income of approximately \$4 million (after tax) and increases of approximately \$350 million in non-utility plant and long-term debt.

Completion of construction of the Newington Project is now scheduled for later in 2002, and the company's unregulated subsidiary and the construction contractor are disputing whether the subsidiary is entitled to damages for a delay in completion and whether the contractor is entitled to additional project costs. Con Edison does not expect that this dispute will have a material adverse effect on its financial position, results of operations or liquidity.

As part of a broad initiative, the Internal Revenue Service is reviewing certain categories of transactions. Among these are transactions in which a taxpayer leases property and then immediately subleases it back to the lessor (termed "Lease In/Lease Out," or LILO transactions). In 1997 and 1999, Con Edison unregulated subsidiaries invested \$93 million in two LILO transactions, involving gas distribution and electric generating facilities in the Netherlands.

For additional information, see Note J to financial statements included in the Form 10-K.

Note F - Derivative Instruments and Hedging Activities

As of January 2001 Con Edison adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133" (collectively, SFAS No. 133).

Energy Price Hedging

Con Edison's subsidiaries use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity and gas (Hedges). As of June 30, 2002, the fair value of the derivatives for such use was \$25.9 million, comprised of \$15.5 million at the regulated utility subsidiaries and \$10.4 million at the unregulated subsidiaries.

Con Edison's utility subsidiaries, pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," defer recognition in income of gains and losses on a Hedge until the underlying transaction is completed. Pursuant to rate provisions that permit the recovery of the cost of purchased power and gas, Con Edison's utility subsidiaries credit or charge to their customers gains or losses on

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Hedges and related transaction costs. See "Recoverable Energy Costs" in Note A to the company's financial statements included in Item 8 of the Form 10-K.

To the extent SFAS No. 71 does not allow deferred recognition in income, Con Edison's utility subsidiaries have elected special hedge accounting pursuant to SFAS No. 133 (Cash Flow Hedge Accounting). Con Edison Solutions (which provides competitive gas and electric supply and energy-related products and services) has also elected Cash Flow Hedge Accounting. Con Edison Energy accounts for its trading activities in accordance with EITF No. 98-10 (see below).

Pursuant to Cash Flow Hedge Accounting, except as described in the following paragraph, the mark-to-market unrealized gain or loss on each Hedge is recorded in other comprehensive income and reclassified to income at the time the underlying transaction is completed. Upon adoption of SFAS No. 133, Con Edison's subsidiaries recognized after-tax transition gains of \$1.7 million in other comprehensive income and \$0.4 million in income. For the quarters ended June 30, 2002 and 2001, the

company recognized in other comprehensive income unrealized after-tax net gains of \$2.7 million and after-tax net losses of \$12.7 million, respectively, relating to the subsidiaries' Hedges for which Cash Flow Hedge Accounting was used. For the six months ended June 30, 2002 and 2001, the company recognized in other comprehensive income unrealized after-tax net gains of \$13.2 million and after-tax net losses of \$12.3 million, respectively. The company reclassified to income from accumulated other comprehensive income after-tax net gains of \$1.5 million for the second quarter of 2002, compared with after-tax net losses of \$2.4 million for the second quarter of 2001. For the six months ended June 30, 2002 and 2001, the company reclassified to income from accumulated other comprehensive income after-tax net losses of \$5.7 million and \$0.5 million, respectively. These amounts, which were recognized in net income as fuel or purchased power costs, were largely offset by directionally opposite changes in the market value of the underlying commodities. As of June 30, 2002, the subsidiaries' Hedges for which Cash Flow Hedge Accounting was used were for a term of less than two years and \$5.2 million of after-tax net gains relating to such Hedges were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

Under Cash Flow Hedge Accounting, any gain or loss relating to any portion of a Hedge determined to be "ineffective" is recognized in income in the period in which such determination is made. As a result, changes in the value of a Hedge may be recognized in income in an earlier period than the period in which the underlying transaction is recognized in income. The company expects, however, that these changes in values will be offset, at least in part, when the underlying transactions are recognized in income. For the second quarter of 2002, the company recognized in income mark-to-market unrealized pre-tax net gains of \$3.4 million compared with unrealized pre-tax net losses of \$8.9 million for the second quarter of 2001, relating to derivative transactions at Con Edison Solutions that were determined to be "ineffective." For the six months ended June 30, 2002 and 2001, with respect to such hedges, the company recognized in income mark-to-market unrealized pre-tax net gains of \$6.5 million and pre-tax net losses of \$9.9 million, respectively.

Con Edison Energy (which markets specialized energy supply services to wholesale customers) enters into over-the-counter and exchange traded contracts for the purchase and sale of electricity and installed

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capacity, gas or oil (which may provide for either physical or financial settlement) and is considered an "energy trading organization" required to account for such trading activities in accordance with FASB EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." With respect to such contracts entered into by Con Edison Energy, Con Edison recognized in income unrealized mark-to-market pre-tax net losses of \$0.6 million and pre-tax net gains of \$1.3 million for the second quarters of 2002 and 2001, respectively. For the six months ended June 30, 2002 and 2001, the company recognized in income unrealized mark-to-market pre-tax net gains of \$3.8 million and \$9.2 million, respectively. As of June 30, 2002, the fair value of the energy trading contracts was \$15.0 million.

Interest Rate Hedging

O&R and Con Edison Development (which invests in and manages energy infrastructure projects) use Cash Flow Hedge Accounting for their interest rate swap agreements as described below. As of June 30, 2002, the fair value of the O&R interest rate swap was a loss of \$15.4 million, and the fair value of the Con Edison Development interest rate swap was a loss of \$6.7 million.

In connection with its \$55 million promissory note issued to the New York State Energy Research and Development Authority for the net proceeds of the Authority's variable rate Pollution Control Refunding Revenue Bonds, 1994 Series A (the 1994 Bonds), O&R has a swap agreement pursuant to which it pays interest at a fixed rate of 6.09 percent and is paid interest at the same variable rate as is paid on the 1994 Bonds. Upon adoption of SFAS No. 133, the company recognized in other comprehensive income after-tax transition adjustment losses relating to the swap agreement of \$8.1 million. For the second quarter of 2002, the company recognized in other comprehensive income unrealized after-tax losses of \$1.6 million compared with unrealized after-tax gains of \$0.4 million for the second quarter of 2001. For the six months ended June 30, 2002 and 2001, the company recognized in other comprehensive income unrealized after-tax losses of \$1.4 million and after-tax gains of \$0.1 million, respectively. During the second quarters of 2002 and 2001, \$0.4 million and \$0.5 million, respectively, of after-tax losses were reclassified from accumulated other comprehensive income to income. For the six months ended June 30, 2002 and 2001, the company reclassified from accumulated other comprehensive income to income after-tax net losses of \$0.8 million and \$0.5 million, respectively. As of June 30, 2002, \$1.1 million of after-tax losses relating to the swap agreement were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

In connection with \$90 million of variable rate loans relating to the Lakewood electric generating plant, Con Edison Development has swap agreements pursuant to which it pays interest at a fixed rate of 6.68 percent and is paid interest at a variable rate equal to the three-month London Interbank Offered Rate. Upon adoption of SFAS No. 133, the company recognized in other comprehensive income after-tax transition adjustment losses relating to the swap agreements of \$1.6 million. For the second quarter of 2002, the company recognized in other comprehensive income unrealized after-tax losses of \$1.9 million compared with unrealized after-tax gains of \$1.8 million for the second quarter of 2001. For the six months ended June 30, 2002 and 2001, the company recognized in other comprehensive income unrealized after-tax losses of \$1.8 million and \$0.2 million, respectively. During the second quarter of

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2002 and 2001, \$0.6 million after-tax losses and \$0.3 million after-tax gains, respectively, were reclassified from accumulated other comprehensive income to income. For the six months ended June 30, 2002 and 2001, \$1.2 million after-tax losses and \$0.3 million of after-tax gains, respectively, were reclassified from accumulated other comprehensive income to income. As of June 30, 2002, \$2.3 million of after-tax losses relating to the swap agreements were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

Comprehensive Income

Unrealized gains/(losses) on derivatives, net of tax, included in accumulated other comprehensive income for the three months ended June 30, 2002 and 2001 were as follows:

<i>Three Months Ended</i>	
<i>June 30, 2002</i>	<i>June 30, 2001</i>

(Millions of Dollars)

Unrealized gains/(losses) on derivatives qualified as hedges due to cumulative effect of a	\$	-	\$	0.9
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change in accounting principle net of \$0 and \$1.2 taxes				
Unrealized gains/(losses) on derivatives qualified as hedges, net of (\$0.6) and (\$7.6) taxes		(0.9)		(10.4)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$0.4 and (\$1.6) taxes		0.5		(2.6)
Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$	(1.4)	\$	(6.9)

Unrealized gains/(losses) on derivatives, net of tax, included in accumulated other comprehensive income for the six months ended June 30, 2002 and 2001 were as follows:

	<i>Six Months Ended</i>	
	<i>June 30, 2002</i>	<i>June 30, 2001</i>
<i>(Millions of Dollars)</i>		
Unrealized gains/(losses) on derivatives qualified as hedges due to cumulative effect of a change in accounting principle, net of \$0 and (\$5.6) taxes	\$ -	\$ (8.0)
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$7.0 and (\$8.7) taxes	10.0	(12.5)
Less: Reclassification adjustment for gains/(losses) included in net income, net of (\$5.4) and (\$0.4) taxes	(7.7)	(0.7)
Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$ 17.7	\$ (19.8)

Note G - Financial Information by Business Segment

Con Edison's business segments were determined based on similarities in economic characteristics, the regulatory environment, and management's reporting requirements. Con Edison's principal business segments are:

- Regulated Electric - consists of regulated utility activities of Con Edison of New York and O&R relating to the generation, transmission and distribution of electricity in New York, New Jersey and Pennsylvania.
- Regulated Gas - consists of regulated utility activities of Con Edison of New York and O&R relating to the transportation, storage and distribution of natural gas in New York and Pennsylvania.

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- Regulated Steam - consists of regulated utility activities of Con Edison of New York relating to the generation and distribution of steam in New York.
- Unregulated subsidiaries - represents the operations of the competitive electric and gas supply and energy-related products and services businesses and the operations of the affiliates that invest in energy infrastructure and telecommunications projects.
- Other - - includes the operations of the parent company, Con Edison, and consolidation adjustments.

All revenues of Con Edison's business segments, excluding revenues earned by an unregulated subsidiary on certain energy infrastructure projects, which are deemed to be immaterial, are from customers located in the United States. Also, all assets, excluding certain investments in energy infrastructure projects by an unregulated subsidiary, are located in the United States and are materially consistent with segment assets as disclosed in the Form 10-K. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

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

The financial data for business segments are as follows:

CONSOLIDATED EDISON, INC. SEGMENT FINANCIAL INFORMATION \$000'S

FOR THE THREE MONTHS ENDED JUNE 30, 2002 AND 2001 (UNAUDITED)

	Regulated Electric		Regulated Steam	
	2002	2001	2002	2001
Operating revenues	\$ 1,400,045	\$ 1,531,949	\$ 70,488	\$ 89,666
Intersegment revenues	2,617	3,213	429	485
Depreciation and amortization	93,599	107,153	4,571	4,431
Operating income	\$ 183,365	\$ 183,986	\$ (4,280)	\$ (5,422)
	Regulated Gas		Unregulated Subsidiaries & Other	

	2002	2001	2002	2001
Operating revenues	\$ 242,355	\$ 305,394	\$ 187,351	\$ 185,206
Intersegment revenues	839	872	10,262	2,830
Depreciation and amortization	19,073	18,016	4,883	7,182
Operating income	\$ 19,269	\$ 30,240	\$ 1,664	\$ 7,018

Total

	2002	2001
Operating revenues	\$ 1,900,239	\$ 2,112,215
Intersegment revenues	14,147	7,400
Depreciation and amortization	122,126	136,782
Operating income	\$ 200,018	\$ 215,822

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**FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED)**

	Regulated Electric		Regulated Steam	
	2002	2001	2002	2001
Operating revenues	\$ 2,700,893	\$ 3,239,323	\$ 211,954	\$ 347,918
Intersegment revenues	4,433	6,742	905	951
Depreciation and amortization	186,070	213,252	9,135	8,836
Operating income	\$ 307,629	\$ 333,117	\$ 22,386	\$ 34,452

Regulated Gas

Unregulated Subsidiaries & Other

	2002	2001	2002	2001
Operating revenues	\$ 716,219	\$ 1,007,213	\$ 370,312	\$ 404,024
Intersegment revenues	1,635	1,591	18,282	5,166
Depreciation and amortization	37,921	35,757	9,443	14,021
Operating income	\$ 116,718	\$ 128,170	\$ 10,706	\$ 6,575

Total

	2002	2001
Operating revenues	\$ 3,999,378	\$ 4,998,478
Intersegment revenues	25,255	14,450
Depreciation and amortization	242,569	271,866
Operating income	\$ 457,439	\$ 502,314

Note H - New Financial Accounting Standards

On January 1, 2002, Con Edison adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of the assets of a business acquired) and intangible assets with indefinite useful lives will no longer be amortized, but instead be tested for impairment at least annually. Other intangible assets will continue to be amortized over their useful lives. The goodwill impairment test is a two-step process. The first step identifies potential impairments by comparing the estimated fair value of a reporting unit to its carrying amount, including goodwill. If the fair value is less than the carrying amount, the second step of the impairment test is performed. The second step compares the implied fair value determined in the same manner as the amount of goodwill recognized in a business combination pursuant to SFAS No. 141, "Business Combination," to its carrying amount to determine the amount of the impairment, if any.

Con Edison currently has \$439.9 million of recorded goodwill relating to the 1999 acquisition of O&R and certain generating assets owned by Con Edison Development. The company completed the first step of the goodwill impairment test, which indicated that the \$34.1 million (approximately \$20 million after tax) of goodwill related to Con Edison Development is impaired. Con Edison will complete the second step of the impairment test before the end of the year and will recognize any impairment charge as a cumulative effect of a change in accounting principle at January 1, 2002. There is no impairment of the \$405.8 million of goodwill related to the acquisition of O&R.

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Had Con Edison been accounting for goodwill under SFAS No. 142 for all periods presented, its net income and earnings per share would have been as follows:

Three months ended June 30,		Six months ended June 30,	
2002	2001	2002	2001

(Millions of dollars, except per share data)

Reported net income	\$ 97.6	\$ 100.7	\$ 264.2	\$ 279.8
Add back: goodwill amortization (net of tax)	-	2.7	-	5.8
Adjusted net income	\$ 97.6	\$ 103.4	\$ 264.2	\$ 285.6
Basic and diluted earnings per share:				
Reported	\$ 0.46	\$ 0.48	\$ 1.24	\$ 1.32
Goodwill amortization (net of tax)	-	0.01	-	0.03
Adjusted	\$ 0.46	\$ 0.49	\$ 1.24	\$ 1.35

Con Edison's definite life intangible asset relates to a power purchase agreement of an unregulated subsidiary, and is being amortized on a straight-line basis over its 25-year contract period. At June 30, 2002, the gross carrying amount and accumulated amortization were \$91.7 million and \$7.8 million, respectively. Amortization expense was \$1.9 million for the six months ended June 30, 2002, and is estimated to be \$3.7 million per year from 2002 to 2006.

In June 2002, the EITF discussed EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The Task Force reached a final consensus that revenue resulting from energy trading contracts, whether realized or unrealized and whether financially or physically settled, should be shown net in the income statement. The consensus also expanded disclosure requirements for energy trading activities. The new ruling, which applies to Con Edison Energy, is effective for periods ending after July 2002 with reclassification of prior period amounts required. The reclassification will reduce Con Edison's non-utility revenues and costs for purchased power and gas by \$245 million in 2001 and \$114 million in 2000 (about 2.5 percent and 1.2 percent, respectively, of Con Edison's total operating revenues in those years). For the six-month period ended June 30, 2002, revenues and costs will be reduced by \$104 million (2.6 percent of Con Edison's total operating revenues). The adoption of EITF Issue No. 02-3 will have no material impact on Con Edison's consolidated financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which Con Edison is required to adopt on January 1, 2003, requires entities to record the fair value of a liability associated with an asset retirement obligation in the period incurred. When the liability is initially recorded, the entity will capitalize the cost by increasing the amount of the related asset. The liability will be increased to its present value each period and the capitalized cost will be depreciated over the useful life of the related asset. Upon retirement of the asset, the entity will settle the obligation for the amount recorded or incur a gain or loss. Con Edison has not yet determined the impact of this standard on its consolidated financial position or results of operations.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which Con Edison adopted on January 1, 2002, replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 requires that all long-lived assets

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held for sale or meeting other specified criteria be measured at the lower of book value or fair value less cost to sell. The standard also broadens the reporting of discontinued operations. The adoption of SFAS No. 144 had no impact on Con Edison's consolidated financial position or results of operations.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was issued in April 2002, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." The provisions of this section are effective January 1, 2003. Con Edison does not expect that adoption of the standard will have a material adverse effect on its consolidated financial position or results of operations.

This Statement also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic impact similar to sale-leaseback transactions and amends certain other authoritative pronouncements. These provisions of SFAS No. 145, adopted in May 2002, had no impact on Con Edison's consolidated financial position or results of operations.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which Con Edison is required to adopt on January 1, 2003, requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Con Edison does not expect that adoption of the standard will have a material adverse effect on its consolidated financial position or results of operations.

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Consolidated Edison of New York, Inc.

**CONSOLIDATED BALANCE SHEET
(UNAUDITED)**

As at

June 30, 2002

December 31, 2001

(Thousands of Dollars)

ASSETS

UTILITY PLANT, AT ORIGINAL COST

Electric	\$	10,618,480	\$	10,441,779
Gas		2,147,474		2,113,664

Steam	760,053	758,600
General	1,313,442	1,241,746
Total	14,839,449	14,555,789
Less: Accumulated depreciation	4,178,523	4,083,760
Net	10,660,926	10,472,029
Construction work in progress	748,970	626,835
NET UTILITY PLANT	11,409,896	11,098,864
NON-UTILITY PLANT		
Non-utility property	25,001	29,408
NET PLANT	11,434,897	11,128,272
CURRENT ASSETS		
Cash and temporary cash investments	33,957	264,776
Accounts receivable — customer, less allowance for uncollectible accounts of \$28,287 and \$29,400 in 2002 and 2001, respectively	531,763	527,635
Other receivables	185,093	63,885
Accounts receivable from affiliated companies	42,367	27,929
Fuel, at average cost	11,701	16,719
Gas in storage, at average cost	54,871	85,534
Materials and supplies, at average cost	82,737	82,301
Prepayments	44,986	58,628
Other current assets	34,767	33,247
TOTAL CURRENT ASSETS	1,022,242	1,160,654
INVESTMENTS		
Other	5,325	4,950
TOTAL INVESTMENTS	5,325	4,950
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Accrued pension credits	868,706	697,807
Regulatory assets		
Future federal income tax	574,131	624,625
Sale of nuclear generating unit	124,463	170,241
Recoverable energy costs	218,409	121,748
Real estate sale costs — First Avenue properties	106,917	105,407
Workers' compensation	55,453	60,466
Divestiture — capacity replacement reconciliation	58,850	58,850
Accrued unbilled gas revenue	43,594	43,594
Deferred special retirement program costs	39,918	42,197
Deferred revenue taxes	47,968	34,404
World Trade Center restoration costs	34,975	32,933
Other	101,815	83,180
TOTAL REGULATORY ASSETS	1,406,493	1,377,645
Other deferred charges and noncurrent assets	175,125	149,490
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	2,450,324	2,224,942
TOTAL	\$ 14,912,788	\$ 14,518,818

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

Consolidated Edison of New York, Inc.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

As at

June 30, 2002

December 31, 2001

(Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock	\$	1,482,341	\$	1,482,341
Repurchased Consolidated Edison, Inc. common stock		(962,092)		(962,092)
Retained earnings		4,241,232		4,185,575
Capital stock expense		(35,412)		(35,547)
Accumulated other comprehensive income		(4,566)		(4,472)

TOTAL COMMON SHAREHOLDERS' EQUITY 4,721,503 4,665,805

Preferred stock

\$5 Cumulative Preferred		175,000		175,000
4.65% Series C		15,330		15,330
4.65% Series D		22,233		22,233

TOTAL PREFERRED STOCK 212,563 212,563

Long-term debt 5,161,291 5,011,752

TOTAL CAPITALIZATION 10,095,357 9,890,120

NONCURRENT LIABILITIES

Obligations under capital leases		39,801		41,088
Accumulated provision for injuries and damages		168,086		163,632
Pension and benefits reserve		138,992		101,759
Other noncurrent liabilities		12,187		12,187

TOTAL NONCURRENT LIABILITIES 359,066 318,666

CURRENT LIABILITIES

Long-term debt due within one year		150,000		300,000
Preferred stock to be redeemed in one year		37,050		37,050
Notes payable		84,000		–
Accounts payable		630,785		589,696
Accounts payable to affiliated companies		24,491		8,441
Customer deposits		206,826		204,873
Accrued taxes		88,734		141,259
Accrued interest		68,570		73,311
Accrued wages		70,769		71,177
Other current liabilities		267,796		270,109

TOTAL CURRENT LIABILITIES 1,629,021 1,695,916

DEFERRED CREDITS AND REGULATORY LIABILITIES

Accumulated deferred federal income tax		2,122,795		2,022,638
Accumulated deferred investment tax credits		108,867		111,925
Regulatory liabilities				
NYISO reconciliation		102,471		92,504
World Trade Center casualty loss		78,787		81,483
Gain on divestiture		36,806		52,784
Deposit from sale of First Avenue properties		50,000		50,000
Accrued electric rate reduction		38,018		38,018
DC service incentive		32,869		28,455
Transmission Congestion Contracts		78,757		4,896
Gas Rate Plan–World Trade Center Recovery		36,388		–
Other		143,586		131,413

TOTAL REGULATORY LIABILITIES 597,682 479,553

TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES 2,829,344 2,614,116

TOTAL \$ 14,912,788 \$ 14,518,818

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

Consolidated Edison Of New York, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Three Months
Ended June 30,*

	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
OPERATING REVENUES		
Electric	\$ 1,282,627	\$ 1,396,411
Gas	215,107	269,327
Steam	70,488	89,666
TOTAL OPERATING REVENUES	1,568,222	1,755,404
OPERATING EXPENSES		
Purchased power	560,292	593,956
Fuel	40,677	46,020
Gas purchased for resale	96,666	133,476
Other operations	177,219	228,890
Maintenance	92,463	109,960
Depreciation and amortization	108,751	121,526
Taxes, other than income taxes	251,305	238,736
Income taxes	55,076	83,692
TOTAL OPERATING EXPENSES	1,382,449	1,556,256
OPERATING INCOME	185,773	199,148
OTHER INCOME (DEDUCTIONS)		
Investment income	39	118
Allowance for equity funds used during construction	1,915	258
Other income less miscellaneous deductions	1,866	1,796
Income taxes	999	(514)
TOTAL OTHER INCOME (DEDUCTIONS)	4,819	1,658
INCOME BEFORE INTEREST CHARGES	190,592	200,806
Interest on long-term debt	84,441	88,817
Other interest	7,129	7,085
Allowance for borrowed funds used during construction	(1,575)	(1,388)
NET INTEREST CHARGES	89,995	94,514
NET INCOME	100,597	106,292
PREFERRED STOCK DIVIDEND REQUIREMENTS	3,398	3,398
NET INCOME FOR COMMON STOCK	\$ 97,199	\$ 102,894

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

Consolidated Edison Of New York, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Six Months
Ended June 30,*

	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	

OPERATING REVENUES					
Electric		\$	2,491,384	\$	2,979,610
Gas			623,949		866,768
Steam			211,954		347,918
TOTAL OPERATING REVENUES			3,327,287		4,194,296
OPERATING EXPENSES					
Purchased power			1,115,864		1,375,943
Fuel			101,536		216,335
Gas purchased for resale			277,093		498,504
Other operations			364,512		444,187
Maintenance			186,414		231,174
Depreciation and amortization			216,174		241,527
Taxes, other than income taxes			500,224		526,931
Income taxes			149,953		192,927
TOTAL OPERATING EXPENSES			2,911,770		3,727,528
OPERATING INCOME			415,517		466,768
OTHER INCOME (DEDUCTIONS)					
Investment income			101		274
Allowance for equity funds used during construction			6,121		501
Other income less miscellaneous deductions			3,266		624
Income taxes			13,133		4,121
TOTAL OTHER INCOME (DEDUCTIONS)			22,621		5,520
INCOME BEFORE INTEREST CHARGES			438,138		472,288
Interest on long-term debt			169,355		178,494
Other interest			15,717		14,979
Allowance for borrowed funds used during construction			(1,584)		(2,695)
NET INTEREST CHARGES			183,488		190,778
NET INCOME			254,650		281,510
PREFERRED STOCK DIVIDEND REQUIREMENTS			6,796		6,796
NET INCOME FOR COMMON STOCK			\$ 247,854		\$ 274,714

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

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)**

	<i>As at</i>	
	<i>June 30, 2002</i>	<i>December 31, 2001</i>
	<i>(Thousands of Dollars)</i>	
BALANCE, JANUARY 1	\$ 4,185,575	\$ 3,995,825
Net income for the period	254,650	663,061
TOTAL	4,440,225	4,658,886
DIVIDENDS DECLARED ON CAPITAL STOCK		
Cumulative preferred, at required annual rates	6,796	13,593
Common	192,197	459,718
TOTAL DIVIDENDS DECLARED	198,993	473,311
BALANCE AT END OF PERIOD	\$ 4,241,232	\$ 4,185,575

Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Three Months Ended June 30,</i>	
	2002	2001
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$97,199	\$102,894
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Minimum pension liability adjustments, net of \$0 and \$294 taxes, respectively	–	294
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$226 and (\$1,757) taxes, respectively	326	(2,509)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$116 and (\$288) taxes, respectively	167	(412)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	159	(1,803)
COMPREHENSIVE INCOME	\$97,358	\$101,091

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Six Months Ended June 30,</i>	
	2002	2001
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 247,854	\$ 274,714
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Minimum pension liability adjustments, net of (\$1,882) and (\$1,593) taxes, respectively	(2,721)	(2,118)
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$1,899 and (\$1,757) taxes, respectively	2,724	(2,509)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$66 and (\$288) taxes, respectively	97	(412)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(94)	(4,215)
COMPREHENSIVE INCOME	\$ 247,760	\$ 270,499

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

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	<i>For the Six Months Ended June 30,</i>	
	2002	2001
	<i>(Thousands of Dollars)</i>	
OPERATING ACTIVITIES		

Net income	\$	254,650	\$	281,510
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME				
Depreciation and amortization		216,174		241,527
Income tax deferred (excluding taxes resulting from divestiture of plant)		85,606		(71,248)
Common equity component of allowance for funds used during construction		(6,121)		(501)
Accrued pension credits		(170,899)		(161,285)
Other non-cash charges		8,402		24,423
CHANGES IN ASSETS AND LIABILITIES				
Accounts receivable - customer, less allowance for uncollectibles		(4,127)		131,339
Materials and supplies, including fuel and gas in storage		35,245		4,348
Other receivables		(121,208)		16,434
Prepayments (other than pensions) and other current assets		13,734		64,240
Deferred recoverable energy costs		(96,661)		81,742
Cost of removal less salvage		(63,449)		(43,894)
Accounts payable		41,089		(200,316)
Other-net		176,133		13,415
NET CASH FLOWS FROM OPERATING ACTIVITIES				
		368,568		381,734
INVESTING ACTIVITIES INCLUDING CONSTRUCTION				
Construction expenditures		(490,167)		(456,045)
Nuclear fuel expenditures		-		(6,229)
Contributions to nuclear decommissioning trust		-		(10,650)
Divestiture of utility plant (net of federal income tax)		-		99,951
Common equity component of allowance for funds used during construction		6,121		501
NET CASH FLOWS USED IN INVESTING ACTIVITIES INCLUDING CONSTRUCTION				
		(484,046)		(372,472)
FINANCING ACTIVITIES INCLUDING DIVIDENDS				
Net proceeds from short-term debt		84,000		(36,772)
Additions to long-term debt		300,000		624,600
Retirement of long-term debt		(300,000)		(150,000)
Funds held for refunding NYSEDA Notes		-		(224,600)
Issuance and refunding costs		(348)		(14,846)
Common stock dividends		(192,197)		(233,271)
Preferred stock dividends		(6,796)		(6,796)
NET CASH FLOWS USED IN FINANCING ACTIVITIES INCLUDING DIVIDENDS				
		(115,341)		(41,685)
NET DECREASE IN CASH AND TEMPORARY CASH INVESTMENTS				
		(230,819)		(32,423)
CASH AND TEMPORARY CASH INVESTMENTS AT JANUARY 1				
		264,776		70,273
CASH AND TEMPORARY CASH INVESTMENTS AT JUNE 30				
	\$	33,957	\$	37,850

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CON EDISON OF NEW YORK

Note A - General

These footnotes accompany and form an integral part of the interim consolidated financial statements of Consolidated Edison Company of New York, Inc. (Con Edison of New York) and its subsidiaries. Consolidated Edison, Inc. (Con Edison) owns all of the outstanding common stock of Con Edison of New York. These financial statements are unaudited but, in the opinion of Con Edison of New York's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These financial statements should be read together with the audited Con Edison of New York financial statements (including the notes thereto) included in the combined Con Edison, Con Edison of New York and Orange and Rockland Utilities, Inc. Annual Reports on Form 10-K for the year ended December 31, 2001 (the Form 10-K). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Note B - 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 of New York and may be present in its facilities and equipment.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and similar state statutes impose joint and several strict liabilities, 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 June 30, 2002, Con Edison of New York had accrued \$92.2 million as its best estimate of its liability for sites as to which it has received process or notice alleging that hazardous substances generated by Con Edison of New York (and, in most instances, other potentially responsible parties) were deposited. There will be additional liability relating to these sites and other sites, the amount of which is not presently determinable but may be material to Con Edison of New York'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 are to be deferred and subsequently reflected in rates. At June 30, 2002, \$22.1 million of such costs had been deferred as regulatory assets.

Suits have been brought in New York State and federal courts against Con Edison of New York 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 Con Edison of New York. The suits that have been resolved, which are many, have been resolved without any payment by Con Edison of New York, or for amounts that were not, in the aggregate, material to the company. The amounts specified in all the remaining suits total billions of dollars, but Con Edison of

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New York 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 of New York at this time, these suits are not expected to have a material adverse effect on its financial position, results of operations or liquidity. At June 30, 2002, Con Edison of New York had accrued an \$8.7 million provision as its best estimate of its liability for these suits and deferred a like amount as a regulatory asset.

Workers' compensation administrative proceedings have been commenced, wherein current and former employees claim benefits based upon alleged disability from exposure to asbestos. Based on the information and relevant circumstances known to Con Edison of New York at this time, these claims are not expected to have a material adverse effect on its financial position, results of operations or liquidity. At June 30, 2002, Con Edison of New York had accrued a \$128.5 million provision as its best estimate of its liability for workers' compensation claims, including those related to asbestos exposure. Of this amount, \$55.5 million was deferred as a regulatory asset.

Note C - Nuclear Generation

The New York State Public Service Commission (PSC) is investigating the February 2000 to January 2001 outage of the nuclear generating unit sold by Con Edison of New York in September 2001, its causes and the prudence of the company's actions regarding the operation and maintenance of the generating unit. The proceeding covers, among other things, Con Edison of New York's inspection practices, the circumstances surrounding prior outages, the basis for postponement of the unit's steam generator replacement and whether, and to what extent, increased replacement power costs and repair and replacement costs should be borne by Con Edison's shareholders.

Con Edison of New York has billed to customers replacement power costs for the outage incurred prior to August 2000 and after October 2000, but not approximately \$90 million of replacement power costs incurred in August through October 2000. Con Edison of New York has also accrued a \$40 million liability for the possible disallowance of replacement power costs that it had previously recovered from customers.

On June 5, 2002, the United States Court of Appeals for the Second Circuit unanimously affirmed the October 2000 decision by the United States District Court for the Northern District of New York, in an action entitled Consolidated Edison Company of New York, Inc. v. Pataki, et al., in which the district court had determined that the New York State law that directed the PSC to prohibit Con Edison of New York from recovering replacement power costs for the outage from customers was unconstitutional and granted the company's motion for a permanent injunction to prevent its implementation. Unless extended by a Justice of the United States Supreme Court, defendants have 90 days from entry of the decision to seek a writ of certiorari to the Supreme Court.

The company is unable to predict whether or not any proceedings, lawsuits, legislation or other actions relating to the nuclear generating unit will have a material adverse effect on its financial position, results of operations or liquidity.

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Note D - Derivative Instruments and Hedging Activities

As of January 2001 Con Edison of New York adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (collectively, SFAS No. 133).

Energy Price Hedging

Con Edison of New York uses derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity and gas (Hedges). As of June 30, 2002, the fair value of the derivatives for such use was \$16.1 million.

Pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," Con Edison of New York defers recognition in income of gains and losses on a Hedge until the underlying transaction is completed. In accordance with rate provisions that permit the recovery of the cost of purchased power and gas, Con Edison of New York credits or charges to its customers gains or losses on Hedges and related transaction costs. See "Recoverable Energy Costs" in Note A to the company's financial statements included in Item 8 of the Form 10-K. To the extent SFAS No. 71 does not allow deferred recognition in income, Con Edison of New York has elected special hedge accounting under SFAS No. 133 (Cash Flow Hedge Accounting).

Pursuant to Cash Flow Hedge Accounting, the mark-to-market unrealized gain or loss on each Hedge is recorded in other comprehensive income and reclassified to income at the time the underlying transaction is completed (except that any gain or loss relating to any portion of a Hedge determined to be "ineffective" is recognized in income in the period in which such determination is made).

Upon adoption of SFAS No. 133, Con Edison of New York had no transition adjustments to recognize in other comprehensive income. For the quarters ended June 30, 2002 and 2001, Con Edison of New York recognized in other comprehensive income unrealized after-tax net gains of \$0.3 million and after-tax net losses of \$2.5 million, respectively. For the six months ended June 30, 2002 and 2001, Con Edison of New York recognized in other comprehensive income unrealized after-tax net gains of \$2.7 million and after-tax net losses of \$2.5 million, respectively. For the quarters ended June 30, 2002 and 2001, Con Edison of New York reclassified to income from accumulated other comprehensive income after-tax net gains relating to Hedges of \$0.2 million and after-tax net losses of \$0.4 million, respectively. For the six months ended June 30, 2002 and 2001, Con Edison of New York reclassified to income from accumulated other comprehensive income after-tax net gains relating to Hedges of \$0.1 million and after-tax net losses of \$0.4 million. As of June 30, 2002, \$0.7 million of after-tax net gains relating to Hedges were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

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Operating revenues	\$	1,282,627	\$	1,396,411	\$	70,488	\$	89,666
Intersegment revenues		2,648		3,195		429		485
Depreciation and amortization		87,144		101,150		4,571		4,431
Operating income	\$	170,739	\$	173,358	\$	(4,280)	\$	(5,422)
		Regulated Gas			Total			
		2002		2001		2002		2001

Operating revenues	\$	215,107	\$	269,327	\$	1,568,222	\$	1,755,404
Intersegment revenues		839		872		3,916		4,552
Depreciation and amortization		17,036		15,945		108,751		121,526
Operating income	\$	19,314	\$	31,212	\$	185,773	\$	199,148

**FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED)**

		Regulated Electric		Regulated Steam				
		2002	2001	2002	2001			
Operating revenues	\$	2,491,384	\$	2,979,610	\$	211,954	\$	347,918
Intersegment revenues		5,577		5,858		905		951
Depreciation and amortization		173,185		201,065		9,135		8,836
Operating income	\$	286,840	\$	313,606	\$	22,386	\$	34,452
		Regulated Gas		Total				
		2002		2001		2002		2001

Operating revenues	\$	623,949	\$	866,768	\$	3,327,287	\$	4,194,296
Intersegment revenues		1,635		1,591		8,117		8,400
Depreciation and amortization		33,854		31,626		216,174		241,527
Operating income	\$	106,291	\$	118,710	\$	415,517	\$	466,768

Note F - New Financial Accounting Standards

On January 1, 2002, Con Edison of New York adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of assets of business acquired) and intangible assets with indefinite useful lives shall no longer be amortized, but instead be tested for impairment at least annually. Other intangible assets will continue to be amortized over their useful lives. The adoption of SFAS No. 142 had no impact on Con Edison of New York's consolidated financial position or results of operations.

In June 2002, The Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) discussed EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk

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Management Activities." The Task Force reached a final consensus ruling that the revenue resulting from energy trading contracts, whether realized or unrealized and whether financially or physically settled, should be shown net in the income statement. The consensus also expanded disclosure requirements for energy trading activities. The new ruling is effective for periods ending after July 2002 with reclassification of prior period amounts required. The adoption of EITF Issue No. 02-3 will have no impact on Con Edison of New York's consolidated financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which Con Edison of New York is required to adopt on January 1, 2003, requires entities to record the fair value of a liability associated with an asset retirement obligation in the period incurred. When the liability is initially recorded, the entity will capitalize the cost by increasing the carrying amount of the related asset. The liability is increased to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon retirement of the asset, the entity settles the obligation for the amount recorded or incurs a gain or loss. Con Edison of New York has not yet determined the impact of this standard on its consolidated financial position or results of operations.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which Con Edison of New York adopted on January 1, 2002, replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 requires that all long-lived assets held for sale be measured at the lower of book value or fair value less cost to sell. The standard also broadens the reporting of discontinued operations. The adoption of SFAS No. 144 had no impact on Con Edison of New York's consolidated financial position or results of operations.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was issued in April 2002, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." The provisions of this section are effective January 1, 2003. Con Edison of New York does not expect that adoption of the standard will have a material adverse effect on its consolidated financial position or results of operations.

This Statement also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic impact similar to sale-leaseback transactions and amends certain other authoritative pronouncements. These provisions of SFAS No. 145, adopted in May 2002, had no impact on Con Edison of New York's consolidated financial position or results of operations.

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

	<i>As At</i>	
	<i>June 30, 2002</i>	<i>December 31, 2001</i>
	<i>(Thousands of Dollars)</i>	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 717,224	\$ 703,621
Gas	296,665	292,066
Common	112,254	112,353
TOTAL	1,126,143	1,108,040
Less: Accumulated depreciation	397,901	389,234
NET	728,242	718,806
Construction work in progress	21,773	27,271
NET UTILITY PLANT	750,015	746,077
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of \$2,054 and \$2,399 in 2002 and 2001, respectively	2,542	2,621
NET PLANT	752,557	748,698
CURRENT ASSETS		
Cash and cash equivalents	10,511	1,785
Customer accounts receivable, less allowance for uncollectable accounts of \$2,637 and \$2,625	37,408	44,371
Other accounts receivable, less allowance for uncollectable accounts of \$1,070 and \$860	4,510	5,166
Accrued utility revenue	19,557	20,655
Gas in storage, at average cost	13,718	21,227
Materials and supplies, at average cost	5,549	5,563
Prepayments	17,740	17,776
Other current assets	10,330	11,532
TOTAL CURRENT ASSETS	119,323	128,075
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets		
Recoverable fuel costs	83,866	87,514
Deferred pension and other postretirement benefits	42,991	39,599
Deferred environmental remediation costs	39,366	40,474
Future federal income tax	36,145	35,266
Other regulatory assets	31,869	28,808
Deferred revenue taxes	7,001	6,852
Hedges on energy trading	650	1,002
TOTAL REGULATORY ASSETS	241,888	239,515
Other deferred charges and noncurrent assets	16,150	19,052
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	258,038	258,567
TOTAL	\$ 1,129,918	\$ 1,135,340

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

As At

June 30, 2002

December 31, 2001

(Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock	\$	5	\$	5
Additional paid in capital		194,499		194,499
Retained earnings		157,312		151,792
Accumulated comprehensive income		(12,147)		(10,905)

TOTAL COMMON SHAREHOLDERS' EQUITY

339,669

335,391

Long-term debt

300,830

335,771

TOTAL CAPITALIZATION

640,499

671,162

NONCURRENT LIABILITIES

Pension and benefit reserve

94,807

85,607

Other noncurrent liabilities

19,485

18,619

TOTAL NONCURRENT LIABILITIES

114,292

104,226

CURRENT LIABILITIES

Long term debt due within one year

35,000

-

Notes payable

-

16,600

Accounts payable

49,112

52,818

Accounts payable to affiliated companies

2,340

3,113

Accrued federal income and other taxes

3,255

3,302

Customer deposits

9,743

9,248

Accrued interest

7,525

6,968

Accrued environmental costs

37,809

38,417

Other current liabilities

5,203

6,878

TOTAL CURRENT LIABILITIES

149,987

137,344

DEFERRED CREDITS AND REGULATORY LIABILITIES

ACCUMULATED DEFERRED FEDERAL INCOME TAX

126,385

125,108

DEFERRED INVESTMENT TAX CREDITS

6,184

6,425

Regulatory liabilities

Pension and other benefits

3,180

6,173

Recoverable energy costs

46,408

45,008

Competition enhancement fund

10,137

10,149

Gain on divestiture

5,376

6,246

Other regulatory liabilities

11,885

8,998

TOTAL REGULATORY LIABILITIES

76,986

76,574

Deferred credits

15,585

14,501

TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES

225,140

222,608

TOTAL

\$

1,129,918

\$

1,135,340

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED INCOME STATEMENT
(UNAUDITED)

For the Three Months

Ended June 30,

	<i>2002</i>	<i>2001</i>
<i>(Thousands of Dollars)</i>		
OPERATING REVENUES		
Electric	\$ 117,387	\$ 135,549
Gas	27,248	36,067
TOTAL OPERATING REVENUES	144,635	171,616
OPERATING EXPENSES		
Purchased power	55,740	74,223
Gas purchased for resale	16,269	24,534
Other operations	28,697	30,361
Maintenance	6,400	6,380
Depreciation and amortization	8,492	8,074
Taxes, other than income tax	12,324	13,341
Income taxes	4,314	5,274
TOTAL OPERATING EXPENSES	132,236	162,187
OPERATING INCOME	12,399	9,429
OTHER INCOME (DEDUCTIONS)		
Investment income	78	275
Other income and deductions	93	(19)
Income taxes	175	38
TOTAL OTHER INCOME (DEDUCTIONS)	346	294
INCOME BEFORE INTEREST CHARGES	12,745	9,723
Interest on long-term debt	5,323	5,527
Other interest	355	740
Allowance for borrowed funds used during construction	(63)	(296)
NET INTEREST CHARGES	5,615	5,971
NET INCOME FOR COMMON STOCK	\$ 7,130	\$ 3,752

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

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Orange and Rockland Utilities, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Six Months
Ended June 30,*

	<i>2002</i>	<i>2001</i>
<i>(Thousands of Dollars)</i>		
OPERATING REVENUES		
Electric	\$ 208,365	\$ 260,585
Gas	92,270	140,444
Non-utility	-	34
TOTAL OPERATING REVENUES	300,635	401,063
OPERATING EXPENSES		
Purchased power	93,791	144,970
Gas purchased for resale	52,015	97,067
Other operations	56,233	58,084
Maintenance	12,157	13,613
Depreciation and amortization	16,952	16,318
Taxes, other than income tax	25,426	28,263

Income taxes	13,079	14,153
TOTAL OPERATING EXPENSES	269,653	372,468
OPERATING INCOME	30,982	28,595
OTHER INCOME (DEDUCTIONS)		
Investment income	(3)	1,209
Other income and deductions	(191)	(343)
Income taxes	389	(147)
TOTAL OTHER INCOME (DEDUCTIONS)	195	719
INCOME BEFORE INTEREST CHARGES	31,177	29,314
Interest on long-term debt	10,564	11,020
Other interest	1,216	1,894
Allowance for borrowed funds used during construction	(123)	(527)
NET INTEREST CHARGES	11,657	12,387
NET INCOME FOR COMMON STOCK	\$ 19,520	\$ 16,927

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

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Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)**

	<i>As at</i>	
	<i>June 30, 2002</i>	<i>December 31, 2001</i>
	<i>(Thousands of Dollars)</i>	
BALANCE, JANUARY 1	\$ 151,792	\$ 139,610
Net income for the period	19,520	40,182
TOTAL	171,312	179,792
DIVIDENDS DECLARED ON CAPITAL STOCK	(14,000)	(28,000)
BALANCE, JUNE 30	\$ 157,312	\$ 151,792

Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Three Months Ended June 30,</i>	
	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 7,130	\$ 3,752
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Investment in marketable equity securities, net of (\$118), and \$16 taxes, respectively	(168)	23
Unrealized gains/(losses) on derivatives qualified as hedges, net of (\$1,160), and \$257 taxes, respectively	(1,655)	405
Less: Reclassification adjustment for gains/(losses) included in net income, net of (\$270) and (\$356) taxes, respectively	(385)	(502)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(1,438)	930
COMPREHENSIVE INCOME	\$ 5,692	\$ 4,682

Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Six Months Ended June 30,</i>	
	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 19,520	\$ 16,927
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Investment in marketable equity securities, net of (\$244), and (\$279) taxes, respectively	(348)	(189)
Minimum pension liability adjustments, net of (\$166) and \$63 taxes, respectively	(238)	63
Unrealized gains/(losses) on derivatives qualified as hedges due to cumulative effect of a change in accounting principle, net of \$0 and (\$5,709) taxes, respectively	—	(8,107)
Unrealized gains/(losses) on derivatives qualified as hedges, net of (\$1,012) and \$15 taxes, respectively	(1,444)	21
Less: Reclassification adjustment for gains/(losses) included in net income, net of (\$552) and (\$356) taxes, respectively	(788)	(502)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(1,242)	(7,710)
COMPREHENSIVE INCOME	\$ 18,278	\$ 9,217

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

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Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	<i>For the Six Months Ended June 30,</i>	
	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
OPERATING ACTIVITIES		
Net income	\$ 19,520	\$ 16,927
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME		
Depreciation and amortization	16,770	16,160
Amortization of investment tax credit	(241)	(243)
Federal and state income tax deferred	398	(6,655)
Other non-cash changes (debits)	1,672	879
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - net, and accrued utility revenue	(4,761)	14
Materials and supplies, including fuel and gas in storage	7,523	59
Prepayments, other receivables and other current assets	1,893	(8,398)
Deferred recoverable fuel costs	5,047	6,236
Accounts payable	8,342	21,730
Refunds to customers	495	(2,332)
Other - net	4,202	(8,397)
NET CASH FLOWS FROM OPERATING ACTIVITIES	60,860	35,980
INVESTING ACTIVITIES INCLUDING CONSTRUCTION		
Construction expenditures	(21,859)	(23,398)
Proceeds from disposition of property	325	118
NET CASH FLOWS USED IN INVESTING ACTIVITIES INCLUDING CONSTRUCTION	(21,534)	(23,280)

FINANCING ACTIVITIES INCLUDING DIVIDENDS			
Short-term debt arrangements		(16,600)	(4,570)
Dividend to parent		(14,000)	(14,000)
<hr/>			
NET CASH FLOWS USED IN FINANCING ACTIVITIES INCLUDING DIVIDENDS		(30,600)	(18,570)
<hr/>			
CASH AND TEMPORARY CASH INVESTMENTS:			
NET CHANGE FOR THE PERIOD		8,726	(5,870)
BALANCE AT BEGINNING OF PERIOD		1,785	8,483
<hr/>			
BALANCE AT END OF PERIOD	\$	10,511	\$ 2,613

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

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - O&R

Note A - General

These footnotes accompany and form an integral part of the interim consolidated financial statements of Orange and Rockland Utilities, Inc. (O&R), a wholly owned subsidiary of Consolidated Edison, Inc. (Con Edison). These financial statements are unaudited but, in the opinion of O&R's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These financial statements should be read together with the audited O&R financial statements (including the notes thereto) included in the combined Con Edison, Consolidated Edison Company of New York, Inc. (Con Edison of New York) and O&R's Annual Reports on Form 10-K for the year ended December 31, 2001 (the Form 10-K). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Note B - Environmental Matters

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of O&R and may be present in its facilities and equipment.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and similar state statutes impose joint and several strict liabilities, 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 that they occurred.

At June 30, 2002, O&R had accrued \$36.8 million as its best estimate of its liability for sites as to which it has received process or notice alleging that hazardous substances generated by O&R (and, in most instances, other potentially responsible parties) were deposited. There will be additional liability relating to these sites and other sites, including the costs of investigating and remediating sites where O&R or its predecessors manufactured gas. The total amount of liability is not presently determinable but may be material to O&R's financial position, results of operations or liquidity.

O&R is permitted under current rate agreements to defer for subsequent recovery through rates certain site investigation and remediation costs with respect to hazardous waste. At June 30, 2002, \$39.4 million of such costs had been deferred as a regulatory asset.

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

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Workers' compensation administrative proceedings have been commenced, wherein current and former employees claim benefits upon alleged disability from exposure to asbestos. Based on the information and relevant circumstances known to O&R at this time, these claims are not expected to have a material adverse effect on O&R's financial position, results of operations or liquidity. At June 30, 2002, O&R had accrued a \$1.6 million provision as its best estimate of its liability for these alleged claims and deferred a like amount as a regulatory asset.

In May 2000, the New York State Department of Environmental Conservation issued notices of violation to O&R and four other companies that have operated coal-fired electric generating facilities in New York State. The notices allege violations of the Federal Clean Air Act and the New York State Environmental Conservation Law resulting from the alleged failure to install pollution control equipment that would have reduced emissions of certain chemicals deemed potentially hazardous. The notice of violations received by O&R relates to the Lovett Generating Station that it sold in June 1999. O&R is unable to predict whether or not the alleged violations will have a material adverse effect on its financial position, results of operations or liquidity.

Note C - Related Party Transactions

Each month O&R is invoiced by Con Edison and its affiliates for the cost of any services rendered to O&R by Con Edison and its affiliates. These services, provided primarily by Con Edison's other regulated subsidiary, Con Edison of New York, include substantially all administrative support operations, such as corporate directorship and associated ministerial duties, accounting, treasury, investor relations, information resources, legal, human resources, fuel supply and energy management services. The cost of these services totaled \$7.2 million and \$7.7 million for the six months ended June 30, 2002 and 2001, respectively. In addition, O&R purchased \$51.0 million of

natural gas and \$12.3 million of electricity from Con Edison of New York during the 2002 period and \$97.6 million of natural gas from Con Edison of New York during the 2001 period.

O&R provides certain recurring services to Con Edison of New York on a monthly basis, including cash receipts processing and certain administrative services. The cost of these services, which are invoiced to Con Edison of New York, totaled \$5.8 million and \$5.7 million during the first six months of 2002 and 2001, respectively.

In February 2002, the Federal Energy Regulatory Commission authorized Con Edison of New York to lend funds to O&R, for periods of not more than 12 months, in amounts not to exceed \$150 million at any time outstanding, at prevailing market rates. Through June 30, 2002, O&R has not borrowed any funds from Con Edison of New York.

Note D - Derivative Instrument and Hedging Activities

As of January 2001, O&R adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (collectively, SFAS No. 133).

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Energy Price Hedging

O&R uses derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity (Hedges). As of June 30, 2002, the fair value of the derivatives for such use was a loss of \$0.6 million.

Pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulations," O&R defers recognition in income of gains and losses on a Hedge until the underlying transactions are completed. Pursuant to rate provisions that permit the recovery of the cost of purchased power, O&R credits or charges to its customers gains and losses on Hedges and related transaction costs. See "Recoverable Energy Costs" in Note A to the company's financial statements included in Item 8 of the Form 10-K. Upon adoption of SFAS No. 133, O&R had no transition adjustments relating to Hedges to recognize in other comprehensive income.

Interest Rate Hedging

O&R uses Cash Flow Hedge Accounting for its interest rate swap agreement. As of June 30, 2002, the fair value of the O&R interest rate swap was a loss of \$15.4 million. In connection with its \$55 million promissory note issued to the New York State Energy Research and Development Authority for the net proceeds of the Authority's variable rate Pollution Control Refunding Revenue Bonds, 1994 Series A (the 1994 Bonds), O&R has a swap agreement pursuant to which it pays interest at a fixed rate of 6.09 percent and is paid interest at the same variable rate as is paid on the 1994 Bonds. Upon adoption of SFAS No. 133, O&R recognized in other comprehensive income after-tax transition adjustment losses relating to the swap agreement of \$8.1 million. For the second quarter of 2002, O&R recognized in other comprehensive income unrealized after-tax losses of \$1.6 million compared with unrealized after-tax gains of \$0.4 million for the second quarter of 2001. For the six months ended June 30, 2002 and 2001, O&R recognized in other comprehensive income unrealized after-tax losses of \$1.4 million and after-tax gains of \$0.1 million, respectively. During the second quarters of 2002 and 2001, \$0.4 million and \$0.5 million, respectively, of after-tax losses were reclassified from accumulated other comprehensive income to income. For the six months ended June 30, 2002 and 2001, after-tax losses of \$0.8 million and \$0.5 million, respectively, were reclassified from accumulated other comprehensive income to income. As of June 30, 2002, \$1.1 million of after-tax losses relating to the swap agreement were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

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Comprehensive Income

Unrealized gains/(losses) on derivatives, net of tax, included in accumulated other comprehensive income for the three months ended June 30, 2002 and 2001 were as follows:

	<i>Three Months Ended</i>	
	<i>June 30, 2002</i>	<i>June 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized gains/(losses) on derivatives qualified as hedges, net of (\$1.2) and \$0.3 taxes	\$ (1.6)	\$ 0.4
Less: Reclassification adjustment for gains/(losses) included in net income, net of (\$0.3) and (\$0.4) taxes	(0.4)	(0.5)
Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$ (1.2)	\$ 0.9

Unrealized gains/(losses) on derivatives, net of tax, included in accumulated other comprehensive income for the six months ended June 30, 2002 and 2001 were as follows:

<i>Six Months Ended</i>	
<i>June 30, 2002</i>	<i>June 30, 2001</i>
<i>(Millions of Dollars)</i>	

Unrealized gains/(losses) on derivatives qualified as hedges due to cumulative effect of a change in accounting principle, net of \$0 and (\$5.7) taxes	\$	—	\$	(8.1)
Unrealized gains/(losses) on derivatives qualified as hedges, net of (\$1.0) and \$0 taxes		(1.4)		0.1
Less: Reclassification adjustment for gains/(losses) included in net income, net of (\$0.6) and (\$0.4) taxes		(0.8)		(0.5)
Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$	(0.6)	\$	(7.5)

Note E - Financial Information by Business Segment

O&R's business segments were determined based on similarities in economic characteristics, the regulatory environment, and management's reporting requirement. O&R's business segments are:

- Regulated Electric - consists of regulated utility activities relating to the transmission and distribution of electricity in New York, New Jersey, and Pennsylvania.
- Regulated Gas - consists of regulated utility activities relating to the transportation and distribution of natural gas in New York and Pennsylvania.
- Unregulated Subsidiary - represents the operations of O&R's unregulated subsidiary in a land development business. The company is pursuing the closure of its real estate operations and is in the process of selling off remaining land holdings.

All revenues of O&R's business segments are from customers located in the United States. Also, all assets are located in the United States and are materially consistent with segment assets as disclosed in the Form 10-K.

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

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The financial data for business segments are as follows:

Regulated Electric

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Operating revenue	\$ 117,387	\$ 135,549	\$ 208,365	\$ 260,585
Intersegment revenues	-	7	-	12
Depreciation and amortization	6,455	6,003	12,885	12,187
Operating income	12,626	10,609	20,789	19,489

(Thousands of Dollars)

Regulated Gas

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Operating revenue	\$ 27,248	\$ 36,067	\$ 92,270	\$ 140,444
Intersegment revenues	-	-	-	-
Depreciation and amortization	2,037	2,071	4,067	4,130
Operating income	(45)	(947)	10,427	9,499

(Thousands of Dollars)

Unregulated Subsidiaries

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Operating revenue	\$ -	\$ -	\$ -	\$ 34
Intersegment revenues	-	-	-	-

(Thousands of Dollars)

Depreciation and amortization	-	-	-	1
Operating income	(182)	(233)	(234)	(393)
		Total		
	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2002	2001	2002	2001

(Thousands of Dollars)

Operating revenue	\$ 144,635	\$ 171,616	\$ 300,635	\$ 401,063
Intersegment revenues	-	7	-	12
Depreciation and amortization	8,492	8,074	16,952	16,318
Operating income	12,399	9,429	30,982	28,595

Note F - New Financial Accounting Standards

On January 1, 2002, O&R adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of the assets of a business acquired) and intangible assets with indefinite useful lives will no longer be amortized, but instead be tested for impairment at least annually. Other intangible assets will continue to be amortized over their useful lives. The adoption of SFAS No. 142 had no impact on O&R's consolidated financial position or results of operations.

In June 2002, The Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) discussed EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The Task Force reached a final consensus ruling that the revenue resulting from

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energy trading contracts, whether realized or unrealized and whether financially or physically settled, should be shown net in the income statement. The consensus also expanded the disclosure requirements for energy trading activities. The new ruling is effective for periods ending after July 2002 with reclassification of prior period amounts required. The adoption of EITF Issue No. 02-3 will have no impact on O&R's consolidated financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which O&R is required to adopt on January 1, 2003, requires entities to record the fair value of a liability associated with an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity will capitalize the cost by increasing the carrying amount of the related asset. The liability is increased to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon retirement of the asset, the entity settles the obligation for the amount recorded or incurs a gain or loss. O&R has not yet determined the impact of this standard on its consolidated financial position or results of operations.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which O&R adopted on January 1, 2002, replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 requires that all long-lived assets held for sale be measured at the lower of book value of fair value less cost to sell. The standard also broadens the reporting of discontinued operations. The adoption of SFAS No. 144 had no impact on O&R's financial position or results of operations.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was issued in April 2002, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." The provisions of this section are effective January 1, 2003. O&R does not expect that adoption of the standard will have a material adverse effect on its consolidated financial position or results of operations.

This Statement also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic impacts similar to sale-leaseback transactions and amends certain other authoritative accounting pronouncement. These provisions of SFAS No. 145, adopted in May 2002, had no impact on O&R's consolidated financial position or results of operations.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which O&R is required to adopt on January 1, 2003, requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. O&R does not expect that adoption of the standard will have a material adverse effect on its consolidated financial position or results of operations.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CON EDISON

Consolidated Edison, Inc. (Con Edison) is a holding company that operates only through its subsidiaries and has no material assets other than the stock of its subsidiaries. Con Edison's principal subsidiaries are regulated utilities: Consolidated Edison Company of New York, Inc. (Con Edison of New York) and Orange and Rockland Utilities, Inc. (O&R). Con Edison also has several unregulated subsidiaries, which accounted for 1.9 percent of consolidated net income in the six months ended June 30, 2002 and 7.0 percent of consolidated total assets at June 30, 2002.

The following discussion and analysis, which relates to the interim consolidated financial statements of Con Edison and its subsidiaries (including Con Edison of New York and O&R) included in Part I, Item 1 of this report, should be read in conjunction with Con Edison's Management's Discussion and Analysis of Financial Condition and Results of Operations (Con Edison's Form 10-K MD&A) in Item 7 of the combined Con Edison, Con Edison of New York and O&R Annual Reports on Form 10-K for the year ended December 31, 2001 (File Nos. 1-14514, 1-1217 and 1-4315, the Form 10-K) and Con Edison's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of the combined Con Edison, Con Edison of New York and O&R Quarterly Reports on Form 10-Q for the quarterly

period ended March 31, 2002. Reference is also made to the notes to the Con Edison financial statements in Part I, Item 1 of this report, which notes are incorporated herein by reference.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Con Edison's financial statements reflect the application of its accounting policies, which conform to accounting principles generally accepted in the United States. The company's critical accounting policies include industry-specific accounting applicable to its regulated public utility subsidiaries, and accounting for pensions and other postretirement benefits, contingencies, derivative instruments, goodwill and leases.

The application of certain of these accounting policies requires the company to use estimates. Such estimates require the company to make assumptions about matters that are highly uncertain and for which different estimates that also could reasonably have been used could have had a material impact on the company's financial condition or results of operations.

Accounting for Regulated Public Utilities—SFAS No. 71

Con Edison's principal subsidiaries, Con Edison of New York and O&R, are regulated public utilities subject to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, subject to the accounting requirements and rate making practices of the Federal Energy Regulatory Commission (FERC) and state public utility regulatory authorities. See "Critical Accounting Policies" in Con Edison's Form 10-K MD&A and Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

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Accounting for Pensions and Other Postretirement Benefits

Con Edison and its subsidiaries have pension and other postretirement plans that cover substantially all employees and retirees. The company accounts for these plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions." In applying these accounting policies, the company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation and health cost increase trends, and appropriate discount rates. See Notes D and E to the Con Edison financial statements included in Item 8 of the Form 10-K for information about these assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2001, 2000 and 1999. Plan expense or credit in future periods will depend on the assumptions the company makes and actual performance.

Accounting for Contingencies

SFAS No. 5, "Accounting for Contingencies," applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. The company's known material contingencies include its litigation relating to its October 1999 merger agreement with Northeast Utilities, proceedings relating to outages at the nuclear generating unit the company sold in 2001, its workers' compensation claims and its responsibility for hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs), and coal tar that have been used or generated in the course of the operations of its subsidiaries and may be present in its facilities and equipment. See Notes B, C and D to the Con Edison financial statements included in Part I, Item 1 of this report. In accordance with SFAS No. 5, the company has accrued its best estimate of its probable losses relating to these contingencies and no liability has been accrued where the loss is not probable or the amount of the loss cannot be reasonably estimated.

Accounting For Derivative Instruments

Con Edison's subsidiaries use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity or gas and interest rate risk on certain debt securities. See "Financial Market Risks" below, and Note F to the Con Edison financial statements included in Part I, Item 1 of this report.

Accounting for Goodwill

Con Edison adopted SFAS No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002. In accordance with SFAS No. 142 Con Edison ceased amortizing goodwill and will instead test it for impairment at least annually. The impairment test is a two-step process; the first step identifies the potential impairment and the second step measures the amount of impairment loss, if any. The company completed the first step, which indicated that the goodwill related to Con Edison Development is impaired. On completion of the second step, the company expects to record an after-tax impairment charge of approximately \$20 million effective January 1, 2002. See "New Financial Accounting Standards" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K and Note H to the Con Edison financial statements included in Part I, Item 1 of this report. In determining

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whether or not its goodwill was impaired, the company was required to make certain assumptions, including those related to future cash flows and discount rates.

Accounting for Leases

Con Edison applies SFAS No. 13, "Accounting for Leases" and other related accounting pronouncements to its leasing transactions. See Note J to the Con Edison financial statements included in Item 8 of the Form 10-K and Note E to the Con Edison financial statements included in Part I, Item 1 of this report.

LIQUIDITY AND CAPITAL RESOURCES

Con Edison's liquidity is dependent on cash flows from its operating, investing and financing activities listed on the accompanying consolidated statement of cash flows and discussed below. As a result of these activities, unrestricted cash and temporary cash investments decreased \$212.2 million during the first six months of 2002. In addition, \$56.0 million of the restricted cash in an escrow account was used during this period to retire a like amount of short-term financing relating to electric generating projects. See Note C to the Con Edison financial statements included in Item 8 of the Form 10-K.

Cash Flows from Operating Activities

Net cash flows from operating activities during the first six months of 2002 were \$349.6 million, \$49.7 million less than the first six months of 2001. This decrease reflects principally lower net income, increased accounts receivable and higher recoverable energy costs, offset in part by increased accounts payable.

Accounts receivable from customers, less allowance for uncollectible accounts, increased \$26.5 million at June 30, 2002 compared with year-end 2001, reflecting primarily the timing of customer payments and increased customer billings, resulting from higher sales and delivery volumes. Con Edison of New York's equivalent number of days of revenue outstanding (ENDRO) was 26.3 days at June 30, 2002 compared with 29.6 days at year-end 2001. For O&R, the ENDRO was 18.9 days and 23.6 days at June 30, 2002 and at year-end 2001, respectively. The decrease in ENDRO for Con Edison of New York and O&R is due to the decrease in receivables under payment agreements and on level billing accounts.

Other accounts receivable increased \$112.4 million at June 30, 2002 compared with year-end 2001, due primarily to a \$95.1 million federal tax refund in connection with Con Edison of New York's calculation of its repair allowance deductions and other matters.

Accrued pension credits increased \$170.9 million at June 30, 2002 compared with year-end 2001 reflecting favorable past performance in the company's pension fund and assumptions about performance. See Note D to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Accounts payable increased \$104.0 million at June 30, 2002 compared with year-end 2001, due primarily to a higher level of energy purchases in June 2002 as compared to December 2001. See discussion of electric purchase power costs in "Results of Operations," below.

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The regulatory asset for deferred recoverable energy costs increased \$92.0 million at June 30, 2002 compared with year-end 2001, due primarily to the deferral for future recovery of purchased power and gas costs, offset in part by the ongoing recovery of previously deferred amounts. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Other-net assets increased \$71.6 million at June 30, 2002 compared with year-end 2001 due primarily to the following items:

	<i>Effect on Cash</i>	
	<i>(Millions of Dollars)</i>	
Sale of nuclear generating unit	\$	45.8
Pension and benefit reserves		46.4
Accrued taxes		(49.7)
Other current liabilities		(30.8)
Proceeds from auction of the transmission congestion contracts		73.9
Other		(14.0)
	\$	71.6

The regulatory asset associated with Con Edison of New York's sale of its nuclear generating unit in September 2001 decreased \$45.8 million at June 30, 2002, compared with year-end 2001. This regulatory asset was established for the recovery from customers of the net-after tax loss on the sale. The decrease reflects the recognition in 2002 of \$30.4 million of New York State tax benefits that were not reflected in the net after-tax loss when the regulatory asset was established (which reduced the net-after tax loss to \$145 million) and the recovery from customers in 2002 of \$15.4 million pursuant to rate provisions approved in September 2001 by the New York State Public Service Commission (PSC). Pursuant to these provisions, net revenues have been reduced to reflect that Con Edison of New York no longer has costs associated with the nuclear generating unit. Annual revenues include \$35 million that is being used to amortize the regulatory asset. The electric rate agreement approved by the PSC in November 2000 provides that the company "will be given a reasonable opportunity to recover stranded and strandable costs remaining at March 31, 2005, including a reasonable return on investments." See Notes A and I to the Con Edison financial statements included in Item 8 of the Form 10-K.

Pension and benefits reserves increased \$46.4 million at June 30, 2002 compared with year-end 2001, due primarily to an increase of \$42.2 million in the cost of postretirement benefits other than pensions (OPEB). The reserve represents OPEB costs that have been recognized in income but not funded, and also includes a minimum liability for supplemental retirement programs, a portion of which has been included in other comprehensive income. See Note E to Con Edison's financial statements included in Item 8 of the Form 10-K.

Accrued taxes decreased \$49.7 million at June 30, 2002 compared with year-end 2001. Due to the World Trade Center attack the Federal government extended to January 2002 the due date for final payment of 2001 estimated income taxes. As a result, the payment normally made in December was not made until mid-January 2002.

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Other current liabilities decreased \$30.8 million at June 30, 2002 compared with year-end 2001, reflecting principally net unrealized mark-to-market gains on energy hedging transactions entered into by the unregulated subsidiaries.

Proceeds from the auction of transmission congestion contracts increased \$73.9 million at June 30, 2002 compared with year-end 2001. Con Edison of New York sells rights to use its transmission system for specified periods of time, pursuant to procedures established by the New York Independent System Operator (NYISO). These auction proceeds are deferred for customer benefit, as directed by the PSC.

Cash Flows Used in Investing and Financing Activities

Net cash flows used in investing activities during the first six months of 2002 increased \$261.8 million compared with the first six months of 2001. The increase reflects increased construction expenditures in the first six months of 2002 as compared with 2001 (\$58.1 million) and the receipt in 2001 of proceeds from the sale of the company's 480 MW interest in the Roseton generating station (\$100.0 million, net of federal income tax). Construction expenditures increased in 2002 principally to meet load growth on Con Edison of New York's electric distribution system and to effect permanent restoration of portions of the electric, gas, and steam systems in lower Manhattan following the World Trade Center attack.

Con Edison's investments in non-utility plant increased \$138.2 million during the first six months of 2002 compared with the first six months of 2001, due principally to unregulated generation projects and fiber-optic network build-out costs.

Net cash flows from financing activities during the first six months of 2002 increased \$96.5 million compared with the first six months of 2001, reflecting principally reduced debt redemptions and refundings.

In February 2002, Con Edison of New York redeemed at maturity \$150 million of 6.6 percent 9-year debentures. In April 2002, Con Edison issued \$325 million of 7.25 percent 40-year debentures, the proceeds of which were used to repay commercial paper. In June 2002, Con Edison of New York redeemed at maturity \$150 million of variable rate 5-year debentures and issued \$300 million of non-callable 5.625 percent 10-year debentures.

During the first six months of 2002, Con Edison issued 765,636 shares of its common stock for \$32.1 million under its Automatic Dividend Reinvestment and Cash Payment Plan, Stock Purchase Plan and Stock Option Plan.

Capital Resources and Requirements

There have been no material changes in the company's capital resources or capital requirements from those reflected in the Form 10-K. In August 2002, President Bush signed into law an appropriations bill, which authorizes funds for which the company is eligible to apply to recover costs it incurred in connection with the World Trade Center attack. For additional information, see "Cash Flows Used in Investing and Financing Activities," above, "Capital Resources" and "Capital Requirements" in Con Edison's Form 10-K MD&A and Note Q to the Con Edison's financial statements included in Item 8 of the Form 10-K.

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Con Edison's ratio of earnings to fixed charges (for the periods ended on the date indicated) and common equity ratio (as of the date indicated) were:

	<i>Six months ended</i>	<i>Twelve months ended</i>	
	<i>June 30, 2002</i>	<i>June 30, 2002</i>	<i>December 31, 2001</i>
Earnings to fixed charges	2.94	3.42	3.49
Common equity ratio*	48.2	48.2	49.8

* Common shareholders' equity as a percentage of total capitalization

Con Edison's ratio of earnings to fixed charges decreased for the periods ending June 30, 2002 compared to the 12-month period ending December 31, 2001 primarily as a result of decreased earnings.

Contractual Obligations and Commercial Commitments

Reference is made to "Contractual Obligations and Commercial Commitments" in Con Edison's Form 10-K MD&A. At June 30, 2002 there was no material change in the company's contractual obligations and commercial commitments compared to those at December 31, 2001, other than the long-term debt transactions described under "Cash Flows Used in Investing and Financing Activities," above.

Energy Trading Net Assets Accounted For at Fair Value

An unregulated subsidiary of Con Edison engages in energy trading activities in relation to which Con Edison recognized in income in the first six months of 2002 \$3.8 million of mark-to-market pre-tax gains, reflecting changes in the fair value of derivative financial and commodity instruments. See "Financial Market Risks," below, Note F to the Con Edison financial statements included in Part 1, Item 1 of this report and Note O to the Con Edison financial statements included in Item 8 of the Form 10-K.

As of June 30, 2002, the sources of the fair value of the energy trading net assets are as follows:

<i>Source of Fair Value</i>	<i>Fair Value of Net Assets at Period-End</i>					<i>Total Fair Value</i>
	<i>(Millions of Dollars)</i>					
	<i>Maturity less than 1 year</i>	<i>Maturity 1 - 3 years</i>	<i>Maturity 4 - 5 years</i>	<i>Maturity in excess of 5 years</i>		
Prices provided by external sources	\$ 10.7	\$ 2.5	\$ —	\$ —	\$	13.2
Prices based on models and other valuation methods	1.9	0.1	0.2	(0.4)		1.8
					\$	15.0

Prices provided by external sources - represents the fair value of exchange-traded futures and options quoted and the fair value of positions for which price quotations are available through or derived from brokers or other market sources.

Prices based on models and other valuation methods - represents the fair value of positions calculated using internal models when external prices are not available. Internal models incorporate the use of options pricing, load forecasts and estimates of the present value of cash flows based upon underlying contractual terms. The models reflect management's best estimates, including observable market prices, estimated market prices in the absence of quoted market prices, the risk-free market discount rate, volatility factors, estimated correlation of energy commodity prices, contractual volumes, and estimated volumes for requirements contracts. Counterparty-specific credit quality, market price uncertainty and other risks are factored into the models.

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The change in fair value of the energy trading net assets for the six months ended June 30, 2002, is as follows:

Total Fair Value

(Millions of Dollars)

Fair value of net assets outstanding at the beginning of the period (January 1, 2002)	\$	11.2
Contracts realized or otherwise settled during the period		(3.9)
Fair value of new contracts entered into during the period		5.1
Changes in fair value of contracts that existed at the beginning of the period		2.6
		2.6
Fair value of net assets outstanding at the end of the period (June 30, 2002)	\$	15.0

REGULATORY MATTERS

In April 2002, the PSC approved a three-year gas rate agreement that reduces retail sales and transportation rates by approximately \$25 million, on an annual basis. Reference is made to "Regulatory Matters" in Con Edison's Form 10-K MD&A.

In July 2002, FERC issued a notice of proposed rulemaking on a standard market design for the wholesale electricity industry. FERC indicated that it was undertaking standard market design to create consistent wholesale competitive markets and efficient transmission systems in order to reduce costs to customers and improve reliability. The notice proposes to establish a single open access transmission tariff that would apply to all transmission customers: wholesale, unbundled retail and bundled retail service. Other pricing, monitoring, operational and governance matters are also addressed in the notice, which the company is in the process of reviewing. For information about the company's transmission facilities, see "Con Edison of New York—Electric Supply" in Item 1 of the Form 10-K, "Regulatory Matters—Electric Supply" in Con Edison of New York's 10-K MD&A and Item 2 of the Form 10-K.

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.

Interest Rate Risk

The interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including utility construction expenditures and maturing debt securities. Con Edison and its subsidiaries manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refunding of debt. The company estimates that, as of June 30, 2002, a 10 percent change in interest rates applicable to its variable rate debt would result in a change in annual interest expense of approximately \$2.1 million.

In addition, Con Edison and its subsidiaries, from time to time, have entered into derivative financial instruments to hedge interest rate risk on certain debt securities and may use derivative financial instruments to hedge interest rate risk or changes in fair value of certain debt securities. See "Interest Rate Hedging" in Note F to the Con Edison financial statements included in Part I, Item 1 of this report.

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Commodity Price Risk

Con Edison's commodity price risk relates primarily to the purchase and sale of electricity and gas, related derivative instruments and the sale of electricity from the generating facilities of its unregulated subsidiaries. The regulated and unregulated subsidiaries have risk management strategies to mitigate their related exposures. See "Energy Price Hedging" in Note F to the Con Edison financial statements included in Part I, Item 1 of this report.

Con Edison estimates that, as of June 30, 2002, a 10 percent change in market prices would result in a change in fair value of approximately \$17.5 million for the derivative instruments used by its utility subsidiaries to hedge purchases of electricity and gas. The company expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In general, the rates the utility subsidiaries charge customers for electric, gas and steam service are subject to change for fluctuations in the cost of purchased power or gas, including gains or losses on such derivative instruments and related transaction costs. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Con Edison's unregulated subsidiaries use a value-at-risk model to assess the market risk of their electricity and gas commodity activities. The model includes fixed price sales commitments, physical forward contracts, and commodity derivative instruments. Value-at-risk represents the potential gain or loss on instruments or portfolios due to changes in market factors, for a specified time period and confidence level. The unregulated subsidiaries estimate value-at-risk across their electricity and natural gas commodity businesses using a delta-normal variance/covariance model with a 95 percent confidence level and assuming a one-day holding period. Since the value-at-risk calculation involves complex calculation methodologies, estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. The calculated value-at-risk with respect to commodity price exposure associated with contractual arrangements of the unregulated subsidiaries was approximately \$1.2 million as of June 30, 2002. The average, high, and low values-at-risk for the six months ended June 30, 2002 were \$1.4 million, \$2.7 million and \$0.6 million, respectively.

Environmental Matters

For information concerning potential liabilities of Con Edison arising from laws and regulations protecting the environment, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), see Note B to the Con Edison financial statements included in Part I, Item 1 of this report.

RESULTS OF OPERATIONS

Second Quarter of 2002 Compared with Second Quarter of 2001

Con Edison's net income for common stock for the second quarter of 2002 was \$97.6 million or \$.46 a share (based upon an average of 212.8 million common shares outstanding) compared with \$100.7 million or \$.48 a share (based upon an average of 212.1 million common shares outstanding) for the second quarter of 2001. The company's net income in the 2002 period reflects the impact of softness in the economy, partially offset by lower operating expenses.

(Millions of Dollars)

Con Edison of New York	\$	97.2	\$	102.9
O&R		7.1		3.7
Unregulated subsidiaries		0.4		(2.1)
Other*		(7.1)		(3.8)
Con Edison	\$	97.6	\$	100.7

* Includes parent company interest and litigation expenses, goodwill amortization for the 2001 period and inter-company eliminations.

A comparison of the results of operations of Con Edison for the second quarter of 2002 compared to the second quarter of 2001 follows:

**THREE MONTHS ENDED JUNE 30, 2002 COMPARED WITH
THREE MONTHS ENDED JUNE 30, 2001**

*Increases
(Decreases)
Amount* *Increases
(Decreases)
Percent*

(Millions of Dollars)

Operating revenues	\$	(212.0)	(10.0)%
Purchased power - electric and steam		(14.1)	(1.8)
Fuel - electric and steam		(10.5)	(18.3)
Gas purchased for resale		(78.8)	(39.8)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)		(108.6)	(10.0)
Other operations and maintenance		(65.0)	(16.5)
Depreciation and amortization		(14.7)	(10.7)
Taxes, other than income tax		12.6	4.9
Income tax		(25.7)	(29.6)
Operating income		(15.8)	(7.3)
Other income less deductions and related federal income tax		12.1	217.7
Net interest charges		(0.6)	(0.6)
Net income for common stock	\$	(3.1)	(3.1)%

A discussion of Con Edison's operating revenues and operating income by business segment follows. Con Edison's principal business segments are the electric, gas and steam utility businesses of its regulated subsidiaries and the businesses of its unregulated subsidiaries. For additional information about the segments, see Note G to the Con Edison financial statements included in Part I, Item 1 of this report.

Electric

Con Edison's electric operating revenues in the second quarter of 2002 decreased \$131.9 million compared with the second quarter of 2001. The decrease reflects net revenue reductions of approximately \$63.1 million related to the sale of Con Edison of New York's nuclear generating unit in September 2001 (as discussed above under "Cash Flows From Operating Activities") and lower fuel and purchased power costs of \$38.7 million (discussed below). The decrease also reflects the completion on March 31, 2002 of the one-year amortization of the previously deferred gain on the sale of divested plants and the New York Power Authority (NYPA) revenue increase (\$21.7 million in total). See "Recoverable Energy Costs" and

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"Rate and Restructuring Agreements" in Notes A and I to the Con Edison financial statements included in Item 8 of the Form 10-K.

Electricity sales and delivery volumes for Con Edison's utility subsidiaries increased 2.0 percent in the second quarter of 2002 compared with the second quarter of 2001. After adjusting for variations, principally weather and billing days, in each period electricity sales volumes for Con Edison of New York and O&R increased 1.0 percent and 4.7 percent, respectively, in the second quarter of 2002. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison's purchased power costs decreased \$50.6 million in the second quarter of 2002 compared with the second quarter of 2001, due to a decrease in the price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by the increased purchased volumes resulting from the sale of Con Edison of New York's nuclear generating unit in September 2001. Fuel costs increased \$12.0 million due to an increase in the price of fuel, offset in part by a decrease in volumes as a result of decreased generation at company-owned power plants. In general, Con Edison's utility subsidiaries recover prudently incurred fuel and purchased power costs pursuant to rate provisions approved by the applicable state public utility commissions. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Con Edison's electric operating income decreased \$0.6 million in the second quarter of 2002 compared with the second quarter of 2001. The principal component of the decrease was a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$93.3 million. The decrease in net revenues reflects the completion on March 31, 2002 of the one-year amortization of a previously deferred gain on the sale of divested plants and the NYPA revenue increase (\$21.7 million) and net revenue reductions (\$72.2 million) related to the sale of the nuclear generating unit. The decrease in net revenues is offset in part by reduced other operations and

maintenance expenses of \$68.2 million, decreased depreciation expense of \$13.6 million and reduced property tax expense of \$2.5 million, resulting primarily from the sale.

Gas

Con Edison's gas operating revenues decreased \$63.0 million and gas operating income decreased \$11.0 million in the second quarter of 2002 compared with the second quarter of 2001. The lower revenues reflect reduced sales to gas customers, resulting primarily from the unusual weather and revenue reductions implemented in accordance with the gas rate agreement approved by the PSC in April 2002. The decrease in operating income reflects primarily a decrease in net revenues (operating revenues less gas purchased for resale) of \$18.0 million as well as increased property tax expense (\$10.5 million) and increased expenses for customer related services (\$1.8 million), offset in part by reduced transmission and distribution expenses (\$3.2 million), and reduced income taxes (\$15.7 million).

Gas sales and transportation volumes for firm customers for Con Edison's utility subsidiaries decreased 3.6 percent in the second quarter of 2002 compared with the second quarter of 2001 primarily as a result of the unusual weather. After adjusting for variations, principally weather and billing days in each period,

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firm gas sales and transportation volumes in the 2002 period increased 0.3 percent for Con Edison of New York and increased 3.8 percent for O&R. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

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

Steam

Con Edison of New York's steam operating revenues decreased \$19.2 million and steam operating income increased \$1.1 million for the second quarter of 2002 compared with the second quarter of 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased steam power costs. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K. The increase in operating income reflects primarily reduced transmission and distribution expenses (\$0.7 million) and reduced income taxes (\$5.8 million), offset in part by a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$0.4 million and increased revenue taxes of \$4.7 million.

Steam sales volume decreased 4.8 percent in the 2002 period compared with the 2001 period, primarily, as a result of the unusual weather. After adjusting for variations, principally weather and billing days, in each period steam sales volume decreased 5.5 percent.

Other Income

Other income increased \$12.1 million in the second quarter of 2002 compared to the second quarter of 2001, due principally to unrealized mark-to-market gains on commodity purchase and sale transactions and related hedges entered into by the unregulated subsidiaries (\$3.4 million), compared to a loss of on these types of transactions in the second quarter of 2001 (\$5.1 million). In addition, the increase reflects the cessation of goodwill amortization in accordance with Statement of Financial Accounting Standard No. 142 (\$2.7 million; see "New Financial Accounting Standards" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K). In addition the allowance for equity funds used during construction increased by \$1.7 million as a result of the East River re-powering project.

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Unregulated Businesses

Earnings for the unregulated subsidiaries increased \$2.5 million in the second quarter of 2002 compared with the second quarter of 2001. The increase is due principally to higher electric retail sales volumes and higher electric retail gross margins, offset in part by the write-down of an unregulated subsidiary's remaining investment in Neon Communications, Inc. (NEON) of \$1.3 million after-tax.

Six Months Ended June 30, 2002 Compared With Six Months Ended June 30, 2001

Con Edison's net income for common stock for the six months ended June 30, 2002 was \$264.2 million or \$1.24 a share (based upon an average of 212.5 million common shares outstanding) compared with \$279.8 million or \$1.32 a share (based upon an average of 212.1 million common shares outstanding) for the six months ended June 30, 2001. The company's net income in the 2002 period reflects the impact of the unusually mild winter and softness in the economy, partially offset by lower operating expenses.

Earnings for the six months ended June 30, 2002 and 2001 were as follows:

	2002	2001
	(Millions of Dollars)	
Con Edison of New York	\$ 247.9	\$ 274.7
O&R	19.5	16.9
Unregulated subsidiaries	4.9	(2.4)
Other*	(8.1)	(9.4)
Con Edison	\$ 264.2	\$ 279.8

* Includes parent company interest and litigation expenses, goodwill amortization for the 2001 period and inter-company eliminations.

A comparison of the results of operations of Con Edison for the first six months of 2002 compared to the first six months of 2001 follows:

SIX MONTHS ENDED JUNE 30, 2002 COMPARED WITH SIX MONTHS ENDED

	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
<hr/> <i>(Millions of Dollars)</i> <hr/>		
Operating revenues	\$ (999.1)	(20.0)%
Purchased power - electric and steam	(309.2)	(17.4)
Fuel - electric and steam	(130.0)	(53.9)
Gas purchased for resale	(305.8)	(46.7)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(254.1)	(10.9)
Other operations and maintenance	(118.7)	(15.1)
Depreciation and amortization	(29.3)	(10.8)
Taxes, other than income tax	(28.0)	(5.0)
Income tax	(33.3)	(16.3)
Operating income	(44.8)	(8.9)
Other income less deductions and related federal income tax	25.1	Large
Net interest charges	(4.1)	(1.9)
Net income for common stock	\$ (15.6)	(5.6)%

A discussion of Con Edison's operating revenues and operating income by business segment follows. Con Edison's principal business segments are the electric, gas and steam utility businesses of its regulated subsidiaries and the businesses of its unregulated subsidiaries. For additional information about the segments, see Note G to the Con Edison financial statements included in Part I, Item 1 of this report.

Electric

Con Edison's electric operating revenues in the six months ended June 30, 2002 decreased \$538.4 million compared with the six months ended June 30, 2001. The decrease reflects net revenue reductions of approximately \$161.2 million (attributable primarily to the sale of Con Edison of New York's nuclear generating unit as discussed above under "Cash Flows From Operating Activities" and the April 2001 rate reduction), lower fuel and purchased power costs of \$322.3 million (discussed below), reduced sales and deliveries of \$15.8 million resulting from the very mild winter weather and economic slowdown, and a reserve related to the sale of Con Edison of New York's nuclear generating unit (\$16.1 million). See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Electricity sales volumes for Con Edison's utility subsidiaries decreased 0.7 percent in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. After adjusting for variations, principally weather and billing days, in each period, electricity sales volumes for Con Edison of New York and O&R decreased 0.1 percent and increased 4.4 percent, respectively, in the 2002 period. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Purchased power costs decreased \$288.2 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001, due to a decrease in the price of purchased power and an increase in volumes of electricity purchased from other suppliers by the participants in the company's Retail Choice programs, offset in part by the company's increased purchased volumes resulting from Con Edison of New York's sale of its nuclear generating unit in September 2001. Fuel costs decreased \$34.1 million as a result of decreased generation, offset in part by an increase in the price of fuel. In general, Con Edison's utility subsidiaries recover prudently incurred purchased fuel and power costs pursuant to rate provisions approved by the applicable state public utility commission. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Con Edison's electric operating income decreased \$25.5 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The principal component of the decrease was lower net revenues (operating revenues less fuel and purchased power costs) of \$218.1 million. The decrease in net revenues reflects lower sales due principally to weather and economic conditions (\$15.8 million), a reserve related to the sale of Con Edison of New York's nuclear generating unit (\$16.1 million) and net revenue reductions (\$161.2 million). The decrease in net revenues is offset in part by reduced other operations and maintenance expenses of \$116.1 million, lower depreciation expense of \$27.2 million and lower property taxes of \$5.2 million, resulting primarily from the sale in September 2001 of the company's nuclear generating unit. The decrease also reflects lower revenue taxes of \$24.4 million.

Gas

Con Edison's gas operating revenues decreased \$291.0 million, while the cost of purchased gas decreased by \$266.5 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The lower revenues reflect reduced sales and transportation to gas customers as discussed below. Gas operating income decreased \$11.5 million in the six months ended June 30, 2002, reflecting the \$24.5 million decrease in net revenues (operating revenues less gas purchased for resale) as well as increased property tax expense (\$16.0 million), offset in part by reduced operation and maintenance expenses (\$7.9 million), and lower revenue taxes (\$12.3 million).

Gas sales and transportation volumes for firm customers for Con Edison's utility subsidiaries decreased 13.4 percent in the six months ended June 30, 2002 compared with the six months ended June 30, 2001, reflecting primarily the very mild winter weather and an increase in volumes of gas purchased from other suppliers by participants in the company's Retail Choice programs. After adjusting for variations, principally weather and billing days in each period, firm gas sales and transportation volumes in the 2002 period decreased 0.1 percent for Con Edison of New York and decreased 4.1 percent for O&R. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

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

Steam

Con Edison of New York's steam operating revenues decreased \$136.0 million and steam operating income decreased \$12.1 million for the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased steam power costs. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K. The decrease in operating income reflects primarily a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$32.2 million, offset in part by lower income taxes (\$16.5 million) and revenue taxes (\$1.8 million).

Steam sales volume decreased 18.3 percent in the six months ended June 30, 2002 compared with the six months ended June 30, 2001, reflecting primarily the very mild winter weather. After adjusting for variations, principally weather and billing days in each period, steam sales volume decreased 4.4 percent.

Other Income

Other income increased \$25.2 million in the six months ended June 30, 2002 compared to the six months ended June 30, 2001, due principally to unrealized mark-to-market gains on commodity purchase and sale transactions and higher related hedges entered into by the unregulated subsidiaries (\$6.5 million), compared to a loss of on these types of transactions in the six months ended June 30, 2001 (\$7.8 million). In addition, the increase reflects the cessation of goodwill amortization in accordance with Statement of Financial Accounting Standard No. 142 (\$5.5 million; see "New Financial Accounting Standards" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K), increased allowance for equity funds used during construction of \$5.6 million as a result of the East River

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re-powering project, and lower income taxes of \$8.9 million attributable primarily to the recognition of tax benefits relating to the September 2001 sale of Con Edison of New York's nuclear generating unit and the write-down of the NEON investment.

Net Interest Charges

Net interest charges decreased \$4.1 million in the six months ended June 30, 2002 compared to the 2001 period, reflecting principally decreased interest expense on long-term debt of \$4.4 million.

Unregulated Businesses

Earnings for the unregulated subsidiaries increased \$7.3 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The increase is due principally to higher electric retail sales volumes and higher electric retail gross margins, offset in part by the write-down of an unregulated subsidiary's investment in NEON of \$5.2 million after tax.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CON EDISON OF NEW YORK

Consolidated Edison Company of New York, Inc. (Con Edison of New York) is a regulated utility that provides electric service to over 3.1 million customers and gas service to over 1.1 million customers in New York City and Westchester County. It also provides steam service in parts of Manhattan. All of the common stock of Con Edison of New York is owned by Consolidated Edison, Inc. (Con Edison).

This discussion and analysis should be read in conjunction with Con Edison of New York's Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in Item 7 of the combined Con Edison, Con Edison of New York and Orange and Rockland Utilities, Inc. (O&R) Annual Reports on Form 10-K for the year ended December 31, 2001 (File Nos. 1-14514, 1-1217 and 1-4315, the Form 10-K) and Con Edison of New York's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of the combined Con Edison, Con Edison of New York and O&R Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2002. Reference is also made to the notes to the Con Edison of New York financial statements in Part I, Item 1 of this report, which notes are incorporated herein by reference.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Con Edison of New York's financial statements reflect the application of its accounting policies, which conform to accounting principles generally accepted in the United States. The company's critical accounting policies include industry-specific accounting applicable to regulated public utilities and accounting for pensions and other postretirement benefits and contingencies.

The application of certain of these accounting policies requires the company to use estimates. Such estimates require the company to make assumptions about matters that are highly uncertain and for which different estimates that also could reasonably have been used could have had a material impact on the company's financial condition or results of operations.

Accounting for Regulated Public Utilities—SFAS No. 71

Con Edison of New York is a regulated public utility subject to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, subject to the accounting requirements and rate making practices of the Federal Energy Regulatory Commission (FERC) and state public utility regulatory authorities. See "Critical Accounting Policies" in Con Edison of New York's Form 10-K MD&A and Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Accounting for Pensions and Other Postretirement Benefits

Con Edison of New York has pension and other postretirement plans that cover substantially all employees and retirees. The company accounts for these plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions." In applying these accounting policies, the company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation and health cost increase trends, and appropriate discount rates. See Notes D and E

to the Con Edison of New York financial statements included in Item 8 of the Form 10-K for information about these assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2001, 2000 and 1999. Plan expense or credit in future periods will depend on the assumptions the company makes and actual performance.

Accounting for Contingencies

SFAS No. 5, "Accounting for Contingencies," applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. The company's known material contingencies include proceedings relating to outages at the nuclear generating unit the company sold in 2001, workers' compensation claims and its responsibility for hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs), and coal tar that have been used or generated in the course of its operations and may be present in its facilities and equipment. See Notes B and C to the Con Edison of New York financial statements included in Part I, Item 1 of this report. In accordance with SFAS No. 5, the company has accrued its best estimate of its probable losses relating to these contingencies and no liability has been accrued where the loss is not probable or the amount of the loss cannot be reasonably estimated.

LIQUIDITY AND CAPITAL RESOURCES

Con Edison of New York's liquidity is dependent on its cash flows from its operating, investing and financing activities listed on the accompanying consolidated statement of cash flows and discussed below. As a result of these activities, cash and temporary cash investments decreased \$230.8 million during the first six months of 2002.

Cash Flows from Operating Activities

Net cash flows from operating activities during the first six months of 2002 were \$368.6 million, \$13.2 million less than the first six months of 2001. This decrease reflects principally lower net income, increased accounts receivable and higher recoverable energy costs, offset in part by increased accounts payable.

Con Edison of New York's customer accounts receivable, less allowance for uncollectible accounts, increased \$4.1 million at June 30, 2002 compared with year-end 2001. The company's equivalent number of days of revenue outstanding (ENDRO) was 26.3 days at June 30, 2002 compared with 29.6 days at December 31, 2001. The decrease in ENDRO is due to the decreases in receivables under payment agreements and level billing accounts.

Other accounts receivable increased \$121.2 million at June 30, 2002 compared with year-end 2001 due primarily to a \$95.1 million federal tax refund in connection with the company's calculation of its repair allowance deductions and other matters.

Accrued pension credits increased \$170.9 million at June 30, 2002 compared with year-end 2001, reflecting favorable past performance in the company's pension fund and assumptions about performance. See Note D to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Accounts payable increased \$41.1 million at June 30, 2002 compared with year-end 2001, due primarily to a higher level of energy purchases in June 2002 as compared to December 2001.

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The regulatory asset for deferred recoverable energy costs increased \$96.7 million at June 30, 2002 compared with year-end 2001, due primarily to the deferral for future recovery of purchased power and gas costs, offset in part by the ongoing recovery of previously deferred amounts. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Other-net assets increased \$176.1 million at June 30, 2002 compared with year-end 2001 due primarily from the following items:

	<i>Effect on Cash</i>	
	<i>(Millions of Dollars)</i>	
Sale of nuclear generating unit	\$	45.8
Pension and benefit reserves		37.2
Accrued taxes		(52.5)
Proceeds from auction of the transmission congestion contracts		73.9
Capitalized construction		30.5
Other		41.2
	\$	176.1

The regulatory asset associated with Con Edison of New York's sale of its nuclear generating unit in September 2001 decreased \$45.8 million at June 30, 2002, compared with year-end 2001. This regulatory asset was established for the recovery from customers of the net after-tax loss on the sale. The decrease reflects the recognition in 2002 of \$30.4 million of New York State tax benefits that were not reflected in the net after-tax loss when the regulatory asset was established (which reduced the net after-tax loss to \$145 million) and the recovery from customers in 2002 of \$15.4 million pursuant to rate provisions approved in September 2001 by the New York State Public Service Commission (PSC). Pursuant to these provisions, net revenues have been reduced to reflect that Con Edison of New York no longer has costs associated with the nuclear generating unit. Annual revenues include \$35 million that is being used to amortize the regulatory asset. The electric rate agreement approved by the PSC in November 2000 provides that the company "will be given a reasonable opportunity to recover stranded and strandable costs remaining at March 31, 2005, including a reasonable return on investments." See Notes A and I to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Pension and benefits reserves increased \$37.2 million at June 30, 2002 compared with year-end 2001, due primarily to an increase of \$33.0 million in the cost of postretirement benefits other than pensions (OPEB). The reserve represents OPEB costs that have been recognized in income but not funded, and also includes a minimum liability for supplemental retirement programs, a portion of which has been included in other comprehensive income. See Note E to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Accrued taxes decreased \$52.5 million at June 30, 2002 compared with year-end 2001. Due to the World Trade Center attack, the Federal government extended to January 2002 the due date for final payment of 2001 estimated income taxes. As a result, the payment normally made in December was not made until mid-January 2002.

periods of time, pursuant to procedures established by the New York Independent System Operator (NYISO). These auction proceeds are deferred for customer benefit, as directed by the PSC.

Cash Flows Used in Investing and Financing Activities

Net cash flows used in investing activities during the first six months of 2002 increased \$111.6 million compared with the first six months of 2001, reflecting increased construction expenditures in the first six months of 2002 as compared with 2001 (\$34.1 million) and the receipt in 2001 of proceeds from the sale of the company's 480 MW interest in the Roseton generating station (\$100.0 million, net of federal income tax). Construction expenditures increased in 2002 principally to meet load growth on the company's electric distribution system and to effect permanent restoration of portions of the electric, gas and steam systems in lower Manhattan following the World Trade Center attack.

Net cash flows from financing activities during the first six months of 2002 increased \$73.7 million compared with the first six months of 2001, reflecting principally lower external borrowings and decreased debt redemptions, offset in part by increased net proceeds from commercial paper.

In February 2002, Con Edison of New York redeemed at maturity \$150 million of 6.6 percent 9-year debentures. In June 2002, Con Edison of New York redeemed at maturity \$150 million of variable rate 5-year debentures and issued \$300 million of non-callable 5.625 percent 10-year debentures.

Capital Resources and Requirements

There have been no material changes in the company's capital resources or capital requirements from those reflected in the Form 10-K. In August 2002, President Bush signed into law an appropriations bill, which authorizes funds for which the company is eligible to apply to recover costs it incurred in connection with the World Trade Center attack. For additional information, see "Cash Flows Used in Investing and Financing Activities," above, "Capital Resources" and "Capital Requirements" in Con Edison of New York's Form 10-K MD&A and Note P to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's ratio of earnings to fixed charges (for the periods ended on the date indicated) and common equity ratio (as of the date indicated) were:

	<i>Twelve Months Ended</i>		
	<i>Six Months Ended June 30, 2002</i>	<i>June 30, 2002</i>	<i>December 31, 2001</i>
Earnings to fixed charges	3.05	3.56	3.66
Common equity ratio*	46.8	46.8	47.2

* Common shareholders' equity as a percentage of total capitalization

Con Edison of New York's ratio of earnings to fixed charges decreased for the 12-month period ending June 30, 2002 compared to the 12-month period ending December 31, 2001 primarily as a result of decreased earnings.

Contractual Obligations and Commercial Commitments

Reference is made to "Contractual Obligations and Commercial Commitments" in Con Edison of New York's Form 10-K MD&A. At June 30, 2002 there was no material change in the company's contractual obligations and commercial commitments compared to those at December 31, 2001, other than the long-term debt transactions described under "Cash Flows Used in Investing and Financing Activities," above.

Energy Trading Net Assets Accounted For at Fair Value

Con Edison of New York has not engaged to a material extent in trading activities that are accounted for at fair value. See "Financial Market Risks," below and Note O to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Regulatory Matters

In April 2002, the PSC approved a three-year gas rate agreement that reduces retail sales and transportation rates by approximately \$25 million, on an annual basis. Reference is made to "Regulatory Matters" in Con Edison of New York's Form 10-K MD&A.

In July 2002, FERC issued a notice of proposed rulemaking on a standard market design for the wholesale electricity market. FERC indicated that it was undertaking standard market design to create consistent wholesale competitive markets and efficient transmission systems in order to reduce costs to customers and improve reliability. The notice proposes to establish a single open access transmission tariff that would apply to all transmission customers: wholesale, unbundled retail and bundled retail service. Other pricing, monitoring, operational and governance matters are also addressed in the notice, which the company is in the process of reviewing. For information about the company's transmission facilities, see "Con Edison of New York—Electric Supply" in Item 1 of the Form 10-K, "Regulatory Matters—Electric Supply" in Con Edison of New York's 10-K MD&A and Item 2 of the Form 10-K.

FINANCIAL MARKET RISKS

Con Edison of New York'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.

Interest Rate Risk

The interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including utility construction expenditures and maturing debt securities.

Con Edison of New York manages interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refunding of debt. The company estimates that, as of June 30, 2002, a 10 percent change in interest rates applicable to its variable rate debt would result in a change in annual interest expense of approximately \$1.7 million.

In addition, Con Edison of New York, from time to time, has entered into derivative financial instruments to hedge interest rate risk on certain debt securities and may use derivative financial instruments to hedge interest rate risk or changes in fair value of certain debt securities. See "Interest Rate Hedging" in Note D to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

Commodity Price Risk

Con Edison of New York's commodity price risk relates primarily to the purchase of electricity and gas that the company delivers to its customers. Con Edison of New York has risk management strategies to mitigate its related exposure and uses derivative instruments to hedge this price risk. See "Energy Price Hedging" in Note D to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

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Con Edison of New York estimates that, as of June 30, 2002, a 10 percent change in market prices would result in a change in fair value of approximately \$14.4 million for the derivative instruments used by it to hedge purchases of electricity and gas. The company expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In general, the rates Con Edison of New York charges customers for electric, gas and steam service are subject to change for fluctuations in the cost of purchased power or gas, including gains or losses on such derivative instruments and related transaction costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Environmental Matters

For information concerning potential liabilities of Con Edison of New York arising from laws and regulations protecting the environment, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), see Note B to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

RESULTS OF OPERATIONS

Second Quarter of 2002 Compared with Second Quarter of 2001

Con Edison of New York's net income for common stock for the second quarter of 2002 was \$97.2 million compared with \$102.9 million for the second quarter of 2001. The company's net income in the 2002 period reflects the impact of the softness in the economy, partially offset by lower operating expenses. A comparison of the results of operations of Con Edison of New York for the second quarter of 2002 with the results for the second quarter of 2001 follows:

THREE MONTHS ENDED JUNE 30, 2002 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2001

	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
<i>(Millions of Dollars)</i>		
Operating revenues	\$ (187.2)	(10.7)%
Purchased power - electric and steam	(33.7)	(5.7)
Fuel - electric and steam	(5.3)	(11.6)
Gas purchased for resale	(36.8)	(27.6)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(111.4)	(11.3)
Other operations and maintenance	(69.2)	(20.4)
Depreciation and amortization	(12.8)	(10.5)
Taxes, other than income tax	12.6	5.3
Income tax	(28.6)	(34.2)
Operating income	(13.4)	(6.7)
Other income less deductions and related income tax	3.2	190.7
Net interest charges	(4.5)	(4.8)
Net income for common stock	\$ (5.7)	(5.5)%

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A discussion of Con Edison of New York's operating revenues and operating income by business segment follows. Con Edison of New York's principal business segments are its regulated electric, gas and steam utility businesses. For additional information about the segments, see Note E to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

Electric

Con Edison of New York's electric operating revenues in the second quarter of 2002 decreased \$113.8 million compared with the second quarter of 2001. The decrease reflects net revenue reductions of approximately \$63.1 million related to the sale of the company's nuclear generating unit in September 2001 (as discussed above under "Cash Flows from Operating Activities") and lower fuel and purchased power costs of \$20.2 million (discussed below). The decrease also reflects the completion on

March 31, 2002 of the one-year amortization of the previously deferred gain on the sale of divested plants and the New York Power Authority (NYPA) revenue increase (\$21.7 million). See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Notes A and I to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric sales and deliveries, excluding off-system sales, for the second quarter of 2002 compared with the second quarter of 2001 were:

MILLIONS OF KWHRS.

<i>Description</i>	<i>Three Months Ended June 30, 2002</i>	<i>Three Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Residential/Religious	2,629	2,596	33	1.3%
Commercial/Industrial	4,517	4,680	(163)	(3.5)
Other	44	53	(9)	(17.0)
Total Full Service Customers	7,190	7,329	(139)	(1.9)
Retail Choice Customers	2,687	2,415	272	11.3
Sub-total	9,877	9,744	133	1.4
NYPA, Municipal Agency and Other Sales	2,516	2,433	83	3.4
Total Service Area	12,393	12,177	216	1.8%

Electricity sales and delivery volumes in Con Edison of New York's service territory increased 1.8 percent in the second quarter of 2002 compared with the second quarter of 2001. The increase in sales volume reflects primarily the warmer weather compared to the 2001 period. After adjusting for variations, principally weather and billing days in each period, electricity sales volume in the service territory increased 1.0 percent in the second quarter of 2002 compared with the second quarter of 2001. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison of New York's purchased power costs decreased \$32.2 million in the second quarter of 2002 compared with the second quarter of 2001, due to a decrease in the price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by increased purchased volumes resulting from the sale of the company's

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nuclear generating unit in September 2001. Fuel costs increased \$12.0 million due to an increase in the price of fuel, offset in part by a decrease in volumes as a result of decreased generation at company-owned powerplants. In general, Con Edison of New York recovers prudently incurred purchased fuel and power costs pursuant to rate provisions approved by the PSC. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric operating income decreased \$2.5 million in the second quarter of 2002 compared with the second quarter of 2001. The principal component of the decrease was a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$93.6 million. The decrease in net revenues reflects the completion on March 31, 2002 of the one-year amortization of the previously deferred gain on the sale of divested plants and the NYPA revenue increase (\$21.7 million) and net revenue reductions (\$72.2 million) related to the sale of the nuclear generating unit. The decrease in net revenues is offset in part by reduced other operations and maintenance expenses of \$67.5 million, decreased depreciation expense of \$14.0 million and reduced property tax expense of \$2.5 million, resulting primarily from the sale.

Gas

Con Edison of New York's gas operating revenues decreased \$54.2 million, while the cost of purchased gas decreased by \$36.8 million in the second quarter of 2002 compared with the 2001 period. The lower revenues reflect reduced sales to gas customers, resulting primarily from the unusual weather and revenue reductions implemented in accordance with the gas rate agreement approved by the PSC in April 2002. Gas operating income decreased \$11.9 million in the second quarter of 2002, reflecting the \$17.4 million decrease in net revenues (operating revenues less gas purchased for resale), as well as increased property tax expense (\$10.3 million) and increased expenses for customer related services (\$1.8 million), offset in part by reduced transmission and distribution expenses (\$3.2 million) and reduced income taxes (\$15.7 million).

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Con Edison of New York's gas sales and deliveries, excluding off-system sales, for the second quarter of 2002 compared with the second quarter of 2001 were:

THOUSANDS OF DKTHS.

<i>Description</i>	<i>Three Months Ended June 30, 2002</i>	<i>Three Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Firm Sales				
Residential	8,627	9,368	(741)	(7.9)%
General	6,940	7,635	(695)	(9.1)
Firm Transportation	3,527	2,980	547	18.3
Total Firm Sales and Transportation	19,094	19,983	(889)	(4.4)
Off Peak/Interruptible Sales	2,911	2,803	108	3.9
Transportation of Customer Owned Gas				

NYPA	4,544	1,546	2,998	193.9
Divested Plants	20,011	15,871	4,140	26.1
Other	5,960	2,996	2,964	98.9
Total Sales and Transportation	52,520	43,199	9,321	21.6%

Con Edison of New York's gas sales and transportation volumes for firm customers decreased 4.4 percent in the second quarter of 2002 compared with the second quarter of 2001. After adjusting for variations, principally weather and billing days, in each period, firm gas sales and transportation volumes in the company's service territory increased 0.3 percent in the 2002 period. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

The increase in non-firm transportation of customer-owned gas is attributable primarily to reduced gas prices as compared to oil prices.

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

Steam

Con Edison of New York's steam operating revenues decreased \$19.2 million and steam operating income increased \$1.1 million for the second quarter of 2002 compared with the second quarter of 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased steam power costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K. The increase in operating income reflects primarily reduced transmission and distribution expenses (\$0.7 million) and reduced income taxes (\$5.8 million), offset in part by a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$0.4 million and increased revenue taxes of \$4.7 million.

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Con Edison of New York's steam sales and deliveries for the second quarter of 2002 compared with the second quarter of 2001 were:

MILLIONS OF POUNDS

<i>Description</i>	<i>Three Months Ended June 30, 2002</i>	<i>Three Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
General	86	90	(4)	(4.4)%
Apartment house	1,297	1,356	(59)	(4.4)
Annual power	3,099	3,261	(162)	(5.0)
Total Sales	4,482	4,707	(225)	(4.8)%

Steam sales volume decreased 4.8 percent in the 2002 period compared with the 2001 period, primarily as a result of the unusual weather. After adjusting for variations, principally weather and billing days, in each period, steam sales volume decreased 5.5 percent.

Other Income

Other income increased \$3.2 million in the second quarter of 2002 compared to the second quarter of 2001, due to reduced income taxes of \$1.5 million and an increase in allowance for equity funds used during construction of \$1.7 million as a result of the East River re-powering project.

Net Interest Charges

Net interest charges decreased \$4.5 million in the second quarter of 2002 compared to the 2001 period, reflecting principally decreased interest on long-term debt of \$4.4 million.

Six Months Ended June 30, 2002 Compared with Six Months Ended June 30, 2001

Con Edison of New York's net income for common stock for the six months ended June 30, 2002 was \$247.9 million compared with \$274.7 million for the six months ended June 30, 2001. The company's net income in the 2002 period reflects the impact of the unusually mild winter and softness in the economy, partially offset by lower operating expenses.

A comparison of the results of operations of Con Edison of New York for the six months ended June 30, 2002 with the results for the six months ended June 30, 2001 follows:

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SIX MONTHS ENDED JUNE 30, 2002 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2001

<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
---	--

(Millions of Dollars)

Operating revenues	\$	(867.0)	(20.7)%
Purchased power - electric and steam		(260.1)	(18.9)
Fuel - electric and steam		(114.8)	(53.1)
Gas purchased for resale		(221.4)	(44.4)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)		(270.7)	(12.9)
Other operations and maintenance		(124.4)	(18.4)
Depreciation and amortization		(25.4)	(10.5)
Taxes, other than income tax		(26.7)	(5.1)
Income tax		(43.0)	(22.3)
Operating income		(51.3)	(11.0)
Other income less deductions and related income tax		17.1	309.8
Net interest charges		(7.3)	(3.8)
Net income for common stock	\$	(26.9)	(9.8)%

A discussion of Con Edison of New York's operating revenues and operating income by business segment follows. Con Edison of New York's principal business segments are its regulated electric, gas and steam utility businesses. For additional information about the segments, see Note E to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

Electric

Con Edison of New York's electric operating revenues in the six months ended June 30, 2002 decreased \$488.2 million compared with the six months ended June 30, 2001. The decrease reflects net revenue reductions of approximately \$161.2 million (attributable primarily to the sale of the company's nuclear generating unit as discussed above under "Cash Flows from Operating Activities" and the April 2001 rate reduction), lower fuel and purchased power costs of \$271.1 million (discussed below), reduced sales and deliveries of \$15.8 million resulting from the mild winter weather and economic slowdown, and a reserve of \$16.1 million related to the sale of the company's nuclear generating unit. See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

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Con Edison of New York's electric sales and deliveries, excluding off-system sales, for the six months ended June 30, 2002 compared with the six months ended June 30, 2001 were:

MILLIONS OF KWHRS.

Description	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Variation	Percent Variation
Residential/Religious	5,396	5,446	(50)	(1.0)%
Commercial/Industrial	8,966	9,569	(603)	(6.3)
Other	76	88	(12)	(13.6)
Total Full Service Customers	14,438	15,103	(665)	(4.4)
Retail Choice Customers	5,360	4,865	495	10.2
Sub-total	19,798	19,968	(170)	(1.0)
NYPA, Municipal Agency and Other Sales	4,897	4,990	(93)	(1.9)
Total Service Area	24,695	24,958	(263)	(1.0)%

Electricity sales volume in Con Edison of New York's service territory decreased 1.0 percent in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The decrease in sales volume reflects the extremely mild winter weather compared to the 2001 period. After adjusting for variations, principally weather and billing days, in each period, electricity sales volume in the service territory decreased 0.1 percent in the 2002 period. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison of New York's purchased power costs decreased \$237.0 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001, due to a decrease in the price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by the company's increased purchased volumes resulting from the sale of the company's nuclear generating unit in September 2001. Fuel costs decreased \$34.1 million as a result of decreased generation at company-owned power plants, offset in part by an increase in the price of fuel. In general, Con Edison of New York recovers prudently incurred purchased fuel and power costs pursuant to rate provisions approved by the PSC. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric operating income decreased \$26.8 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The principal component of the decrease was lower net revenues (operating revenues less fuel and purchased power costs) of \$217.1 million. The decrease in net revenues reflects lower sales due principally to weather and economic conditions (\$15.8 million), a reserve related to the sale of the company's nuclear generating unit (\$16.1 million) and net revenue reductions (\$161.2 million). The decrease in net revenues is offset in part by reduced other operations and maintenance expenses (\$115.3 million), lower depreciation expense (\$27.9 million) and lower property taxes (\$5.1 million) resulting primarily from the sale in September 2001 of the company's nuclear generating unit. The decrease also reflects lower revenue taxes of \$23.2 million.

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Gas

Con Edison of New York's gas operating revenues decreased \$242.8 million, while the cost of purchased gas decreased by \$221.4 million in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The lower revenues reflect reduced sales to gas customers, resulting primarily from the very mild winter weather. Gas operating income decreased \$12.4 million in the six months ended June 30, 2002, reflecting the \$21.4 million decrease in net revenues (operating revenues less gas purchased for resale), as well as increased property tax expense (\$15.6 million), offset in part by reduced transmission and distribution expenses (\$7.5 million), and reduced revenue taxes (\$10.6 million).

Con Edison of New York's gas sales and deliveries, excluding off-system sales, for the six months ended June 30, 2002 compared with the six months ended June 30, 2001 were:

THOUSANDS OF DKTHS.

<i>Description</i>	<i>Six Months Ended June 30, 2002</i>	<i>Six Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Firm Sales				
Residential	28,000	33,439	(5,439)	(16.3)%
General	19,485	22,872	(3,387)	(14.8)
Firm Transportation	9,436	9,129	307	3.4
Total Firm Sales and Transportation	56,921	65,440	(8,519)	(13.0)
Off-Peak/Interruptible Sales	6,955	8,630	(1,675)	(19.4)
Transportation of Customer Owned Gas				
NYPA	8,764	1,576	7,188	Large
Divested Plants	34,227	18,643	15,584	83.6
Other	13,524	6,834	6,690	97.9
Total Sales and Transportation	120,391	101,123	19,268	19.1%

Con Edison of New York's gas sales and transportation volumes for firm customers decreased 13.0 percent in the six months ended June 30, 2002 compared with the six months ended June 30, 2001. After adjusting for variations, principally weather and billing days, in each period, firm gas sales and transportation volumes in the company's service territory decreased 0.1 percent in the 2002 period. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

The decrease in interruptible sales is due primarily to the unusually mild winter of 2002. The increase in non-firm transportation is attributable primarily to reduced gas prices as compared to oil prices.

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

Steam

Con Edison of New York's steam operating revenues decreased \$136.0 million and steam operating income decreased \$12.1 million for the six months ended June 30, 2002 compared with the six months ended June 30, 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased

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steam power costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K. The decrease in operating income reflects primarily a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$32.2 million, offset in part by lower income taxes (\$16.5 million) and revenue taxes (\$1.8 million).

Con Edison of New York's steam sales and deliveries for the six months ended June 30, 2002 compared with the six months ended June 30, 2001 were:

MILLIONS OF POUNDS

<i>Description</i>	<i>Six Months Ended June 30, 2002</i>	<i>Six Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
General	388	501	(113)	(22.6)%
Apartment house	3,925	4,603	(678)	(14.7)
Annual power	8,104	10,086	(1,981)	(19.6)
Total Sales	12,417	15,190	(2,773)	(18.3)%

Steam sales volume decreased 18.3 percent in the six months ended June 30, 2002 compared with the six months ended June 30, 2001, reflecting primarily the warm winter weather. After adjusting for variations, principally weather and billing days, in each period, steam sales volume decreased 4.4 percent.

Other Income

Other income increased \$17.1 million in the six months ended June 30, 2002 compared to the six months ended June 30, 2001, due to reduced income taxes of \$9.0 million attributable primarily to the recognition of tax benefits relating to the September 2001 sale of the company's nuclear generating unit and an increase in the allowance for equity funds used during construction of \$5.6 million as a result of the East River re-powering project.

Net interest charges decreased \$7.3 million in the six months ended June 30, 2002 compared to the six months ended June 30, 2001, reflecting principally decreased interest expense on long-term debt of \$9.1 million.

O&R MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS

Orange and Rockland Utilities, Inc. (O&R), is a wholly owned subsidiary of Consolidated Edison, Inc. (Con Edison) and meets the conditions specified in General Instruction H to Form 10-Q, which allows it to use the reduced disclosure format for wholly owned subsidiaries of companies, such as Con Edison, that are reporting companies under the Securities Exchange Act of 1934. Accordingly, this O&R Management's Narrative Analysis of the Results of Operations is included in this report, and O&R has omitted from this report the information called for by Part I, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

O&R's net income for common stock for the six-month period ended June 30, 2002 was \$19.5 million, \$2.6 million higher than the corresponding 2001 period. The increase in the company's net income was attributable primarily to higher electric sales, which produced an additional \$1.2 million of net electric revenues, lower customer bad debt and other expenses (\$3.3 million), savings in financing costs (\$1.1 million) and income tax benefits (\$0.5 million). Partially offsetting these items were lower gas sales resulting in lower net gas revenues of \$1.3 million and reduced customer late payment charge revenues of \$1.1 million. Customer late payment charge revenues decreased by 47.8 percent, primarily as a result of a decrease in the cost of energy billed to customers.

A comparison of the results of operations of O&R for the six months ended June 30, 2002 to the six months ended June 30, 2001 follows:

<i>(Millions of Dollars)</i>	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
Operating revenues	\$ (100.4)	(25.0)%
Purchased power - electric	(51.1)	(35.3)
Gas purchased for resale	(45.1)	(46.4)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(4.2)	(2.6)
Other operation and maintenance expenses	(3.3)	(4.6)
Depreciation and amortization	0.6	3.9
Taxes, other than income tax	(2.8)	(10.0)
Income tax	(1.1)	(7.6)
Operating income	2.4	8.3
Other income less deductions and related income tax	(0.5)	(72.9)
Net interest charges	(0.7)	(5.9)
Net income for common stock	\$ 2.6	15.3%

A discussion of O&R's operating revenues by business segment follows. O&R's principal business segments are its electric and gas utility businesses. For additional information about O&R's business segments, see Note E to the O&R financial statements included in Part I, Item 1 of this report.

Electric

Electric operating revenues decreased \$52.2 million during the six months ended June 30, 2002 compared to the 2001 period. This decrease was primarily the result of lower purchased power and tax costs and recoveries in the 2002 period. See "Recoverable Energy Costs" in Note A to the O&R financial statements in Item 8 of the combined O&R, Con Edison and Consolidated Edison Company of New York, Inc. Annual Reports on Form 10-K for the year ended December 31, 2001 (file Nos. 1-4315, 1-14514 and 1-1217, the Form 10-K).

O&R's electric sales and deliveries, excluding off-system sales, for the six months ended June 30, 2002 compared with the six months ended June 30, 2001 were:

MILLIONS OF KWHRs

<i>Description</i>	<i>Six Months Ended June 30, 2002</i>	<i>Six Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Residential/Religious	801,570	852,916	(51,346)	(6.0)%
Commercial/Industrial	1,176,503	1,290,917	(114,414)	(8.9)
Other	51,112	50,774	338	0.7
Total Full Service Customers	2,029,185	2,194,607	(165,422)	(7.5)
Retail Choice Customers	545,747	320,744	225,003	70.2
Total Service Area	2,574,932	2,515,351	59,581	2.4%

Electric sales volumes in the six months ended June 30, 2002 increased 2.4 percent compared to the 2001 period due to customer growth and higher average usage. After adjusting for weather variations, total electricity sales volumes were 4.4 percent higher in the current year. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed. Net electric revenues (operating revenues less purchased power and associated tax recoveries) were \$1.2 million higher in the current period.

Purchased power costs decreased \$51.1 million during the first half of 2002 compared to the 2001 period, reflecting decreases in the unit cost of purchased power, partially offset by higher energy requirements.

Decreased electric revenues and purchased power costs also reflect increased purchases of electricity by customers from other suppliers.

Electric operating income increased \$1.3 million during the six months ended June 30, 2002, compared to the 2001 period. This increase reflects the impact of higher net electric revenues, and lower customer bad debt and other expenses.

Gas

Gas operating revenues decreased \$48.2 million during the six months ended June 30, 2002, compared to the 2001 period. This decrease was primarily the result of lower gas costs in the 2002 period. See "Recoverable Energy Costs" in Note A to the O&R financial statements in Item 8 of the Form 10-K.

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O&R's gas sales and deliveries, excluding off-system sales, for the six months ended June 30, 2002 compared with the six months ended June 30, 2001 were:

THOUSANDS OF DKTHS.

<i>Description</i>	<i>Six Months Ended June 30, 2002</i>	<i>Six Months Ended June 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Firm Sales				
Residential	6,115	8,232	(2,117)	(25.7)%
General	1,975	2,869	(894)	(31.2)
Firm Transportation	3,380	2,470	910	36.8
Total Firm Sales and Transportation	11,470	13,571	(2,101)	(15.5)
Off Peak/Interruptible Sales	3,778	3,150	628	19.9
Transportation of Customer Owned Gas				
Divested Plants	5,853	2,893	2,960	102.3
Other	574	597	(23)	(3.9)
Total Sales and Transportation	21,675	20,211	1,464	7.2%

Total gas sales volumes in the six months ended June 30, 2002 decreased 15.5 percent compared to the 2001 period. O&R's revenues from gas sales in New York are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income. After adjusting for weather variations in each period, total firm sales and transportation volumes were 7.5 percent lower for the 2002 period compared to the 2001 period.

The cost of gas purchased for resale decreased \$45.1 million in the 2002 period compared to the 2001 period, due to the lower sales volumes and unit costs.

Decreased gas revenues and cost of gas purchased for resale in the 2002 period, compared to 2001, also reflect increased purchases of gas by customers from other suppliers.

Gas operating income increased by \$0.9 million for the six months ended June 30, 2002, compared to the 2001 period, due primarily to lower operation and maintenance expenses, offset in part by lower net revenues.

Taxes Other Than Income Taxes

Taxes other than income taxes decreased by \$2.8 million in the 2002 period compared to the 2001 period. The decrease was primarily the result of lower New York State revenue taxes, which resulted from reduced tax rates and lower energy costs billed to customers.

Other Income

Other income decreased \$0.5 million in the 2002 period compared to the 2001 period, due primarily to lower earnings on short-term investments during the current year.

Net Interest Charges

Interest charges decreased by \$0.7 million in the 2002 period compared to the 2001 period reflecting lower average debt balances and interest rates in the 2002 period, offset in part by lower allowance for borrowed funds used during construction.

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Income Taxes

Income taxes decreased \$0.5 million in the 2002 period compared to the 2001 period, due to lower customer bad debt costs in the current period. Under existing rate agreements, the tax effects of changes in reserves, such as that for uncollectibles, flow through to net income.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK
Con Edison

For information about Con Edison's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial Market Risks" in Con Edison's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part 1, Item 2 of this report and Item 7A of the combined Con Edison, Con Edison of New York and O&R Annual Report on Form 10-K for the year ended December 31, 2001 (the Form 10-K), which information is incorporated herein by reference.

Con Edison of New York

For information about Con Edison of New York's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial Market Risks" in Con Edison of New York's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part 1, Item 2 of this report and Item 7A of the Form 10-K, which information is incorporated herein by reference.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements, intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectation and not facts. Words such as "expects," "estimates," "anticipates," "intends," "plans," "will" and similar expressions identify forward-looking statements.

Actual results or developments might differ materially from those included in the forward-looking statements because of various factors such as:

- continued restructuring of the regulated public utility, unregulated energy and telecommunications industries;
- competition, including competition in the energy supply, trading and services businesses;
- operating performance and condition of the company's energy delivery systems, generating assets and fiber optic communications network;
- success of completion of ongoing construction projects;
- legal proceedings relating to hazardous substances, the nuclear generating plant that the company sold in 2001 and Northeast Utilities (see Notes B, C and D to the Con Edison financial statements in Part 1, Item 1 of this report);
- wholesale energy markets, including availability, sufficiency and cost of energy and the effectiveness of the company's efforts to manage its risks in these markets;
- capital markets, including availability, sufficiency and cost of liquidity and credit facilities and the effectiveness of the company's efforts to manage its risks in these markets;
- availability, sufficiency and cost of other services and goods used in Con Edison's business, including insurance coverage;
- investment returns on the assets of the company's pension and other post-employment benefit plans and actual experience regarding the plans' other actuarial assumptions (see Notes D and E to the Con Edison financial statements in Item 8 of the Form 10-K);
- employee matters, including changes in key executives and collective bargaining with union employees;
- economic conditions, including recession, inflation or deflation;
- technological developments;
- weather, including its effects on the company's sales and facilities;
- laws, regulations or regulatory policies, including those relating to taxes or fees, the environment and any that would adversely effect the ability of the company's regulated utility subsidiaries to operate or recover costs from their customers;

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- public policy doctrines;
- accounting matters, including changes in policies, principles and interpretations thereof generally accepted in the United States;
- acts of war or terrorism; and
- other presently unknown or unforeseen factors.

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ITEM 1. LEGAL PROCEEDINGS

Con Edison

Northeast Utilities

For information about legal proceedings relating to Con Edison's October 1999 agreement to acquire Northeast Utilities, see Note D to the Con Edison financial statements included in Part 1, Item 1 of this report (which information is incorporated herein by reference).

Con Edison of New York

Nuclear Generation

For information about legal proceedings relating to the nuclear generating unit that Con Edison of New York sold in 2001, see Note C to the Con Edison of New York financial statements included in Part 1, Item 1 of this report (which information is incorporated herein by reference).

Employees' Class Action

Reference is made to "Con Edison of New York—Employee's Class Action" in Item 3 of the Form 10-K. In August 2002, the new settlement agreement received fiscal approval from the court.

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

Con Edison

(a) At the Annual Meeting of Stockholders of Con Edison on May 20, 2002, the stockholders of Con Edison voted to elect members of the Board of Directors, to ratify and approve the appointment of Con Edison's independent accountants, and not to adopt a stockholder proposal. 166,115,779 shares of Common Stock of Con Edison, representing approximately 78.14% of the 212,585,320 shares of Common Stock outstanding and entitled to vote, were present at the meeting in person or by proxy.

(b) The name of each nominee for election as a member of Con Edison's Board of Directors and the number of shares voted for or with respect to which authority to vote for was withheld are as follows:

	<i>Votes For</i>	<i>Votes Withheld</i>
Vincent A. Calarco	163,676,816	2,438,963
George Campbell, Jr.	163,153,313	2,962,466
Gordon J. Davis	163,811,897	2,303,882
Michael J. Del Giudice	163,201,550	2,914,229
Joan S. Freilich	163,796,817	2,318,962
Ellen V. Futter	163,094,453	3,021,326
Sally Hernandez-Pinero	163,067,292	3,048,487
Peter W. Likins	163,741,084	2,374,695
Eugene R. McGrath	163,772,714	2,343,065
Richard A. Voell	163,763,660	2,352,119
Stephen R. Volk	163,786,602	2,329,177

(c) The results of the vote on the appointment of PricewaterhouseCoopers LLP as independent accountants for Con Edison for 2002 were as follows: 161,072,164 shares were voted for this proposal; 3,358,452 shares were voted against the proposal; and 1,685,163 shares were abstentions.

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(d) The following stockholder-proposed resolution was voted upon by the stockholders of Con Edison at the Annual Meeting:

"RESOLVED: That the shareholders recommend that the Board take the necessary step that Con Edison specifically identify by name and corporate title in all future proxy statements those executive officers, not otherwise so identified, who are contractually entitled to receive in excess of \$250,000 annually as base salary, together with whatever other additional compensation bonuses and other cash payments were due them."

The results of the vote on this proposal were as follows: 15,151,507 shares were voted for this proposal; 106,597,261 shares were voted against the proposal; 4,710,358 shares were abstentions; and 39,656,653 shares were broker nonvotes.

Con Edison of New York

At the Annual Meeting of Stockholders of Con Edison of New York on May 20, 2002, all 235,488,094 outstanding shares of common stock of Con Edison of New York were voted to elect as members of Con Edison of New York's Board of Trustees management's nominees for the Board of Trustees (Vincent A. Calarco, George Campbell, Jr., Gordon J. Davis, Michael J. Del Giudice, Joan S. Freilich, Ellen V. Futter, Sally Hernandez-Pinero, Peter W. Likins, Eugene R. McGrath, Richard A. Voell and Stephen R. Volk), and to ratify and approve the appointment of PricewaterhouseCoopers LLP as Con Edison of New York's independent accountants for 2002. All of the common stock of Con Edison of New York is owned by Con Edison.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Con Edison

Exhibit 10.1.1 Amendment No. 1, effective May 31, 2002, to the Employment agreement, dated as of September 1, 2000,

between Con Edison and Eugene R. McGrath.

- Exhibit 10.1.2 Amendment No. 1, effective May 31, 2002, to the Employment agreement, dated as of September 1, 2000, between Con Edison and Joan S. Freilich.
- Exhibit 10.1.3 Amendment No. 1, effective May 31, 2002, to the Employment agreement, dated as of September 1, 2000, between Con Edison and Kevin Burke.
- Exhibit 10.1.4 Amendment No. 1, effective May 31, 2002, to the Employment agreement, dated as of September 1, 2000, between Con Edison and John D. McMahon.
- Exhibit 10.1.5 Restricted Stock Unit Award Agreement, dated as of May 31, 2002, between Con Edison and Stephen B. Bram.
- Exhibit 10.1.6 Description of the Consolidated Edison, Inc. Deferred Stock Compensation Plan For Non-Officer Directors.
- Exhibit 12.1 Statement of computation of Con Edison's ratio of earnings to fixed charges for the six and twelve-month periods ended June 30, 2002 and the year ended December 2001.
- Exhibit 99.1.1 Certification of chief executive officer required under Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 99.1.2 Certification of chief financial officer required under Section 906 of the Sarbanes-Oxley Act of 2002.

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Con Edison of New York

- Exhibit 3.2 By-laws of Con Edison of New York, effective June 20, 2002.
- Exhibit 10.2 The Consolidated Edison Thrift Savings Plan, amended and restated as of May 8, 2002.
- Exhibit 12.2 Statement of computation of Con Edison of New York's ratio of earnings to fixed charges for the six and twelve-month periods ended June 30, 2002 and the year December 2001.
- Exhibit 99.2.1 Certification of chief executive officer required under Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 99.2.2 Certification of chief financial officer required under Section 906 of the Sarbanes-Oxley Act of 2002.

O&R

- Exhibit 99.3.1 Certification of chief executive officer required under Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 99.3.2 Certification of chief financial officer required under Section 906 of the Sarbanes-Oxley Act of 2002.

(b) REPORTS ON FORM 8-K

Con Edison

Con Edison filed a Current Report on Form 8-K, dated May 13, 2002, announcing the death of a Board member and reporting the adoption of a resolution reducing the number of Directors. Con Edison filed a Current Report on Form 8-K, dated April 3, 2002, reporting (under Item 5) entering into an underwriting agreement for the issuance and sale of \$325 million aggregate principal amount of its 7.25% Debentures, Series 2002 A, due 2042.

Con Edison of New York

Con Edison of New York filed a Current Report on Form 8-K, dated May 13, 2002, announcing the death of a Board member and reporting the adoption of a resolution to change the by-laws to reduce the number of Trustees. Con Edison of New York filed a Current Report on Form 8-K, dated June 19, 2002, reporting (under Item 5) entering into an underwriting agreement for the issuance and sale of \$300 million aggregate principal amount of its 5.625% Debentures, Series 2002 A, due 2012.

O&R

O&R filed no Current Reports on Form 8-K during the quarter ended June 30, 2002.

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Signatures

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

Consolidated Edison, Inc.

Consolidated Edison Company of New York, Inc.

DATE: August 12, 2002

By: /s/ JOAN S. FREILICH

Joan S. Freilich
Executive Vice President, Chief Financial Officer

Orange and Rockland Utilities, Inc.

DATE: August 12, 2002

By: /s/ EDWARD J. RASMUSSEN

Edward J. Rasmussen
Vice President, Chief Financial Officer
and Duly Authorized Officer

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BY-LAWS

OF

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC

Effective as of June 20, 2002

BY-LAWS

OF

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

Effective as of June 20, 2002

DATE ANNUAL MEETING

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

SPECIAL MEETINGS STOCKHOLDERS

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

NOTICE STOCKHOLDERS' MEETING

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

QUORUM STOCKHOLDERS

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

CHAIRMAN, SECRETARY, STOCKHOLDERS' MEETINGS

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

INSPECTORS OF ELECTION

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

appointed by the Chairman of the meeting.

STOCK TRANSFERS

SECTION 7. The Board of Trustees may, in their discretion, appoint one or more transfer agents, paying agents and/or registrars of the stock of the Company.

REGISTRARS, NUMBER OF BOARD MEMBERS, VACANCIES, FEES

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

BOARD MEETINGS, NOTICES, QUORUM, PARTICIPATION BY CONFERENCE TELEPHONE, ACTION BY UNANIMOUS WRITTEN CONSENT

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

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

ELECTION OF OFFICERS

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

TERM OF OFFICE, VACANCIES

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

DUTIES OF EXECUTIVE OFFICERS, DUTIES OF OTHER OFFICERS

SECTION 12. The Chairman of the Board and the President shall have such duties as usually pertain to their respective offices, except as otherwise

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

APPOINTMENT EXECUTIVE COMMITTEE, EXECUTIVE COMMITTEE QUORUM, COMMITTEE MEETINGS, PARTICIPATION BY CONFERENCE TELEPHONE, ACTION BY UNANIMOUS WRITTEN CONSENT

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

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

DEPOSITORS, SIGNATURES

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

INDEMNIFICATION OF TRUSTEES AND OFFICERS

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

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

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

AMENDMENT OF BY-LAWS

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

EMERGENCY BY-LAWS

OF

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

As Amended
February 23, 1966

Effective May 16, 1966

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

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

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

Amendment No. 1 to
Eugene R. McGrath Employment Agreement

The EMPLOYMENT AGREEMENT by and between Consolidated Edison, Inc, a New York Corporation ("CEI"), and Eugene R. McGrath, dated as of September 1, 2000, is amended effective May 31, 2002, as follows:

WHEREAS, Eugene R. McGrath (the "Executive") and Consolidated Edison, Inc. entered into an Employment Agreement effective September 1, 2000 (the "Agreement");

WHEREAS, the parties to the Agreement desire to amend the Agreement to provide for an additional grant of restricted stock units ("Units");

NOW, THEREFORE, in consideration of the foregoing the parties hereto agree as follows:

1. The Agreement is amended to provide for an award (the "Additional Restricted Stock Unit Award") of additional restricted stock units ("Additional Units") with respect to 60,000 shares of the Common Shares (\$.10 par value) of CEI ("Stock"), effective as of May 31, 2002.

2. The Additional Units shall vest in accordance with the following schedule:

Percentage
of Then
Outstanding
Date Non
Vested
Additional
Units ----

08/31/2004
50%
08/31/2005
100%

3. The cash value of a unit shall equal the closing price of a share of Stock in the Consolidated Reporting System as reported in the Wall Street Journal or in a similarly readily available public source for the trading day immediately prior to the applicable transaction date. If no trading of shares of Stock occurred on such date, the closing price of a share of Stock in such System as reported for the preceding day on which sales of shares of Stock occurred shall be used.

4. (A) Prior to the commencement of the calendar year in which the Additional Units vest, the Executive may elect: (1) to defer the vesting of all or a portion of the Additional Units, (2) to have, upon vesting, the cash value of all or a portion of the Additional Units deferred and invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan, or (3) any combination of the above listed options.

(B) If no election is made, upon vesting, the cash value of the Additional Units shall be automatically distributed to the Executive.

5. All other terms and conditions of the initial Units as set forth in Section 3(d) of the Agreement shall apply to the Additional Units.

6. In all other respects, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer and its corporate seal to be affixed hereto, and the Executive has hereto set his hand as of the day and year first set forth above.

CONSOLIDATED EDISON, INC.

By:

Richard A. Voell, Chairman
Executive Personnel and Pension Committee

Eugene R. McGrath

Amendment No. 1 to
Joan S. Freilich Employment Agreement

The EMPLOYMENT AGREEMENT by and between Consolidated Edison, Inc, a New York Corporation ("CEI"), and Joan S. Freilich, dated as of September 1, 2000, is amended effective May 31, 2002, as follows:

WHEREAS, Joan S. Freilich (the "Executive") and Consolidated Edison, Inc. entered into an Employment Agreement effective September 1, 2000 (the "Agreement");

WHEREAS, the parties to the Agreement desire to amend the Agreement to provide for an additional grant of restricted stock units ("Units");

NOW, THEREFORE, in consideration of the foregoing the parties hereto agree as follows:

1. The Agreement is amended to provide for an award (the "Additional Restricted Stock Unit Award") of additional restricted stock units ("Additional Units") with respect to 20,000 shares of the Common Shares (\$.10 par value) of CEI ("Stock"), effective as of May 31, 2002.

2. The Additional Units shall vest in accordance with the following schedule:

Percentage of Then Outstanding Date Non Vested Additional Units ---- ----- ----- -----	
08/31/2004	50%
08/31/2005	100%

3. The cash value of a unit shall equal the closing price of a share of Stock in the Consolidated Reporting System as reported in the Wall Street Journal or in a similarly readily available public source for the trading day immediately prior to the applicable transaction date. If no trading of shares of Stock occurred on such date, the closing price of a share of Stock in such System as reported for the preceding day on which sales of shares of Stock occurred shall be used.

4. (A) The Executive hereby elects to defer the receipt of any dividend equivalent cash payments that may become payable to the Executive on the Additional Units prior to December 31, 2003 and have the cash payment invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

(B) Prior to the commencement of a calendar year, beginning with calendar year 2004, the Executive shall have the right to elect to defer receipt of any dividend equivalent cash payments that may become payable to the Executive on the Additional Units in the calendar year

and to have such cash payments invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

5. (A) Prior to the commencement of the calendar year in which the Additional Units vest, the Executive may elect: (1) to defer the vesting of all or a portion of the Additional Units, (2) to have, upon vesting, the cash value of all or a portion of the Additional Units deferred and invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan, or (3) any combination of the above listed options.

(B) If no election is made, upon vesting, the cash value of the Additional Units shall be automatically distributed to the Executive.

6. All other terms and conditions of the initial Units as set forth in Section 3(d) of the Agreement shall apply to the Additional Units.

7. In all other respects, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer and its corporate seal to be affixed hereto, and the

Executive has hereto set her hand as of the day and year first set forth above.

CONSOLIDATED EDISON, INC.

By:

Eugene R. McGrath
Chairman of the Board and Chief Executive Officer

Joan S. Freilich

Amendment No. 1 to
Kevin Burke Employment Agreement

The EMPLOYMENT AGREEMENT by and between Consolidated Edison, Inc, a New York Corporation ("CEI), and Kevin Burke, dated as of September 1, 2000, is amended effective May 31, 2002, as follows:

WHEREAS, Kevin Burke (the "Executive") and Consolidated Edison, Inc. entered into an Employment Agreement effective September 1, 2000 (the "Agreement");

WHEREAS, the parties to the Agreement desire to amend the Agreement to provide for an additional grant of restricted stock units ("Units");

NOW, THEREFORE, in consideration of the foregoing the parties hereto agree as follows:

1. The Agreement is amended to provide for an award (the "Additional Restricted Stock Unit Award") of additional restricted stock units ("Additional Units") with respect to 30,000 shares of the Common Shares (\$.10 par value) of CEI ("Stock"), effective as of May 31, 2002.

2. The Additional Units shall vest in accordance with the following schedule:

Percentage of Then Outstanding Date Non Vested Additional Units ---- ----- ----- -----
08/31/2004 50%
08/31/2005 100%

3. The cash value of a unit shall equal the closing price of a share of Stock in the Consolidated Reporting System as reported in the Wall Street Journal or in a similarly readily available public source for the trading day immediately prior to the applicable transaction date. If no trading of shares of Stock occurred on such date, the closing price of a share of Stock in such System as reported for the preceding day on which sales of shares of Stock occurred shall be used.

4. (A) The Executive hereby elects to defer the receipt of any dividend equivalent cash payments that may become payable to the Executive on the Additional Units prior to December 31, 2003 and have the cash payment invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

(B) Prior to the commencement of a calendar year, beginning with calendar year 2004, the Executive shall have the right to elect to defer receipt of any dividend equivalent cash payments that may become payable to the Executive on the Additional Units in the calendar year and to have such cash payments invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

5. (A) Prior to the commencement of the calendar year in which the Additional Units vest, the Executive may elect: (1) to defer the vesting of all or a portion of the Additional Units, (2) to have, upon vesting, the cash value of all or a portion of the Additional Units deferred and invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan, or (3) any combination of the above listed options.

(B) If no election is made, upon vesting, the cash value of the Additional Units shall be automatically distributed to the Executive.

6. All other terms and conditions of the initial Units as set forth in Section 3(d) of the Agreement shall apply to the Additional Units.

7. In all other respects, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by

its duly authorized officer and its corporate seal to be affixed hereto, and the Executive has hereto set his hand as of the day and year first set forth above.

CONSOLIDATED EDISON, INC.

By:

Eugene R. McGrath

Chairman of the Board and Chief Executive Officer

Kevin Burke

Amendment No. 1 to
John D. McMahon Employment Agreement

The EMPLOYMENT AGREEMENT by and between Consolidated Edison, Inc, a New York Corporation ("CEI), and John D. McMahon, dated as of September 1, 2000, is amended effective May 31, 2002, as follows:

WHEREAS, John D. McMahon (the "Executive") and Consolidated Edison, Inc. entered into an Employment Agreement effective September 1, 2000 (the "Agreement");

WHEREAS, the parties to the Agreement desire to amend the Agreement to provide for an additional grant of restricted stock units ("Units");

NOW, THEREFORE, in consideration of the foregoing the parties hereto agree as follows:

1. The Agreement is amended to provide for an award (the "Additional Restricted Stock Unit Award") of additional restricted stock units ("Additional Units") with respect to 20,000 shares of the Common Shares (\$.10 par value) of CEI ("Stock"), effective as of May 31, 2002.

2. The Additional Units shall vest in accordance with the following schedule:

Percentage of Then Outstanding Date Non Vested Additional Units ---- ----- ----- ----- -----	
08/31/2004	50%
08/31/2005	100%

3. The cash value of a unit shall equal the closing price of a share of Stock in the Consolidated Reporting System as reported in the Wall Street Journal or in a similarly readily available public source for the trading day immediately prior to the applicable transaction date. If no trading of shares of Stock occurred on such date, the closing price of a share of Stock in such System as reported for the preceding day on which sales of shares of Stock occurred shall be used.

4. (A) The Executive hereby elects to defer the receipt of any dividend equivalent cash payments that may become payable to the Executive on the Additional Units prior to December 31, 2003 and have the cash payment invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

(B) Prior to the commencement of a calendar year, beginning with calendar year 2004, the Executive shall have the right to elect to defer receipt of any dividend equivalent cash payments that may become payable to the Executive on the Additional Units in the calendar year

and to have such cash payments invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

5. (A) Prior to the commencement of the calendar year in which the Additional Units vest, the Executive may elect: (1) to defer the vesting of all or a portion of the Additional Units, (2) to have, upon vesting, the cash value of all or a portion of the Additional Units deferred and invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan, or (3) any combination of the above listed options.

(B) If no election is made, upon vesting, the cash value of the Additional Units shall be automatically distributed to the Executive.

6. All other terms and conditions of the initial Units as set forth in Section 3(d) of the Agreement shall apply to the Additional Units.

7. In all other respects, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer and its corporate seal to be affixed hereto, and the Executive has hereto set his hand as of the day and year first set forth above.

CONSOLIDATED EDISON, INC.

By:

Eugene R. McGrath

Chairman of the Board and Chief Executive Officer

John D. McMahon

RESTRICTED STOCK UNIT AWARD AGREEMENT

AGREEMENT by and between Consolidated Edison, Inc., a New York Corporation ("CEI"), and Stephen B. Bram (the "Executive"), dated as of May 31, 2002.

WHEREAS, the Executive is currently serving as President of Orange and Rockland Utilities, Inc., a New York corporation and subsidiary of CEI, (CEI and its subsidiaries and affiliates hereinafter collectively referred to as the "Company"); and

WHEREAS, the parties desire to enter into this Agreement providing for the granting of restricted stock units ("Units") pursuant to the terms and conditions set forth below.

NOW, THEREFORE, IN CONSIDERATION of the mutual premises, covenants and agreements set forth below, it is hereby agreed as follows:

1. RESTRICTED STOCK UNIT AWARD. In consideration of his continued employment from the date of this Agreement through August 31, 2005, ("Employment Period"), the Executive shall be granted an award (the "Restricted Stock Unit Award") of restricted stock units ("Units") with respect to 20,000 shares of the Common Shares (\$.10 par value) of CEI ("Stock"), effective as of the date of this Agreement, in accordance with the following terms and conditions:

(a) Each Unit shall represent the right, upon vesting, to receive the cash value of one share of Stock. The cash value of a unit shall equal the closing price of a share of Stock in the Consolidated Reporting System as reported in the Wall Street Journal or in a similarly readily available public source for the trading day immediately prior to the applicable transaction date. If no trading of shares of Stock occurred on such date, the closing price of a share of Stock in such System as reported for the preceding day on which sales of shares of Stock occurred shall be used.

(b) The Executive's Units shall vest in accordance with the following schedule, provided that the Executive has remained continuously employed by the Company, or its successor, during the Employment Period through the dates indicated below:

Percentage	
of Then	
Outstanding	
Non Vested	
Date Units	
----	-----
-----	-----

8/31/2004	
50%	
8/31/2005	
100%	

(c) If, during the Employment Period and prior to a Change in Control, the Company terminates the Executive's employment for Cause or without Cause or the Executive terminates his employment, the Executive shall forfeit all right to Units that are not vested as of the Date of Termination. If, during the Employment Period and following a Change in Control, the Company shall terminate the Executive's employment without Cause or the Executive terminates his employment for Good Reason, the Executive's Units shall fully and immediately vest as of the Date of Termination. If, during the Employment Period, the Executive's employment terminates by reason of death or Disability, the Executive's Units shall fully and immediately vest as of the Date of Termination. If, during the Employment Period, the Executive retires, unless the Board otherwise determines, there shall be no acceleration of vesting of any portion of the Restricted Stock Unit Award not yet earned.

(d) Subject to any election made pursuant to Section 1 (h), once Units shall vest, CEI shall promptly pay the Executive the cash value of the shares of Stock represented by the Units. Prior to vesting, the Units shall represent an unfunded and unsecured promise to pay the Executive the cash value of shares of Stock upon vesting thereof.

(e) Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempted sale, assignment, transfer, pledge, hypothecation or disposition in contravention of the foregoing shall be null and void and of no effect.

- (f) (i) Except as otherwise provided herein, the Executive shall have no rights of a stockholder with respect to the shares of Stock represented by Units, including no right to vote the shares, to receive dividends and other distributions thereon and to participate in any change in capitalization of CEI.
- (ii) In the event of any change in capitalization resulting in the issuance of additional shares to CEI's stockholders, the shares of Stock represented by his Units shall be equitably adjusted as determined in good faith by the CEI's Executive Pension and Personnel Committee.
- (iii) Prior to the delivery of the cash value of the shares of Stock upon vesting of Units, at the time of each distribution of any regular cash dividend paid by CEI in respect of Stock, the Executive shall be entitled to receive a cash payment from the Company equal to the aggregate regular cash dividend payment that would have been made in respect of the shares of Stock represented by Units which have not yet vested, as if the shares represented by such Units had been actually delivered to the Executive, provided, that no such payment in respect of shares of Stock represented by Units shall be made if, prior to the time such payment is due, the

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Executive's rights with respect to such Units have previously terminated under this Agreement.

(iv) In the event of a dividend payable in shares of Stock instead of cash, the Executive shall be entitled to receive on the distribution date additional Units in such number that would have been received in respect of the shares of Stock represented by Units that have not yet vested, as if the shares represented by such Units had actually been delivered to the Executive.

(v) The Executive hereby elects to defer the receipt of any dividend equivalent cash payments that may become payable to the Executive prior to December 31, 2003 and have the cash payment invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

(vi) Prior to the commencement of a calendar year, beginning with calendar year 2004, the Executive shall have the right to elect to defer receipt of any dividend equivalent cash payments that may become payable to the Executive in the calendar year and to have such cash payments invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan.

(g) CEI's Executive Pension and Personnel Committee may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of any taxes that the Company is required by law or regulation of any governmental authority, whether federal, state or local, domestic or foreign, to withhold in connection with the Restricted Stock Unit Award, including, but not limited to (1) withholding the amount due from the distribution of the cash value of the Units, or (2) withholding the amount due from the Executive's other compensation.

(h) Prior to the commencement of the calendar year in which the Units vest, the Executive may elect: (1) to defer the vesting of all or a portion of the Units, (2) to have, upon vesting, the cash value of all or a portion of the Units deferred and invested under the Company's Deferred Income Plan according to the terms and conditions of the Deferred Income Plan, or (3) any combination of the above listed options. If no such election is made, upon vesting the Executive will automatically receive a distribution of the cash value of the shares of Stock represented by the Units as set forth above in Section 1. (d).

(i) It is agreed that the Restricted Stock Unit Award (including the grant of Units and any dividend equivalents or other distributions in respect of the Units) shall not be included in the Executive's pension calculation.

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2. CHANGE IN CONTROL.

Upon the occurrence of a Change in Control during the Employment Period, the Restricted Stock Unit Award shall continue in effect and vest (or be forfeited) in accordance with provisions of this Agreement as though no Change in Control had occurred, except that, as appropriate, the shares of Stock represented by the Restricted Stock Unit Award shall be treated the same as all other shares of Stock of CEI in any transaction constituting a Change in

Control. The Executive's rights upon a termination of employment by the Company without Cause, by reason of death or Disability or by the Executive for Good Reason, which termination occurs following a Change in Control, shall be as specified above in Section 1.(c).

3. DEFINITIONS. For purposes of this Agreement the following definitions apply:

(a) "Cause" shall mean:

(i) willful and continued failure by the Executive to substantially perform his duties or

(ii) the conviction of the Executive of a felony or the entering by the Executive of a plea of nolo contendere to a felony, in either case having a significant adverse effect on the business and affairs of the Company. No act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act that is based upon authority given pursuant to a resolution duly adopted by the Board, or the advice of counsel for the Company, shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The Company expressly acknowledges that Cause will not exist merely because of a failure of the Company or its affiliates to meet budgeted results.

(iii) A termination of the Executive's employment for Cause shall be effected in accordance with the following procedures. The Company shall give the Executive written notice ("Notice of Termination for Cause") of its intention to terminate the Executive's employment for Cause, setting forth in reasonable detail the specific conduct of the Executive that it considers to constitute Cause and the specific provision(s) of this Agreement on which it relies. Such notice shall be given no later than 60 days after the act or failure (or the last in a series of acts or failures) that the Company alleges to constitute Cause. The Executive shall have 30 days after receiving the Notice of Termination for Cause in which to cure such act or failure, to the extent such cure is possible. If the Executive fails to cure such act or failure to the reasonable satisfaction of the Board, the Company shall give the Executive a second written notice stating the date, time and place of a

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special meeting of the Board called and held specifically for the purpose of considering the Executive's termination for Cause, which special meeting shall take place not less than ten and not more than twenty business days after the Executive receives notice thereof. The Executive shall be given an opportunity, together with counsel, to be heard at the special meeting of the Board. The Executive's termination for Cause shall be effective when and if a resolution is duly adopted at such special meeting by the affirmative vote of a majority of the Board stating that in the good faith opinion of the Board, the Executive is guilty of the conduct described in the Notice of Termination for Cause and that such conduct constitutes Cause under this Agreement.

(b) "Change in Control" shall mean the occurrence of any of the following events after the date of this Agreement:

(i) any "person" (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") is or becomes the beneficial owner within the meaning of Rule 13d-3 under the Exchange Act (a "Beneficial Owner"), directly or indirectly, of securities of CEI (not including in the securities beneficially owned by such person any securities acquired directly from CEI or its affiliates) representing 20% or more of the combined voting power of CEI's then outstanding securities, excluding any person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of CEI then serving: individuals who, on the date of this Agreement, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of CEI) whose appointment or election by the Board or nomination for election by CEI's stockholders was approved or recommended by a

vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) the shareholders of CEI approve or there is consummated a merger or consolidation of CEI or any direct or indirect wholly-owned subsidiary of CEI with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of CEI outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of CEI or any subsidiary of CEI, at least 65% of the combined voting power of the securities of CEI or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a

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recapitalization of CEI (or similar transaction) in which no person is or becomes the Beneficial Owner, directly or indirectly, of securities of CEI representing 20% or more of the combined voting power of CEI's then outstanding securities; or

(iv) the shareholders of CEI approve a plan of complete liquidation or dissolution of CEI or there is consummated an agreement for the sale or disposition by CEI of all or substantially all of CEI's assets, other than a sale or disposition by CEI of all or substantially all of CEI's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of CEI in substantially the same proportions as their ownership of CEI immediately prior to such sale.

(v) Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of CEI immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of CEI immediately following such transaction or series of transactions.

(c) "Date of Termination" means the date of the Executive's death, the Disability Effective Date, the date on which the termination of the Executive's employment by the Company for Cause or without Cause or by the Executive for Good Reason is effective, or the effective date specified in a notice of a termination of employment without Good Reason from the Executive to the Company, or the effective date of the Executive's retirement, as the case may be.

(d) "Disability" means that: (i) the Executive has been unable, for the period, if any, specified in the Company's disability plan for senior executives, but not less than a period of 180 consecutive days, to perform the Executive's duties, and (ii) a physician selected by the Company or its insurers, and acceptable to the Executive or the Executive's legal representative, has determined that the Executive is disabled within the meaning of the applicable disability plan for senior executives. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth above), it may give to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties.

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(e) "Good Reason" following a Change in Control shall mean:

(i) any adverse change in the Executive's titles, authority, duties, responsibilities and reporting lines as in effect immediately prior to a Change in Control, or the assignment to the Executive of any duties or responsibilities inconsistent in any respect with those customarily associated with the position(s) held by the Executive immediately prior to a Change in Control;

(ii) the appointment of any person other than the Executive to the position held by the Executive immediately prior to a Change in Control or any other position or title conferring similar status or authority;

(iii) any reduction in the Executive's salary, target annual bonus, target long-term incentive or Retirement benefit as in effect immediately prior to a Change in Control;

(iv) any requirement by the Company that the Executive's services be rendered primarily at an office or location that is more than 50 miles from the Executive's employment office or location immediately prior to a Change in Control;

(v) any purported termination of the Executive's employment by the Company for a reason or in a manner not expressly permitted by this Agreement;

(vi) any failure by CEI to comply with Section 5(c) of this Agreement;

(vii) any other material breach of this Agreement by the Company that either is not taken in good faith or, even if taken in good faith, is not remedied by the Company promptly after receipt of notice thereof from the Executive;

(viii) Following a Change in Control, the Executive's determination that an act or failure to act constitutes Good Reason shall be conclusively presumed to be valid unless such determination is decided to be unreasonable by an arbitrator pursuant to Section 4; or

(ix) A termination of employment by the Executive for Good Reason shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination, setting forth in reasonable detail the specific acts or omissions of the Company that constitute Good Reason and the specific provision(s) of this Agreement on which the Executive relies. Unless the Board determines otherwise, a Notice of Termination for Good Reason by the Executive

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act or omission (or the last in a series of acts or omissions) that the Executive alleges to constitute Good Reason, and the Company shall have 30 days from the receipt of such Notice of Termination for Good Reason to cure the conduct cited therein. A termination of employment by the Executive for Good Reason shall be effective on the final day of such 30-day cure period unless prior to such time the Company has cured the specific conduct asserted by the Executive to constitute Good Reason to the reasonable satisfaction of the Executive (unless the notice sets forth a later date (which date shall in no event be later than 30 days after the notice is given) as of which such termination shall be effective).

(x) A termination of the Executive's employment by the Executive without Good Reason shall be effected by giving the Company written notice specifying the effective date of termination.

4. DISPUTES.

Any dispute about the validity, interpretation, effect or alleged violation of this Agreement shall be resolved by confidential binding arbitration to be held in New York, New York, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereover. All costs and expenses incurred by the Company or the Executive or the Executive's beneficiaries in connection with any such controversy or dispute, including without limitation reasonable attorney's fees, shall be borne by the Company as incurred, except that the Executive shall be responsible for any such costs and expenses incurred in connection with any claim determined by the arbitrator(s) to have been without reasonable basis or to have been brought in bad faith. The Executive shall be entitled to interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code, on any delayed payment which the arbitrator(s) determine he was entitled to under this Agreement.

5. SUCCESSORS.

(a) NO ASSIGNMENT BY EXECUTIVE. This Agreement is personal to the Executive and without the prior written consent of CEI shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be binding upon and enforceable by the Executive's legal representatives.

(b) SUCCESSORS TO CEI. This Agreement shall inure to the benefit of and be binding upon and enforceable by CEI and its successors and assigns.

(c) PERFORMANCE BY A SUCCESSOR TO CEI. CEI will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CEI to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CEI would be required to perform it if no such succession had taken place. As used in this Agreement, "CEI" shall mean

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CEI as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

6. MISCELLANEOUS.

(a) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements executed and performed entirely therein. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) NOTICES. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: One Blue Hill Plaza
 Pearl River, NY 10965

If to the Company: 4 Irving Place
 New York, NY 10003,
 Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) INVALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(d) TAX WITHHOLDING. Notwithstanding any other provision of this Agreement, the Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) FAILURE TO ASSERT RIGHTS. The Executive's or the Company's failure to insist upon strict compliance with any provisions of, or to assert any right under, this Agreement shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(f) NO ALIENATION. The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the

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Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

(g) ENTIRE AGREEMENT. This Agreement represents the complete agreement between the Executive and the Company relating to the granting of restricted stock units and may not be altered or changed except by written agreement executed by the parties hereto or their respective successors or legal representatives. This Agreement supersedes all prior agreements and other understandings between the parties with respect to the subject matter herein except for the portions thereof, which have been incorporated by reference in this Agreement.

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, the Company have caused this Agreement to be executed as of the day and year first above written.

CONSOLIDATED EDISON, INC.

By:

Eugene R. McGrath
Chairman of the Board and Chief Executive Officer

Stephen B. Bram

Consolidated Edison, Inc.

Deferred Stock Compensation Plan For Non-Officer Directors

At its meeting on June 20, 2002, the Board of Directors of Consolidated Edison, Inc. ("CEI") adopted the Consolidated Edison, Inc. Deferred Stock Compensation Plan for Non-Officer Directors (the "Plan") and terminated the Consolidated Edison Company of New York, Inc. Retirement Plan for Trustees (the "Retirement Plan") and the Consolidated Edison, Inc. Restricted Stock Plan for Non-Employee Directors. Retired Directors receiving benefits under the Retirement Plan will continue to do so. The following is an outline of the Plan, which is expected to be formalized in a Plan document that when completed will be filed as an exhibit to a future periodic report.

- o Directors of CEI who are not officers or employees of CEI are eligible to participate in the plan.
- o As of July 1, 2002, the net present value of each current eligible Director's accrued benefit under the Retirement Plan was converted into a number of Company stock units, which was calculated by dividing the net present value of the Retirement Plan benefit by the closing price of a share of CEI's common stock on June 28, 2002, the last business day before July 1. In addition, each eligible Director was allocated an additional 400 stock units as of July 1, 2002.
- o Commencing in 2003, each eligible Director will be allocated an annual award of 1,300 stock units on the first business day after the Company's annual meeting. If an eligible Director is first appointed to the Board after an annual meeting, his or her first annual award will be prorated.
- o The initial allocations and the annual awards of stock units will be deferred until the Director's termination of service from the Board of Directors.
- o Directors will have the right to defer all or a portion of their retainers and meeting fees into additional stock units. Stock units attributable to voluntary deferrals of retainers and meeting fees will be deferred until the Director's termination of service or, at the option of the Director, for five years or more after the year in which the units were deferred, if earlier.
- o Dividend equivalents will be payable on deferred stock units in the amount and at the time that dividends are paid on CEI's common stock. At the option of a Director they will either be paid in cash or invested in additional stock units.
- o All payments on account of stock units will be made in shares of CEI common stock except that fractional stock units will be paid in cash. The Directors will have the option to have the stock units resulting from the mandatory deferrals paid over a maximum of ten years.

THE CONSOLIDATED EDISON

THRIFT SAVINGS PLAN*

EFFECTIVE AS OF JANUARY 1, 2001
 AMENDED AS OF MAY 8, 2002
 FOR INCLUSION OF THE
 EMPLOYEE STOCK OWNERSHIP PLAN

*INCLUDES
 THE CONSOLIDATED EDISON OF NEW YORK, INC.
 TAX REDUCTION ACT STOCK OWNERSHIP PLAN

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THE CONSOLIDATED EDISON THRIFT SAVINGS PLAN

INTRODUCTION

The purpose of the Consolidated Edison Thrift Savings Plan (the "Plan") is to establish a convenient way for each eligible employee of the parent company, Consolidated Edison, Inc. (the "Company" and/or "CEI") and of certain of the controlled group affiliates of CEI, to supplement his or her retirement income by saving on a regular and long-term basis, while concurrently offering each employee an additional incentive to continue his or her career with the Company. The Plan is intended to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), Sections 401(k) and 401(m) and to qualify under Section 401(a). The trust established under and as a part of the Plan is intended to qualify under Code Section 501(a). The Plan and its trust provide each Participant with an opportunity to defer a portion of his or her compensation and to invest and reinvest that deferred savings under the Plan on a tax-deferred basis. It is intended that a Participant's Pre-Tax contributions, as defined in the Plan, shall constitute payments by each Employer as contributions to the trust fund on behalf of the Participant, within the meaning of Code Section 401(k).

The Plan was originally established and made effective on January 1, 1987, by the Consolidated Edison Company of New York, Inc. ("CECONY") as the Consolidated Edison Retirement Income Savings Plan for Weekly Employees ("CECONY Weekly Plan"). Thereafter, the CECONY Weekly Plan was amended from time to time. On December 1, 1996, the CECONY Weekly Plan was amended and restated in its entirety, among other

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reasons, to make a transition from Bankers Trust Company as trustee and record keeper to Vanguard Fiduciary Trust Company.

Effective January 1, 1998, CEI was formed and CECONY became a subsidiary corporation of CEI. From time to time thereafter, wholly-owned affiliates of CEI were formed and together with CEI create a controlled group, as defined in Code Section 414(b), in which CEI is the parent corporation. In July 1999, CEI acquired Orange and Rockland Utilities, Inc. ("O&R").

On July 20, 2000, for administrative ease, to facilitate the transfer of employees from one affiliate to another, and to reduce the cost of operational expenses, the Board of Trustees of CECONY and the Board of Directors of O&R approved the merger ("Merger"), effective January 1, 2001, of the following plans into the CECONY Weekly Plan:

- (i) the Consolidated Edison Thrift Savings Plan for Management Employees (the "CECONY Management Plan");
- (ii) the Orange and Rockland Utilities, Inc. Management Employees Savings Plan (the "O&R Management Plan") and
- (iii) the Orange and Rockland Utilities, Inc. Hourly Group Savings Plan (the "O&R Hourly Plan").

The CECONY Weekly Plan, the CECONY Management Plan, the O&R Management Plan and the O&R Hourly Plan are called the Prior Plans.

The CECONY Weekly Plan, renamed the Consolidated Edison Thrift Savings

Plan, was also amended, effective January 1, 2001, to take into account the Merger, among other things, and restated constitutes the single plan and a continuation of each one of the Prior Plans.

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In the Plan, CEI is the Company, CECONY is the Plan Sponsor and an Employer, O&R is an Employer, and certain existing and future affiliates are, or will become, Employers.

The Plan is amended for the Family and Medical Leave Act of 1993, the Uniformed Services Employment and Reemployment Rights Act of 1993, the Retirement Protection Act of 1994, as enacted under the Uruguay Round Agreements Act (General Agreement on Tariffs and Trade), the Small Business Job Protection Act of 1996, and the Taxpayer Relief Act of 1997, and certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amended Plan is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, the provisions effectuating EGTRRA will be effective beginning January 1, 2002. The EGTRRA amendments supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of the EGTRRA amendments.

Additionally, the Plan document serves as the official plan document for the Consolidated Edison Company of New York, Inc. Tax Reduction Act Stock Ownership Plan ("TRASOP"). The TRASOP is a plan separate from the Plan. CECONY has entered into a separate trust agreement with Vanguard Financing Trust Company under the TRASOP. Participation in the TRASOP is frozen.

The Plan is amended to take into account the changes made by the collective bargaining agreement covering employees who are members of Local 1-2 of the Utility Workers Union of America, AFL-CIO, as effective June 24, 2000, Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO, as effective June 24, 2001, and

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the collective bargaining agreement for Local 503 of the International Brotherhood of Electrical Workers, AFL-CIO, as effective June 20, 2000.

Except as otherwise specifically provided herein, the rights and benefits of any Participant who retires or whose employment is terminated are determined in accordance with the provisions of the Plan as in effect and operative at the time of such retirement or termination.

Effective May 8, 2002, the Company amended the Plan to incorporate, as a separate part, an employee stock ownership plan ("ESOP"). All Participants are eligible to participate in the ESOP. Any Participant who elects as an Investment Fund, the Company Stock Fund for his or her Employer Contributions, will be deemed to be an ESOP Participant. Only Employer Contributions will be contributed to the ESOP.

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ARTICLE I

DEFINITIONS

The following words and phrases have the following meanings in the Plan unless a different meaning is plainly required by the context:

1.01 ACCOUNT BALANCE means the amount credited to a Participant consisting of one or more of his or her Subaccounts, as the case may be, including his or her Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, Employer Contributions Subaccount, TRASOP, Transferred Employer and Employee PAYSOP Contributions Subaccount, ESOP Account and other amounts transferred to the Plan which are accounted for under the Plan under such classification.

1.02 ACTUAL DEFERRAL PERCENTAGE means, for each Highly Compensated Employee who is a Participant, the ratio, expressed as a percentage, of (1) the amount of Pre-Tax Contributions (including Excess Pre-Tax Contributions) for the current Plan Year to (2) the Highly Compensated Participant's Statutory Compensation for the entire Plan Year (whether or not the Eligible Employee was a Participant for the entire Plan Year). The Actual Deferral Percentage of each Non-highly Compensated Employee who is a Participant is the ratio, expressed as a percentage, of (1) the amount of Pre-Tax Contributions (excluding Excess Pre-Tax Contributions) for the prior Plan Year to (2) the Non-Highly Compensated Employee's Statutory Compensation for the portion of the prior Plan Year in which the Participant was an Eligible Employee. For purposes of computing the Actual Deferral Percentage, an Eligible Employee who would be a Participant but for the failure to make Pre-Tax Contributions shall be treated as a Participant on whose behalf no Pre-Tax Contributions are made. The Actual Deferral

nearest 100th of 1% of each such Eligible Employee's Statutory Compensation. For purposes of determining the Actual Deferral Percentage for a Plan Year, Pre-Tax Contributions may be taken into account for a Plan Year only if they:

(a) relate to compensation that either would have been received by the Eligible Employee in the Plan Year but for the deferral election, or are attributable to services performed by the Eligible Employee in the Plan Year and would have been received by the Eligible Employee within 2 1/2 months after the close of the Plan Year but for the deferral election;

(b) are allocated to the Eligible Employee as of a date within that Plan Year and the allocation is not contingent on the participation or performance of service after such date; and

(c) are actually paid to the Trustee no later than 12 months after the end of the Plan Year to which the contributions relate.

1.03 AFFILIATE means any company that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that also includes as a member the Company; any trade or business under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). Notwithstanding the foregoing, the definitions in Code Sections 414(b) and (c) shall be modified as provided in Code Section 415(h).

1.04 AFTER-TAX CONTRIBUTION means a contribution made by a Participant of amounts after income taxes have been withheld on the amount and all dividends, income, gains and losses attributable thereto. After-Tax Contributions include Participating

Contributions and Non-participating Contributions. In the case of an O&R Participant, After-Tax Contributions include Transferred Employee PAYSOP Contributions.

1.05 AFTER-TAX CONTRIBUTIONS SUBACCOUNT means the account into which is credited all of a Participant's After-Tax Contributions within which shall be separately accounted, if applicable, a Participant's Participating Contributions and Non-Participating Contributions.

1.06 ANNUAL DOLLAR LIMIT means, effective January 1, 1994, in accordance with Code Section 401(a)(17), \$150,000, except that, if for any calendar year from 1994 to 2001 the Cost-of-Living Adjustment is equal to or greater than \$10,000, then the Annual Dollar Limit for any Plan Year beginning January 1, 1995, shall be increased by the amount of such Cost-of-Living Adjustment, rounded to the next lowest multiple of \$10,000. Effective January 1, 2002, the Annual Dollar Limit is increased to \$200,000 and increased each subsequent Plan Year by the Cost-of-Living Adjustment equal to or greater than \$5,000.

1.07 ANNUITY STARTING DATE means the first day of the first period for which an amount is paid following a Participant's retirement or other termination from employment.

1.08 AVERAGE CONTRIBUTION PERCENTAGE means, with respect to a specified group of Eligible Employees for a Plan Year, the average of the actual Contribution Percentages (calculated separately for each Participant in each specified group). The Contribution Percentage for each group of Eligible Employees will be calculated to the nearest one-hundredth of one percent.

1.09 AVERAGE ACTUAL DEFERRAL PERCENTAGE means, with respect to a specified group of Eligible Employees, the average of the Actual Deferral Percentages (calculated separately

for each Participant in each specified group). The Actual Deferral Percentage for each group of Eligible Employees will be calculated to the nearest one one-hundredth of one percent.

1.10 BENEFICIARY means the person or persons, trust or other recipient determined in accordance with the provisions of Section 11.03 to succeed to a Participant's Account Balance under the Plan in the event of the death of such Participant prior to the entire distribution of such Account Balance.

1.11 BOARD means the Board of Trustees of CECONY.

1.12 BREAK IN SERVICE means a Plan Year in which an Employee completes 500 or fewer Hours of Service. Solely for purposes of determining whether a Break-in-Service has occurred, an Employee who is absent from work on account of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee, for purposes of caring for that child or for a Family and Medical Leave Act ("FMLA"), shall be deemed to have earned at least 501 Hours of Service in the Plan Year in which he or she is absent from work or the immediately following Plan Year, whichever Plan Year is necessary to first avoiding a Break in Service.

1.13 CECONY means the Consolidated Edison Company of New York, Inc., and any successor by merger, purchase or otherwise.

1.14 CECONY MANAGEMENT EMPLOYEE means an Employee employed by and on the management payroll of CECONY.

1.15 CECONY MANAGEMENT PARTICIPANT means a CECONY Management Employee who is a Participant.

1.16 CECONY MANAGEMENT PLAN means the Con Edison Thrift Savings Plan for Management Employees, as in effect and prior to January 1, 2001.

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1.17 CECONY PARTICIPANT means a CECONY Management Participant and/or a CECONY Weekly Participant.

1.18 CECONY WEEKLY EMPLOYEE means an Employee employed by and on the payroll of CECONY who is (a) a member of the collective bargaining unit represented by Local 1-2 of the Utility Workers' Union of America, AFL-CIO or (b) a member of the collective bargaining unit represented by Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO.

1.19 CECONY WEEKLY PARTICIPANT means a CECONY Weekly Employee who is a Participant.

1.20 CECONY WEEKLY PLAN means the Con Edison Retirement Income Savings Plan for Weekly Employees, as in effect on December 31, 2000.

1.21 CEI means Consolidated Edison, Inc.

1.22 CEI AFFILIATE OR CEI AFFILIATES means one, more than one or all, as the context indicates, of Consolidated Edison Communications, Inc. (CEC); Consolidated Edison Solutions, Inc. (CES); Consolidated Edison Energy, Inc. (CEE); Consolidated Edison Development, Inc. (CED); Consolidated Edison Energy Massachusetts, Inc. (CEEM); CED Operating Company, L.P. ("CEDOC") and any future Affiliate who becomes an Employer.

1.23 CEI EMPLOYEE means an Employee of a CEI Affiliate.

1.24 CEI PARTICIPANT means a CEI Employee who is a Participant in the Plan.

1.25 CODE means the Internal Revenue Code of 1986, as amended from time to time.

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1.26 COMPANY means Consolidated Edison, Inc. or any successor by merger, purchase or otherwise, that assumes the obligations of this Plan with respect to its Eligible Employees.

1.27 COMPANY STOCK FUND shall have the meaning set forth in Plan Section 5.03.

1.28 COMPENSATION means

(a) for a CECONY Weekly Employee, straight time wages, paid for a Payroll Period and determined prior to any reduction for --

- (i) Pre-Tax Contributions,
- (ii) Section 125 Contributions, and
- (iii) Section 132 Contributions.

Compensation is determined by excluding bonuses, overtime pay, premium pay, incentive compensation, severance pay, deferred compensation and all other forms of special pay;

(b) for a CECONY Management Employee, a CEI Participant or an O&R Management Employee, base salary in a payroll period, determined prior to any reduction for:

- (i) Pre-Tax Contributions,
- (ii) Section 125 Contributions, or
- (iii) Section 132 Contributions.

Compensation is determined by excluding bonuses, overtime pay, incentive compensation, commissions, severance pay, deferred compensation and all other forms of special pay; and

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(c) for an O&R Hourly Employee who is not a part-time Employee, forty times the base hourly wage to an Eligible Employee in a week determined prior to any reduction for Pre-Tax Contributions and Section 125 Contributions. Compensation shall not include bonus, overtime, severance pay or other special pay, or any other employer contributions to another deferred compensation plan or employee welfare benefit plan. In the case of an O&R Participant who is a part-time Eligible Employee, twenty shall be substituted for forty in the preceding sentence.

(d) Compensation for a Plan Year in excess of the Annual Dollar Limit for such Plan Year shall be disregarded.

1.29 CONTRIBUTION PERCENTAGE for a Highly Compensated Employee is the ratio, expressed as a percentage, of After-Tax Contributions and Employer Contributions on behalf of the Highly Compensated Employee for the current Plan Year to the Highly Compensated Employee's Statutory Compensation for such Plan Year (whether or not the Employee was a Participant for the entire Plan Year). Contribution Percentage for a Non-Highly Compensated Employee is the ratio, expressed as a percentage, of After-Tax Contributions and Employer Contributions on behalf of the Non-Highly Compensated Employee for the prior Plan Year to the Non-Highly Compensated Employee's Statutory Compensation for the portion of such Plan Year in which the Participant was an Eligible Employee. However, Employer Contributions shall not be taken into account to the extent they are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Pre-Tax Contributions, Excess Contributions, or Excess Aggregate Contributions. The Contribution Percentage of each Eligible Employee shall be rounded to the nearest one-hundredth of one percent of such Employee's Statutory Compensation.

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1.30 COST-OF-LIVING ADJUSTMENT means the cost of living adjustment prescribed by the Secretary of the Treasury under Code Section 415(d) and applied to such items and in such manner as the Secretary shall provide.

1.31 DISABILITY means total and permanent physical or mental disability, as evidenced by (a) receipt of a Social Security disability pension or (b) waiver of premium under an Employer's group term life insurance plan.

1.32 EARNINGS means the amount of income, if any, to be returned to an affected Participant with any Excess Pre-Tax Contributions, Excess Contributions or Excess Aggregate Contributions. Earnings on Excess Pre-Tax Contributions and Excess Contributions shall be determined by multiplying the income earned on the Subaccount of the Participant for the Plan Year by a fraction, the numerator of which is the Excess Pre-Tax Contributions or Excess Contributions, as the case may be, for the Plan Year and the denominator of which is the Subaccount balance at the end of the Plan Year, disregarding any income or loss occurring during the Plan Year. Earnings on Excess Aggregate Contributions shall be determined in a similar manner by substituting the sum of the Employer Contributions Subaccount and After-Tax Contributions Subaccount for the Pre-Tax Subaccount, and the Excess Aggregate Contributions for the Excess Pre-Tax Contributions and Excess Contributions in the preceding sentence.

1.33 ELIGIBLE EMPLOYEE means a CECONY Weekly Employee, CECONY Management Employee, an O&R Hourly Employee, an O&R Management Employee, and a CEI Employee.

1.34 EMPLOYEE means an individual who is employed by and a common law employee of the Company or an Affiliate and receives Compensation other than a pension,

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severance pay, retainer or fee under contract. The term Employee excludes any Leased Employee.

1.35 EMPLOYER means one, more than one, or all, as the context requires of CECONY, O&R, and each CEI Affiliate. Employer also means each newly created, future established or acquired Affiliate to the extent that such Affiliate elects to participate and CECONY approves its participation in the Plan.

1.36 EMPLOYER CONTRIBUTION means a contribution to the Trust Fund made by an Employer on behalf of a Participant.

1.37 EMPLOYER CONTRIBUTIONS SUBACCOUNT means the Subaccount into which is credited a Participant's Employer Contributions.

1.38 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.39 ESOP means, effective on the ESOP Effective Date, the Consolidated Edison Employee Stock Ownership Plan ("ESOP"), which is incorporated into and becomes a separate plan within this Plan.

1.40 ESOP EFFECTIVE DATE means May 8, 2002.

1.41 ESOP TRUST FUND means that part of the Trust Fund held exclusively for the ESOP Accounts of the ESOP Participants.

1.42 EXCESS AGGREGATE CONTRIBUTIONS means with respect to any Plan Year, the excess of:

(a) The actual Contribution Percentage(s) taken into account in computing the numerator of the Average Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

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(b) The maximum actual Contribution Percentages permitted by the Average Contribution Percentage test determined by reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentage beginning with the highest of such percentage.

Such determination shall be made after first determining Excess Pre-Tax Contributions and then Excess Contributions. In no case shall the amount of Excess Aggregate Contributions with respect to any Highly Compensated Employee exceed the amount of After-Tax Contributions and Employer Contributions made on behalf of such Highly Compensated Employee for the Plan Year.

1.43 EXCESS CONTRIBUTIONS means, with respect to any Plan Year, the excess of:

(a) the aggregate amount of Employer Contributions actually taken into account in computing the Average Actual Deferral Percentage of Highly Compensated Employees for such Plan Year, over

(b) the maximum amount of Employer's contributions permitted by the Average Actual Deferral Percentage test (determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual average Deferral Percentages, beginning with the highest of such percentages).

In no case shall the amount of Excess Contributions for a Plan Year with respect to any Highly Compensated Employee exceed the amount of Pre-Tax Contributions made on behalf of such Highly Compensated Employee for the Plan Year.

1.44 EXCESS DEFERRAL PERCENTAGE means the excess of:

(a) the Average Deferral Percentage for the group of eligible Highly Compensated Employees, over

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(b) the Average Deferral Percentage limit permissible to such group of Highly Compensated Employees.

1.45 EXCESS PRE-TAX CONTRIBUTIONS means those Pre-Tax Contributions that are includible in a Participant's gross income under Code Section 402(g) to the extent the Participant's Pre-Tax Contributions exceed the dollar limitation under Code Section 402(g).

1.46 HIGHLY COMPENSATED EMPLOYEE means any Employee of the Company or an Affiliate (whether or not an Eligible Employee) who during the look-back year received Statutory Compensation in excess of \$80,000, adjusted by the Cost-of-Living Adjustment and, at the election of the Company or CECONY, was in the "Top Paid Group." The term "Top Paid Group" includes all Employees who are among the 20% highest paid. A Highly Compensated Management Employee means a Highly Compensated Employee who is a CECONY Management Employee, an O&R Management Employee, or a CEI Employee who is not covered by a collective bargaining agreement. A Highly Compensated Union Employee is a Highly Compensated Employee who is a Local 1-2 Employee, Local 3 Employee, and an O&R Hourly Employee who is covered by a collective bargaining agreement.

1.47 HOUR OF SERVICE means, with respect to any applicable computation

period,

- (a) each hour for which:
 - (i) the Employee is paid or entitled to payment for the performance of duties for the Company or an Affiliate;
 - (ii) the Employee is paid or entitled to payment by the Company or an Affiliate on account of a period during which no duties are performed, whether or not the employment relationship has terminated, due to

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vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence; and

- (iii) back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company or an Affiliate, excluding any hour credited under (a)(i) or (ii), which shall be credited to the computation period or periods to which the award, agreement or payment pertains rather than to the computation period in which the award, agreement or payment is made.

(b) No hours shall be credited on account of any period during which the Employee performs no duties and receives payment solely for the purpose of complying with unemployment compensation, workers' compensation or disability insurance laws. Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically-related expenses incurred by the employee. The Hours of Service credited shall be determined as required by Title 29 of the Code of Federal Regulations, Sections 2530.200b-2(b) and (c).

(c) With regard to an Employee for whom a record of his or her Hours of Service is not maintained,

- (i) One day of employment equals 10 Hours of Service;
- (ii) One week of employment equals 45 Hours of Service; and
- (iii) One month of employment equals 190 Hours of Service.

1.48 INVESTMENT FUND means an investment fund available under the Plan for investment of assets held in the Trust Fund or the ESOP Trust Fund.

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1.49 INVESTMENT MANAGER means an investment manager as defined in ERISA Section 3(38), which is appointed by the Named Fiduciaries.

1.50 LEASED EMPLOYEE means any person performing services for the Company or an Affiliate as a leased employee as defined in Code Section 414(n). In the case of any person who is a Leased Employee before or after a period of service as an Employee, the entire period during which he or she has performed services as a Leased Employee shall be counted as service as an Employee for all purposes of the Plan, except that he or she shall not, by reason of that status, become a Participant of the Plan.

1.51 LOAN RESERVE shall have the meaning set forth in Section 9.08.

1.52 LOCAL 1-2 EMPLOYEE means an Employee represented by Local 1-2, Utility Workers' Union of America, AFL-CIO.

1.53 LOCAL 3 EMPLOYEE means an Employee represented by Local 3, International Brotherhood of Electrical Workers, AFL-CIO.

1.54 NAMED FIDUCIARIES means the persons designated as named fiduciaries of the Plan pursuant to Section 10.01.

1.55 NON-HIGHLY COMPENSATED MANAGEMENT EMPLOYEE means any CECONY Management Employee, O&R Management Employee or CEI Employee who is not covered by a collective bargaining agreement and not a Highly Compensated Employee.

1.56 NON-PARTICIPATING CONTRIBUTION means the portion of a CECONY Participant's or CEI Participant's Pre-Tax Contributions or After-Tax Contributions that is not matched by Employer Contributions.

1.57 O&R means Orange and Rockland Utilities, Inc.

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1.58 O&R EMPLOYEE means an Employee employed by and on the active payroll of O&R. A person designated by O&R as a co-op employee or employed in a co-op capacity, as such term is defined by O&R, and any employee employed on a temporary or seasonal basis shall not be considered an O&R Employee or an Eligible Employee.

1.59 O&R HOURLY EMPLOYEE means an Employee employed by and on the active payroll of O&R who is a member of the collective bargaining unit represented by Local 503 of the International Brotherhood of Electrical Workers, AFL-CIO.

1.60 O&R HOURLY PLAN means the Orange and Rockland Utilities, Inc. Hourly Group Savings Plan, as in effect on December 31, 2000.

1.61 O&R MANAGEMENT EMPLOYEE means an Employee employed by and on the active management payroll of O&R and is not an O&R Hourly Employee.

1.62 O&R MANAGEMENT PLAN means the Orange and Rockland Utilities, Inc. Management Employees' Savings Plan, as in effect on December 31, 2000.

1.63 O&R PARTICIPANT means an O&R Hourly Employee and an O&R Management Employee who is participating in the Plan.

1.64 PARTICIPANT means any person who has an Account Balance in the Plan.

1.65 PARTICIPATING CONTRIBUTION means the portion of the Participant's Pre-tax Contributions or After-Tax Contributions for which there is a matching Employer Contribution.

1.66 PAYROLL PERIOD means

(a) for a CECONY Weekly Employee, a one week period commencing on a Sunday and ending on the next following Saturday;

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(b) for a CECONY Management Employee, a one month period commencing on the first and ending on the last day of the month;

(c) for an O&R Participant, the dates that O&R provides payroll information to the Trustees in order to determine the amounts that should be withheld from an O&R Participant's pay as Pre-Tax Contributions and/or After-Tax Contributions and the amounts that should be rendered by O&R to the Trustee on behalf of an O&R Participant as an Employer Contribution; and

(d) for a CEI Participant, the prevailing payroll period for that CEI Affiliate.

1.67 PLAN means the Consolidated Edison Thrift Savings Plan, as amended from time to time, as set forth herein.

1.68 PLAN ADMINISTRATOR means the Plan Administrator appointed pursuant to Section 10.01 to administer the Plan and the ESOP.

1.69 PLAN YEAR means the calendar year.

1.70 PRE-TAX CONTRIBUTION means an Employer's contributions made to the Plan at the election of the Participant, in lieu of cash compensation and before income taxes have been withheld on the amount, and includes contributions made pursuant to a salary reduction agreement. In the case of an O&R Participant, Pre-Tax Contributions include those Transferred Employer PAYSOP-Contributions that were transferred to the O&R Plan. Pre-Tax Contributions includes amounts deemed as Pre-Tax Contributions pursuant to an election under a cafeteria plan maintained by CECONY.

1.71 PRE-TAX CONTRIBUTIONS SUBACCOUNT means the Subaccount into which is credited all of a Participant's Pre-Tax Contributions and within which are separately accounted for as Participating Contributions and Non-Participating Contributions.

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1.72 PRIOR PLAN OR PRIOR PLANS means one, more than one, or all, as the context requires, of the CECONY Management Plan, the CECONY Weekly Plan, the O&R Hourly Plan and the O&R Management Plan.

1.73 RECORD KEEPER means the individual(s) or firm selected by the Plan Administrator to provide record keeping and Participant accounting services for the Plan, including maintenance of separate accounts for Participants in accordance with the provisions of Section 5.04.

1.74 RETIREMENT means termination of employment by a Participant under circumstances in which he or she is entitled to receive an early retirement pension allowance, normal retirement pension allowance or late retirement

pension allowance under any Employer defined benefit plan. Retirement means termination from employment on or after his or her sixty-fifth birthday.

1.75 ROLLOVER CONTRIBUTIONS means amounts contributed pursuant to Plan Section 3.08.

1.76 ROLLOVER CONTRIBUTIONS SUBACCOUNT means the account credited with a Participant's Rollover Contributions and earnings on those contributions. Effective for Rollover Contributions received on or after January 1, 2002, a Rollover Contributions Subaccount may include a separately accounted for after-tax rollover Subaccount attributable to after-tax rollover contributions directly transferred to this Plan.

1.77 SECTION 125 CONTRIBUTIONS means Employee contributions made pursuant to a salary reduction agreement under a cafeteria plan as that term is defined in Code Section 125.

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1.78 SECTION 132 CONTRIBUTIONS means Employee contributions made for qualified transportation expenses under a transportation reimbursement account.

1.79 SHARES means issued and outstanding shares of common stock of the Company and shall include fractional shares of such common stock.

1.80 STATUTORY COMPENSATION means the wages, salaries, and other amounts paid in respect of an Employee for services actually rendered to the Company or an Affiliate, including by way of example, shift premiums, bonuses, overtime payments and similar payments, but excluding non-taxable contributions to deferred compensation plans, taxable non-qualified stock options and other distributions which receive special tax benefits under the Code. Statutory Compensation includes Pre-Tax Contributions, Section 125 Contributions and Section 132 Contributions. Statutory Compensation may not exceed the Annual Dollar Limit. To the extent that the above definition does not satisfy the non-discrimination requirements, Statutory Compensation may be redefined, by the Plan Administrator, to meet an alternative definition of compensation, including within Code Section 415(c)(3).

1.81 TOP HEAVY GROUP means any required aggregation group (as defined in Section 12.03) or any permissive aggregation group (as defined in Section 12.03) in which more than 60% of the sum of (a) the aggregate account balances under all plans in the group and (b) the aggregate present value of accrued benefits under all plans in the group is allocated to key employees. For the purpose of this definition, present value shall be determined on basis of the applicable interest rate and applicable mortality table as set forth in the Company's defined benefit plan.

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1.82 TOP-HEAVY PLAN means any defined contribution plan or defined benefit plan of an Employer or the Company under which more than 60% of the sum of (a) its aggregate account balances and (b) the present value of its aggregate accrued benefits is allocated to key employees. For the purposes of this definition present value shall be determined on the basis of the applicable interest rate and applicable mortality table as set forth in the Company's defined benefit plan.

1.83 TRANSFERRED EMPLOYER AND EMPLOYEE PAYSOP CONTRIBUTIONS means those amounts transferred to the O&R Management Plan or the O&R Hourly Plan on behalf of an O&R Employee from the terminated Orange and Rockland Utilities, Inc. Payroll-Based Employee Stock Ownership Plan.

1.84 TRASOP means the Tax Reduction Act Stock Ownership Plan of Consolidated Edison Company of New York, Inc., as included within this plan document, effective as of July 1, 1988.

1.85 TRASOP ACCOUNT means an account maintained under the TRASOP by the Trustee of the TRASOP Trust Fund for an Employee.

1.86 TRASOP TRUST FUND means the Trust Fund established solely for the TRASOP Accounts.

1.87 TRUST FUND means the trust fund described in Article 5.

1.88 TRUSTEE means the trustee appointed and acting as trustee of the Trust Fund, the TRASOP Trust Fund and the ESOP Trust Fund.

1.89 VESTED PORTION means the portion of an Account Balance in which the Participant has a nonforfeitable interest as provided in Article 6.

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1.90 YEAR OF SERVICE means each Plan Year in which an Employee is

credited with at least 1000 Hours of Service. An Employee is credited with a Year of Service in the month in which he or she completes 1000 Hours of Service. An Employee will be credited with a Year of Service in each Plan Year in which the Employee is absent on account of qualified military service, in accordance with Code Section 414(u).

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ARTICLE II

ELIGIBILITY AND PARTICIPATION

2.01 ELIGIBILITY

- (a) Any person who was a Participant in a Prior Plan will continue to be a Participant in this Plan.
- (b) Each Eligible Employee is eligible to participate in the Plan.
- (c) Each Eligible Employee who was a Participant in, and had an account under the TRASOP on December 31, 2000, will continue to participate in the TRASOP and have a TRASOP Account. As of July 1, 1988, the TRASOP was closed to new Eligible Employees.

2.02 PARTICIPATION

- (a) An Eligible Employee becomes a Participant by satisfying the service requirements, if any, as described herein, and by completing the enrollment process described below or such other enrollment process as may be prescribed by the Plan Administrator. An Eligible Employee must elect to make contributions to the Trust Fund in an amount or percentage as permitted by Section 3.01. In general, a Participant's contributions are made by regular payroll deductions authorized from time to time by such Participant in such manner and on such conditions as may be prescribed by the Plan Administrator.
 - (1) CECONY Weekly Employee. A CECONY Weekly Employee may become a Participant after completing 3 months of service. Participation may begin with the next immediately following Payroll Period by making an enrollment election not later than the day specified by the Plan Administrator.

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- (2) CECONY Management Employee or CEI Employee. A CECONY Management Employee or a CEI Employee may become a Participant in a calendar month following his or her date of hire by making an enrollment election on or before the 20th day of the first calendar month of hire or any subsequent calendar month.
- (3) O&R Hourly Employee. An O&R Hourly Employee may become a Participant in any month following the completion of one Year of Service. Thereafter, an O&R Hourly Employee may participate by making an election on or before the 24th day of any month. Participation will become effective on the first day of the first Payroll Period in the month following the month in which the election is made.
- (4) O&R Management Employee. An O&R Management Employee may become a Participant in any month upon the completion of six months of service and making an election on or before the 24th day of that sixth month or any month thereafter. Participation will become effective on the first day of the first Payroll Period in the month immediately following the month in which the election is made. Six months of participation means a six-month period in which an O&R Management Employee is credited with at least five hundred Hours of Service. Such six-month period will commence on the date the O&R Management Employee first completes an Hour of Service.
- (5) Other Eligible Employees. To the extent that a person becomes an Eligible Employee and is not otherwise covered by a designated classification, he or she may become a Participant in the month in which his or her Employer

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adopts the Plan as provided in the Plan Section 11.05 and satisfies whatever eligibility requirements, if any, his or her Employer selects.

2.03 REEMPLOYMENT OF FORMER EMPLOYEES AND FORMER PARTICIPANTS

Any person reemployed as an Eligible Employee, who previously was eligible to become a Participant, will become a Participant upon making an effective

enrollment election as may be prescribed by the Plan Administrator.

2.04 TRANSFERRED PARTICIPANTS

A Participant who remains in the employ of the Company or an Affiliate but ceases to be an Eligible Employee will continue to be a Participant in the Plan but will not be eligible to make After-Tax Contributions or Pre-Tax Contributions or have Employer Contributions made on his or her behalf while his or her employment status is other than as an Eligible Employee.

2.05 TERMINATION OF PARTICIPATION

A Participant's participation terminates on the date he or she is no longer employed by the Company or Affiliate and no longer has an Account Balance.

2.06 PARTICIPATION IN ESOP

In accordance with Article XIV, and effective on the ESOP Effective Date, each Participant who receives an Employer Contribution is eligible to participate in the ESOP.

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ARTICLE III

CONTRIBUTIONS

3.01 CONTRIBUTION ELECTION

(a) CECONY WEEKLY PARTICIPANT. A CECONY Weekly Participant may elect to contribute for each of his or her basic straight-time Hours of Service not in excess of 40 in a Payroll Period, in one cent multiples or in the maximum permissible amount if such maximum is not a multiple of one cent, as follows: (i) for a Local 3 Employee for any Payroll Period beginning on or after: (x) January 1, 2000, and before January 1, 2001, not in excess of \$3.52 per hour; (y) January 1, 2001, and before January 1, 2002, not in excess of \$3.72 per hour; and (z) January 1, 2002, not in excess of \$20.00 per hour; and (ii) for a Local 1-2 Employee for any Payroll Period beginning on or after: (x) January 1, 2000, and before January 1, 2001, not in excess of \$3.52 per hour; (y) January 1, 2001, not in excess of \$6.75 per hour; and (z) January 1, 2002, not in excess of \$20.00 per hour. In any case, effective January 1, 2002, a CECONY Weekly Participant may contribute up to but no more than the lesser of \$20.00 per hour or 50% of basic straight-time pay. Such maximum amount of contributions shall be subject to limitations imposed under the Code. At the time a CECONY Weekly Participant elects a contribution amount, he or she shall, in such manner and on such conditions as may be prescribed by the Plan Administrator, designate which portion is to be Pre-Tax Contributions and which is to be After-Tax Contributions. A CECONY Weekly Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she elects to make Pre-Tax Contributions. Pre-Tax Contributions and After-Tax Contributions are further limited as provided below and in Article 8.

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(b) CECONY MANAGEMENT AND A CEI PARTICIPANT. For Plan Years beginning before January 1, 2002, a CECONY Management Participant and a CEI Participant may elect to reduce his or her Compensation payable while a Participant by at least 1% and not more than 18%, in multiples of 1%, and have that amount contributed to the Plan as Pre-Tax Contributions and/or After-Tax Contributions. A CECONY Management Participant or CEI Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she has elected to make Pre-Tax Contributions. An amount contributed to the Plan pursuant to the election of a CECONY Management Participant under a cafeteria plan under Code Section 125 may be designated as a Pre-Tax Contribution or an After-Tax Contribution. The maximum total percentage of Compensation which the CECONY Management Participant and CEI Participant may elect to contribute in the aggregate as Pre-Tax Contributions and After-Tax Contributions is 18%. Pre-Tax Contributions and After-Tax Contributions are further limited as provided below and in Article 8. For Plan Years beginning on and after January 1, 2002, a CECONY Management Participant and a CEI Participant may elect to contribute up to 50% of his or her Compensation as Pre-Tax Contributions and/or After-Tax Contributions, subject to the maximum annual addition limit set forth in Section 8.03 of the Plan.

(c) O&R HOURLY PARTICIPANT. An O&R Hourly Participant may elect to reduce his or her Compensation by at least 2% and not more than 20%, in multiples of 1%, and have that amount contributed to the Plan as Pre-Tax Contributions. Pre-Tax Contributions are further limited as provided below and in Article 8.

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(d) O&R MANAGEMENT PARTICIPANT. For Plan Years beginning before January 1, 2002, an O&R Management Participant may elect to reduce his or her Compensation payable while a Participant by at least 2% and not more than 15%, in multiples of 1%, and have that amount contributed to the Plan. Effective January 1, 2002, an O&R Management Participant may contribute up to 50% of his or her Compensation. At the time an O&R Management Participant elects a contribution amount, he or she will designate which portion is to be Pre-Tax Contributions and which is to be After-Tax Contributions. An O&R Management Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she elects to make Pre-Tax Contributions. Pre-Tax Contributions and After-Tax Contributions are to be further limited as provided below and in Article 8.

3.02 PRE-TAX CONTRIBUTION DOLLAR LIMITATION AND RE-CHARACTERIZATION

In no event will a Participant's Pre-Tax Contributions made on his or her behalf by the Company or an Affiliate to all plans, contracts or arrangements, subject to the provisions of Code Section 402(g), in any calendar year exceed \$7,000 multiplied by the Cost-of-Living Adjustment. The Pre-Tax Contribution limit will be increased for calendar year 2002 to \$11,000; for calendar year 2003 to \$12,000; for calendar year 2004 to \$13,000; for calendar year 2005 to \$14,000; and for calendar year 2006 to \$15,000. Beginning in calendar year 2006, the \$15,000 limit will be multiplied by the Cost-of-Living Adjustment, increasing in \$500 increments. Once a Participant's Pre-Tax Contributions in a calendar year reach the applicable dollar limitation, his or her election of Pre-Tax Contributions for the remainder of the calendar year will be canceled. If so elected by a Participant, other than for an O&R Hourly Participant, excess Pre-Tax Contributions will be re-characterized as After-Tax Contributions at the same rate as was previously in effect for Pre-Tax Contributions. Each

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Participant affected by this Section 3.02 may elect to change or suspend the rate at which he or she makes After-Tax Contributions. As of the first Payroll Period of the calendar year following such cancellation, the Participant's election of Pre-Tax Contributions will again become effective at the rate in accordance with his or her most recent election.

3.03 RETURN OF EXCESS PRE-TAX CONTRIBUTIONS

In the event that the sum of the Pre-Tax Contributions and similar contributions to any other qualified defined contribution plan maintained by the Company or an Affiliate exceed the dollar limitation in Code Section 402(g) for any calendar year, the Participant will be deemed to have elected a return of Pre-Tax Contributions in excess of such limit ("Excess Pre-Tax Contributions") from this Plan. Unless Excess Pre-Tax Contributions are characterized as After-Tax Contributions, Excess Pre-Tax Contributions, together with Earnings, will be returned to the Participant no later than the April 15th following the end of the calendar year in which the Excess Pre-Tax Contributions were made. The amount of Excess Pre-Tax Contributions to be returned for any calendar year will be reduced by any Pre-Tax Contributions previously returned to the Participant under Section 8.01 for that calendar year. In the event any Pre-Tax Contributions returned under this Section 3.03 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions. In the event any Pre-Tax Contributions returned under this Section 3.03 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions.

3.04 EXCESS DEFERRALS TO OTHER PLANS

If a Participant makes tax-deferred contributions under another qualified defined contribution plan maintained by an employer other than the Company or an Affiliate for any

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calendar year and those contributions when added to his or her Pre-Tax Contributions result in Excess Pre-Tax Contributions, the Participant may allocate all or a portion of the Excess Pre-Tax Contributions to this Plan. In that event, the Excess Pre-Tax Contributions, together with Earnings, will be returned to the Participant no later than the April 15th following the end of the calendar year in which the Excess Pre-Tax Contributions were made. The Plan is not required to return Excess Pre-Tax Contributions unless the Participant notifies the Plan Administrator, in writing, by March 1st of the following calendar year of the amount of the Excess Pre-Tax Contributions allocated to this Plan. The amount of Excess Pre-Tax Contributions to be returned for any calendar year will be reduced by any Pre-Tax Contributions previously returned to the Participant under Section 8.01 for that calendar year. In the event any Pre-Tax Contributions returned under this Section 3.04 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions.

(a) CECONY WEEKLY PARTICIPANT A Participating Contribution means that amount of a Participant's contribution which is matched by an Employer Contribution. In the instance of a CECONY Weekly Participant who is a Local 1-2 Employee, his or her contribution may not exceed: (1) 97 cents per hour for any Payroll Period beginning on or after January 1, 2000, (2) \$1.02 per hour for any Payroll Period beginning on or after January 1, 2001, (3) \$1.07 per hour for any Payroll Period beginning on or after January 1, 2002, (4) \$1.12 per hour for any Payroll Period beginning on or after January 1, 2003, or (5) \$1.17 per hour for any Payroll Period beginning on or after January 1, 2004. Such contribution will be the Local 1-2 Employee's Participating Contribution for such Payroll Period. A Local 3 Employee's contribution may not exceed (1) \$1.02 per hour for any

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Payroll Period beginning on or after January 1, 2001, (2) \$1.07 per hour for any Payroll Period beginning on or after January 1, 2002, (3) \$1.12 per hour for any Payroll Period beginning on or after January 1, 2003, (4) \$1.17 per hour for any Payroll Period beginning on or after January 1, 2004, or (5) \$1.22 per hour for any Payroll Period beginning on or after January 1, 2005. Such contributions shall be the Local 3 Employee's Participating Contribution for such Payroll Period. The amount, if any, by which a CECONY Weekly Participant's contribution for a Payroll Period exceeds his or her Participating Contribution will be his or her Non-Participating Contribution for such Payroll Period.

CECONY will contribute on behalf of a CECONY Weekly Participant who elects to make Pre-Tax Contributions or After-Tax Contributions for a Payroll Period an amount equal to 50% of the aggregate Participating Contributions made by the CECONY Weekly Participant for such Payroll Period matching first Pre-Tax Contributions and then After-Tax Contributions. Employer Contributions are made expressly conditional on the Plan satisfying the provisions of Article VIII. If any portion of the Pre-Tax Contribution or After-Tax Contribution to which the Employer Contribution relates is returned to the CECONY Weekly Participant under Section 3.01, 8.01, 8.02 or 8.03, the corresponding Employer Contribution will be forfeited, and if any amount of the Employer Contribution is deemed an Excess Aggregate Contribution under Section 8.03, such amount will be forfeited in accordance with the provisions of that Section.

(b) CECONY MANAGEMENT PARTICIPANT AND CEI PARTICIPANT CECONY and each CEI Affiliate will contribute on behalf of each CECONY Management Participant or CEI Participant, as the case may be, who elects to make Pre-Tax Contributions or After-Tax

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Contributions an amount equal to 50% of the sum of the Pre-Tax Contributions and After-Tax Contributions made on behalf of or by the CECONY Management Participant or the CEI Participant to the Plan during each month, not to exceed 6% of Compensation for such month, to be matched first on Pre-Tax Contributions, and then on After-Tax Contributions. Employer Contributions for a month will not exceed 3% of the Participant's Compensation for such month. Employer Contributions are made expressly conditional on the Plan satisfying the provisions of Article VIII. If any portion of the Pre-Tax Contribution or After-Tax Contribution to which an Employer Contribution relates is returned to the CECONY Management Participant or CEI Participant under Section 3.01, 8.01, 8.02 or 8.03, the corresponding Employer Contribution will be forfeited, and if any amount of the Employer Contribution is deemed an Excess Aggregate Contribution under Section 8.03, the Excess Aggregate Contribution will be forfeited in accordance with the provisions of Section 8.03. In the event a CECONY Management Participant or CEI Participant elects to make Pre-Tax Contributions and/or After-Tax Contributions in an amount which, when taking into account his or her Employer Contributions, exceeds the maximum annual additions, as defined and determined in Section 8.03 of the Plan, the Employer will contribute an additional Employer contribution on behalf of such Participant ("CECONY/CEI True-Up Contribution"). The CECONY/CEI True-Up Contribution, will be made as soon as administratively possible after the end of the Plan Year, for each such CECONY Management Participant and CEI Participant who is employed at year end. The CECONY/CEI True-Up Contribution will equal the difference between 3% of such Participant's Compensation on an annual basis minus his or her total Employer Contributions made during the year.

(c) O&R HOURLY PARTICIPANT O&R will contribute on behalf of each O&R Hourly Participant who elects to make Pre-Tax Contributions an amount equal to 50% of

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Pre-Tax Contributions up to the first "x" percent of Compensation of the O&R Hourly Participant during each month, where beginning: (1) January 1, 2000, "x" equals 3; (2) January 1, 2003, "x" equals 4; and (3) January 1, 2004, "x" equals 5 of the O&R Hourly Participant's Compensation for such month. In addition, as

soon as administratively possible after the end of the Plan Year, O&R will contribute, as of the end of the Plan Year, for each O&R Hourly Participant who is employed at year end and who in the prior Payroll Periods during that Plan Year had made Pre-Tax Contributions at a rate in excess of, beginning (1) January 1, 2000, 3%; (2) January 1, 2003, 4%; or (3) January 1, 2004, 5%; of the O&R Hourly Participant's Compensation, an Employer Contribution equal to 50% of the O&R Hourly Participant's Pre-Tax Contributions that were not previously matched ("True-Up Contributions"). True-Up Contributions will not exceed such amount as will result in the total O&R Employer Contributions, both those made previously during the year and those as of year end, exceeding 50% of a O&R Hourly Participant's Pre-Tax Contributions that do not exceed, beginning: (1) January 1, 2000, 3%; (2) January 1, 2003, 4%; or (3) January 1, 2004, 5%, of the O&R Hourly Participant's Compensation on an annual basis.

(d) O&R MANAGEMENT PARTICIPANT O&R will contribute on behalf of each O&R Management Participant who elects to make Pre-Tax Contributions an amount equal to 50% of the Pre-Tax Contributions made on behalf of or by the O&R Management Participant to the Plan during each month not to exceed 3% of his or her Compensation for the month. In addition, as soon as administratively possible after the end of the Plan Year, O&R will contribute, as of the end of the Plan Year, for each O&R Management Participant who is employed at year end and who in the prior Payroll Periods during that Plan Year had made Pre-Tax Contributions at a rate in excess of 3% of his or her Compensation, a True-Up

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Contribution equal to 50% of his or her Pre-Tax Contributions. True-Up Contributions will not exceed such amount as will result in the total O&R Employer Contributions, both those made previously during the year and those as of year end, exceeding 50% of a O&R Management Participant's Pre-Tax Contributions that do not exceed 3% of his or her Compensation on an annual basis.

3.06 ROLLOVER CONTRIBUTIONS

(a) Subject to such terms and conditions as the Plan Administrator may determine to be appropriate, applied in a uniform and non-discriminatory manner to all Eligible Employees, and without regard to any limitations on contributions set forth in this Article 3, the Plan may receive from an Eligible Employee for credit to his or her Rollover Contributions Subaccount, in cash, any amount previously distributed (or deemed to have been distributed) to him or her from a qualified plan or, beginning January 1, 2002, a traditional individual retirement account ("IRA"), a government plan subject to Code Section 457 or a Code Section 403(b) tax sheltered annuity. The Plan may receive such amount either from the Eligible Employee or in the form of a direct rollover. Notwithstanding the foregoing, the Plan shall not accept any amount unless such amount is eligible to be rolled over in accordance with applicable law and the Eligible Employee provides evidence satisfactory to the Plan Administrator that such amount qualifies for rollover treatment. Unless received by the Plan in the form of a direct rollover, the rollover contribution must be paid to the Trustee on or before the 60th day after the day it was received by the Eligible Employee or be rolled over from an IRA. Effective January 1, 2002, an eligible rollover distribution from an IRA is the amount of a distribution from an IRA that is includible in gross income, including amounts attributable to an Employee's personal IRA contributions made outside of a qualified plan. At the time received by the Plan, the Eligible Employee

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shall, in such manner and on such conditions as may be prescribed by the Plan Administrator, elect to invest the Rollover Contribution in the investment funds then available under the Plan to a Participant. If the Eligible Employee fails to make an investment election, 100% of the Rollover Contribution shall be invested in the Fixed Income Fund.

(b) The Plan may also accept from a former Employee who is a Participant a rollover or a direct rollover of an amount received from a defined benefit plan sponsored by an Employer or from the TRASOP.

(c) Subject to terms and conditions as the Plan Administrator may determine to be appropriate, applied in a uniform and non-discriminatory manner to all Participants, the Plan may receive on behalf of Participant a trust-to-trust transfer from another qualified plan. Any Participant whose benefits are the subject of a trust-to-trust transfer from another qualified plan to this Plan will be entitled to receive benefits, rights and features from the Plan that are no less than the benefits, rights and features he would be entitled to receive from the other qualified plan immediately preceding the transfer. To the extent feasible, such transfer shall be made on an in-kind basis. To the extent such transfer is made in the form of cash, at the time received by the Plan the Participant shall, in such manner and on such terms as may be prescribed by the Plan Administrator, elect to invest the cash in the Investment Funds then available under the Plan other than the Company Stock fund.

3.07 CHANGES IN CONTRIBUTIONS

A Participant may increase, reduce, suspend or resume his or her contributions within the limits prescribed by Sections 3.01 and/or 3.02, effective as of the next first Payroll Period, by making a new election, on or before the date set by the Plan Administrator, in such manner and on such conditions as may be prescribed by the Plan Administrator. A Participant may make changes in contribution levels once a month.

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3.08 PAYMENT TO TRUST

Amounts contributed by Participants will be paid by each Employer to the Trustee promptly and credited by the Trustee to their Accounts in accordance with the certification of each Employer as to the names of the contributing Participants and the respective amounts contributed by each Participant as Participating Contributions, Non-Participating Contributions, Pre-Tax Contributions, After-Tax Contributions and Rollover Contributions.

3.09 NO CONTRIBUTIONS TO TRASOP

No contributions to the TRASOP by any Employer or by Participants are permitted.

3.10 CATCH-UP CONTRIBUTIONS

(a) Effective January 1, 2002, or at such later time as the Plan Administrator may determine to implement, each "Catch-Up Participant," as defined below, may contribute for each "Catch-Up Year," as defined below, an amount not to exceed the lesser of the "Catch-Up Contribution," as defined below, or the Catch-Up Participant's compensation reduced by any other Pre-Tax Contributions for that Catch-Up Year.

(b) Definitions:

- (i) CATCH-UP PARTICIPANT means a Participant who has attained age 50 by the last day of a Catch-Up Year and for whom no additional Pre-Tax Contributions can be made for that Catch-Up Year because of the application of the calendar year annual dollar limit set forth in Code Section 402(g) or any other limitations in the Plan.
- (ii) CATCH-UP YEAR means Plan Year beginning January 2, 2002 ("CUY 2002"), January 1, 2003 ("CUY 2003"), January 1, 2004 ("CUY 2004"), January 1, 2005 ("CUY 2005"), or January 1, 2006 ("CUY 2006").

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- (iii) CATCH-UP CONTRIBUTION means a Pre-Tax Contribution in the amount of \$1,000 for CUY 2002, \$2,000 for CUY 2003, \$3,000 for CUY 2004, \$4,000 for CUY 2005, and \$5,000 for CUY 2006. For Plan Years beginning after CUY 2006, the \$5,000 Catch-Up Contribution is adjusted by the Cost of Living Adjustment, increasing, when applicable, in \$500 increments. Catch-Up Contributions are not taken into account for purposes of determining the Actual Deferral Percentage or Average Actual Deferral Percentage.

3.11 EMPLOYER CONTRIBUTIONS TO ESOP

Employer Contributions made on behalf of an ESOP Participant are automatically contributed to the ESOP.

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ARTICLE IV

INVESTMENT ELECTIONS - TIMING AND FREQUENCY

4.01 EMPLOYER CONTRIBUTIONS ELECTION

A Participant may elect to have Employer Contributions allocated to his or her Employer Contributions Subaccount invested, in multiples of 1%, in one or more of the Investment Funds, including the Company Stock Fund. Effective May 8, 2002, Employer Contributions allocated to the Company Stock Fund are made to the ESOP. If the Participant fails to make an election as to the Investment Fund(s) for his or her Employer Contributions, 100% of such Contributions shall be invested in the Fixed Income Fund. Any such election shall be made in such manner and on such conditions as may be prescribed by the Plan Administrator.

4.02 PARTICIPANT PRE-TAX CONTRIBUTIONS, AFTER-TAX CONTRIBUTIONS AND ROLLOVER CONTRIBUTIONS

A Participant may elect to have his or her Pre-Tax Contributions, After-Tax Contributions, and Rollover Contributions invested, in multiples of 1%, in any Investment Fund other than the Company Stock Fund. If the Participant fails to make an election as to the Investment Fund(s) for his or her contributions, 100% of such contributions will be invested in the Fixed Income Fund.

4.03 CHANGE OF ELECTION

Subject to possible restrictions imposed on certain Funds by the Trustee or an Investment Fund Manager, a Participant may change his or her investment election regarding future contributions once a month and his or her existing Account Balance once a day. Any

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election will be made in such manner and on such conditions as may be prescribed by the Plan Administrator and subject to any restrictions imposed on an Investment Fund.

4.04 CERTIFICATION TO COMPANY

For each Payroll Period, the Recordkeeper will certify to each Employer the amount of Employer Contributions to be made on behalf of each Participant.

4.05 FORFEITURES

The total amount of the Trust Fund forfeited by Participants pursuant to Section 7.02 or otherwise, will be invested in such Investment Fund as may be specified by the Plan Administrator and will be applied to reduce future Employer Contributions due under the Plan. The Trustee will promptly advise the Employers of any such forfeiture and the amount thereof.

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ARTICLE V

THE TRUST FUND - INVESTMENTS

5.01 TRUST AGREEMENT

Contributions are held in a Trust Fund by the Trustee under a written trust agreement between CECONY and the Trustee. TRASOP Accounts are held in a TRASOP Trust Fund under a written trust agreement between CECONY and the Trustee. ESOP Accounts are held in the ESOP Trust Fund which is included in, but a separate part of the Trust Fund. No person has any rights to or interest in the Trust Fund except as provided in the Plan. The provisions of the trust agreement between CECONY and the Trustee shall be considered an integral part of the Plan as if fully set forth herein.

5.02 INVESTMENT OF TRUST FUND

(a) The Trust Fund shall be invested and reinvested in Investment Funds in accordance with the Participant's investment directions. The Plan is intended to be an ERISA Section 404(c) plan within the meaning of regulations issued pursuant to such section. Each Participant shall have the opportunity, on a daily basis, to give investment instructions to the Trustee, or other fiduciary who is appointed and assumes such fiduciary responsibility, with an opportunity to obtain written confirmation of such instructions as to his or her existing Account Balance among the Investment Funds. The Plan Administrator, the Trustee and the Record keeper or their delegate, will comply with such instructions except as otherwise provided in the ERISA Section 404(c) regulations. The Plan Administrator will prescribe the form and manner in which such directions will be made, as well as the frequency with which such directions may be made or changed, and the dates as of which they will be effective, in a manner consistent with the foregoing. Transfers to or

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from an Investment Fund may be restricted or limited by the manager of such Investment Fund or by the terms of the Trust Agreement.

(b) The Named Fiduciaries shall select a range of Investment Funds as described by ERISA Section 404(c) and applicable regulations. The Investment Fund categories shall give each Participant a reasonable opportunity to:

- (i) Materially affect the potential return on and the degree of risk of assets over which the Participant exercises investment control;
- (ii) Choose from at least three investment alternatives, each of which is diversified and has materially different risk and return characteristics;

- (iii) Enable a Participant to achieve a portfolio with risk and return characteristics at any point within the range normally appropriate by choosing among the core alternatives; and
- (iv) Diversify investments so as to minimize the risk of large losses.

(c) The Named Fiduciaries may establish new Investment Funds without the necessity of an amendment to the Plan and shall have the objectives prescribed by the Named Fiduciaries. The Named Fiduciaries may eliminate one or more Investment Fund existing at any time without the necessity of an amendment to the Plan. The Named Fiduciaries may establish rules and procedures governing the transfer of portions of Participant's Account Balance in the event that existing Investment Funds are changed or new Investment Funds added. The Named Fiduciaries may appoint an Investment Manager to manage an Investment Fund.

5.03 COMPANY STOCK FUND

For Plan Years beginning before January 1, 2002 and for Plan Year 2002 until May 8, 2002, all funds invested in the Company Stock Fund, are invested as a Participant's

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Employer Contributions Subaccount, and subject to this Section 5.03(a), (b) and (c). Effective as of the ESOP Effective Date, a Participant who invests some, all, or any part of his or her Employer Contributions in the Company Stock Fund will be an ESOP Participant subject to Article XIV.

(a) INVESTMENTS IN FUND The Trustee shall regularly purchase Shares for the Company Stock Fund in accordance with a non-discretionary purchasing program. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the Participants. Dividends, interest and other income received on assets held in the Company Stock Fund shall be reinvested in the Company Stock Fund. All funds to be invested in the Company Stock Fund shall be invested by the Trustee in one or more transactions promptly after receipt by the Trustee, subject to any applicable requirement of law affecting the timing or manner of such transactions. All brokerage commissions and other direct expenses incurred by the Trustee in the purchase or sale of Shares under the Plan will be borne by the Account investing and/or trading in the Company Stock Fund.

(b) UNITS The interests of Participants in the Company Stock Fund shall be measured in Units, the number and value of which shall be determined daily.

(c) VOTING OF SHARES Each Participant shall be entitled to direct the Trustee as to the manner in which any Shares or fractional Share allocated to the Participant's Account Balance are to be voted. Any such Shares or fractional Share for which the Participant does not give voting directions shall be voted by the Trustee in the same manner and proportions as all other Shares held by the Trustee for which voting directions are given by Participants.

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The Trustee shall keep confidential a Participant's voting instructions and information regarding a Participant's purchases, holdings and sales of Shares. The Plan Administrator shall be responsible for monitoring the Trustee's performance of its confidentiality obligations.

5.04 ACCOUNTS AND SUBACCOUNTS

The Recordkeeper will maintain a daily evaluation at current market values, as determined by the Trustee. The Recordkeeper will also maintain a separate TRASOP Account for each eligible Participant and a separate Account Balance for each Participant, and within each such Account Balance, as applicable, a Pre-Tax Contributions Subaccount, an After-Tax Contributions Subaccount, a Rollover Contributions Subaccount, an ESOP Account and an Employer Contributions Subaccount. The Recordkeeper will keep a separate record of the respective amounts of each Participant in the Trust Fund, including each Investment Fund and the Loan Reserve, attributable to amounts credited to a Participant's Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, ESOP Account, and Employer Contributions Subaccount.

5.05 STATEMENTS OF ACCOUNT

As soon as practicable after each calendar quarter, the Recordkeeper will cause to be sent to each Participant a written statement showing, as of such date, the respective amounts of the Participant's Account Balance, including each Investment Fund and the Loan Reserve, attributable to the Participant's Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover

Contributions Subaccount, Employer Contributions Subaccount and TRASOP Account, if any. With respect to the Participant's After-Tax Contributions Subaccount, the statement will show separately the amount of the Participant's own contributions (less any withdrawal) credited to his or her After-Tax Subaccount. The Plan

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Administrator may direct the Recordkeeper from time to time to issue comparable statements to Participants as of other dates during the calendar year.

5.06 RESPONSIBILITY FOR INVESTMENT

Each Participant is solely responsible for the selection of his or her Investment Funds. The Trustee, the Recordkeeper, any Investment Manager, the Named Fiduciaries, the Plan Administrator, the Company, each Employer and the trustees, officers and other Employees of each entity are not empowered to advise a Participant as to the decision in which his or her Account Balance is invested. The fact that an Investment Fund is available to Participants for investment under the Plan is not to be construed as a recommendation for a particular Participant to invest in the Investment Fund.

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ARTICLE VI

VESTING

6.01 PARTICIPANT CONTRIBUTIONS

The amount to the credit of a Participant's Account Balance attributable to his or her Pre-Tax Contributions, After-Tax Contributions, Rollover Contributions and TRASOP Account is 100% vested at all times.

6.02 EMPLOYER CONTRIBUTIONS

(a) CECONY WEEKLY PARTICIPANT The amount to the credit of a CECONY Weekly Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, made with respect to any Payroll Period ending in a calendar year (the Contribution Year) shall become 100% vested, subject to Article 8, on the earlier of the last day of the third calendar year following the close of the Contribution Year or the first day of the month in which the CECONY Weekly Participant completes five Years of Service. Once a CECONY Weekly Participant completes five years of Vesting Service, each Employer Contribution made on behalf of the CECONY Weekly Participant becomes 100% vested. Effective January 1, 2002, each CECONY Weekly Participant shall be 100% fully vested on the first day of the month in which he or she completes three Years of Vesting service. All amounts to the credit of a CECONY Weekly Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, not yet vested will become 100% vested upon attainment of age 65, death, Disability, Retirement or termination of employment by the

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Company for reasons other than cause. Employer Contributions not yet vested are subject to forfeiture as provided in Section 7.01.

(b) CECONY MANAGEMENT OR CEI PARTICIPANT The amount to the credit of a CECONY Management or CEI Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, shall become 100% vested, subject to Article 8, on the first day of the calendar month in which the CECONY Management or CEI Participant completes three years of Vesting Service. Once a CECONY Management or CEI Participant completes three years of Vesting Service, each Employer Contribution made on behalf of the CECONY Management Participant or CEI shall be 100% vested. All amounts to the credit of a CECONY Management or CEI Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, not yet vested will become 100% vested upon attainment of age 65, Disability, death, retirement or termination of employment by the Company for reasons other than cause. Employer Contributions otherwise are subject to forfeiture as provided in Section 7.01.

(c) O&R HOURLY PARTICIPANT An O&R Hourly Participant's Account Balance is 100% vested at all times.

(d) O&R MANAGEMENT PARTICIPANT An O&R Management Participant's Account Balance is 100% vested at all times. 6.03 SPECIAL VESTING RULES

(a) Each person employed at the electric power generating facilities purchased from Western Massachusetts Electric Company ("WMECO Facilities") on July 19, 1999, the date of the Closing of the purchase of the WMECO Facilities by a CEI Affiliate, was 100% vested as of July 19, 1999, in his or her Account

(b) Each CECONY Participant at the fossil-fueled electricity generating facilities in New York City or at the nuclear-fueled electricity generating facilities at Indian Point divested by CECONY ("Divested Operations") who became employed by the respective buyers of the Divested Operations were 100% vested as of the Date of the Closing of each Divested Operation.

(c) Each person employed at the natural gas fueled electricity generating facility known as the Lakewood Cogeneration Facility ("Lakewood Plant") purchased by a CEI Affiliate and who became an Employee of such CEI Affiliate, was 100% vested in his or her Account Balance as of June 1, 2000.

ARTICLE VII

DISTRIBUTIONS, WITHDRAWALS AND FORFEITURES

7.01 VOLUNTARY TERMINATION OR TERMINATION BY THE COMPANY - FORFEITURES

(a) If a CECONY or CEI Participant's service is terminated by the Company for cause or if the CECONY or CEI Participant voluntarily terminates his or her service other than by reason of Retirement, at on or after attainment of age 65, or Disability the non-vested portion of the CECONY or CEI Participant's Employer Contributions Subaccount and ESOP Account shall not be forfeited until the CECONY or CEI Participant incurs a five-year Break in Service. The vested portion of such CECONY or CEI Participant's Account Balance (including any amount due under any outstanding loan pursuant to Article 9) will be distributed to such CECONY or CEI Participant in accordance with Section 7.08. Termination of service for cause shall be determined by the Plan Administrator under rules uniformly applied to all CECONY or CEI Participants. If the CECONY Participant is not reemployed by the Company or an Affiliate before he or she incurs five one-year Breaks in Service or receives a distribution, the non-vested portion of his or her Employer Contributions Subaccount and ESOP Account will then be forfeited.

(b) If an amount to the credit of a Participant's Employer Contributions Subaccount and ESOP Account has been forfeited in accordance with paragraph (a) above, such amount shall subsequently be restored to his or her Employer Contributions Subaccount and ESOP Account by the Company provided; however, that within five years after his or her reemployment date if he or she makes a lump sum payment to the Trust Fund in cash in an amount equal to that portion of the distribution received which represents the Participant's

Participating Contributions relating directly to Employer Contributions which were forfeited at the time of distribution. The amount restored will vest in accordance with Section 6.02 as an Employer Contribution and shall be credited to the Participant's Employer Contributions Subaccount and ESOP Account. The lump sum payment by the Participant is immediately 100% vested and will be credited to the Participant's Account Balance and ESOP Account.

(c) If any amounts to be restored to a Participant's Employer Contributions Subaccount and ESOP Account have been forfeited under paragraph (a) above, those amounts will be taken first from any forfeitures which have not as yet been applied against Employer Contributions and if any amounts remain to be restored, the Employer will make a special Employer Contribution equal to those amounts.

(d) A Participant shall elect how to invest the repayment at the time of the repayment.

7.02 DEATH

Upon the death of a Participant, the entire amount to the credit of his or her Account Balance (including any amount due under any outstanding loan pursuant to Article 9) will be distributed to his or her Beneficiary in accordance with Section 11.03 as soon as practicable after the calendar month in which his or her death occurs.

7.03 WITHDRAWALS

(a) A CECONY OR CEI PARTICIPANT may request an in-service cash withdrawal from his or her vested Account Balance of amounts other than Pre-Tax Contributions, by making a withdrawal application in such manner and on such conditions as may be prescribed by the Plan Administrator. In-service withdrawals of Pre-Tax Contributions are restricted, as described herein. Payment of the amount withdrawn will be made as soon as practicable after such application has been completed and processed. Withdrawal requests

by CECONY or CEI Participants are permitted up to four times in any calendar year and only in accordance with the following terms: Withdrawals will be made on an average cost basis within each category below and pro rata from the CECONY or CEI Participant's Account Balance available for withdrawal. A CECONY or CEI Participant may at any time withdraw an amount up to the entire vested amount to the credit of his or her After-Tax and Employer Contribution Subaccounts, and ESOP Account except that a CECONY Weekly Participant may not withdraw an amount attributable to an Employer Contribution until December 31st, of the third calendar year - and a CECONY Management Participant or CEI Participant, of the second calendar year -- beginning after the calendar month for which the Employer Contribution was made. A CECONY or CEI Participant will not be permitted to make any such withdrawal amounting to less than \$300 unless the maximum amount available under this paragraph is less than \$300 in which case the CECONY or CEI Participant will only be permitted to withdraw such maximum amount. Withdrawals will be made in the following order from a CECONY or CEI Participant's Account Balance:

- (1) If the CECONY or CEI Participant requests a nontaxable withdrawal:
 - (i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon, and
 - (ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon.
- (2) If the CECONY or CEI Participant requests a taxable withdrawal, without incurring a suspension as provided below:
 - (i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

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- (ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;
 - (iii) Non-Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;
 - (iv) Participating After-Tax Contributions made on or after January 1, 1987, that have been in the Account for two full calendar years after the year contributed for a CECONY Management or CEI Participant and three full calendar years after the year contributed for a CECONY Weekly Participant, including any earnings thereon;
 - (v) Any earnings attributable to Non-Participating After-Tax Contributions made before January 1, 1987;
 - (vi) Any earnings attributable to Participating After-Tax Contributions made before January 1, 1987; and
 - (vii) Employer Contributions that have not been in the CECONY Weekly Participant's Account for three, or in a CECONY Management or CEI Participant's Account for two, full calendar years after the contribution year, including any earnings thereon.
- (3) If the CECONY or CEI Participant requests a taxable withdrawal resulting in a suspension as provided below:
 - (i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;
 - (ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

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- (iii) Non-Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;
- (iv) Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;
- (v) Any earnings attributable to Non-Participating After-Tax Contributions made before January 1, 1987;
- (vi) Any earnings attributable to Participating After-Tax Contributions made before January 1, 1987; and

- (vii) Employer Contributions that have not been in the Account for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY Management or CEI Participant, after the contribution year, including any earnings thereon.

A CECONY or CEI Participant who has withdrawn at least the entire amount available in his or her After-Tax, Employer Contribution Subaccount and ESOP Account without incurring a suspension may at any time withdraw an amount up to the entire amount to the credit of his or her Rollover Contribution Subaccount.

A CECONY or CEI Participant who has attained the age of fifty-nine and one-half and who has withdrawn at least the entire vested amount available for withdrawal in his or her After-Tax Contribution Subaccount, Employer Contribution Subaccount, ESOP Account and Rollover Contribution Subaccount without incurring a suspension, may withdraw an amount up to the entire amount to the credit of his or her Pre-tax Contribution Subaccount in the following order:

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- (4) If the CECONY or CEI Participant requests a withdrawal, without resulting in a suspension:
 - (i) Non-Participating Pre-Tax Contributions, including any earnings thereon, and
 - (ii) Participating Pre-Tax Contributions that have been in the Account for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the year contributed, including any earnings thereon.
- (5) If the CECONY or CEI Participant requests a withdrawal resulting in a suspension:
 - (i) Participating After-Tax Contributions, made on or after January 1, 1987 that have been in the Account for less than three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the contribution year, including any earning thereon;
 - (ii) Non-Participating Pre-Tax Contributions, including any earnings thereon; and
 - (iii) Participating Pre-Tax Contributions including any earnings thereon.

A CECONY or CEI Participant shall not be permitted to make any such withdrawal amounting to less than \$300 unless the maximum amount available is less than \$300 in which case the CECONY or CEI Participant shall only be permitted to withdraw such maximum amount.

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Notwithstanding the preceding subparagraphs, a CECONY or CEI Participant may not withdraw any amount that would cause his or her Account Balance to be less than the minimum amount required under Section 9.12.

In the event a CECONY or CEI Participant withdraws any amounts which represent After-Tax Participating Contributions made at any time during the three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant, preceding the calendar year in which the withdrawal is made, the CECONY or CEI Participant's right to make any contributions to the Plan shall be suspended throughout all Payroll Periods commencing during the six full calendar months as soon as practicable following the withdrawal. To resume contributions following such suspension, the CECONY or CEI Participant must elect on or before such day, in such manner and on such conditions as may be prescribed by the Plan Administrator, to resume making contributions.

(b) AN O&R HOURLY PARTICIPANT who has attained the age of fifty-nine and one-half may request an in-service cash withdrawal. He or she may withdraw all or a portion of his or her Account Balance attributable to Pre-Tax Contributions and Rollover Contributions and income credited thereon (other than any portion of his or her Account Balance attributable to an outstanding loan balance), except that he or she may not withdraw such amount to the extent that under applicable state law such contributions and/or earnings, whether or not withdrawn, would be subject to state income tax if such O&R Hourly Participant had the right to withdraw it from his or her Account Balance. Such request may be made only once each twelve-month period and may not be for an amount of less than \$500 or the entire amount available for withdrawal. Effective January 1, 2002, withdrawals

may be made up to four times in a year and the minimum amount that may be withdrawn is reduced to \$300.

(c) AN O&R MANAGEMENT PARTICIPANT may request a withdrawal from his or her Account Balance which is attributable to After-Tax Contributions in such manner and on such conditions as may be prescribed by the Plan Administrator. Additionally, an O&R Management Participant who is at least age fifty-nine and one-half may withdraw during employment all or a portion of his or her Account Balance which is attributable to Pre-Tax Contributions and Rollover Contributions and income credited thereon (except for any portion of his or her Account Balance attributable to an outstanding loan balance), except that he or she may not withdraw such amount to the extent that under applicable state law such contributions and/or earnings, whether or not withdrawn, would be subject to state income tax if such O&R Management Participant had the right to withdraw it from his or her Account Balance. Such requests may be made only once each twelve month period and may not be for an amount of less than \$500 or the entire amount available for withdrawal. Effective January 1, 2002, withdrawals, when available, may be made up to four times in a year and the minimum amount that may be withdrawn is reduced to \$300.

7.04 HARDSHIP WITHDRAWALS

A Participant may, in the event of hardship, withdraw all or any part of the amount of Pre-Tax Contributions to the credit of the Account Balance of the Participant (excluding any earnings after December 31, 1998, attributable to Pre-Tax Contributions) in excess of any minimum Account Balance required under Section 9.09. An O&R Participant may also withdraw the income credited after December 31, 1988, attributable to Transferred Employer PAYSOP Contributions and Rollover Contributions and income attributable to After-Tax Contributions if such income is subject to the restrictions on withdrawal pursuant to Section

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7.03. A Participant may apply for a hardship withdrawal in such manner and on such conditions as may be prescribed by the Plan Administrator. A Participant shall be deemed to have a hardship if the Participant has an immediate and heavy financial need and if the withdrawal is necessary to satisfy such financial need as set forth below. The Plan Administrator or his or her delegate shall determine whether the Participant satisfies the requirements for a hardship and the amount of any hardship withdrawal. Any withdrawal under this Section shall be made pro-rata from the Participant's balances in the Investment Funds from which withdrawal may be made as provided in Section 7.03. A withdrawal pursuant to this Section 7.04 shall not be subject to the limitations on number of withdrawals permitted under Section 7.03.

(a) IMMEDIATE AND HEAVY FINANCIAL NEED. A Participant will be deemed to have an immediate and heavy financial need if the withdrawal is to be made on account of any of the following:

- (1) Medical expenses described in Code Section 213(d) previously incurred by the Participant, the Participant's spouse or any dependent, (as defined in Code Section 152), of the Participant, or expenses necessary for those persons to obtain medical care described in Code Section 213(d);
- (2) Costs directly related to the purchase, excluding mortgage payments, of a principal residence for the Participant;
- (3) Payment of tuition, related educational fees, and room and board expenses for the next twelve-months of post-secondary education for the Participant, or the Participant's spouse, children or dependents;

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- (4) Payment of amounts necessary to prevent the eviction of the Participant from his or her principal residence or to avoid foreclosure on the mortgage of the Participant's principal residence;
- (5) Payment of funeral expenses for a family member;
- (6) Any other need added to the foregoing items of deemed immediate and heavy financial needs by the Commissioner of the Internal Revenue Service through the publication of revenue rulings, notices and other documents of general availability, rather than on an individual basis.
- (7) A Participant shall not be permitted to make a withdrawal in the event of a hardship on account of any reason other than as set

forth above.

(b) NECESSARY TO SATISFY SUCH NEED. The requested withdrawal will not be treated as necessary to satisfy the Participant's immediate and heavy financial need to the extent that the amount of the requested withdrawal is in excess of the amount required to relieve the financial need or to the extent such need may be satisfied from other sources that are reasonably available to the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the hardship withdrawal. The Participant must request, on such form or otherwise as the Plan Administrator or his or her delegate may prescribe, that the Plan Administrator or his or her delegate made its determination of the necessity for the withdrawal solely on the basis of the Participant/s certification, without any supporting documents. In the event the Plan Administrator or his or her delegate shall make such determination provided all of the following requirements are met: (1) the Participant has obtained all distributions and withdrawals, other than distributions available only on account

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of hardship, and all nontaxable loans currently available under all plans of the Company and Affiliates, (2) the Participant is prohibited from making Pre-Tax Contributions and After-Tax Contributions to the Plan and all other plans of the Company and Affiliates under the terms of such plans or by means of an otherwise legally enforceable agreement for at least 12 months, or beginning on or after January 1, 2002, six months, after receipt of the distribution, and (3) the limitation described in Section 3.02 under all plans of the Company and Affiliates for the calendar year following the year in which the distribution is made must be reduced by the Participant's Pre-Tax Contributions made prior to such distribution in the calendar year of the distribution for hardship. All other plans of the Company and Affiliates means all qualified and non-qualified plans of deferred compensation maintained by the Company and Affiliates and includes a stock option, stock purchase (including the Company's Discount Stock Purchase Plan), qualified and non-qualified deferred compensation plans and such other plans as may be designated under regulations issued under Code Section 401(k), but shall not include health and welfare benefit plans.

7.05 DISTRIBUTION FROM COMPANY STOCK FUND

Where an amount to be distributed pursuant to Section 7.02, 7.03 or 14.10 is represented in part by Units, the distributee may elect, in such manner and on such conditions as may be prescribed by the Plan Administrator, to have distributed the number of whole Shares represented by such Units, together with an amount of dollars representing the balance of the current value of such Units. In the absence of such an election, the distribution shall be made entirely in cash. Withdrawals for hardships or loans to be made from the Company Stock Fund shall be made entirely in cash.

7.06 LEAVES OF ABSENCE

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If a Participant is granted an unpaid leave of absence by an Employer, such event will not be deemed a termination of service, but such Participant's Pre-Tax Contributions and After-Tax Contributions under this Plan will be suspended as of the last day of the Payroll Period in which such leave commences. Such Participant may resume making Pre-Tax Contributions and After-Tax Contributions, as of a Payroll Period following the termination of such leave of absence, by making a new payroll deduction authorization in such manner and on such conditions as may be prescribed by the Plan Administrator. Notwithstanding the preceding sentence, and the provisions of Section 7.04, if a Participant makes a hardship withdrawal while on a leave of absence, any suspension of such Participant's right to make Pre-Tax or After-Tax Contributions which shall result from such withdrawal shall begin with the first Payroll Period beginning after such leave of absence.

7.07 AGE 70 1/2 REQUIRED DISTRIBUTION

(a) A Participant who attains age 70 1/2 on or after January 1, 2000, shall begin his or her distribution of his or her Account Balance no later than the April 1st following the later of the calendar year in which he or she attains age 70 1/2 or the calendar year in which the Participant terminates employment.

(b) In the event a Participant in active service was required prior to January 1, 2000 to begin receiving payments while in service under the provisions of a Prior Plan, the Plan shall distribute to the Participant in each distribution calendar year the minimum amount required to satisfy the provisions of Code Section 401(a)(9) provided; however, that the payment for the first distribution calendar year shall be made on or before April 1 of the following calendar year. Such minimum amount will be determined on the basis of the joint life expectancy of the Participant and his or her Beneficiary. Such life expectancy will be recalculated once each year; however, the life expectancy of

recalculated if the Beneficiary is not the Participant's spouse. The amount of the withdrawal shall be allocated among the Investment Funds in proportion to the value of the Account Balance as of the date of each withdrawal. The commencement of payments under this Section shall not constitute an Annuity Starting Date for purposes of Code Sections 72, 401(a)(11) and 417. Upon the Participant's subsequent termination of employment, payment of the Participant's Account Balance shall be made in accordance with the provisions of Section 7.08.

(c) With respect to distributions under the Plan made in calendar years beginning on or after January 1, 2000, the Plan will apply the minimum distribution requirements of Code Section 401(a)(9) that were proposed in January 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Code Section 401(a)(9) or such other date specified in guidance published by the Internal Revenue Service.

7.08 FORM AND TIMING OF DISTRIBUTIONS

(a) TIMING OF DISTRIBUTIONS. Upon termination from employment with the Company and any Affiliate service, distributions will be made as follows:

- (1) if the vested portion of the Participant's Account Balance equals \$5000 or less, his or her Account Balance will be distributed in a single lump sum as soon as practicable but not later than 60 days after the end of the calendar year in which the Participant's termination from employment occurs; or
- (2) unless the Participant consents to a distribution upon termination from employment, if the vested portion of the Participant's Account Balance exceeds \$5000, distribution will be deferred until April 1 of the calendar year

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following the calendar year in which the Participant attains age 70 1/2 unless, and until, the Participant elects an earlier distribution under Section 7.08(b).

- (3) Termination of employment entitling a Participant to a distribution does not occur in the event of a corporate transaction in which there is a transfer of the Account Balances of Participants affected by the corporate transaction to a plan maintained or created by the affected Participant's new employer.

(b) The Participant may elect an immediate or deferred distribution, subject to Code Section 401 (a)(9), Article XIV, if applicable, and, in such manner and on such conditions as may be prescribed by the Plan Administrator, any of the following:

- (1) a distribution of the Participant's Vested Account Balance in a single lump sum;
- (2) monthly, quarterly or annual periodic installment payments in a fixed dollar amount or fixed percentage amount, up to a 15-year period; or
- (3) a distribution of all or part of the Participant's Vested Account Balance.

(c) If a Participant's distribution is deferred until April 1 of the calendar year following the calendar year in which the Participant attains again 70 1/2, the Participant may elect, in such manner and on such conditions as may be presented by the Plan administrator;

- (1) a distribution in a single lump sum, or
- (2) a distribution in the required minimum amounts and over the applicable distribution period prescribed under the Code's minimum distribution rules. If the Participant fails to make an election, the distribution shall be made in a single lump sum;

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(d) Any distribution of less than all of a Participant's Vested Account Balance shall be made pro-rata from the Investment Funds in which the Account Balance is invested.

7.09 PROOF OF DEATH AND RIGHT OF BENEFICIARY OR OTHER PERSON

The Plan Administrator may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the vested Account Balance of a deceased Participant as the Plan Administrator may deem proper, and his or her determination of the right of that Beneficiary or other person to receive payment will be conclusive.

7.10 DISTRIBUTION LIMITATION

Notwithstanding any other provision of this Article 7, all distributions from this Plan shall conform to the regulations issued under Code Section 401(a)(9), including the incidental death benefit provisions of Code Section 401(a)(9)(G). Such regulations override any Plan provision that is inconsistent with Code Section 401(a)(9).

7.11 DIRECT ROLLOVER OF CERTAIN DISTRIBUTIONS

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, in such manner and on such conditions as may be prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover. The following definitions apply to the terms used in this Section:

(a) ELIGIBLE ROLLOVER DISTRIBUTION means any distribution of all or any portion of the balance to the credit of the Distributee. An Eligible Rollover Distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the

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joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more or any distribution to the extent such distribution is required under Code Section 401(a)(9). Any amount that is distributed on account of hardship is not an Eligible Rollover Distribution. The Distributee may not elect to have any portion of a hardship distribution paid directly to an Eligible Retirement Plan. Effective beginning January 1, 2002, a distribution does not fail to be an Eligible Rollover Distribution solely because it includes after-tax employee contributions that are not includible in gross income. The portion attributable to after-tax contributions may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(b) ELIGIBLE RETIREMENT PLAN means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a) that is a defined contribution plan, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity. Effective January 1, 2002, Eligible Retirement Plan also means an annuity plan described in Code Section 403(b), and an eligible plan under Code Section 457(b) maintained by a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts

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transferred into such plan from this Plan, including separately accounting for the portion of such distribution that is includible in gross income and the portion of such distribution that is not so includible.

(c) DISTRIBUTEES means an Employee, former employee, the surviving spouse of the Employee or Former Employee, spouse or former spouse of an Employee or Former Employee who is the alternate payee under a qualified domestic relations order as defined in Code Section 414(p), are Distributees.

(d) DIRECT ROLLOVER means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

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ARTICLE VIII

NON-DISCRIMINATION AND LIMITATION

8.01 ACTUAL DEFERRAL PERCENTAGE TEST

(a) Separate Testing Groups. Solely for purposes of determining whether the Plan satisfies the Average Actual Deferral Percentage tests, the Plan will be tested as if it were four separate plans ("Testing Plan"): (1) a Plan covering CECONY Management Employees, O&R Management Employees and CEI Employees ("Management Employees"), (2) a Testing Plan covering O&R Hourly Employees ("O&RU"), (3) a plan covering Local 1-2 Employees ("Local 1-2U") and, (4) a plan covering Local 3 Employees ("Local 3U"). Each employee in the O&RU, Local 1-2U, and Local 3U is referred to as a "Union Employee." Solely for purposes of determining whether a Testing Plan satisfies the Actual Deferral Percentage Test, an Employee who is under age 21 or has less than one Year of Service is not taken into account as an Eligible Employee.

(b) The Average Actual Deferral Percentage for both Highly Compensated Management Employees ("HCMs") and for Highly Compensated Union Employees ("HCUEs"), respectively, who are, or are eligible to become, Participants may not exceed the greater of:

- (i) the Average Actual Deferral Percentage for Non-Highly Compensated Management Employees ("NHCMEs") or Non-Highly Compensation Union Employees ("NHCUEs"), respectively, who are, or eligible to become, Participants multiplied by 1.25; or
- (ii) the Average Actual Deferral Percentage for HCMs or HCUEs, respectively, multiplied by 2.0, but not more than 2 percentage points in

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excess of the Average Actual Deferral Percentage for the NHCMEs or NHCUEs, respectively.

(c) During a Plan Year, the Plan Administrator may implement rules limiting the Pre-Tax Contributions which may be made on behalf of some or all of either the HCMs or HCUEs so that this limitation is satisfied. If the Plan Administrator determines that the limitation has been exceeded in any Plan Year, the following provisions apply:

- (1) The amount of Pre-Tax Contributions made by either the HCMs or HCUEs, as applicable, will be reduced by a leveling process under which the Pre-Tax Contributions of the HCM or HCUE, as applicable, with the highest dollar amount of Pre-Tax Contributions shall be reduced to the extent necessary to completely eliminate the excess Pre-Tax Contribution or cause such Pre-Tax Contributions to equal the amount of such contributions of the HCM or HCUE, as applicable, with the next highest dollar amount of Pre-Tax Contribution. This process will be repeated until the excess Pre-Tax Contribution is eliminated.
- (2) Excess Pre-Tax Contributions, together with Earnings, will be paid to the Participant before the close of the Plan Year following the Plan Year in which the excess Pre-Tax Contributions were made and, to the extent practicable, within 2 1/2 months of the close of the Plan Year in which the Excess Pre-Tax Contributions were made. However, any Excess Pre-Tax Contributions for any Plan Year will be reduced by any Pre-Tax Contributions previously returned to the Participant for that Plan Year. If any returned Excess Pre-Tax Contributions were matched by Employer Contributions, such corresponding

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Employer Contributions, with Earnings will be forfeited and used to reduce Employer Contributions. The Participant, other than an O&R HCUE, may elect, in lieu of a return of the Excess Pre-Tax Contributions to have the Plan treat all or a portion of the Excess Pre-Tax Contributions to the Plan as After-Tax Contributions for the Plan Year in which the Excess Pre-Tax Contributions were made, subject to the limitations of Section 3.01. Re-characterized Excess Pre-Tax Contributions shall be considered After-Tax Contributions made in the Plan Year to which the Excess Pre-Tax Contributions relate for purposes of Section 8.02 and shall be subject to the withdrawal provisions applicable to After-Tax Contributions under Article 7. The Participant's election to re-characterize Excess Pre-Tax Contributions shall be made within 2 1/2 months of the close of the Plan Year in which the Excess Pre-Tax Contributions were made or within such shorter period as the Plan Administrator may prescribe. In the absence of a timely election by the Participant, the Plan shall return Excess Pre-Tax Contributions.

8.02 ACTUAL CONTRIBUTION PERCENTAGE TEST

(a) Solely for purposes of determining whether the Plan satisfies the Average Contribution Percentage test, the Plan will not test Union Employees. The Plan will test only the Management Employees.

(b) The Average Contribution Percentage for HCMES who are, or eligible to become, Participants may not exceed the Average Contribution Percentage of NHCMEs who are, or are eligible to become, Participants multiplied by 1.25. If the Average Contribution Percentage for the HCMES does not meet the foregoing test, the Average Contribution Percentage for HCMES may not exceed the Average Actual Contribution Percentage of

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NHCMEs who are, or eligible to become, Participants by more than two percentage points, and the Average Contribution Percentage for HCMES may not be more than 2.0 times the Average Contribution Percentage for NHCMEs (or such lesser amount as the Plan Administrator shall determine to satisfy the provisions of Section 8.03). During a Plan Year, the Plan Administrator may implement rules limiting the After-Tax Contributions which may be made by some or all HCMES so that this limitation is satisfied. If the Plan Administrator determines that the limitation under this Section 8.02 has been exceeded in any Plan Year, the following provisions shall apply:

- (1) The amount of After-Tax Contributions and Employer Contributions made by or on behalf of some or all HCMES in the Plan Year shall be reduced in the same leveling manner as Excess Pre-Tax Contributions are reduced.
- (2) Any Excess Aggregate Contributions will be reduced and allocated in the following order:
 - (i) Non-Participating After-Tax Contributions, to the extent of the Excess Aggregate Contributions, will be paid to the Participant; and then, if necessary,
 - (ii) so much of the Participating After-Tax Contributions and corresponding Employer Contributions, as is necessary to meet the test will be reduced, with the After-Tax Contributions, together with Earnings, being paid to the Participant and the Employer Contributions, together with Earnings, being reduced, with vested Employer Contributions being paid to the Participant and Employer Contributions which are forfeitable under the

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Plan being forfeited and applied to reduce Employer Contributions; then if necessary,

- (iii) so much of the Employer Contributions, together with Earnings, as is necessary to equal the balance of the Excess Aggregate Contributions will be reduced, with vested Employer Contributions being paid to the Participant and Employer Contributions which are forfeitable under the Plan being forfeited and applied to reduce Employer Contributions.

(c) Any repayment or forfeiture of Excess Aggregate Contributions will be made before the close of the Plan Year following the Plan Year for which the Excess Aggregate Contributions were made and, to the extent practicable, any repayments or forfeiture will be made within 2 1/2 months of the close of the Plan Year in which the Excess Aggregate Contributions were made.

8.03 SEPARATE NON-DISCRIMINATION TESTING

Effective for Plan Years beginning on and after January 1, 2002, solely for purposes of determining whether the Thrift Plan and the ESOP satisfy the Average Actual Deferral Percentage Test and the Average Contribution Percentage all Employer Contributions allocated to the Company Stock Fund are treated as contributions to the ESOP and tested separately.

8.04 MAXIMUM ANNUAL ADDITIONS

(a) Except to the extent permitting Catch-Up Contributions in accordance with Code Section 414(v), the annual addition to a Participant's Account Balance for any Plan Year, (the "Limitation Year") when added to the Participant's annual addition for the Limitation Year under any other qualified defined contribution plan of the Company or an Affiliate, may not exceed the lesser of (1) 25% or, for Plan Years beginning on January 1, 2002,

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100%, of his or her Compensation for the Plan Year or (2) the greater of \$30,000 or, for Plan Years beginning on January 1, 2002, \$40,000, as adjusted for increases in the Cost-Of-Living Adjustment.

(b) For purposes of this Section, the annual addition to a Participant's Account Balance under this Plan or any other qualified defined contribution plan maintained by the Company or an Affiliate will be the sum of:

- (1) the total contributions, including Pre-Tax Contributions, made on the Participant's behalf by each Employer and all Affiliates,
- (2) all After-Tax Contributions, exclusive of any Rollover Contributions,
- (3) all Employer Contributions; and
- (4) forfeitures, if applicable, that have been allocated to the Participant's Account Balance under this Plan or his or her accounts under any other such qualified defined contribution plan. Any Pre-Tax Contributions distributed under Section 8.01 and any Employer Contributions or After-Tax Contributions distributed or forfeited under the provisions of Section 3.01, 8.01, 8.02 or 8.03 shall be included in the annual addition for the year allocated.

(c) If the annual addition to a Participant's Account Balance for any Plan Year, prior to the application of the limitation set forth in paragraph (a) above, exceeds that limitation due to a reasonable error in estimating a Participant's Compensation or in determining the amount of Pre-Tax Contributions that may be made with respect to a Participant under Code Section 415, or as the result of the allocation of forfeitures, the amount of contributions credited to the Participant's Account Balance in that Plan Year shall

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be adjusted to the extent necessary to satisfy that limitation in accordance with the following order of priority:

- (1) The Participant's Non-Participating After-Tax Contributions shall be reduced to the extent necessary. The amount of the reduction shall be returned to the Participant, together with any earnings on the contributions to be returned.
- (2) The Participant's Non-Participating Pre-Tax Contributions shall be reduced to the extent necessary. The amount of the reduction shall be returned to the Participant, together with any earnings on the contributions to be returned.
- (3) The Participant's Participating After-Tax Contributions and corresponding Employer Contributions shall be reduced to the extent necessary. The amount of the reduction attributable to the Participant's Participating After-Tax Contributions shall be returned to the Participant, together with any earnings on those contributions to be returned, and the amount attributable to the Employer Contributions shall be forfeited and used to reduce subsequent contributions payable by the affected Employer.
- (4) The Participant's Participating Pre-Tax Contributions and corresponding Employer Contributions shall be reduced to the extent necessary. The amount of the reduction attributable to the Participant's Participating Pre-Tax Contributions shall be returned to the Participant, together with any earnings on those contributions to be returned, and the amount attributable to the Employer Contributions shall be forfeited and used to reduce subsequent contributions payable by the affected Employer.

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(d) Any Pre-Tax Contributions returned to a Participant under this paragraph (d) shall be disregarded in applying the dollar limitation of Pre-Tax Contributions under Section 3.01(b), and in performing the Actual Deferral Percentage Test under Section 8.01. Any After-Tax Contributions returned shall be disregarded in performing the Actual Contribution Percentage Test under Section 8.02.

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ARTICLE IX

LOANS

9.01 LOANS PERMITTED

Upon terms and conditions set forth in this Article 9, and in accordance with such uniform rules as the Plan Administrator may adopt, a Participant who is not on a leave of absence and remains on the active payroll may borrow from his or her Account Balance. The Plan Administrator or his or her delegate is

authorized to administer the loan program under this Article 9. Any Participant who is an Employee, a former Employee, or a Beneficiary of an O&R Participant, and who is also a "party-in-interest" (as defined in Section 3(14) of ERISA) to the Plan, may borrow from his or her Account Balance.

9.02 AMOUNT OF LOANS

The minimum amount of any loan is \$1,000 for a CECONY or CEI Participant and \$500 for an O&R Participant. Effective January 1, 2002, the minimum amount of a loan for a CECONY or CEI Participant will be \$500. The amount of any loan to a Participant may not exceed the lesser of (a) or (b), where (a) is \$50,000 reduced by the excess (if any) of (i) the highest outstanding balance of loans to the Participant from the Plan during the one-year period ending on the day before the date on which such loan is made, over (ii) the outstanding balance of loans to the Participant from the Plan on the date on which such loan is made, and (b) is one-half of the vested portion of the Participant's Account Balance. Outstanding balance of loans means the outstanding amount of all loans from the Plan and any other qualified plans of the Company or an Affiliate.

9.03 SOURCE OF LOANS

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(a) Funds for loans from a Participant's Account Balance shall be taken from the Participant's Subaccounts in the following order:

(1) For a CECONY Participant:

- (i) Non-Participating Pre-Tax Contributions and Earnings;
- (ii) Participating Pre-Tax Contributions and Earnings;
- (iii) Rollover Contributions and Earnings;
- (iv) Vested Employer Contributions and Earnings that have been in the Account Balance for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the contribution year and Earnings;
- (v) Non-Participating After-Tax Contributions and Earnings; and
- (vi) Participating After-Tax Contributions and Earnings.

(2) For an O&R Participant:

- (i) Pre-Tax Contributions and Earnings;
- (ii) Rollover Contributions and Earnings; and
- (iii) After-tax Contributions and Earnings.

(b) No loan will be made from a Subaccount or a part of a Subaccount until the entire balance in the Subaccount or part of the Subaccount preceding it on the above list has been exhausted. Within each Subaccount or part thereof, funds for loans will be taken on an average cost basis and pro-rata from each Investment Fund within the Subaccount or part of the Subaccount, and such pro-rata portion of each Investment Fund will be converted to cash for the loan based upon the market value of the investment on the date of conversion.

9.04 INTEREST RATE

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The interest rate to be charged on loans will be a reasonable rate of interest determined from time to time by the Plan Administrator. In determining such rate the Plan Administrator seeks to provide to the Plan a rate of return commensurate with the interest rates charged by persons in the business of lending money for loans that would be made under similar circumstances on the date the loan is approved. The interest rate will be fixed for the entire term of the loan.

Effective for loans originating before January 1, 2001, the interest rate to be charged to an O&R Participant is the effective interest rate charged by the Orange and Rockland Employees' Federal Credit Union for a 48 month share-secured loan. The interest rate to be charged for a principal residence loan to an O&R Management Participant will be based upon Federal National Mortgage Association mortgage rates. Effective for loans originating after January 1, 2001, the interest rate to be charged to an O&R Participant will be the same interest rate applicable to a CECONY Participant.

9.05 REPAYMENT

The Participant may select a period of one, two, three, four or five years

for repayment of a loan, except that the Participant may, at his or her option, select a longer period of whole years, not exceeding ten, (20 in the case of an O&R Management Participant) for repayment of a loan for the purpose of purchasing his or her principal residence. Repayment will be made by level payments, not less frequently than quarterly, in such amount as shall be sufficient to pay the principal and interest thereon over the period for repayment. Repayment shall be made by payroll deductions, except that in the case of a Participant who is not on the active payroll, repayments may continue to be made by check or other similar means as the Plan Administrator shall determine. Prepayment by a CECONY Weekly Participant of a loan in full, without penalty, may be made only after 52

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weekly payments have been made. Prepayment by an O&R Participant of a loan in full, without penalty, and prepayment by a CECONY Management or CEI Participant of a loan in full or in part, without penalty, may be made at any time by personal check or money order. The amount of each loan payment shall be placed into the Investment Funds, except the Company Stock Fund, in accordance with the most recent investment election made by the Participant with respect to the Participant's Contributions. Notwithstanding the foregoing, a loan which is made to a Participant who is an Employee shall become due and payable in full upon the Employee's termination of employment; provided, however, that if a Participant becomes an employee of a buyer or one of its affiliates following the sale of the Company's or an Affiliate's assets, and if the Participant's Account is transferred to a qualified plan maintained by the buyer or one of its affiliates (the "Buyer's Plan"), any outstanding loan at his or her termination of employment with the Company will not be due and payable in full at termination but will instead be transferred to the Buyer's Plan.

9.06 MULTIPLE LOANS

A CECONY Weekly Participant may not have more than one loan outstanding at a time. A CECONY Management or CEI Participant may not have more than one loan granted in a calendar year unless all earlier loans made in the same calendar year to the Participant shall have been repaid in full. An O&R Participant may not have more than one loan outstanding at any time and may make a request for a loan only once in a twelve month period.

9.07 PLEDGE

The vested portion of the Participant's Account Balance shall be pledged as security for all loans to the Participant. The amount pledged shall not be greater than fifty percent of the Participant's vested portion. If a default occurs in the repayment of a loan, the entire

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unpaid principal balance plus accrued interest, if any: (i) will be charged, when the Participant becomes eligible to receive a distribution, against that portion of the Participant's vested portion which serves as security for the loan; (ii) will be deducted, if a distribution is to be made, from the amount payable to the Participant or the Participant's Beneficiary; or (iii) if neither (i) nor (ii) applies, will continue to encumber that portion of the Participant's vested portion that serves as security for the loan.

9.08 LOAN RESERVE

The amount of each loan to a Participant will be transferred from the portion of the Trust Fund held for the Participant's Account Balance and invested pursuant to Section 5.02 to a special Loan Reserve maintained for such Participant's Account Balance. Such Loan Reserve will be invested solely in the loan or loans made to the Participant. Payments on any such loan will reduce the Participant's Loan Reserve and will be reinvested for the Participant's Account Balance in accordance with Section 9.05.

9.09 MINIMUM ACCOUNT BALANCE

So long as any amount of a loan remains outstanding to a Participant, the Participant may not make any withdrawal from his or her Account Balance that would reduce the value of his or her vested portion to less than his or her Loan Reserve.

9.10 OTHER TERMS

Each loan will be evidenced by a promissory note payable to the Trustee. The terms and conditions of any loan may be adjusted at any time, to the extent determined by the Plan Administrator, to be necessary for compliance with law or to maintain the qualification of the Plan under the Code.

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10.01 NAMED FIDUCIARIES AND PLAN ADMINISTRATOR OF PLAN ESOP AND TRASOP

The following persons from time to time occupying the following offices of CECONY are hereby designated as Named Fiduciaries: Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. CECONY may designate other persons who, upon acceptance of such designation, shall serve as Named Fiduciaries either instead of or in addition to those named above. Any such designation and acceptance shall be in writing and retained by the Plan Administrator. The Named Fiduciaries shall act by majority rule. The Named Fiduciaries shall appoint from among the officers of CECONY a Plan Administrator who shall serve at the discretion of the Named Fiduciaries. The Plan Administrator shall serve without compensation for his or her services as such and shall act solely in the interest of the Participants and their Beneficiaries.

Solely in this Article X, the term Plan includes the Thrift Savings Plan, the ESOP and the TRASOP unless the context clearly designates otherwise.

10.02 AUTHORITY OF PLAN ADMINISTRATOR

The Plan Administrator has the discretionary authority to control and manage the operation and administration of the Plan ESOP and, without limiting the generality of the foregoing, shall interpret the Plan, ESOP,, determine eligibility for benefits under the Plan, determine any facts or resolve any questions relevant to the administration of the Plan, ESOP, and TRASOP and, in connection therewith, may remedy and correct any ambiguities, inconsistencies, or omissions in the Plan, ESOP and TRASOP. Any such action taken by the

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Plan Administrator shall be conclusive and binding on all Participants, ESOP Participant, Beneficiaries and other persons. The Plan Administrator is authorized to make any changes to the Plan, ESOP and TRASOP that he or she, in his or her sole discretion, determines are necessary or desirable to carry out (a) the transition to Vanguard Fiduciary Trust Company as Trustee, record keeper and Investment Manager for the O&R Hourly Plan and the O&R Management Plan, (b) the addition of new Investment Funds, (c) the merger of the CECONY Management Plan, the O&R Hourly Plan and O&R Management Plan into this Plan, ESOP and TRASOP, and (d) to make any other changes to facilitate administration of the Plan, ESOP and TRASOP.

The Plan Administrator also has the authority to adopt certain amendments to the Plan, ESOP and TRASOP, which are (a) required or desirable in order to implement corporate transactions such as mergers, acquisitions and divestitures; (b) required, necessary or recommended for compliance with ERISA, the Code or other laws; or (c) necessary or desirable for uniform or efficient administration. In all cases, any amendment(s) adopted by the Plan Administrator shall neither materially nor significantly increase the Employers' or the Company's obligations or adversely affect or reduce the Account Balance of any Participant.

10.03 RELIANCE ON REPORTS

The Named Fiduciaries and the Plan Administrator are entitled to rely upon any opinions, reports, or other advice that will be furnished by specialists, subject to fiduciary responsibilities imposed by ERISA.

10.04 DELEGATION OF AUTHORITY

With approval of the Named Fiduciaries, the Plan Administrator may designate one or more persons to exercise any power, or perform any duty, of the Plan Administrator. Any

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such designation will be in writing and signed by the Plan Administrator and the Named Fiduciaries and a copy thereof will be delivered to the Trustee.

10.05 ADMINISTRATION EXPENSES

All expenses arising in connection with the operation and administration of the Plan will be paid by the Plan, ESOP or TRASOP, as applicable.

The expenses of administration of the TRASOP shall include, without limitation, transfer taxes, postage, brokerage commissions and other direct selling expenses incurred by the Trustee in the sale of Shares pursuant to Article XIII, losses incurred by the Trustee on funds invested pursuant to Article XIII, and fees of the Trustee in connection with the administration of TRASOP, including fees for legal services rendered to the Trustee (whether or not rendered in connection with a judicial or administrative proceeding and whether or not incurred while it is acting as Trustee), but shall excludes

brokerage fees and commissions for purchases of Shares pursuant to Section 13.02, which brokerage fees and commissions shall be paid out of the dividends being reinvested thereby. Such expenses of administration of TRASOP will, to the extent permitted by law, be paid:

- (i) first, out of any available income of TRASOP;
- (ii) second, out of any available dividends received by the Trustee on Shares allocated to Participants pursuant to Section 13.02, which dividends have not then been applied to the purchase of additional Shares pursuant to Section 13.02; and
- (iii) Third, by CECONY.

In no event shall the amounts paid by the Trustee during such Plan Year pursuant to clauses "first" and "second" above, exceed the smaller of: the sum of (x)10 percent of the first \$100,000 and (y) 5 percent of an amount in excess of \$100,000 of the income from

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dividends paid to the Trustee with respect to common stock of the Company during such Plan Year or \$100,000.

10.06 FIDUCIARY INSURANCE

The Employers may purchase and carry fiduciary responsibility insurance under which each member of the Board, each Named Fiduciary, the Plan Administrator, and any person, including each employee, to whom there may be delegated any responsibility in connection with the administration of the Plan, including the Trustee, will be indemnified against any cost or expense (including counsel's fees) or liability which may be incurred arising out of any act or failure to act in the administration of this Plan, except for gross negligence or willful misconduct.

10.07 CLAIM REVIEW

(a) Upon receipt from a Participant or Beneficiary of an initial claim for benefits, the Plan Administrator shall respond in writing and deliver or mail to the Participant or Beneficiary within 90 days following the date on which the initial claim is filed. If the initial claim is denied, in part or totally, the Plan Administrator shall set forth the specific reasons for the denial, written in a plain and understandable manner, with specific reference to pertinent Plan, ESOP and TRASOP provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim, an explanation of why such material or information is necessary, and an explanation of the Plan's ESOP and TRASOP claim review procedure. If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim was filed. Such an extension may not exceed a period of 90 days beyond the end of the initial period. If the claim has not been granted, and if written notice of the denial of the

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claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(b) CLAIM REVIEW PROCEDURE. A Participant, Beneficiary, or the authorized representative of either shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Plan Administrator. The Plan Administrator shall give the Participant, Beneficiary, or the authorized representative of either an opportunity to appear to review pertinent documents, to submit issues and comments in writing, and to present evidence supporting the claim. Not later than 60 days after receipt of the request for review, the Plan Administrator shall render and furnish to the claimant a written decision which shall include specific reasons for the decision, and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Plan Administrator shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim will be deemed to have been denied on review.

(c) EXHAUSTION OF REMEDY. No claimant shall institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan until he or she has first exhausted the procedures set forth in this section.

10.08 APPOINTMENT OF TRUSTEE

The Trustee will be appointed by the Board.

10.09 LIMITATION OF LIABILITY

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The Company, the Board, the Named Fiduciaries, the Plan Administrator, the Employers and any officer, Employee or agent of the Company and each Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Company or Employers for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such individual or the Company or Employers from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I, of ERISA.

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ARTICLE XI

MISCELLANEOUS

11.01 EXCLUSIVE BENEFIT - AMENDMENTS

It shall be impossible for any part of the corpus or income of the Trust Fund, ESOP Trust Fund or the TRASOP Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of Participants or Beneficiaries entitled to benefits under the Plan and for paying the expenses of the Plan. No person has any interest in, or right to, any part of the Trust Fund except as and to the extent expressly provided in the Plan. Subject to the foregoing, the Plan may be amended, in whole or in part, at any time and from time to time by the Board or pursuant to authority granted by the Board and any amendment may be given such retroactive effect as the Board or its duly authorized delegate may determine. If an Employer, other than CECONY, wishes to amend the Plan as to its participating employees, that Employer will present a resolution of its board of directors approving the proposed amendment and requesting CECONY to amend the Plan. CECONY shall have the sole discretion whether to amend the Plan as requested by an Employer.

Solely in this Article XI, the term Plan includes the Thrift Savings Plan, the ESOP and the TRASOP and reference to the Trust Fund includes the ESOP Trust Fund and the TRASOP Trust Fund, unless the context clearly designates otherwise.

11.02 TERMINATION - SALE OF ASSETS OF SUBSIDIARY

(a) The Plan may be partially or fully terminated or contributions may be permanently discontinued for any reason at any time by the Board. In the event of a partial or total termination of the Plan or permanent discontinuance of contributions under the Plan:

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(i) no contribution will be made thereafter except for a Payroll Period the last day of which coincides with or precedes such termination or discontinuance; (ii) no distribution shall be made except as provided in the Plan; (iii) the rights of all Participants to the entire amounts to the credit of their Account Balances as of the date of such termination or partial termination or discontinuance shall become 100% vested; (iv) no person shall have any right or interest except with respect to the Trust Fund; (v) any remaining forfeitures shall be considered a special Employer Contribution and shall be allocated on a pro-rata basis, based on Account Balance, to all Participants with an Account Balance as of the date of termination, partial termination or discontinuance; and (vi) the Trustee shall continue to act until the Trust Fund shall have been distributed in accordance with the Plan.

(b) Upon termination of the Plan, Pre-Tax Contributions, with Earnings, will be distributed to Participants only if neither the Company, Employers nor an Affiliate establishes or maintains a successor defined contribution plan. For purposes of this paragraph, a "successor defined contribution plan" is a defined contribution plan, other than an employee stock ownership plan as defined in Code Section 4975(e)(7) or a simplified employee pension as defined in Code Section 408(k) which exists at the time the Plan is terminated or within the 12-month period beginning on the date all assets are distributed. A defined contribution plan will not be deemed a successor plan if fewer than two percent of the Employees who are eligible to participate in the Plan at the time of its termination are or were eligible to participate under another defined contribution plan of the Company or an Affiliate (other than an ESOP or a SEP) at any time during the period beginning 12 months before and ending 12 months after the date of the Plan's termination.

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11.03 BENEFICIARIES

Upon the death of a Participant, his or her Account Balance shall be payable in a lump sum to his or her surviving spouse. If there is no surviving spouse or the surviving spouse has consented, in the manner provided in this Section 11.03, to a designation of a Beneficiary in addition to or instead of such spouse, and such designation is in effect at the time of the Participant's death, the Participant's Account Balance will be paid to such Beneficiary. Effective beginning June 1, 2002, the surviving spouse or Beneficiary(ies) may elect to take a distribution in monthly, quarterly or yearly installments up to but not exceeding a 15-year period; providing, however, that any distribution election is consistent with Code Section 401(a)(9) and the regulations promulgated thereunder. Each Participant may designate a primary or contingent Beneficiary or Beneficiaries in the event of the death of the Participant prior to distribution of such benefits. The Participant may file a written designation with the Plan, on a form furnished by the Plan Administrator, or his or her delegate. Such designation shall be effective only if (1) such designation is accompanied by the written consent of the Participant's spouse which acknowledges the effect on the spouse of the designation and it witnessed by a notary public, or (2) the Participant if not married. Any such designation made by an unmarried Participant shall become null and void in the event the unmarried Participant marries before his or her Annuity Starting Date. Any consent of a spouse shall be effective only with respect to such spouse. If, at the time of a Participant's death, there is no surviving spouse of the Participant and no designation of a Beneficiary by such Participant is in effect, then the Participant's benefits shall be payable to his or her estate or legal representative. A Participant may revoke a designation made pursuant to this Section 11.03 by signing and filing with the Plan Administrator or his or her delegate a written instrument to that effect, in such manner and on such conditions as may be

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prescribed by the Plan Administrator, or by filing a new designation pursuant to this Section 11.03. The consent of a Participant's spouse may not be revoked, but such spouse's consent shall be required for every designation of a Beneficiary other than the Participant's spouse and for every change in any such designation. The requirement for spousal consent may be waived by the Plan Administrator if he or she believes there is no spouse, or the spouse cannot be located, or because of such other circumstances as may be established by applicable law.

11.04 ASSIGNMENT OF BENEFITS

(a) No Participant or Beneficiary shall have the right to assign, transfer, alienate, pledge, encumber or subject to lien any benefits to which he or she is entitled under the Plan. Nothing in this Section shall preclude payment of Plan benefits pursuant to a qualified domestic relations order as defined in Code Section 414(p) and Section 206(d) of ERISA. The Plan Administrator will establish a written procedure to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders.

(b) Notwithstanding anything herein to the contrary, if the amount payable to the alternate payee under the qualified domestic relations order is \$5,000 or less, such amount shall be paid in one lump sum as soon as practicable following the qualification of the order. If the amount exceeds \$5,000, it may be paid as soon as practicable following the qualification of the order if the alternate payee consents thereto; otherwise it may not be payable before the earliest of (1) the Participant's termination of employment, (2) the time such amount could be withdrawn under Article 7 or (3) the Participant's attainment of age 50.

(c) A Participant's Account Balance may be offset against the amount owed to the Plan as a result of a breach of fiduciary duty to the Plan or criminality involving the Plan.

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The participant's Account Balance will be reduced to satisfy liabilities of the Participant to the Plan due to: (1) the Participant being convicted of committing a crime involving the Plan; (2) a civil judgment (or consent order or decree) being entered by a court in an action brought in connection with a violation of ERISA's fiduciary duty rules; or (3) a settlement agreement between the Secretary of Labor and the Participant in connection with a violation of ERISA's fiduciary rules. If the Participant is married at the time at which the offset is to be made, either the Participant's spouse must consent in writing to these offset (unless there is no spouse, the spouse cannot be located, or due to other circumstances prescribed by the Secretary pursuant to Code Section 417(a)(2)(B)), or a spousal waiver of survivor benefits must be in effect for the offset to take place. Spousal consent is not required if the spouse is ordered or required by the judgment, order, decree, or settlement to pay an

amount to the Plan in connection with a violation of Part 4 of Title I of ERISA. Spousal consent is not required where, in the judgment, order, decree, or settlement, the spouse retains the right to receive a 50% survivor annuity under a qualified joint and survivor annuity and under a qualified pre-retirement survivor annuity. The amount of a benefit that is so offset is includible in income on the date of the offset.

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11.05 MERGER

The Plan may not be merged or consolidated with, or its assets or liabilities may not be transferred to any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive immediately after the merger or consolidation, or transfer of assets or liabilities, a benefit which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had then terminated.

In the event of a corporate transaction, divestiture of assets or an Affiliate, or other corporate reorganization in which one or a group of Participants are transferred to another employer, the Plan Administrator, in his or her sole discretion, may effectuate a trust-to-trust transfer of affected Participants' Account Balance to the other employer's qualified defined contribution plan.

In the event of a corporate acquisition, merger, or other corporate reorganization in which one or a group of persons become Employees, the Plan Administrator, in his or her sole discretion, or if CECONY so requires, may accept a trust-to-trust transfer of the affected persons' Account Balance from another employer's qualified defined contribution plan to the Plan.

11.06 CONDITIONS OF EMPLOYMENT NOT AFFECTED BY PLAN

The establishment and maintenance of the Plan shall not confer any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Employers to discharge any Employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant of the Plan.

11.07 FACILITY OF PAYMENT

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If the Plan Administrator finds that a Participant or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or is a minor, the Plan Administrator may direct that any benefit due him or her, unless claim has been made by a duly appointed legal representative, be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

11.08 INFORMATION

Each Participant, Beneficiary or other person entitled to a benefit, before any benefit is payable to him or her/on his or her account under the Plan, shall file with the Plan Administrator the information that the Plan Administrator requires to establish his or her rights and benefits under the Plan.

11.09 ADDITIONAL PARTICIPATING EMPLOYERS

(a) If any entity is or becomes an Affiliate, the Board may include the employees of that Affiliate in the participation of the Plan upon appropriate action by that Affiliate necessary to adopt the Plan. If any person becomes an Employee as the result of a merger, a consolidation, or an acquisition of all or part of the assets or business of another company, the Board shall determine to what extent, if any, previous service with the other entity will be recognized under the Plan, subject to the continued qualification of the trust for the Plan as tax-exempt under the Code.

(b) An Employer may terminate its participation in the Plan upon appropriate action. In that event, the funds of the Plan held on account of Participants in the employ of that Affiliate, and any unpaid Account Balances of Participants who have separated from the employ of that Affiliate, shall be determined by the Plan Administrator. Those funds will be distributed as provided in and permitted under Section 11.02 if the Plan, as to that employer,

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is terminated, or segregated by the Trustee to a separate trust, pursuant to certification to the Trustee by the Plan Administrator, continuing the Plan as a separate plan for the employees of that Affiliate under which the board of directors of that Affiliate will succeed to all the powers and duties of the

Board, including the appointment of named fiduciaries and plan administrator.

11.10 IRS DETERMINATION

All contributions made to the Trust Fund, and all loans made pursuant to Article 9, which are made prior to the receipt of a determination from the Internal Revenue Service to the effect that the Plan is a qualified plan under Code Sections 401 (a) and 401(k) or the refusal of the IRS in writing to issue such a determination, shall be made on the express condition that such determination is received. In the event the Internal Revenue Service determines that the Plan is not so qualified or refuses in writing to make such determination, such contributions, increased by any earnings thereon, and reduced by any losses thereon and by the outstanding balance (principal and interest) on any loans made under Article 9, shall be returned to the Employer(s) and Participants, as appropriate, as promptly as practicable after such determination. In the event the Internal Revenue Service requires reductions in such contributions and/or changes in the terms and conditions of such loans as a condition of its determination that the Plan is so qualified, the required reductions in contributions, increased by any earnings and reduced by any losses attributable thereto, shall be returned to the Employer(s) and Participants, as appropriate, and/or the amounts and terms and conditions of any such outstanding loans shall be modified to meet Internal Revenue Service requirements, as promptly as practicable after notification from the Internal Revenue Service. If all or part of an Employer's deductions under Code Section 404 for Employer Contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the

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Employer Contributions to which the disallowance applies shall be returned to that Employer without earnings thereon, but reduced by any losses attributable thereto. The return shall be made within one year after the denial of qualification or disallowance of deduction, as the case may be.

11.11 MISTAKEN CONTRIBUTIONS

Any contribution made by mistake of fact shall be returnable, without any earnings thereon but reduced by any losses attributable thereto, to the Employer(s) and/or Participants, as appropriate within one year after the payment of the contribution.

11.12 PREVENTION OF ESCHEAT

If the Plan Administrator cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Plan Administrator may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person, as shown on the records of the Plan or Employer. If such person has not made written claim therefor within three months of the date of the mailing, the Plan Administrator may, if he or she so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the applicable Employer. Upon such cancellation, the Plan and the Trust shall have no further liability therefor except that, in the event such person or his or her beneficiary later notifies the Plan Administrator of his or her whereabouts and requests the payment or payments due to him under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

11.13 CONSTRUCTION

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The Plan shall be construed, regulated and administered under ERISA and the laws of the State of New York, except where ERISA controls. In the event a claimant institutes an action or proceeding in any state or federal court of law or equity, the applicable "statute of limitations" for such action will be New York State statute for actions brought in contract matters.

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ARTICLE XII

TOP-HEAVY PROVISIONS

12.01 APPLICATION OF TOP-HEAVY PROVISIONS

This Article XII shall apply for purposes of determining whether the plan is a top-heavy plan under Code Section 416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefit requirements of Code Section 416(c) for such years.

12.02 MINIMUM BENEFIT FOR TOP-HEAVY YEAR

(a) KEY EMPLOYEE. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Company or Affiliate having Annual Compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) beginning after December 31, 2002, a 5-percent owner of the Company or Affiliate or a 1-percent owner of the Company or Affiliate having Annual Compensation of more than \$150,000. The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(b) DETERMINATION OF PRESENT VALUES AND AMOUNTS. This section 12.02(b) shall apply for purposes of determining the present values of accrued benefits and the amounts of Account Balances of Employees as of the determination date.

- (i) Distributions during the year ending on the determination date. The present values of accrued benefits and the amounts of Account Balances of an Employee as of the determination date shall be increased by the

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distributions made with respect to the Employee under the Plan and any Plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distribution under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

- (ii) Employees not performing services during year ending on the determination date. The accrued benefits and Account Balances of any individual who has not performed services for the Company or an Affiliate during the 1-year period ending on the determination date shall not be taken into account.

12.03 MINIMUM BENEFITS

Matching Contributions. Employer Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. Employer Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes for the Actual Contribution Percentage Test and other requirements of Code Section 401(m).

12.04 AGGREGATION GROUPS

(a) Notwithstanding anything to the contrary herein, this Plan shall not be a Top-Heavy Plan if it is part of either a "required aggregation group" or a "permissive aggregation group" that is not a Top-Heavy Group.

(b) The "required aggregation group" consists of:

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- (i) Each Defined Contribution Plan or Defined Benefit Plan in which at least one Key Employee participates; and
(ii) Each other Defined Contribution Plan or Defined Benefit Plan which enables a plan referred to in the preceding subparagraph (i) to meet the nondiscrimination requirements of Section 401(a)(4) or 410 of the Code.

(c) A "permissive aggregation group" consists of the plans included in the "required aggregation group" plus any one or more other Defined Contribution Plans or Defined Benefit Plans which, when considered as a group with the "required aggregation group", would continue to meet the nondiscrimination requirements of Section 401(a)(4) and 410 of the Code.

12.05 SPECIAL BENEFIT LIMITS

For any Plan Year for which this Article 12 is applicable the definitions of "Defined Benefit Plan Fraction" and "Defined Contribution Plan Fraction" in Sections 1.20 and 1.22, respectively, shall be modified in each case by substituting "1.0" for "1.25".

12.06 SPECIAL DISTRIBUTION RULE

For any Plan Year for which this Article 12 is applicable, Section 7.08(a) shall apply to Key Employees.

ARTICLE XIII

TAX REDUCTION ACT STOCK OWNERSHIP PLAN

13.01 PURPOSE - SEPARATE ENTITY

(a) The TRASOP, is a stock bonus plan, established under the Tax Reduction Act of 1975 was intended to give eligible participants an equity interest in CECONY and encourage those participants to remain in the employ of CECONY. The TRASOP is invested in Shares and in a short-term investment fund of cash and cash equivalents. Applicable laws do not permit additional contributions to the TRASOP. CECONY desires to continue the TRASOP Accounts of Participants having such accounts. Effective as of July 1, 1988, all TRASOP Accounts were transferred to this Plan, and all TRASOP provisions which continue to be applicable were added to this Plan and shall, together with other applicable provisions of this Plan, govern the TRASOP Accounts.

(b) Participant's Plan Account Balances and TRASOP Accounts shall be administered separately, although they shall be held as part of the same Trust Fund. There shall be no transfers between TRASOP Accounts and Plan Accounts.

(c) All matters relating to the TRASOP which relate to or arise out of facts, circumstances or conditions in effect prior to July 1, 1988, shall be governed by the provisions of the TRASOP as in effect on June 30, 1988 prior to the merger, unless expressly otherwise provided in this Plan.

(d) Effective on or after January 1, 2002, the Economic Growth and Tax Reduction Recovery Act of 2001 amended the definition of applicable dividend to allow a deduction for dividends paid on applicable employer securities with respect to which participants or beneficiaries are provided an election to have the dividend paid to an ESOP

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and distributed in cash, or reinvested in qualifying employer securities. The deduction is available both with respect to dividends that are reinvested and paid out in cash. Accordingly, effective January 1, 2002, the TRASOP is being amended to provide participants or beneficiaries with the election to have dividends paid in cash or reinvested, as set forth below.

13.02 TRASOP ACCOUNTS - APPLICATION OF DIVIDENDS

(a) The TRASOP Account of each Participant in TRASOP who remained in the employ of CECONY on July 1, 1988 was transferred to this Plan effective as of July 1, 1988. Each such Participant shall continue to have a nonforfeitable right to all Shares allocated and all amounts credited to such Participant's TRASOP Account.

(b) All dividends received by the Trustee with respect to Shares allocated to the TRASOP Accounts of Participants shall be applied to the purchase of additional Shares. Such purchases shall be made promptly after the receipt of each such dividend. The Trustee shall purchase, in one or more transactions, the maximum number of whole Shares obtainable at then prevailing prices, including brokerage commissions and other reasonable expenses incurred in connection with such purchases. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interest of the Participants. The Trustee shall complete such purchases as soon as practical after receipt of such dividends, having due regard for any applicable requirements of law affecting the timing or manner of such purchases. The additional Shares so purchased shall be allocated among the respective TRASOP Accounts of the Participants in proportion to the number of Shares in each TRASOP Account at the record date for the payment of the dividend so applied. Such allocation shall be made as

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promptly as practicable but for purposes of determining the time at which such additional Shares shall become distributable pursuant to Section 13.04, the additional Shares so allocated to each Participant's TRASOP Account shall be deemed to have been allocated as of the respective allocation dates of the Shares in such TRASOP Account at such record date, in proportion to the number of such Shares previously allocated as of each such allocation date.

(c) For Plan Years beginning on and after January 1, 2002, dividends received by the Trustee with respect to Shares allocated to the TRASOP accounts of Participants, in accordance with the election of the Participant, will be either paid in cash to Participants not later than 90 days after the close of the Plan Year in which the dividends are paid, or applied by the Trustee for the purchase of additional shares. A Participant will be given a reasonable

opportunity before a dividend is paid or distributed to make the election and can change a dividend election at least annually. If there is a change in the Plan governing the manner in which the dividends are paid or distributed to Participants, each Participant will be given a reasonable opportunity to make an election under the new Plan terms prior to the date on which the first dividend subject to the new Plan terms is paid or distributed. A Participant who fails to make an election as to whether to receive his or her dividend in cash or have such dividend reinvested will be treated as if he or she elected to have his or her dividend reinvested until such time that he or she makes an affirmation election for a distribution of the dividend. Dividends that are distributed will be held and invested in a short-term investment fund or like kind of cash account until distributed.

13.03 VOTING RIGHTS, OPTIONS, RIGHTS, AND WARRANTS

(a) Each Participant shall be entitled to direct the Trustee as to the manner in which any Shares or fractional Shares allocated to the Participant's TRASOP Account are to

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be voted.

(b) In the event that any option, right, or warrant shall be granted or issued with respect to any Shares allocated to the Participant's TRASOP Account, each Participant shall be entitled to direct the Trustee whether to exercise, sell, or deal with such option, right, or warrant.

(c) The Trustee shall keep confidential the Participant's voting instructions and instructions as to any option, right or warrant and any information regarding a Participant's purchases, holdings and sales of Shares.

13.04 DISTRIBUTION OF SHARES

(a) Each Share allocated to a Participant's TRASOP Account shall be available for distribution to such Participant promptly after the earlier of the death, disability or termination of employment of such Participant.

(b) Each Share which shall become distributable to a Participant by reason of clause (a)(i) above is herein called, from the time such Share shall become so distributable, an Unrestricted Share. Notwithstanding the provisions of the aforesaid clause A.(i), Unrestricted Shares shall be distributed to Participants as follows:

- (i) From time to time, a Participant may request, in such manner and on such conditions as may be prescribed by CECONY, that Unrestricted Shares held in the Participant's TRASOP Account be distributed to the Participant. If such Participant is married, the written application shall include written consent of the Participant's spouse witnessed by a Notary Public. Spousal consent shall not be required with respect to withdrawal requests made on or after March 1, 1994. Applications made in a calendar month shall be effective as of the last day of such calendar

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month. Any such request must be for whole Shares only and must be for at least ten Shares or the number of whole Unrestricted Shares in the TRASOP Account, whichever is less.

- (ii) Certificates for Unrestricted Shares requested in accordance with the preceding paragraph B(a) shall be delivered, or a cash distribution in respect of such Unrestricted Shares if elected by the Participant pursuant to Section 13.04D below shall be made, to the Participant as soon as practicable after the effective date of the application.
- (iii) Any Unrestricted Share which shall become distributable by reason of any provision of this Plan other than clause A.(i) above (including, without limitation, provision for distribution upon the death, disability or termination of employment of the Participant) shall be distributed in accordance with such provision.

(c) In the case of death of a Participant, distributions in respect of Shares allocated to the Participant's TRASOP Account shall be made to the Participant's Beneficiary. In the case of disability or termination of employment with the Company or an Affiliate of a Participant, distributions in respect of Shares allocated to the Participant's TRASOP Account shall be made to the Participant.

All distributions under the TRASOP will begin, subject to Section 7.08 and

Subsection 13.04.F, not later than the 60th day after the close of the Plan Year in which the latest of the following events occurs: (1) the Participant attains age 65, (2) the 10th anniversary of the year in which the Participant commenced participation in TRASOP, or

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(3) the Participant becomes disabled, dies or terminates employment with the Company or an Affiliate.

(d) All distributions from a Participant's TRASOP Account shall be made in Shares; provided, however, that a Participant or Beneficiary shall have the right to elect, on a form furnished by and submitted to CECONY, to receive a distribution, other than a distribution upon termination of TRASOP, in cash. Except in the case of a final distribution from a Participant's TRASOP Account and a distribution of the Participant's entire TRASOP Account balance after such time as all Shares in a Participant's TRASOP Account have become Unrestricted Shares, all distributions from such TRASOP Account shall be made in respect of whole Shares only, and any fractional Share which is otherwise distributable shall be retained in such TRASOP Account until it can be combined, in whole or in part, with another fractional Share which shall subsequently become distributable, so as to make up a whole Share. In the case of a final distribution from a Participant's TRASOP Account (except a distribution upon termination of the TRASOP) or in the case of a distribution of the Participant's entire TRASOP Account balance after such time as all of the Shares in the Participant's TRASOP Account have become Unrestricted Shares, such distribution shall be made in respect of the number of whole Shares then remaining in the Participant's TRASOP Account, together with a cash payment in respect of any fractional Share based on the closing price of a Share as reported on the New York Stock Exchange consolidated tape on the last trading day of the month immediately preceding the month in which such final distribution is made. The Trustee, in each such case, shall purchase such fractional Share from the Participant at a price equal to the cash payment to be made to the Participant. Whenever the Trustee requires funds for the purchase of fractional Shares, such funds shall be drawn from

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the accumulated income of the TRASOP Trust Fund, if any, and otherwise shall be advanced by CECONY upon the Trustee's request, subject to reimbursement from future income of the TRASOP Trust. All fractional Shares so purchased by the Trustee shall be allocated to the TRASOP Accounts of the remaining Participants at such intervals as shall be determined by the Plan Administrator, but no later than the end of the next succeeding Plan Year. The Trustee shall sell any Shares in respect of which a cash distribution is to be made. The Trustee may make such sales on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions. Such sales may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the Participants. The Trustee shall complete such sales as soon as practical under the circumstances having due regard for any applicable requirements of law affecting the timing or manner of such sales. All brokerage commissions and other direct selling expenses incurred by the Trustee in the sale of Shares under this Subsection 13.04D shall be paid as provided in Section 10.05.

(e) Upon any termination of TRASOP pursuant to Section 11.02, the Trust shall continue until all Shares which have been allocated to Participants' TRASOP Accounts have been distributed to the Participants, unless the Board directs an earlier termination of the TRASOP Trust Fund. Upon the final distribution of Shares, or at such earlier time as the Board shall have fixed for the termination of the TRASOP Trust Fund, the Plan Administrator shall direct the Trustee to allocate to the Participants any Shares then held by the Trustee and not yet allocated, and the Trustee shall distribute to the Participants any whole Shares which have been allocated to their TRASOP Accounts but which have not been distributed, shall sell all fractional Shares and distribute the proceeds to the respective

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Participants entitled to such fractional Shares, shall liquidate any remaining assets (other than Shares) held by the TRASOP Trust Fund, and shall apply the proceeds of such liquidation and any remaining funds held by the Trustee, the disposition of which is not otherwise provided for, to a distribution to all Participants then receiving a final distribution of Shares, in proportion to the whole and fractional Shares to which each is entitled; and the TRASOP Trust Fund shall thereupon terminate.

(f) Notwithstanding any other provision of this Plan, unless a Participant otherwise elects in writing on a form furnished by CECONY:

- A. Distribution of a Participant's TRASOP Account balance will commence not later than one (1) year after the close of the Plan Year

- (1) in which the Participant terminates employment with the Company or an Affiliate by reason of Retirement upon or after attainment of Normal Retirement Age, death, or disability, or
- (2) which is the fifth Plan Year following the Plan Year in which the Participant terminates employment for any other reason, and the Participant is not reemployed before such Plan Year.

B. Distribution of the Participant's TRASOP Account balance will be in five (5) annual distributions as promptly as practicable after the end of each Plan Year; provided, however, that a TRASOP Account balance that equals \$5,000 or less shall be distributed in a single distribution as soon as practicable, but not later than 60 days after the close of the Plan Year in which the Participant's termination of employment occurs. Each such annual distribution shall be in respect of the number of Shares, rounded down to the

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nearest number of whole Shares, which most closely approximates the entire balance in the Participant's TRASOP Account as of December 31 of the previous year divided by the number of annual distributions remaining to be made under this subsection, except that the fifth such distribution shall be in respect of the entire balance in the Participant's TRASOP Account as of the preceding December 31. Each such annual distribution shall be taken pro rata from all contribution years in Participant's TRASOP Account.

C. A Participant whose employment with the Company or an Affiliate is terminated by reason of Retirement, disability or any other reason (other than death) may elect in such a manner and on such conditions as may be prescribed by CECONY to have his TRASOP Account balance distributed in one of the following forms:

- (i) a single lump sum distribution as soon as practicable, but not later than 60 days after the end of the Calendar Year in which the Participant's termination of employment occurs; or
- (ii) a distribution deferred until the last day of a calendar month not later than the calendar month in which the Participant attains age 70, as designated by the Participant, in which event the distribution of the Participant's TRASOP Account balance as of the last day of the calendar month so designated by the Participant shall be made in a single lump sum as soon as practicable after such calendar month.

13.00 DIVERSIFICATION OF TRASOP ACCOUNTS

(a) DEFINITIONS: The following terms shall have the following meanings for purposes of this Section 13.05:

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- (i) Qualified Participant shall mean a Participant who has a TRASOP Account and has attained at least age 55 and completed at least 10 years of participation in TRASOP.
- (ii) Qualified Election Period shall mean the first ninety (90) days following the end of each Plan Year.
- (iii) Eligible Shares shall mean Shares added to a Participant's TRASOP Account after December 31, 1986.
- (iv) Diversifiable Amount shall, with respect to any Qualified Election Period, mean twenty-five percent (25%) of the number of Eligible Shares in the Participant's TRASOP Account as of the end of the preceding Plan Year. However, if the Diversifiable Amount for any Qualified Election Period shall have a value which may be deemed de minimis under regulations issued by the Secretary of the United States Department of the Treasury, then there shall be no Diversifiable Amount available for such Qualified Election Period.

(b) ELIGIBILITY FOR DIVERSIFICATION: Each Qualified Participant shall have the right to elect to diversify, by means of a distribution of whole Eligible Shares only, all or some portion of the Diversifiable Amount in his TRASOP Account during each of the six (6) consecutive Qualified Election Periods following the Plan Year in which such Participant first became a Qualified Participant, provided, however, that, notwithstanding subsection 13.05.A.(d), the Diversifiable Amount in the sixth Qualified Election Period for each Qualified Participant shall be fifty percent (50%) of the number of Eligible

Article 13.05 must be a minimum of ten (10) Shares, or all Whole Shares comprising the Diversifiable Amount for such Qualified Election Period if less than 10. Each Qualified Participant who desires to elect diversification under this Section shall, during the Qualified Election Period, complete and execute a diversification election and consent form provided by CECONY. Such election may be revoked or modified or a new election may be made in its stead within the Qualified Election Period, upon the expiration of which the diversification election shall be irrevocable.

(c) DIVERSIFICATION PROCEDURE

- (i) The TRASOP shall, within the 90 day period following each Qualified Election Period, distribute to each Qualified Participant who has elected to diversify under this Section, the number of whole Eligible Shares which most closely approximates, but does not exceed, the number of Eligible Shares duly elected to be diversified by each such Qualified Participant. Failure by a Qualified Participant to provide required consents to distribution of any Diversifiable Amount, shall relieve the TRASOP of all obligation to make any such distribution.
- (ii) To the extent a Qualified Participant has Eligible Shares which are Unrestricted Shares in his TRASOP Account, such Unrestricted Shares shall be distributed pursuant to this Section 13.05. Only upon exhaustion of all such Unrestricted Shares may additional Eligible Shares then be distributed hereunder.

ARTICLE XIV

EMPLOYEE STOCK OWNERSHIP PLAN

14.01 PURPOSE - SEPARATE ENTITY

(a) Effective as of the ESOP Effective Date, the Company established the Consolidated Edison Employee Stock Ownership Plan ("ESOP") as a portion of, included within and separate from the Thrift Plan. The ESOP affords special rights and has specific requirements which must be satisfied that are distinct from the Thrift Plan, such as the right of an ESOP Participant to: (1) vote his or her allocated Shares; (2) request his or her distribution be in the form of Shares; (3) diversify his or her ESOP Account; (4) elect to take dividends in cash or have dividends reinvested; and, (5) be 100% fully invested immediately in those Shares purchased by reinvested dividends. Each of these distinct ESOP rights and requirements is set forth in the Thrift Plan and obligations in the Thrift Plan such as those requirements regarding eligibility to participate, vesting, distributions, in-service distributions, operational, administrative and fiduciary requirements continue to apply to the ESOP and are deemed incorporated into and so are not repeated in this Article XIV. The ESOP is intended to be an employee stock ownership plan within the meaning of Code Section 4975(e)(7). The ESOP is intended to give ESOP Participants an equity interest in CEI and encourage ESOP Participants to remain in the employ of CEI.

(b) Effective as of the ESOP Effective Date, the part of a Participant's Employer Contributions Subaccount invested in the Company Stock Fund in the Thrift Plan was transferred to the ESOP and ESOP Trust Fund and established and included into the Participant's ESOP Account.

(c) Participants' ESOP Accounts will be held in the ESOP Trust Fund and

administered separately, although they shall be held as part of the same Trust Fund. Participants are permitted to transfer assets to and from their ESOP Accounts to their Thrift Plan Accounts within the ESOP Trust Fund and the Trust Fund.

14.02 SPECIAL DEFINITIONS FOR ESOP

(a) The following terms shall have the following meanings for purposes of the ESOP:

- (i) ESOP ACCOUNT means the account into which is credited a Participant's Employer Contributions' invested in the Company Stock Fund and dividends paid on these Shares and comprising the following Subaccounts:

- (1) the Participant's TRANSFERRED ESOP SUBACCOUNT which is the Participant's Company Stock Fund that was transferred from the Thrift Plan to the ESOP as of the ESOP Effective Date;
- (2) a Participant's DIVIDEND SUBACCOUNT which, for a Participant who is credited with less than three Years of Service, consists solely of Shares purchased with reinvested dividends after the ESOP Effective Date and are 100% fully vested at all times; and
- (3) a Participant's ESOP SUBACCOUNT which is the account into which is credited a Participant's Employer Contributions contributed to the ESOP after the ESOP Effective Date.
- (4) Once a Participant is credited with at least three Years of Vesting Service, his or her Dividend Subaccount will be merged into his or her ESOP Subaccount. After the ESOP Effective Date, a Participant's ESOP Subaccount will include any Employer Contributions invested in the other Investment Funds to the extent such amounts were ever at any time invested in the ESOP after the ESOP Effective Date.

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- (ii) ESOP EFFECTIVE DATE means May 8, 2002.
- (iii) ESOP PARTICIPANT means a Participant in the Thrift Plan who has elected to invest some or all of his or her Employer Contributions in the Company Stock Fund.
- (iv) DIVERSIFIABLE ESOP AMOUNT, with respect to any Qualified ESOP Election Period, means 25% of the number of Shares in the Participant's ESOP Account as of the end of the preceding Plan Year. However, if the Diversifiable ESOP Amount for any Qualified ESOP Election Period has a value which may be deemed de minimis under regulations issued by the Secretary of the United States Department of the Treasury, then there will be no Diversifiable ESOP Amount available for such Qualified ESOP Election Period.
- (v) QUALIFIED ESOP PARTICIPANT shall mean an ESOP Participant who has an ESOP Account, attained at least age 55 and completed at least 10 years of participation in the ESOP. Years of participation in the Thrift Plan will be taken into account in determining whether a Qualified ESOP Participant has completed 10 years of participation.
- (vi) QUALIFIED ESOP ELECTION PERIOD shall mean the first 90 days following the end of each Plan Year.

14.03 PARTICIPATION IN ESOP

Each Participant in the Thrift Plan who elects to have his or her Employer Contributions invested in the Company Stock Fund will automatically become an ESOP Participant in the ESOP. Each ESOP Participant will have his or her ESOP Account held in the ESOP Trust Fund.

14.04 EMPLOYER CONTRIBUTIONS

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Only Employer Contributions and dividends issued on Shares held in the ESOP Trust Fund will be contributed to the ESOP.

14.05 PURCHASE OF SHARES PURCHASES FOR ESOP TRUST FUND. The Trustee shall regularly purchase Shares for the ESOP Trust Fund in accordance with a non-discretionary purchasing program. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the ESOP Participants. Interest and other income received on assets held in the ESOP Trust Fund shall be reinvested in the ESOP Trust Fund. All funds to be invested shall be invested by the Trustee in one or more transactions promptly after receipt by the Trustee, subject to any applicable requirement of law affecting the timing or manner of such transactions. All brokerage commissions and other direct expenses incurred by the Trustee in the purchase of sale of Shares under the ESOP will be borne by the ESOP Account investing and/or trading in Shares.

(b) UNITS. The interests of an ESOP Participant in his or her ESOP Account shall be measured in Units, the number and value of which shall be determined daily.

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14.06 DIVIDENDS

Beginning on and after the ESOP Effective Date, and for all Plan Years thereafter, dividends received by the Trustee with respect to Shares allocated to the ESOP Accounts, in accordance with the election of each ESOP Participant, will be either paid in cash to the ESOP Participant as soon as practicable following the declaration date but in any case not later than 90 days after the close of the Plan Year in which the dividends are paid or applied by the Trustee for the purchase of additional Shares.

An ESOP Participant will be given a reasonable opportunity before a dividend is paid or distributed to make the election. The ESOP Participant will have a reasonable opportunity to change a dividend election at least annually. If there is a change in the ESOP governing the manner in which the dividends are paid or distributed to ESOP Participants, each ESOP Participant will be given a reasonable opportunity to make an election under the new ESOP terms prior to the date on which the first dividend subject to the new ESOP terms is paid or distributed. An ESOP Participant who fails to make an election as to whether to receive his or her dividend in cash or have such dividend reinvested will be treated as if he or she elected to have his or her dividend reinvested until such time that he or she makes an affirmation election for a distribution of the dividend. If dividends are reinvested and applied to the purchase of additional Shares, such purchases shall be made promptly after the receipt of each such dividend. The Trustee shall purchase, in one or more transactions, the maximum number of whole Shares obtainable at then prevailing prices, including brokerage commissions and other reasonable expenses incurred in connection with such purchases. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interest of the ESOP

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Participants. The Trustee shall complete such purchases as soon as practical after receipt of such dividends, having due regard for any applicable requirements of law affecting the timing or manner of such purchases. The additional Shares so purchased shall be allocated among the respective ESOP Accounts of the Participants in proportion to the number of Shares in each ESOP Account at the record date for the payment of the dividend so applied. Such allocation shall be made as promptly as practicable but for purposes of determining the time at which such additional Shares shall become distributable, the additional Shares so allocated to each ESOP Participant's ESOP Account shall be deemed to have been allocated as of the respective allocation dates of the Shares in such ESOP Account at such record date, in proportion to the number of such Shares previously allocated as of each such allocation date.

14.07 VOTING RIGHTS, OPTIONS, RIGHTS, AND WARRANTS

(a) Each ESOP Participant is entitled to direct the Trustee as to the manner in which any Shares or fractional Shares allocated to the ESOP Participant's ESOP Account are to be voted. Any such Shares or fractional Share for which the Participant does not give voting directions shall be voted by the Trustee in the same manner and proportions as all other Shares held by the Trustee for which voting directions are given by ESOP Participants.

(b) In the event that any option, right, or warrant shall be granted or issued with respect to any Shares allocated to the ESOP Participant's ESOP Account, each ESOP Participant shall be entitled to direct the Trustee whether to exercise, sell, or deal with such option, right, or warrant.

(c) The Trustee shall keep confidential the ESOP Participant's voting instructions and instructions as to any option, right or warrant and any information regarding an ESOP

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Participant's purchases, holdings and sales of Shares. The Plan Administrator shall be responsible for monitoring the Trustee's performance of its confidentiality obligations.

14.08 TRANSFERABILITY

A Participant may transfer all or any part of his or her existing ESOP Account once a day to any other Investment Funds in the Trust Fund. Any election will be made in such manner and on such conditions as may be prescribed by the Plan Administrator and subject to any restrictions imposed on an Investment Fund by the Trustee or Investment Manager.

14.09 DIVERSIFICATION

(a) Each Qualified ESOP Participant shall have the right to elect to diversify, by means of a distribution of whole ESOP Shares only, all or some portion of the Diversifiable Amount in his ESOP Account during each of the six consecutive Qualified ESOP Election Periods following the Plan Year in which such Participant first became a Qualified ESOP Participant. The Diversifiable ESOP Amount in the sixth Qualified ESOP Election Period for each Qualified ESOP

Participant shall be 50% of the number of Eligible ESOP Shares in his or her ESOP Account as of the end of the preceding Plan Year. A distribution pursuant to this must be a minimum of ten Shares, or all Whole Shares comprising the Diversifiable ESOP Amount for such Qualified ESOP Election Period if less than 10. Each Qualified ESOP Participant who desires to elect diversification under this Section shall, during the Qualified ESOP Election Period, complete and execute a diversification election and consent form provided by his or her Employer. Such election may be revoked or modified or a new election may be made in its stead within the Qualified ESOP Election Period, upon the expiration of which the diversification election shall be irrevocable.

(b) Diversification Procedure. The ESOP shall, within the 90-day period following each Qualified ESOP Election Period, distribute to each Qualified ESOP Participant who has

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elected to diversify under this Section, the number of whole Shares which most closely approximates, but does not exceed, the number of ESOP Shares duly elected to be diversified by each such Qualified ESOP Participant. Failure by a Qualified ESOP Participant to provide required consents to distribution of any Diversifiable ESOP Amount, shall relieve the ESOP of all obligation to make any such distribution.

14.10 DISTRIBUTION OF SHARES

(a) An ESOP Participant's ESOP Account shall be available for distribution to such ESOP Participant promptly after the earlier of the death, disability or termination of employment of such ESOP Participant.

(b) If an ESOP Participant elects a distribution in Shares, certificates for such Shares shall be delivered to the ESOP Participant as soon as practicable after the effective date of the application.

(c) In the case of death of an ESOP Participant, distributions in respect of Shares allocated to his or her ESOP Account shall be made to his or her Beneficiary. In the case of disability or termination of employment with the Company or an Affiliate, distributions in respect of Shares allocated to the ESOP Participant's ESOP Account shall be made unless the ESOP Participant elects otherwise.

(d) All distributions from an ESOP Participant's ESOP Account shall be made in Shares; provided, however, that an ESOP Participant or Beneficiary shall have the right to elect, on a form furnished by and submitted to his or her Employer, to receive a distribution, other than a distribution upon termination of the ESOP, in cash. Except in the case of a final distribution from an ESOP Participant's ESOP Account and a distribution of the entire ESOP Account balance, all distributions from such ESOP Account made in Shares shall be made in respect of whole Shares only, and any fractional Share which is otherwise distributable shall

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be retained in such ESOP Account until it can be combined, in whole or in part, with another fractional Share which shall subsequently become distributable, so as to make up a whole Share. A final distribution from an ESOP Account (except a distribution upon termination of the ESOP) shall be made in respect of the number of whole Shares then remaining in the ESOP Account, together with a cash payment in respect of any fractional Share based on the closing price of a Share as reported on the New York Stock Exchange consolidated tape on the last trading day of the month immediately preceding the month in which such final distribution is made. The Trustee, in each such case, shall purchase such fractional Share from the ESOP Participant at a price equal to the cash payment to be made to the ESOP Participant.

(e) Whenever the Trustee requires funds for the purchase of fractional Shares, such funds shall be drawn from the accumulated income of the ESOP Trust Fund, if any, and otherwise shall be advanced by the Employer upon the Trustee's request, subject to reimbursement from future income of the ESOP Trust Fund. All fractional Shares so purchased by the Trustee shall be allocated to the ESOP Accounts of the remaining Participants at such intervals as shall be determined by the Plan Administrator, but no later than the end of the next succeeding Plan Year. The Trustee shall sell any Shares in respect of which a cash distribution is to be made. The Trustee may make such sales on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions. Such sales may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the ESOP Participants. The Trustee shall complete such sales as soon as practical under the circumstances having due regard for any applicable requirements of law affecting the timing or manner of such sales.

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(f) Upon any termination of the ESOP, the ESOP Trust Fund shall continue until all Shares which have been allocated to ESOP Participants' ESOP Accounts have been distributed to the ESOP Participants, unless the Board directs an earlier termination of the ESOP Trust Fund. Upon the final distribution of Shares, or at such earlier time as the Board shall have fixed for the termination of the ESOP Trust Fund, the Plan Administrator shall direct the Trustee to allocate to the ESOP Participants any Shares then held by the Trustee and not yet allocated, and the Trustee shall distribute to the ESOP Participants any whole Shares which have been allocated to their ESOP Accounts but which have not been distributed, shall sell all fractional Shares and distribute the proceeds to the respective ESOP Participants entitled to such fractional Shares, shall liquidate any remaining assets (other than Shares) held by the ESOP Trust Fund, and shall apply the proceeds of such liquidation and any remaining funds held by the Trustee, the disposition of which is not otherwise provided for, to a distribution to all ESOP Participants then receiving a final distribution of Shares, in proportion to the whole and fractional Shares to which each is entitled; and the ESOP Trust Fund shall thereupon terminate.

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APPENDIX A
PARTICIPATING EMPLOYERS

A. LIST OF PARTICIPATING EMPLOYERS

The following list sets forth:

- (i) the Participating Employers,
- (ii) the effective date of each Employer's participation, and
- (iii) the designation of those employees who will become Participants or continue their participation in the Plan.

EFFECTIVE DATE
OF NAME OF
COMPANY
PARTICIPATION
ELIGIBLE
EMPLOYEES
Consolidated
Edison May 1,
1996 All
otherwise
Eligible
Employees.
Development,
Inc.
Consolidated
Edison
Solutions, Inc.
May 1, 1997 All
otherwise
Eligible
Employees.
Consolidated
Edison February
1, 1999 All
otherwise
Eligible
Employees.
Communications,
Inc.
Consolidated
Edison Energy,
Inc. March 1,
1998 All
otherwise
Eligible
Employees.
Orange and
Rockland
Utilities, Inc.
January 1, 2001
All otherwise
Eligible
Employees
Consolidated
Edison Energy
July 18, 1999
Employees
working at the
Western
Massachusetts

Massachusetts,
Inc. Electric
Cogeneration
Facility. CED
Operating
Company, L.P.
June 1, 2000
Employees
working at the
Lakewood
Cogeneration
Facility

Consolidated Edison, Inc.

**RATIO OF EARNINGS TO FIXED CHARGES
FOR SIX MONTHS ENDED JUNE 30, 2002**

EARNINGS	
Net Income	\$ 270,982
Income tax	154,404
<hr/>	
Total Earnings before Income tax	425,386
<hr/>	
FIXED CHARGES*	218,800
<hr/>	
Total Earnings before Income tax and fixed charges	\$ 644,186
<hr/>	
*Fixed Charges	
Interest on Long-Term Debt	\$ 193,190
Other Interest	18,768
Interest on Component of Rentals	6,842
<hr/>	
Total Fixed Charges	\$ 218,800
<hr/>	
Ratio of Earnings To Fixed Charges	2.94

Consolidated Edison, Inc.

**RATIO OF EARNINGS TO FIXED CHARGES
TWELVE MONTHS ENDED
(THOUSANDS OF DOLLARS)**

	<i>June 2002</i>	<i>December 2001</i>
EARNINGS		
Net Income for Common Stock	\$ 666,637	\$ 682,242
Preferred Dividends	13,593	13,593
Income Tax	400,384	442,631
<hr/>		
Total Earnings Before Federal Income Tax	1,080,614	1,138,466
<hr/>		
FIXED CHARGES*	446,828	457,554
<hr/>		
Total Earnings Before Federal Income Tax and Fixed Charges	\$ 1,527,442	\$ 1,596,020
<hr/>		
*Fixed Charges		
Interest on Long-Term Debt	\$ 379,896	\$ 384,422
Amortization of Debt Discount, Premium and Expense	12,681	12,526
Interest on Component of Rentals	13,684	18,783
Other Interest	40,567	41,823
<hr/>		
Total Fixed Charges	\$ 446,828	\$ 457,554
<hr/>		
Ratio of Earnings to Fixed Charges	3.42	3.49

QuickLinks

[Consolidated Edison, Inc. RATIO OF EARNINGS TO FIXED CHARGES FOR SIX MONTHS ENDED JUNE 30, 2002](#)

[Consolidated Edison, Inc. RATIO OF EARNINGS TO FIXED CHARGES TWELVE MONTHS ENDED \(THOUSANDS OF DOLLARS\)](#)

Consolidated Edison Company of New York, Inc.

**RATIO OF EARNINGS TO FIXED CHARGES
FOR SIX MONTHS ENDED JUNE 30, 2002**

EARNINGS	
Net Income	\$ 254,650
Income tax	136,820
<hr/>	
Total Earnings before Income tax	391,470
<hr/>	
FIXED CHARGES*	191,151
<hr/>	
Total Earnings before Income tax and fixed charges	\$ 582,621
<hr/>	
*Fixed Charges	
Interest on Long-Term Debt	\$ 169,355
Other Interest	15,717
Interest on Component of Rentals	6,079
<hr/>	
Total Fixed Charges	\$ 191,151
<hr/>	
Ratio of Earnings To Fixed Charges	3.05

Consolidated Edison Company of New York, Inc.

**RATIO OF EARNINGS TO FIXED CHARGES
TWELVE MONTHS ENDED
(THOUSANDS OF DOLLARS)**

	<i>June 2002</i>	<i>December 2001</i>
EARNINGS		
Net Income	\$ 636,201	\$ 663,061
Income Tax	375,182	427,168
<hr/>		
Total Earnings Before Income Tax	1,011,383	1,090,229
<hr/>		
FIXED CHARGES*	395,866	409,588
<hr/>		
Total Earnings Before Income Tax and Fixed Charges	\$ 1,407,249	\$ 1,499,817
<hr/>		
*Fixed Charges		
Interest on Long-Term Debt	\$ 337,967	\$ 347,260
Amortization of Debt Discount, Premium and Expense	12,681	12,527
Interest on Component of Rentals	12,157	17,478
Other Interest	33,061	32,323
<hr/>		
Total Fixed Charges	\$ 395,866	\$ 409,588
<hr/>		
Ratio of Earnings to Fixed Charges	3.56	3.66

QuickLinks

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Eugene R. McGrath, the Chief Executive Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene R. McGrath
Eugene R. McGrath

Dated: August 12, 2002

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Joan S. Freilich, the Chief Financial Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joan S. Freilich
Joan S. Freilich

Dated: August 12, 2002

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Eugene R. McGrath, the Chief Executive Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene R. McGrath
Eugene R. McGrath

Dated: August 12, 2002

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Joan S. Freilich, the Chief Financial Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joan S. Freilich
Joan S. Freilich

Dated: August 12, 2002

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Stephen B. Bram, the Chief Executive Officer of Orange and Rockland Utilities, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen B. Bram
Stephen B. Bram

Dated: August 12, 2002

Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002

I, Edward J. Rasmussen, the Chief Financial Officer of Orange and Rockland Utilities, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Edward J. Rasmussen
Edward J. Rasmussen

Dated: August 12, 2002