CONSOLIDATED EDISON INC
Form 10-Q
November 05, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
x Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015
OR
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	Consolidated Edison, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	Consolidated Edison Company of New York, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340

Indicate by check mark whether the 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Consolidated Edison, Inc. (Con Edison)	Yes x	No ¨
Consolidated Edison Company of New York, Inc. (CECONY)	Yes x	No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Con Edison	Yes x	No ¨
CECONY	Yes x	No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Con Edison

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨

CECONY

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Con Edison	Yes ¨	No x
CECONY	Yes ¨	No x

As of October 30, 2015, Con Edison had outstanding 293,192,258 Common Shares ($.10 par value). All of the outstanding common equity of CECONY is held by Con Edison.

Filing Format

This Quarterly Report on Form 10-Q is a combined report being filed separately by two different registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a wholly-owned subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. As used in this report, the term the “Companies” refers to Con Edison and CECONY. However, CECONY makes no representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

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Glossary of Terms

The following is a glossary of abbreviations or acronyms that are used in the Companies' SEC reports:

Con Edison Companies	
Con Edison	Consolidated Edison, Inc.
CECONY	Consolidated Edison Company of New York, Inc.
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
Con Edison Transmission	Consolidated Edison Transmission, LLC
O&R	Orange and Rockland Utilities, Inc.
Pike	Pike County Light & Power Company
RECO	Rockland Electric Company
The Companies	Con Edison and CECONY
The Utilities	CECONY and O&R
Regulatory Agencies, Government Agencies, and Other Organizations	
EPA	U. S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSDEC	New York State Department of Environmental Conservation
NYSERDA	New York State Energy Research and Development Authority
NYSPSC	New York State Public Service Commission
NYSRC	New York State Reliability Council, LLC
PAPUC	Pennsylvania Public Utility Commission
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission
Accounting	
ASU	Accounting Standards Update
GAAP	Generally Accepted Accounting Principles in the United States of America
LILO	Lease In/Lease Out
OCI	Other Comprehensive Income
VIE	Variable interest entity
Environmental	
CO2	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

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Units of Measure	
AC	Alternating current
Dt	Dekatherms
kV	Kilovolt
kWh	Kilowatt-hour
MDt	Thousand dekatherms
MMlb	Million pounds
MVA	Megavolt ampere
MW	Megawatt or thousand kilowatts
MWH	Megawatt hour
Other	
AFUDC	Allowance for funds used during construction
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DER	Distributed energy resources
DSP	Distributed System Platform
Fitch	Fitch Ratings
First Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31 of the current year
Second Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30 of the current year
Third Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended September 30 of the current year
Form 10-K	The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2014
LTIP	Long Term Incentive Plan
Moody's	Moody's Investors Service
REV	Reforming the Energy Vision
S&P	Standard & Poor's Financial Services LLC
VaR	Value-at-Risk

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FORWARD-LOOKING STATEMENTS

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

- the Companies are extensively regulated and are subject to penalties;
- the Utilities’ rate plans may not provide a reasonable return;
- the Companies may be adversely affected by changes to the Utilities’ rate plans;
- the intentional misconduct of employees or contractors could adversely affect the Companies;
- the failure of, or damage to, the Companies’ facilities could adversely affect the Companies;
- a cyber attack could adversely affect the Companies;
- the Companies are exposed to risks from the environmental consequences of their operations;
- a disruption in the wholesale energy markets or failure by an energy supplier could adversely affect the Companies;
- the Companies have substantial unfunded pension and other postretirement benefit liabilities;
- Con Edison’s ability to pay dividends or interest depends on dividends from its subsidiaries;
- the Companies require access to capital markets to satisfy funding requirements;
- the Companies’ strategies may not be effective to address changes in the external business environment; and
- the Companies also face other risks that are beyond their control.

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Consolidated Edison, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Millions of Dollars/ Except Share Data)			
OPERATING REVENUES				
Electric	$2,762	$2,786	$6,937	$7,158
Gas	237	237	1,293	1,514
Steam	58	46	529	485
Non-utility	386	321	1,088	934
TOTAL OPERATING REVENUES	3,443	3,390	9,847	10,091
OPERATING EXPENSES				
Purchased power	860	875	2,404	2,621
Fuel	31	41	216	231
Gas purchased for resale	64	76	415	627
Other operations and maintenance	869	857	2,485	2,483
Depreciation and amortization	285	270	840	796
Taxes, other than income taxes	504	452	1,459	1,419
TOTAL OPERATING EXPENSES	2,613	2,571	7,819	8,177
Gain on sale of solar electric production projects	—	—	—	45
OPERATING INCOME	830	819	2,028	1,959
OTHER INCOME (DEDUCTIONS)				
Investment and other income	12	28	31	53
Allowance for equity funds used during construction	1	1	3	4
Other deductions	(4)	(3)	(11)	(12)
TOTAL OTHER INCOME	9	26	23	45
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	839	845	2,051	2,004
INTEREST EXPENSE				
Interest on long-term debt	157	145	469	438
Other interest (income)	6	5	19	(1)
Allowance for borrowed funds used during construction	(1)	—	(2)	(2)
NET INTEREST EXPENSE	162	150	486	435
INCOME BEFORE INCOME TAX EXPENSE	677	695	1,565	1,569
INCOME TAX EXPENSE	249	259	548	559
NET INCOME FOR COMMON STOCK	$428	$436	$1,017	$1,010
Net income for common stock per common share—basic	$1.46	$1.49	$3.47	$3.45
Net income for common stock per common share—diluted	$1.45	$1.48	$3.46	$3.44
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.65	$0.63	$1.95	$1.89
AVERAGE NUMBER OF SHARES OUTSTANDING—BASIC (IN MILLIONS)	292.9	292.9	292.9	292.9
AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED (IN MILLIONS)	294.2	294.0	294.2	294.0

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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Millions of Dollars)			
NET INCOME	$428	$436	$1,017	$1,010
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	1	7	6
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	1	7	6
COMPREHENSIVE INCOME FOR COMMON STOCK	$429	$437	$1,024	$1,016

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

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Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2015	2014
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$1,017	$1,010
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	840	796
Deferred income taxes	466	424
Rate case amortization and accruals	(38)	90
Common equity component of allowance for funds used during construction	(3)	(4)
Net derivative gains	(4)	(14)
Pre-tax gain on sale of solar electric production projects	—	(45)
Other non-cash items (net)	73	10
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers, less allowance for uncollectibles	(82)	(35)
Special deposits	5	312
Materials and supplies, including fuel oil and gas in storage	32	19
Other receivables and other current assets	39	(7)
Income taxes receivable	194	—
Prepayments	(568)	(508)
Accounts payable	83	20
Pensions and retiree benefits obligations, net	566	610
Pensions and retiree benefits contributions	(753)	(582)
Accrued taxes	(19)	(428)
Accrued interest	48	(81)
Superfund and environmental remediation costs, net	23	24
Distributions from equity investments related to renewable electric production projects	29	—
Deferred charges, noncurrent assets and other regulatory assets	(17)	(116)
Deferred credits and other regulatory liabilities	220	237
Other current and noncurrent liabilities	48	19
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,199	1,751
INVESTING ACTIVITIES		
Utility construction expenditures	(1,838)	(1,663)
Cost of removal less salvage	(156)	(168)
Non-utility construction expenditures	(366)	(152)
Investments in/acquisitions of renewable electric production projects	(286)	(181)
Proceeds from grants related to solar electric production projects	—	36
Proceeds from sale of solar electric production projects	—	108
Restricted cash	(23)	15
Other investing activities	(18)	9
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,687)	(1,996)
FINANCING ACTIVITIES		
Net issuance/(payment) of short-term debt	360	(26)
Issuance of long-term debt	238	850
Retirement of long-term debt	(145)	(478)

Debt issuance costs	(2)	(9)
Common stock dividends	(560)	(553)
Issuance of common shares for stock plans, net of repurchases	(9)	(8)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(118)	(224)
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(606)	(469)
BALANCE AT BEGINNING OF PERIOD	699	674
BALANCE AT END OF PERIOD	93	205
LESS: HELD FOR SALE	2	—
BALANCE AT END OF PERIOD EXCLUDING HELD FOR SALE	$91	$205
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid/(received) during the period for:		
Interest	$411	$382
Income taxes	$(7)	$635
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	$204	$107

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

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Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	September 30, 2015	December 31, 2014
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$91	$699
Special deposits	3	8
Accounts receivable – customers, less allowance for uncollectible accounts of $88 and $96 in 2015 and 2014, respectively	1,194	1,201
Other receivables, less allowance for uncollectible accounts of $11 and $10 in 2015 and 2014, respectively	232	133
Income taxes receivable	30	224
Accrued unbilled revenue	387	500
Fuel oil, gas in storage, materials and supplies, at average cost	338	372
Prepayments	731	163
Regulatory assets	67	148
Deferred tax assets	60	128
Assets held for sale	194	—
Other current assets	178	278
TOTAL CURRENT ASSETS	3,505	3,854
INVESTMENTS	874	816
UTILITY PLANT, AT ORIGINAL COST		
Electric	25,998	25,091
Gas	6,466	6,102
Steam	2,300	2,251
General	2,546	2,465
TOTAL	37,310	35,909
Less: Accumulated depreciation	7,940	7,614
Net	29,370	28,295
Construction work in progress	1,106	1,031
NET UTILITY PLANT	30,476	29,326
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of $90 and $91 in 2015 and 2014, respectively	572	388
Construction work in progress	425	113
NET PLANT	31,473	29,827
OTHER NONCURRENT ASSETS		
Goodwill	429	429
Intangible assets, less accumulated amortization of $4 in 2015 and 2014	3	3
Regulatory assets	8,445	9,156
Other deferred charges and noncurrent assets	242	223
TOTAL OTHER NONCURRENT ASSETS	9,119	9,811
TOTAL ASSETS	$44,971	$44,308

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

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Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	September 30, 2015	December 31, 2014
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$761	$560
Notes payable	1,160	800
Accounts payable	1,092	1,035
Customer deposits	351	344
Accrued taxes	53	72
Accrued interest	180	132
Accrued wages	96	95
Fair value of derivative liabilities	26	64
Regulatory liabilities	165	187
Liabilities held for sale	82	—
Other current liabilities	463	492
TOTAL CURRENT LIABILITIES	4,429	3,781
NONCURRENT LIABILITIES		
Provision for injuries and damages	185	182
Pensions and retiree benefits	3,068	3,914
Superfund and other environmental costs	746	764
Asset retirement obligations	198	188
Fair value of derivative liabilities	17	13
Deferred income taxes and investment tax credits	9,598	9,076
Regulatory liabilities	1,940	1,993
Other deferred credits and noncurrent liabilities	220	181
TOTAL NONCURRENT LIABILITIES	15,972	16,311
LONG-TERM DEBT	11,521	11,631
EQUITY		
Common shareholders’ equity	13,040	12,576
Noncontrolling interest	9	9
TOTAL EQUITY (See Statement of Equity)	13,049	12,585
TOTAL LIABILITIES AND EQUITY	$44,971	$44,308

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

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Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(Millions of Dollars/Except Share Data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total
	Shares	Amount			Shares	Amount				
BALANCE AS OF DECEMBER 31, 2013	292,872,396	$32	$4,995	$8,338	23,210,200	$(1,034)	$(61)	$(25)	$—	$12,245
Net income for common stock				361						361
Common stock dividends				(184)						(184)
Issuance of common shares for stock plans, net of repurchases	51,656		(2)		(51,656)	2				—
Other comprehensive income								4		4
Noncontrolling interest									—	—
BALANCE AS OF MARCH 31, 2014	292,924,052	$32	$4,993	$8,515	23,158,544	$(1,032)	$(61)	$(21)	$—	$12,426
Net income for common stock				212						212
Common stock dividends				(184)						(184)
Issuance of common shares for stock plans, net of repurchases	(45,658)		—		45,658	—				—
Other comprehensive income								1		1
Noncontrolling interest									—	—
BALANCE AS OF JUNE 30, 2014	292,878,394	$32	$4,993	$8,543	23,204,202	$(1,032)	$(61)	$(20)	$—	$12,455
Net income for common stock				436						436
Common stock dividends				(185)						(185)
Issuance of common shares for stock plans, net of repurchases	(6,426)		—		6,426	—				—
Other comprehensive income								1		1

Noncontrolling interest									9	9
BALANCE AS OF SEPTEMBER 30, 2014	292,871,968	$32	$4,993	$8,794	23,210,628	$(1,032)	$(61)	$(19)	$9	$12,716
BALANCE AS OF DECEMBER 31, 2014	292,876,196	$32	$4,991	$8,691	23,206,400	$(1,032)	$(61)	$(45)	$9	$12,585
Net income for common stock				370						370
Common stock dividends				(190)						(190)
Issuance of common shares for stock plans, net of repurchases	24,600		2		(24,600)	(2)				—
Other comprehensive income								5		5
Noncontrolling interest									—	—
BALANCE AS OF MARCH 31, 2015	292,900,796	$32	$4,993	$8,871	23,181,800	$(1,034)	$(61)	$(40)	$9	$12,770
Net income for common stock				219						219
Common stock dividends				(190)						(190)
Issuance of common shares for stock plans, net of repurchases	(28,134)		—		28,134	(3)				(3)
Other comprehensive income								1		1
Noncontrolling interest									—	—
BALANCE AS OF JUNE 30, 2015	292,872,662	$32	$4,993	$8,900	23,209,934	$(1,037)	$(61)	$(39)	$9	$12,797
Net income for common stock				428						428
Common stock dividends				(191)						(191)
Issuance of common shares for stock plans, net of repurchases	211,452		15		766	(1)				14
Other comprehensive income								1		1
Noncontrolling interest									—	—
BALANCE AS OF SEPTEMBER 30, 2015	293,084,114	$32	$5,008	$9,137	23,210,700	$(1,038)	$(61)	$(38)	$9	$13,049

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Millions of Dollars)			
OPERATING REVENUES				
Electric	$2,558	$2,582	$6,416	$6,635
Gas	213	210	1,177	1,359
Steam	58	46	529	485
TOTAL OPERATING REVENUES	2,829	2,838	8,122	8,479
OPERATING EXPENSES				
Purchased power	526	573	1,423	1,707
Fuel	31	42	216	231
Gas purchased for resale	30	36	282	487
Other operations and maintenance	750	748	2,140	2,172
Depreciation and amortization	262	250	773	737
Taxes, other than income taxes	485	433	1,399	1,359
TOTAL OPERATING EXPENSES	2,084	2,082	6,233	6,693
OPERATING INCOME	745	756	1,889	1,786
OTHER INCOME (DEDUCTIONS)				
Investment and other income	(1)	12	3	20
Allowance for equity funds used during construction	1	1	3	3
Other deductions	(3)	(3)	(10)	(10)
TOTAL OTHER INCOME (DEDUCTIONS)	(3)	10	(4)	13
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	742	766	1,885	1,799
INTEREST EXPENSE				
Interest on long-term debt	141	130	423	388
Other interest	5	4	14	11
Allowance for borrowed funds used during construction	(1)	—	(2)	(1)
NET INTEREST EXPENSE	145	134	435	398
INCOME BEFORE INCOME TAX EXPENSE	597	632	1,450	1,401
INCOME TAX EXPENSE	222	233	515	496
NET INCOME FOR COMMON STOCK	$375	$399	$935	$905

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Millions of Dollars)			
NET INCOME	$375	$399	$935	$905
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	—	2	1
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	—	2	1
COMPREHENSIVE INCOME	$376	$399	$937	$906

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)

	For the Nine Months Ended September 30,	
	2015	2014
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$935	$905
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	773	737
Deferred income taxes	391	267
Rate case amortization and accruals	(57)	77
Common equity component of allowance for funds used during construction	(3)	(3)
Other non-cash items (net)	13	(11)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers, less allowance for uncollectibles	(51)	(11)
Materials and supplies, including fuel oil and gas in storage	34	26
Other receivables and other current assets	60	(31)
Accounts receivable from affiliated companies	(32)	(233)
Prepayments	(336)	(353)
Accounts payable	23	(47)
Pensions and retiree benefits obligations, net	530	575
Pensions and retiree benefits contributions	(700)	(539)
Superfund and environmental remediation costs, net	21	27
Accrued taxes	(1)	(7)
Accrued taxes to affiliated companies	(8)	(181)
Accrued interest	37	1
Deferred charges, noncurrent assets and other regulatory assets	(49)	(100)
Deferred credits and other regulatory liabilities	222	218
Other current and noncurrent liabilities	—	(11)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,802	1,306
INVESTING ACTIVITIES		
Utility construction expenditures	(1,732)	(1,554)
Cost of removal less salvage	(149)	(163)
Restricted cash	(19)	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,900)	(1,717)
FINANCING ACTIVITIES		
Net issuance/(payment) of short-term debt	199	(9)
Issuance of long-term debt	—	850
Retirement of long-term debt	—	(475)
Debt issuance costs	(1)	(9)
Dividend to parent	(694)	(534)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(496)	(177)
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(594)	(588)
BALANCE AT BEGINNING OF PERIOD	645	633
BALANCE AT END OF PERIOD	$51	$45

SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid during the period for:		
Interest	$376	$349
Income taxes	$143	$749
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	$152	$90

The accompanying notes are an integral part of these financial statements

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

	September 30, 2015	December 31, 2014
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$51	$645
Special deposits	2	2
Accounts receivable – customers, less allowance for uncollectible accounts of $83 and $90 in 2015 and 2014, respectively	1,115	1,064
Other receivables, less allowance for uncollectible accounts of $8 in 2015 and 2014	66	71
Accrued unbilled revenue	356	384
Accounts receivable from affiliated companies	164	132
Fuel oil, gas in storage, materials and supplies, at average cost	278	312
Prepayments	462	126
Regulatory assets	53	132
Deferred tax assets	35	94
Other current assets	111	158
TOTAL CURRENT ASSETS	2,693	3,120
INVESTMENTS	281	271
UTILITY PLANT AT ORIGINAL COST		
Electric	24,485	23,599
Gas	5,810	5,469
Steam	2,300	2,251
General	2,337	2,265
TOTAL	34,932	33,584
Less: Accumulated depreciation	7,269	6,970
Net	27,663	26,614
Construction work in progress	1,033	971
NET UTILITY PLANT	28,696	27,585
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of $25 in 2015 and 2014	5	5
NET PLANT	28,701	27,590
OTHER NONCURRENT ASSETS		
Regulatory assets	7,820	8,481
Other deferred charges and noncurrent assets	175	175
TOTAL OTHER NONCURRENT ASSETS	7,995	8,656
TOTAL ASSETS	$39,670	$39,637

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

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

	September 30, 2015	December 31, 2014
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$750	$350
Notes payable	649	450
Accounts payable	783	802
Accounts payable to affiliated companies	28	23
Customer deposits	337	330
Accrued taxes	45	46
Accrued taxes to affiliated companies	2	10
Accrued interest	154	117
Accrued wages	87	84
Fair value of derivative liabilities	19	48
Regulatory liabilities	135	142
Other current liabilities	398	415
TOTAL CURRENT LIABILITIES	3,387	2,817
NONCURRENT LIABILITIES		
Provision for injuries and damages	179	176
Pensions and retiree benefits	2,708	3,493
Superfund and other environmental costs	651	666
Asset retirement obligations	191	185
Fair value of derivative liabilities	14	10
Deferred income taxes and investment tax credits	8,714	8,257
Regulatory liabilities	1,755	1,837
Other deferred credits and noncurrent liabilities	176	144
TOTAL NONCURRENT LIABILITIES	14,388	14,768
LONG-TERM DEBT	10,465	10,864
COMMON SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	11,430	11,188
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$39,670	$39,637

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 SHAREHOLDER'S EQUITY (UNAUDITED)

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2013	235,488,094	$589	$4,234	$7,053	$(962)	$(61)	$(6)	$10,847
Net income				334				334
Common stock dividend to parent				(178)				(178)
Other comprehensive income							1	1
BALANCE AS OF MARCH 31, 2014	235,488,094	$589	$4,234	$7,209	$(962)	$(61)	$(5)	$11,004
Net income				172				172
Common stock dividend to parent				(178)				(178)
Other comprehensive income							—	—
BALANCE AS OF JUNE 30, 2014	235,488,094	$589	$4,234	$7,203	$(962)	$(61)	$(5)	$10,998
Net income				399				399
Common stock dividend to parent				(178)				(178)
Other comprehensive income							—	—
BALANCE AS OF SEPTEMBER 30, 2014	235,488,094	$589	$4,234	$7,424	$(962)	$(61)	$(5)	$11,219
BALANCE AS OF DECEMBER 31, 2014	235,488,094	$589	$4,234	$7,399	$(962)	$(61)	$(11)	$11,188
Net income				348				348
Common stock dividend to parent				(338)				(338)
Other comprehensive income							—	—
BALANCE AS OF MARCH 31, 2015	235,488,094	$589	$4,234	$7,409	$(962)	$(61)	$(11)	$11,198
Net income				211				211
Common stock dividend to parent				(178)				(178)
Other comprehensive income							1	1
BALANCE AS OF JUNE 30, 2015	235,488,094	$589	$4,234	$7,442	$(962)	$(61)	$(10)	$11,232
Net income				375				375
Common stock dividend to parent				(178)				(178)
Other comprehensive income							1	1
BALANCE AS OF SEPTEMBER 30, 2015	235,488,094	$589	$4,234	$7,639	$(962)	$(61)	$(9)	$11,430

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

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

General

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the two separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison) and Consolidated Edison Company of New York, Inc. and its subsidiaries (CECONY). CECONY is a subsidiary of Con Edison and as such its financial condition and results of operations and cash flows, which are presented separately in the CECONY consolidated financial statements, are also consolidated, along with those of Con Edison's other utility subsidiary, Orange and Rockland Utilities, Inc. (O&R) and Con Edison's competitive energy businesses (discussed below) in Con Edison's consolidated financial statements. The term "Utilities" is used in these notes to refer to CECONY and O&R. As used in these notes, the term "Companies" refers to Con Edison and CECONY and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, CECONY makes no representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

The separate interim consolidated financial statements of each of the Companies are unaudited but, in the opinion of their respective managements, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Companies' separate interim consolidated financial statements should be read together with their separate audited financial statements (including the combined notes thereto) included in Item 8 of their combined Annual Report on Form 10-K for the year ended December 31, 2014 and their separate unaudited financial statements (including the combined notes thereto) included in Part I, Item 1 of their combined Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015. Certain prior period amounts have been reclassified to conform to the current period presentation.

Con Edison has two regulated utility subsidiaries: CECONY and O&R. CECONY provides electric service and gas service in New York City and Westchester County. The company also provides steam service in parts of Manhattan. O&R, along with its regulated utility subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania (see Note O) and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. Con Edison has the following competitive energy businesses: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a company which sells to retail customers electricity purchased in wholesale markets (see Note O), enters into related hedging transactions and also provides energy-related products and services to retail customers; Consolidated Edison Energy, Inc. (Con Edison Energy), a company that provides energy-related products and services to wholesale customers; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops, owns and operates renewable and energy infrastructure projects. In addition, in 2014 Con Edison formed Consolidated Edison Transmission, LLC (Con Edison Transmission) to invest in a transmission company. See information about Con Edison Transmission under "Guarantees" in Note H.

Note A – Summary of Significant Accounting Policies

Earnings Per Common Share

For the three and nine months ended September 30, 2015 and 2014, basic and diluted earnings per share (EPS) for Con Edison are calculated as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Millions of Dollars, except per share amounts/Shares in Millions)	2015	2014	2015	2014
Net income for common stock	$428	$436	$1,017	$1,010
Weighted average common shares outstanding – basic	292.9	292.9	292.9	292.9
Add: Incremental shares attributable to effect of potentially dilutive securities	1.3	1.1	1.3	1.1
Adjusted weighted average common shares outstanding – diluted	294.2	294.0	294.2	294.0

Net Income for common stock per common share – basic	$1.46	$1.49	$3.47	$3.45
Net Income for common stock per common share – diluted	$1.45	$1.48	$3.46	$3.44

The computation of diluted EPS for the three and nine months ended September 30, 2014 excludes immaterial amounts of performance share awards that were not included because of their anti-dilutive effect.

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

For the three and nine months ended September 30, 2015 and 2014, changes to accumulated other comprehensive income/(loss) (OCI) for Con Edison and CECONY are as follows:

	For the Three Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Beginning balance, accumulated OCI, net of taxes (a)	$(39)	$(20)	$(10)	$(5)
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(1) for Con Edison in 2015 and 2014 (a)(b)	1	1	1	—
Current period OCI, net of taxes	1	1	1	—
Ending balance, accumulated OCI, net of taxes	$(38)	$(19)	$(9)	$(5)

	For the Nine Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Beginning balance, accumulated OCI, net of taxes (a)	$(45)	$(25)	$(11)	$(6)
OCI before reclassifications, net of tax of $(2) and $(1) for Con Edison in 2015 and 2014, respectively	3	2	—	—
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(3) for Con Edison in 2015 and 2014 (a)(b)	4	4	2	1
Current period OCI, net of taxes	7	6	2	1
Ending balance, accumulated OCI, net of taxes	$(38)	$(19)	$(9)	$(5)

(a) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the income statement.

(b) For the portion of unrecognized pension and other postretirement benefit costs relating to the regulated Utilities, costs are recorded into, and amortized out of, regulatory assets instead of OCI. The net actuarial losses and prior service costs recognized during the period are included in the computation of total periodic pension and other postretirement benefit cost. See Notes E and F.

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Note B — Regulatory Matters
Rate Plans
CECONY — Electric
In June 2015, the New York State Public Service Commission (NYSPSC) approved an April 2015 Joint Proposal entered into by CECONY, the staff of the NYSPSC and other parties. Under the Joint Proposal, the rate plan for 2016 does not include a rate increase or decrease. The rate plan for 2016 includes additional revenues from the amortization to income of net regulatory liabilities. The following table contains a summary of the rate plan for 2016:

Effective period	January 2016 – December 2016
Base rate changes	None (a)
Amortizations to income of net regulatory (assets) and liabilities	Additional $123 million of net regulatory liabilities (b).
Other revenue sources	Continued retention of $90 million of annual transmission congestion revenues.
Revenue decoupling mechanism	Continued reconciliation of actual electric delivery revenues to those authorized in the rate plan.
Recoverable energy costs	Continued current rate recovery of purchased power and fuel costs (c).
Negative revenue adjustments	Continued potential penalties (up to $400 million annually) if certain performance targets are not met.
Cost reconciliations	Continued reconciliation of expenses for pension and other postretirement benefits, variable-rate tax-exempt debt, major storms, property taxes, municipal infrastructure support, the impact of new laws and environmental remediation to amounts reflected in rates (d).
Net utility plant reconciliations	Target levels reflected in rates are as follows: Transmission and distribution: $17,929 million Storm hardening: $268 million Other: $2,069 million
Average rate base	$18,282 million
Weighted average cost of capital (after-tax)	6.91 percent
Authorized return on common equity	9.0 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets for environmental remediation and other costs.
Cost of long-term debt	5.09 percent
Common equity ratio	48 percent

(a) The impact of 2014 and 2015 base rate changes under the current electric rate plan will continue to be deferred. $249 million of annual revenues collected from electric customers will continue to be subject to potential refund following NYSPSC staff review of certain costs. Revenues will continue to include $21 million as funding for major storm reserve.

(b) Annual amortization of $107 million of the regulatory asset for deferred Superstorm Sandy and other major storm costs will continue. The costs recoverable from customers will be reduced by $4 million. The costs will no longer be subject to NYSPSC staff review and the recovery of the costs will no longer be subject to refund.

(c) For transmission service provided pursuant to the open access transmission tariff of PJM Interconnection LLC (PJM), unless and until changed by the NYSPSC, the company will recover all charges incurred associated with the transmission service. In January 2014, PJM submitted to the Federal Energy Regulatory Commission (FERC) a request that would substantially increase the charges for the transmission service. FERC has granted the request and rejected CECONY's protests. CECONY is challenging the FERC's decision. In August 2015, PJM submitted a request to FERC that, if approved by FERC, would further increase the charges. In September 2015, CECONY filed a protest to this increase.

(d) Deferrals for property taxes will continue to be limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a 10 basis point impact on return on common equity. In general, if actual expenses for municipal infrastructure support (other than company labor) are below the amounts reflected in rates the company will defer the difference for credit to customers, and if the actual expenses are above the amount reflected in rates the company will defer for recovery from customers 80 percent of the difference subject to a maximum deferral of 30 percent of the amount reflected in rates.

O&R New York – Electric and Gas

In October 2015, the NYSPSC approved a June 2015 Joint Proposal entered into by O&R, the NYSPSC staff and other parties for new electric and gas rate plans. Under the Joint Proposal, the new rate plans are effective November 2015. The following tables contain a summary of the new rate plans:

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O&R New York - Electric	
Effective period	November 2015 - October 2017
Base rate changes	Yr. 1 - $9.3 million Yr. 2 - $8.8 million
Amortizations to income of net regulatory (assets) and liabilities (a)	Yr. 1 - $(8.5) million Yr. 2 - $(9.4) million
Revenue decoupling mechanism	Continued reconciliation of actual electric delivery revenues to those authorized in the rate plan.
Recoverable energy costs	Continued current rate recovery of purchased power costs.
Negative revenue adjustments	Potential penalties (up to $4 million annually) if certain performance targets are not met.
Cost reconciliations	Continued reconciliation of expenses for pension and other postretirement benefits, major storms, property taxes, the impact of new laws and environmental remediation to amounts reflected in rates.
Net utility plant reconciliations (b)	Target levels reflected in rates are: Yr. 1 - $928 million Yr. 2 - $970 million
Average rate base	Yr. 1 - $763 million Yr. 2 - $805 million
Weighted average cost of capital (after-tax)	Yr. 1 - 7.10 percent Yr. 2 - 7.06 percent
Authorized return on common equity	9.0 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets.
Cost of long-term debt	Yr. 1 - 5.42 percent Yr. 2 - 5.35 percent
Common equity ratio	48 percent

(a) $59.3 million of the regulatory asset for deferred storm costs is to be recovered from customers over a five-year period, including $11.85 million in each of years 1 and 2, $1 million of the regulatory asset for such costs will not be recovered from customers, and all outstanding issues related to Superstorm Sandy and other past major storms prior to November 2014 are resolved. Approximately $4 million of regulatory assets for property tax and interest rate reconciliations will not be recovered from customers. Amounts that will not be recovered from customers were charged-off in June 2015.

(b) Excludes electric advanced metering infrastructure as to which the company will be required to defer as a regulatory liability the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates: $1 million in year 1 and $9 million in year 2.

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O&R New York - Gas

Effective period	November 2015 - October 2018
Base rate changes	Yr. 1 - $16.4 million Yr. 2 - $16.4 million Yr. 3 - $5.8 million Yr. 3 - $10.6 million collected through a surcharge
Amortizations to income of net regulatory (assets) and liabilities (a)	Yr. 1 - $(1.7) million Yr. 2 - $(2.1) million Yr. 3 - $(2.5) million
Revenue decoupling mechanism	Continued reconciliation of actual gas delivery revenues to those authorized in the rate plan, including through weather normalization clause.
Recoverable energy costs	Continued current rate recovery of purchased gas costs.
Negative revenue adjustments	Potential penalties (up to $3.7 million in Yr. 1, $4.7 million in Yr. 2 and $5.8 million in Yr. 3) if certain performance targets are not met.
Cost reconciliations	Continued reconciliation of expenses for pension and other postretirement benefits, property taxes, the impact of new laws and environmental remediation to amounts reflected in rates.
Net utility plant reconciliations (b)	Target levels reflected in rates are: Yr. 1 - $492 million Yr. 2 - $518 million Yr. 3 - $546 million
Average rate base	Yr. 1 - $366 million Yr. 2 - $391 million Yr. 3 - $417 million
Weighted average cost of capital (after-tax)	Yr. 1 - 7.10 percent Yr. 2 - 7.06 percent Yr. 3 - 7.06 percent
Authorized return on common equity	9.0 percent
Earnings sharing	Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets.
Cost of long-term debt	Yr. 1 - 5.42 percent Yr. 2 - 5.35 percent Yr. 3 - 5.35 percent
Common equity ratio	48 percent

(a) Reflects that the company will not recover from customers a total of approximately $14 million of regulatory assets for property tax and interest rate reconciliations. Amounts that will not be recovered from customers were charged-off in June 2015.

(b) Excludes gas advanced metering infrastructure as to which the company will be required to defer as a regulatory liability the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates: $0.5 million in year 1, $4.2 million in year 2 and $7.2 million in year 3.

Other Regulatory Matters

In February 2009, the NYSPSC commenced a proceeding to examine the prudence of certain CECONY expenditures following the arrests of employees for accepting illegal payments from a construction contractor. Subsequently, additional employees were arrested for accepting illegal payments from materials suppliers and an engineering firm. The arrested employees were terminated by the company and have pled guilty or been convicted. Pursuant to NYSPSC orders, a portion of the company’s revenues (currently, $249 million, $32 million and $6 million on an annual basis for electric, gas and steam service, respectively) is being collected subject to potential refund to customers. The amount of electric revenues collected subject to refund, which was established in a different proceeding, and the amount of gas and steam revenues collected subject to refund were not established as indicative of the company's potential liability in this proceeding. At September 30, 2015, the company had collected an estimated $1,889 million from customers subject to potential refund in connection with this proceeding. In January 2013, a NYSPSC consultant reported its estimate, with which the company does not agree, of $208 million of overcharges with respect to a substantial portion of the company's construction expenditures from January 2000 to January 2009. The company disputed the consultant's estimate, including its determinations as to overcharges regarding specific construction expenditures it selected to review and its methodology of extrapolating such determinations over a substantial portion of the construction expenditures during this period. The NYSPSC's consultant has not reviewed the company's other expenditures. In September 2015, the company, the NYSPSC staff and others entered into a Joint Proposal to settle this proceeding and related matters. The Joint Proposal is subject to NYSPSC approval. Pursuant to the Joint Proposal, the company is required to credit $116 million to customers and, for the period 2017 through 2044, to not seek to recover from customers an aggregate $55 million relating to return on its capital expenditures. In addition, the company's revenues that were made subject to potential refund in this proceeding would no longer be subject to refund. At September 30, 2015, the company had a $100 million regulatory liability for the remaining amount to be credited to customers related to this matter.

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In late October 2012, Superstorm Sandy caused extensive damage to the Utilities’ electric distribution system and interrupted service to approximately 1.4 million customers. Superstorm Sandy also damaged CECONY’s steam system and interrupted service to many of its steam customers. As of September 30, 2015, CECONY and O&R incurred response and restoration costs for Superstorm Sandy of $509 million and $91 million, respectively (including capital expenditures of $148 million and $15 million, respectively). Most of the costs that were not capitalized were deferred for recovery as a regulatory asset under the Utilities’ electric rate plans. Collection from customers of these costs is provided for under the Utilities' current electric rate plans. See “Rate Plans,” above.

In June 2014, the NYSPSC initiated a proceeding to investigate the practices of qualifying persons to perform plastic fusions on gas facilities. New York State regulations require gas utilities to qualify and, except in certain circumstances, annually requalify workers that perform fusion to join plastic pipe. The NYSPSC directed the New York gas utilities to provide information in this proceeding about their compliance with the qualification and requalification requirements and related matters; their procedures for compliance with all gas safety regulations; and their annual chief executive officer certifications regarding these and other procedures. CECONY’s qualification and requalification procedures had not included certain required testing to evaluate specimen fuses. In addition, CECONY and O&R had not timely requalified certain workers that had been qualified under their respective procedures to perform fusion to join plastic pipe. CECONY and O&R have requalified their workers who perform plastic pipe fusions. In May 2015, the NYSPSC, which indicated that it would address enforcement at a later date, ordered CECONY, O&R and other gas utilities to perform risk assessment and remediation plans, additional leakage surveying and reporting; CECONY to hire an independent statistician to develop a risk assessment and remediation plan; and the gas utilities to implement certain new plastic fusion requirements. In October 2015, O&R submitted to the NYSPSC staff the company’s risk assessment and its recommendation that the development of a remediation plan is unnecessary and that the NYSPSC staff determine that the company’s risk assessment activities are complete.

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Regulatory Assets and Liabilities
Regulatory assets and liabilities at September 30, 2015 and December 31, 2014 were comprised of the following items:

	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Regulatory assets				
Unrecognized pension and other postretirement costs	$4,208	$4,846	$4,008	$4,609
Future income tax	2,363	2,273	2,254	2,166
Environmental remediation costs	884	925	784	820
Revenue taxes	235	219	223	208
Deferred storm costs	218	319	137	224
Surcharge for New York State assessment	68	99	63	92
Unamortized loss on reacquired debt	52	57	50	55
Pension and other postretirement benefits deferrals	49	66	21	42
Net electric deferrals	49	63	49	63
O&R property tax reconciliation	45	36	—	—
Deferred derivative losses	32	25	28	23
Preferred stock redemption	26	27	26	27
O&R transition bond charges	22	27	—	—
Workers' compensation	11	8	11	8
Recoverable energy costs	4	19	4	17
Other	179	147	162	127
Regulatory assets – noncurrent	8,445	9,156	7,820	8,481
Deferred derivative losses	57	97	52	92
Future income tax	9	10	—	—
Recoverable energy costs	1	41	1	40
Regulatory assets – current	67	148	53	132
Total Regulatory Assets	$8,512	$9,304	$7,873	$8,613
Regulatory liabilities				
Allowance for cost of removal less salvage	$633	$598	$530	$499
Property tax reconciliation	299	295	299	295
Base rate change deferrals	134	155	134	155
Net unbilled revenue deferrals	134	138	134	138
Prudence proceeding	100	105	100	105
Pension and other postretirement benefit deferrals	76	46	46	37
Variable-rate tax-exempt debt – cost rate reconciliation	75	78	64	78
New York State income tax rate change	67	62	63	59
Property tax refunds	55	87	55	87
Carrying charges on repair allowance and bonus depreciation	50	58	49	57
Earnings sharing – electric and steam	37	19	37	18
Net utility plant reconciliations	31	21	31	20
World Trade Center settlement proceeds	26	41	26	41
Unrecognized other postretirement costs	20	—	20	—
Other	203	290	167	248
Regulatory liabilities – noncurrent	1,940	1,993	1,755	1,837
Refundable energy costs	99	128	71	84
Revenue decoupling mechanism	41	30	39	30

Future income tax	20	24	20	24
Deferred derivative gains	5	5	5	4
Regulatory liabilities – current	165	187	135	142
Total Regulatory Liabilities	$2,105	$2,180	$1,890	$1,979

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Note C — Capitalization
In April 2015, O&R redeemed at maturity $40 million of 5.30 percent 10-year debentures. In June 2015, O&R issued $120 million aggregate principal amount of 4.95 percent debentures, due 2045. Also in June 2015, a Con Edison Development subsidiary issued $118 million aggregate principal amount of 3.94 percent senior notes, due 2036. The notes are secured by four of the company's solar projects. In August 2015, O&R redeemed at maturity $55 million of 2.50 percent 5-year debentures and $44 million of variable rate tax-exempt 20-year debt.

The carrying amounts and fair values of long-term debt at September 30, 2015 and December 31, 2014 are:

(Millions of Dollars)	2015		2014	
Long-Term Debt (including current portion)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Con Edison	$12,282	$13,575	$12,191	$13,998
CECONY	$11,215	$12,385	$11,214	$12,846

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, $12,939 million and $636 million of the fair value of long-term debt at September 30, 2015 are classified as Level 2 and Level 3, respectively. For CECONY, $11,749 million and $636 million of the fair value of long-term debt at September 30, 2015 are classified as Level 2 and Level 3, respectively (see Note L). The $636 million of long-term debt classified as Level 3 is CECONY's tax-exempt, auction-rate securities for which the market is highly illiquid and there is a lack of observable inputs.

Note D — Short-Term Borrowing
At September 30, 2015, Con Edison had $1,160 million of commercial paper outstanding of which $649 million was outstanding under CECONY's program. The weighted average interest rate at September 30, 2015 was 0.3 percent for both Con Edison and CECONY. At December 31, 2014, Con Edison had $800 million of commercial paper outstanding of which $450 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2014 was 0.4 percent for both Con Edison and CECONY.
At September 30, 2015 and December 31, 2014, no loans were outstanding under the credit agreement (Credit Agreement) and $56 million (including $11 million for CECONY) and $11 million (including $11 million for CECONY), respectively, of letters of credit were outstanding under the Credit Agreement.

Note E — Pension Benefits
Total Periodic Benefit Cost
The components of the Companies' total periodic benefit costs for the three and nine months ended September 30, 2015 and 2014 were as follows:

	For the Three Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Service cost – including administrative expenses	$74	$57	$70	$53
Interest cost on projected benefit obligation	144	143	135	134
Expected return on plan assets	(222)	(208)	(210)	(198)
Recognition of net actuarial loss	194	154	183	146
Recognition of prior service costs	1	1	—	1
NET PERIODIC BENEFIT COST	$191	$147	$178	$136
Amortization of regulatory asset	1	1	1	1
TOTAL PERIODIC BENEFIT COST	$192	$148	$179	$137

Cost capitalized	(80)	(57)	(76)	(54)
Reconciliation to rate level	(14)	30	(14)	28
Cost charged to operating expenses	$98	$121	$89	$111

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	For the Nine Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Service cost – including administrative expenses	$223	$170	$209	$158
Interest cost on projected benefit obligation	431	429	404	402
Expected return on plan assets	(664)	(624)	(630)	(592)
Recognition of net actuarial loss	581	464	550	439
Recognition of prior service costs	3	3	1	2
NET PERIODIC BENEFIT COST	$574	$442	$534	$409
Amortization of regulatory asset	2	2	2	2
TOTAL PERIODIC BENEFIT COST	$576	$444	$536	$411
Cost capitalized	(224)	(166)	(214)	(156)
Reconciliation to rate level	(56)	86	(56)	78
Cost charged to operating expenses	$296	$364	$266	$333

Expected Contributions

Based on estimates as of September 30, 2015, the Companies expect to make contributions to the pension plans during 2015 of $750 million (of which $697 million is to be contributed by CECONY). The Companies' policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible and to also contribute to the non-qualified supplemental plans. During the first nine months of 2015, the Companies contributed $747 million (of which $694 million was contributed by CECONY) to the pension plans. CECONY also contributed $16 million to its external trust for supplemental plans.

Note F — Other Postretirement Benefits

Total Periodic Benefit Cost

The components of the Companies' total periodic other postretirement benefit costs for the three and nine months ended September 30, 2015 and 2014 were as follows:

	For the Three Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Service cost	$5	$5	$4	$4
Interest cost on accumulated other postretirement benefit obligation	13	15	11	13
Expected return on plan assets	(20)	(19)	(17)	(17)
Recognition of net actuarial loss	8	14	7	13
Recognition of prior service cost	(5)	(5)	(4)	(4)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST	$1	$10	$1	$9
Cost capitalized	(1)	(4)	(1)	(4)
Reconciliation to rate level	4	3	2	1
Cost charged to operating expenses	$4	$9	$2	$6

	For the Nine Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Service cost	$15	$14	$11	$11

Interest cost on accumulated other postretirement benefit obligation	38	45	32	39
Expected return on plan assets	(59)	(58)	(51)	(51)
Recognition of net actuarial loss	24	43	21	38
Recognition of prior service cost	(15)	(14)	(10)	(11)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST	$3	$30	$3	$26
Cost capitalized	(2)	(11)	(2)	(10)
Reconciliation to rate level	12	8	5	2
Cost charged to operating expenses	$13	$27	$6	$18

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Contributions

The Companies made a contribution of $6 million, nearly all of which is for CECONY, to the other postretirement benefit plans in 2015. The Companies' policy is to fund the total periodic benefit cost of the plans to the extent tax deductible.

Note G — Environmental Matters

Superfund Sites

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of the Utilities and their predecessors and are present at sites and in facilities and equipment they currently or previously owned, including sites at which gas was manufactured or stored.

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

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

The accrued liabilities and regulatory assets related to Superfund Sites at September 30, 2015 and December 31, 2014 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Accrued Liabilities:				
Manufactured gas plant sites	$666	$684	$572	$587
Other Superfund Sites	80	80	79	79
Total	$746	$764	$651	$666
Regulatory assets	$884	$925	$784	$820

Most of the accrued Superfund Site liability relates to sites that have been investigated, in whole or in part. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As investigations progress and information pertaining to the required remediation becomes available, the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Companies are unable to estimate the time period over which the remaining accrued liability will be incurred because, among other things, the required remediation has not been determined for some of the sites. Under their current rate plans, the Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs.

Environmental remediation costs incurred and insurance recoveries received related to Superfund Sites for the three and nine months ended September 30, 2015 and 2014 were as follows:

	For the Three Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014

Remediation costs incurred	$6	$5	$6	$2
Insurance recoveries received	—	—	—	—

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	For the Nine Months Ended September 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Remediation costs incurred	$21	$19	$18	$12
Insurance recoveries received (a)	—	5	—	5

(a) Reduced amount deferred for recovery from customers

In 2014, Con Edison and CECONY estimated that for their manufactured gas plant sites (including CECONY's Astoria site), the aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other environmental contaminants could range up to $2.7 billion and $2.5 billion, respectively. These estimates were based on the assumption that there is contamination at all sites, including those that have not yet been fully investigated and additional assumptions about the extent of the contamination and the type and extent of the remediation that may be required. Actual experience may be materially different.

Asbestos Proceedings

Suits have been brought in New York State and federal courts against the Utilities and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the Utilities. The suits that have been resolved, which are many, have been resolved without any payment by the Utilities, or for amounts that were not, in the aggregate, material to them. The amounts specified in all the remaining thousands of suits total billions of dollars; however, the Utilities believe that these amounts are greatly exaggerated, based on the disposition of previous claims. At September 30, 2015 and December 31, 2014, Con Edison and CECONY had accrued their estimated aggregate undiscounted potential liabilities for these suits and additional suits that may be brought over the next 15 years of $8 million and $7 million, respectively. The estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Trial courts have begun, and unless otherwise determined by an appellate court may continue, to apply a different standard for determining liability in asbestos suits than the standard that applied historically. As a result, the Companies currently believe that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Companies are unable to estimate the amount or range of such loss. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. Under its current rate plans, CECONY is permitted to defer as regulatory assets (for subsequent recovery through rates) costs incurred for its asbestos lawsuits and workers' compensation claims.

The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for the Companies at September 30, 2015 and December 31, 2014 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2015	2014	2015	2014
Accrued liability – asbestos suits	$8	$8	$7	$7
Regulatory assets – asbestos suits	$8	$8	$7	$7
Accrued liability – workers' compensation	$86	$83	$81	$78
Regulatory assets – workers' compensation	$11	$8	$11	$8

Note H — Other Material Contingencies

Manhattan Steam Main Rupture

In July 2007, a CECONY steam main located in midtown Manhattan ruptured. It has been reported that one person died and others were injured as a result of the incident. Several buildings in the area were damaged. Debris from the incident included dirt and mud containing asbestos. The response to the incident required the closing of several buildings and streets for various periods. Approximately 90 suits are pending against the company seeking generally unspecified compensatory and, in some cases, punitive damages, for wrongful death, personal injury, property damage and business interruption. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover the company's costs to satisfy its liability to others in connection with the suits. In the company's estimation, there is not a reasonable possibility that an exposure to loss exists for the suits that is materially in excess of the estimated liability accrued. At September 30, 2015, the company has accrued its estimated liability for the suits of $50 million and an insurance receivable in the same amount.

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Manhattan Explosion and Fire

On March 12, 2014, two multi-use five-story tall buildings located on Park Avenue between 116th and 117th Street in Manhattan were destroyed by an explosion and fire. CECONY had delivered gas to the buildings through service lines from a distribution main located below ground on Park Avenue. Eight people died and more than 50 people were injured. Additional buildings were also damaged. The National Transportation Safety Board (NTSB) investigated. The parties to the investigation included the company, the City of New York, the Pipeline and Hazardous Materials Safety Administration and the NYSPSC (which is also conducting an investigation). In June 2015, the NTSB issued a final report concerning the incident, its probable cause and safety recommendations. The NTSB determined that the probable cause of the incident was (1) the failure of a defective fusion joint at a service tee (which joined a plastic service line to a plastic distribution main) installed by the company that allowed gas to leak from the distribution main and migrate into a building where it ignited and (2) a breach in a City sewer line that allowed groundwater and soil to flow into the sewer, resulting in a loss of support for the distribution main, which caused it to sag and overstressed the defective fusion joint. The NTSB also made safety recommendations, including recommendations to the company that addressed its procedures for the preparation and examination of plastic fusions, training of its staff on conditions for notifications to the City's Fire Department and extension of its gas main isolation valve installation program. Approximately 70 suits are pending against the company seeking generally unspecified damages and, in one case, punitive damages, for wrongful death, personal injury, property damage and business interruption. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover the company's costs, in excess of a required retention (the amount of which is not material), to satisfy any liability it may have for damages in connection with the incident. The company is unable to estimate the amount or range of its possible loss related to the incident. At September 30, 2015, the company had not accrued a liability for the incident.

Other Contingencies

See "Other Regulatory Matters" in Note B and "Uncertain Tax Positions" in Note I.

Guarantees

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison totaled $2,576 million and $2,547 million at September 30, 2015 and December 31, 2014, respectively.

A summary, by type and term, of Con Edison's total guarantees at September 30, 2015 is as follows:

Guarantee Type	0 – 3 years	4 – 10 years	> 10 years	Total
	(Millions of Dollars)			
NY Transco	$946	$413	$—	$1,359
Energy transactions	760	36	89	885
Renewable electric production projects	176	82	44	302
Other	30	—	—	30
Total	$1,912	$531	$133	$2,576

NY Transco — Con Edison has guaranteed payment by its subsidiary, Con Edison Transmission, of the contributions it agreed to make to New York Transco LLC (NY Transco). Con Edison Transmission acquired a 46 percent interest in NY Transco when it was formed in 2014. NY Transco's transmission projects are expected to be developed initially by CECONY and other New York transmission owners and then sold to NY Transco. The development of the projects would be subject to authorizations from the NYSPSC, the FERC and other federal, state and local agencies. Guarantee amount shown is for the maximum possible required amount of Con Edison Transmission's contributions, which assumes that all of the NY Transco projects proposed when NY Transco was formed receive all required regulatory approvals and are completed at 175 percent of their estimated costs and that NY Transco does not use any debt financing for the projects. Guarantee term shown is assumed as the timing of the contributions is not known.

Energy Transactions — Con Edison guarantees payments on behalf of its competitive energy businesses in order to facilitate physical and financial transactions in gas, pipeline capacity, transportation, oil, electricity, renewable energy credits and energy services. To the extent that liabilities exist under the contracts subject to these guarantees, such liabilities are included in Con Edison’s consolidated balance sheet.

Renewable Electric Production Projects — Con Edison and Con Edison Development guarantee payments associated with the investment in solar and wind energy facilities on behalf of their wholly-owned subsidiaries. In addition, Con Edison Development also provided $3 million in guarantees to Travelers Insurance Company for

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indemnity agreements for surety bonds in connection with the construction and operation of solar energy facilities performed by its subsidiaries.
Other — Other guarantees primarily relate to guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with energy service projects performed by Con Edison Solutions for $25 million. In addition, Con Edison issued a guarantee to the Public Utility Commission of Texas covering obligations of Con Edison Solutions as a retail electric provider. Con Edison’s estimate of the maximum potential obligation for this guarantee is $5 million as of September 30, 2015.

Note I — Income Tax

Con Edison’s income tax expense decreased to $249 million for the three months ended September 30, 2015 from $259 million for the three months ended September 30, 2014. Con Edison's effective tax rate for the three months ended September 30, 2015 and 2014 was 37 percent. CECONY’s income tax expense decreased to $222 million for the three months ended September 30, 2015 from $233 million for the three months ended September 30, 2014. CECONY's effective tax rate for the three months ended September 30, 2015 and 2014 was 37 percent.
Con Edison’s income tax expense decreased to $548 million for the nine months ended September 30, 2015 from $559 million for the nine months ended September 30, 2014. Con Edison's effective tax rate for the nine months ended September 30, 2015 and 2014 was 35 percent and 36 percent, respectively. The decrease in Con Edison’s effective tax rate is due primarily to higher production tax credits and amortization of investment tax credits from the competitive energy businesses. CECONY’s income tax expense increased to $515 million for the nine months ended September 30, 2015 from $496 million for the nine months ended September 30, 2014. CECONY's effective tax rate for the nine months ended September 30, 2015 and 2014 was 35 percent.
In September 2015, Con Edison and subsidiaries filed its 2014 federal income tax return. As part of the filing, the company generated excess income tax credits (principally investment tax credits). The company plans to carryback a portion of the excess tax credits to the 2013 federal income tax return and request a tax refund of $30 million.

Uncertain Tax Positions

At September 30, 2015, the estimated liability for uncertain tax positions for Con Edison was $34 million ($2 million for CECONY). Con Edison reasonably expects to resolve approximately $25 million ($16 million, net of federal taxes) of its uncertain tax positions within the next twelve months, of which the entire amount, if recognized, would reduce Con Edison’s effective tax rate. The amount related to CECONY is approximately $2 million ($1 million, net of federal taxes), of which the entire amount, if recognized, would reduce CECONY’s effective tax rate. The total amount of unrecognized tax benefits, if recognized, that would reduce Con Edison’s effective tax rate is $34 million ($22 million, net of federal taxes).
The companies recognize interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the companies’ consolidated income statements. In the three and nine months ended September 30, 2015, Con Edison recognized an immaterial amount of interest expense and no penalties for uncertain tax positions in its consolidated income statements. At September 30, 2015 and December 31, 2014, Con Edison recognized an immaterial amount of accrued interest on its consolidated balance sheets.

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Note J — Financial Information by Business Segment
The financial data for the business segments are as follows:

	For the Three Months Ended September 30,							
	Operating revenues		Inter-segment revenues		Depreciation and amortization		Operating income	
(Millions of Dollars)	2015	2014	2015	2014	2015	2014	2015	2014
CECONY								
Electric	$2,558	$2,582	$4	$4	$207	$198	$811	$811
Gas	213	210	1	1	35	33	(17)	(14)
Steam	58	46	22	21	20	19	(49)	(41)
Consolidation adjustments	—	—	(27)	(26)	—	—	—	—
Total CECONY	$2,829	$2,838	$—	$—	$262	$250	$745	$756
O&R								
Electric	$205	$205	$—	$—	$13	$12	$51	$51
Gas	24	27	—	—	4	4	(9)	(8)
Total O&R	$229	$232	$—	$—	$17	$16	$42	$43
Competitive energy businesses	$386	$321	$(2)	$(3)	$6	$3	$43	$20
Other (a)	(1)	(1)	2	3	—	1	—	—
Total Con Edison	$3,443	$3,390	$—	$—	$285	$270	$830	$819

(a) Parent company and consolidation adjustments. Other does not represent a business segment.

	For the Nine Months Ended September 30,							
	Operating revenues		Inter-segment revenues		Depreciation and amortization		Operating income	
(Millions of Dollars)	2015	2014	2015	2014	2015	2014	2015	2014
CECONY								
Electric	$6,416	$6,635	$13	$12	$610	$581	$1,511	$1,416
Gas	1,177	1,359	4	4	105	98	278	273
Steam	529	485	65	62	58	58	100	97
Consolidation adjustments	—	—	(82)	(78)	—	—	—	—
Total CECONY	$8,122	$8,479	$—	$—	$773	$737	$1,889	$1,786
O&R								
Electric	$523	$525	$—	$—	$38	$33	$85	$87
Gas	117	155	—	—	13	12	—	15
Total O&R	$640	$680	$—	$—	$51	$45	$85	$102
Competitive energy businesses	$1,087	$934	$(5)	$(2)	$16	$14	$53	$70
Other (a)	(2)	(2)	5	2	—	—	1	1
Total Con Edison	$9,847	$10,091	$—	$—	$840	$796	$2,028	$1,959

(a) Parent company and consolidation adjustments. Other does not represent a business segment.

Note K — Derivative Instruments and Hedging Activities
Con Edison's subsidiaries hedge market price fluctuations associated with physical purchases and sales of electricity, natural gas, steam and, to a lesser extent, refined fuels by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts. Derivatives are recognized on the balance sheet at fair value (see Note L), unless an exception is available under the accounting rules for derivatives and hedging. Qualifying derivative contracts that have been designated as normal purchases or normal sales contracts are not reported at fair value under the accounting rules.

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The fair values of the Companies' commodity derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at September 30, 2015 and December 31, 2014 were:

(Millions of Dollars)	2015				2014			
Balance Sheet Location	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset	Net Amounts of Assets/ (Liabilities) (a)		Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset	Net Amounts of Assets/ (Liabilities) (a)	
Con Edison								
Fair value of derivative assets								
Current	$47	$(33)	$14	(b)	$111	$(67)	$44	(b)
Current - assets held for sale (c)	39	(39)	—		—	—	—	
Noncurrent	19	(17)	2		34	(23)	11	
Total fair value of derivative assets	$105	$(89)	$16		$145	$(90)	$55	
Fair value of derivative liabilities								
Current	$(84)	$58	$(26)		$(242)	$139	$(103)	
Current - liabilities held for sale (c)	(77)	30	(47)		—	—	—	
Noncurrent	(48)	31	(17)		(66)	91	25	
Noncurrent - liabilities held for sale (c)	(31)	9	(22)		—	—	—	
Total fair value of derivative liabilities	$(240)	$128	$(112)		$(308)	$230	$(78)	
Net fair value derivative assets/(liabilities)	$(135)	$39	$(96)	(b)	$(163)	$140	$(23)	(b)
CECONY								
Fair value of derivative assets								
Current	$36	$(28)	$8	(b)	$26	$(15)	$11	(b)
Noncurrent	16	(15)	1		22	(20)	2	
Total fair value of derivative assets	$52	$(43)	$9		$48	$(35)	$13	
Fair value of derivative liabilities								
Current	$(72)	$53	$(19)		$(96)	$48	$(48)	
Noncurrent	(42)	28	(14)		(42)	32	(10)	
Total fair value of derivative liabilities	$(114)	$81	$(33)		$(138)	$80	$(58)	
Net fair value derivative assets/(liabilities)	$(62)	$38	$(24)	(b)	$(90)	$45	$(45)	(b)

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

(b) At September 30, 2015 and December 31, 2014, margin deposits for Con Edison ($17 million and $27 million, respectively) and CECONY ($17 million and $25 million, respectively) were classified as derivative assets on the consolidated balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

(c) Amounts represent derivative assets and liabilities included in assets and liabilities held for sale on the consolidated balance sheet (see Note O).

The Utilities generally recover their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility regulators. In accordance with the accounting rules for regulated operations, the Utilities record a regulatory asset or liability to defer recognition of unrealized gains and losses on their electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power, gas and fuel costs in the Companies' consolidated income statements. Con Edison's competitive energy businesses record realized and unrealized gains and losses on their derivative contracts in purchased power, gas purchased for resale and non-utility revenue in the reporting period in which they occur. Management believes that these derivative instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices.

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The following table presents the realized and unrealized gains or losses on commodity derivatives that have been deferred or recognized in earnings for the three and nine months ended September 30, 2015 and 2014:

		For the Three Months Ended September 30,			
		Con Edison		CECONY	
(Millions of Dollars)	Balance Sheet Location	2015	2014	2015	2014
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:					
Current	Deferred derivative gains	$(1)	$(6)	$(1)	$(5)
Noncurrent	Deferred derivative gains	—	(5)	—	(5)
Total deferred gains/(losses)		$(1)	$(11)	$(1)	$(10)
Current	Deferred derivative losses	$8	$(6)	$8	$(5)
Current	Recoverable energy costs	(53)	(33)	(49)	(29)
Noncurrent	Deferred derivative losses	14	3	13	3
Total deferred gains/(losses)		$(31)	$(36)	$(28)	$(31)
Net deferred gains/(losses)		$(32)	$(47)	$(29)	$(41)
	Income Statement Location				
Pre-tax gain/(loss) recognized in income					
	Purchased power expense	$(31) (a)	$(28) (b)	$—	$—
	Gas purchased for resale	(26)	(29)	—	—
	Non-utility revenue	5 (a)	20 (b)	—	—
Total pre-tax gain/(loss) recognized in income		$(52)	$(37)	$—	$—

(a) For the three months ended September 30, 2015, Con Edison recorded in purchased power expense an unrealized pre-tax gain of $12 million.

(b) For the three months ended September 30, 2014, Con Edison recorded in purchased power expense an unrealized pre-tax loss of $(1) million.

		For the Nine Months Ended September 30,			
		Con Edison		CECONY	
(Millions of Dollars)	Balance Sheet Location	2015	2014	2015	2014
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:					
Current	Deferred derivative gains	$—	$25	$1	$20
Noncurrent	Deferred derivative gains	—	1	—	1
Total deferred gains/(losses)		$—	$26	$1	$21
Current	Deferred derivative losses	$40	$10	$40	$10
Current	Recoverable energy costs	(92)	54	(87)	41
Noncurrent	Deferred derivative losses	(7)	3	(5)	2
Total deferred gains/(losses)		$(59)	$67	$(52)	$53
Net deferred gains/(losses)		$(59)	$93	$(51)	$74
	Income Statement Location				
Pre-tax gain/(loss) recognized in income					
	Purchased power expense	$(60) (a)	$134 (b)	$—	$—
	Gas purchased for resale	(94)	(75)	—	—
	Non-utility revenue	20 (a)	10 (b)	—	—
Total pre-tax gain/(loss) recognized in income		$(134)	$69	$—	$—

(a) For the nine months ended September 30, 2015, Con Edison recorded unrealized pre-tax gains and losses in non-utility operating revenue ($3 million loss) and purchased power expense ($6 million gain).

(b) For the nine months ended September 30, 2014, Con Edison recorded in purchased power expense an unrealized pre-tax gain of $14 million.

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The following table presents the hedged volume of Con Edison's and CECONY's derivative transactions at September 30, 2015:

	Electric Energy (MWHs) (a)(b)	Capacity (MWs) (a)	Natural Gas (Dt) (a)(b)	Refined Fuels (gallons)
Con Edison (c)	18,475,688	7,201	63,386,967	4,620,000
CECONY	5,972,325	2,400	56,690,000	4,620,000

(a) Volumes are reported net of long and short positions, except natural gas collars where the volumes of long positions are reported.

(b) Excludes electric congestion and gas basis swap contracts which are associated with electric and gas contracts and hedged volumes.

(c) Includes 11,445,799 MWHs for electric energy, 5,436 MWs for capacity and 509,294 Dt for natural gas derivative transactions that are held for sale.

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the competitive energy businesses. Credit risk relates to the loss that may result from a counterparty's nonperformance. The Companies use credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements, collateral or prepayment arrangements, credit insurance and credit default swaps. The Companies measure credit risk exposure as the replacement cost for open energy commodity and derivative positions plus amounts owed from counterparties for settled transactions. The replacement cost of open positions represents unrealized gains, net of any unrealized losses where the Companies have a legally enforceable right to offset.

At September 30, 2015, Con Edison and CECONY had $154 million and $17 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of $71 million with commodity exchange brokers, $69 million with independent system operators, $7 million with investment-grade counterparties and $7 million with non-investment grade/non-rated counterparties. CECONY's net credit exposure was with commodity exchange brokers.

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

The following table presents the aggregate fair value of the Companies' derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at September 30, 2015:

(Millions of Dollars)	Con Edison (a)		CECONY (a)	
Aggregate fair value – net liabilities	$52		$32	
Collateral posted	5		—	
Additional collateral (b) (downgrade one level from current ratings)	1		—	
Additional collateral (b) (downgrade to below investment grade from current ratings)	72	(c)	43	(c)

(a) Non-derivative transactions for the purchase and sale of electricity and gas and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Utilities and the competitive energy businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post additional collateral of $3 million at September 30, 2015. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.

(b) The Companies measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liabilities position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Companies have a legally enforceable right to offset.

(c) Derivative instruments that are net assets have been excluded from the table. At September 30, 2015, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $9 million.

Note L — Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or

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liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Companies often make certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Companies use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.
The accounting rules for fair value measurements and disclosures established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Companies classify fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.
- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.
- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 are summarized below.

	2015					2014				
(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustment (e)	Total	Level 1	Level 2	Level 3	Netting Adjustment (e)	Total
Con Edison										
Derivative assets:										
Commodity (a)(b)(c)	$1	$15	$11	$6	$33	$3	$78	$28	$(27)	$82
Commodity held for sale (f)	—	37	—	(37)	—	—	—	—	—	—
Other (a)(b)(d)	181	112	—	—	293	163	116	—	—	279
Total assets	$182	$164	$11	$(31)	$326	$166	$194	$28	$(27)	$361
Derivative liabilities:										
Commodity (a)(b)(c)	$12	$80	$1	$(50)	$43	$18	$246	$8	$(194)	$78
Commodity held for sale (f)	2	99	6	(38)	69	—	—	—	—	—
Total liabilities	$14	$179	$7	$(88)	$112	$18	$246	$8	$(194)	$78
CECONY										
Derivative assets:										
Commodity (a)(b)(c)	$1	$7	$8	$10						