CONSOLIDATED EDISON INC
Form 10-K
February 21, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
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 1-14514
Consolidated Edison, Inc.
Exact name of registrant as specified in its charter
and principal office address and telephone number

New York	13-3965100
State of Incorporation	I.R.S. Employer ID. Number

4 Irving Place,
New York, New York 10003
(212) 460-4600

Commission File Number 1-1217
Consolidated Edison Company of New York, Inc.
Exact name of registrant as specified in its charter
and principal office address and telephone number

New York	13-5009340
State of Incorporation	I.R.S. Employer ID. Number

4 Irving Place,
New York, New York 10003
(212) 460-4600

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Consolidated Edison, Inc., Common Shares ($.10 par value)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Con Edison	Yes ¨	No x
CECONY	Yes ¨	No x

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.

Con Edison	Yes x	No ¨
CECONY	Yes x	No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Con Edison	Yes x	No ¨
CECONY	Yes x	No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Con Edison

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

CECONY

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

Con Edison	Yes ¨	No x
CECONY	Yes ¨	No x

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2018, was approximately $24.3 billion.
As of January 31, 2019, Con Edison had outstanding 321,077,152 Common Shares ($.10 par value).
All of the outstanding common equity of CECONY is held by Con Edison.

Documents Incorporated By Reference

Portions of Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 20, 2019, to be filed with the Commission pursuant to Regulation 14A, not later than 120 days after December 31, 2018, is incorporated in Part III of this report.

Filing Format

This Annual Report on Form 10-K 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. CECONY meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

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.

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.
Clean Energy Businesses	Con Edison Clean Energy Businesses, Inc., together with its subsidiaries
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
Con Edison Transmission	Con Edison Transmission, Inc., together with its subsidiaries
CET Electric	Consolidated Edison Transmission, LLC
CET Gas	Con Edison Gas Pipeline and Storage, LLC
O&R	Orange and Rockland Utilities, Inc.
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
IASB	International Accounting Standards Board
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
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission

Accounting

AFUDC	Allowance for funds used during construction
ASU	Accounting Standards Update
GAAP	Generally Accepted Accounting Principles in the United States of America
HLBV	Hypothetical Liquidation at Book Value
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
RGGI	Regional Greenhouse Gas Initiative
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes
Units of Measure	
AC	Alternating current
Bcf	Billion cubic feet
Dt	Dekatherms
kV	Kilovolt
kWh	Kilowatt-hour
MDt	Thousand dekatherms
Mlb	Thousands of pounds
MMlb	Million pounds
MVA	Megavolt ampere
MW	Megawatt or thousand kilowatts
MWh	Megawatt hour
Other	
AMI	Advanced metering infrastructure
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DER	Distributed energy resources
Fitch	Fitch Ratings
LTIP	Long Term Incentive Plan
Moody’s	Moody’s Investors Service
REV	Reforming the Energy Vision
S&P	S&P Global Ratings
TCJA	The federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017
VaR	Value-at-Risk

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Introduction

This introduction contains certain information about Con Edison and its subsidiaries, including CECONY. This introduction is not a summary and should be read together with, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere or incorporated by reference in this report.

Con Edison's mission is to provide energy services to our customers safely, reliably, efficiently and in an environmentally sound manner; to provide a workplace that allows employees to realize their full potential; to provide a fair return to our investors; and to improve the quality of life in the communities we serve. The company has ongoing programs designed to support its mission, including initiatives focused on safety, operational excellence, the customer experience and cost optimization.

Con Edison is a holding company that owns:

- Consolidated Edison Company of New York, Inc. (CECONY), which delivers electricity, natural gas and steam to customers in New York City and Westchester County;
- Orange & Rockland Utilities, Inc. (O&R), which together with its subsidiary, Rockland Electric Company, delivers electricity and natural gas to customers primarily located in southeastern New York State and northern New Jersey (O&R, together with CECONY referred to as the Utilities);
- Con Edison Clean Energy Businesses, Inc., which through its subsidiaries develops, owns and operates renewable and energy infrastructure projects and provides energy-related products and services to wholesale and retail customers (Con Edison Clean Energy Businesses, Inc., together with its subsidiaries referred to as the Clean Energy Businesses); and
- Con Edison Transmission, Inc., which through its subsidiaries invests in electric and gas transmission projects (Con Edison Transmission, Inc., together with its subsidiaries referred to as Con Edison Transmission).

Con Edison anticipates that the Utilities, which are subject to extensive regulation, will continue to provide substantially all of its earnings over the next few years. The Utilities have approved rate plans that are generally designed to cover each company's cost of service, including capital and other costs of each company's energy delivery systems. The Utilities recover from their full-service customers (who purchase energy from them), generally on a current basis, the cost the Utilities pay for energy and charge all of their customers the cost of delivery service. See "Utility Regulation" in Item 1, "Risk Factors" in Item 1A and "Rate Plans" in Note B to the financial statements in Item 8.

Selected Financial Data

Con Edison

	For the Year Ended December 31,								
(Millions of Dollars, except per share amounts)	2014	2015		2016		2017		2018	
Operating revenues	$12,919	$12,554		$12,075		$12,033		12,337	
Energy costs	4,513	3,716		3,088		2,625		2,948	
Operating income (h)	2,591	2,879		2,780		2,774		2,664	
Net income	1,092	1,193		1,245		1,525	(g)	1,382	(g)
Total assets (e)(f)	44,071	45,642	(a)	48,255	(b)	48,111	(c)	53,920	(d)
Long-term debt (e)	11,546	12,006		14,735		14,731		17,495	
Total equity	12,585	13,061		14,306		15,425		16,839	
Net Income per common share – basic	$3.73	$4.07		$4.15		$4.97		$4.43	
Net Income per common share – diluted	$3.71	$4.05		$4.12		$4.94		$4.42	
Dividends declared per common share	$2.52	$2.60		$2.68		$2.76		$2.86	
Book value per share	$42.97	$44.50		$46.91		$49.72		$52.46	
Average common shares outstanding (millions)	293	293		300		307		312	

(a) Reflects a $2,382 million increase in net plant offset by a $970 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.

(b) Reflects a $3,007 million increase in net plant offset by a $1,002 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.

(c) Reflects a $2.384 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA) of $2,418 million (including the netting of $1,168 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of $348 million. See Notes B, E, F and L to the financial statements in Item 8.

(d) Reflects a $4,149 million increase in net plant, offset by a $288 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E, and F to the financial statements in Item 8.

(e) Reflects $85 million in 2014, related to the adoption of Accounting Standards Update (ASU) No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."

(f) Reflects $152 million in 2014, related to the adoption of ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes."

(g) In 2017, upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million (or $0.85 per share) in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million, and accrued a regulatory liability for federal income tax rate change of $3,713 million. In 2018, the company recognized $42 million of income tax expense resulting from a re-measurement of its deferred tax assets and liabilities following the issuance of proposed TCJA regulations. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

(h) Excludes the non-service components of pension and other postretirement benefits. See Notes E and F to the financial statements in Item 8.

CECONY

	For the Year Ended December 31,								
(Millions of Dollars)	2014	2015		2016		2017		2018	
Operating revenues	$10,786	$10,328		$10,165		$10,468		$10,680	
Energy costs	2,985	2,304		2,059		2,141		2,339	
Operating income (g)	2,494	2,670		2,451		2,549		2,354	
Net income	1,058	1,084		1,056		1,104		1,196	
Total assets (e)(f)	39,443	40,230	(a)	40,856	(b)	40,451	(c)	43,108	(d)
Long-term debt (e)	10,788	10,787		12,073		12,065		13,676	
Shareholder's equity	11,188	11,415		11,829		12,439		12,910	

(a) Reflects a $1,725 million increase in net plant and a $912 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.

(b) Reflects a $1,804 million increase in net plant and a $967 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.

(c) Reflects a $2,090 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the TCJA of $2,305 million (including the netting of $1,123 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of $354 million. See Notes B, E, F and L to the financial statements in Item 8.

(d) Reflects a $2,165 million increase in net plant and a $265 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E, F and L to the financial statements in Item 8.

(e) Reflects $76 million in 2014, related to the adoption of ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs."

(f) Reflects $118 million in 2014, related to the adoption of ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes."

(g) Excludes the non-service components of pension and other postretirement benefits. See Notes E and F to the financial statements in Item 8.

Significant Developments and Outlook

- Con Edison reported 2018 net income of $1,382 million or $4.43 a share compared with $1,525 million or $4.97 a share in 2017. Adjusted earnings were $1,349 million or $4.33 a share in 2018 compared with $1,264 million or $4.12

a share in 2017. See “Results of Operations” in Item 7 and “Non-GAAP Financial Measure” below.

- In 2018, the Utilities invested $3,210 million to upgrade and reinforce their energy delivery systems, Con Edison Transmission invested $248 million in electric transmission and gas pipeline and storage businesses and the Clean Energy Businesses invested $1,791 million primarily in renewable electric production projects, including $1,609 million to acquire Sempra Solar Holdings, LLC in December 2018. See "Capital Requirements and Resources" in Item 1 and Note U to the financial statements in Item 8.
- In 2019, the Utilities expect to invest $3,227 million for their energy delivery systems, Con Edison Transmission expects to invest $200 million in gas pipeline businesses and the Clean Energy Businesses expect to invest $200 million in renewable electric production projects. Con Edison plans to meet its 2019 capital requirements, including for maturing securities, through internally-generated funds and the issuance of long-term debt and common equity. The company's plans include the issuance of between $1,600 million and $2,200 million of long-term debt, mostly at the Utilities, and the issuance of additional debt secured by its renewable electric production projects. The company’s plans also include the issuance of up to $500 million of common equity in addition to equity under its dividend reinvestment, employee stock purchase and long term incentive plans and

the physical settlement of the estimated $425 million remaining portion of its November 2018 equity forward transaction.

- CECONY forecasts average annual growth in peak demand in its service area at design conditions over the next five years for electric and gas to be approximately 0.1 percent and 1.0 percent, respectively, and an average annual decrease in steam peak demand in its service area at design conditions over the next five years to be approximately 0.5 percent. In January 2019, due to gas supply constraints, CECONY filed notice with the NYSPSC to establish a temporary moratorium beginning in March 2019 on new applications for firm gas service in most of Westchester County. O&R forecasts average annual decrease in electric peak demand in its service area at design conditions over the next five years to be approximately 0.3 percent and average annual growth in gas peak demand in its service area over the next five years at design conditions to be approximately 0.6 percent. See "The Utilities" in Item 1.
- In 2018, O&R, the staff of the New York State Public Service Commission (NYSPSC) and other parties entered into a joint proposal for new electric and gas rates. The joint proposal is subject to NYSPSC approval. The joint proposal provides for electric rate increases of $13.4 million, $8.0 million and $5.8 million, effective January 1, 2019, 2020 and 2021, respectively. The joint proposal provides for a gas rate decrease of $7.5 million, effective January 1, 2019 and gas rate increases of $3.6 million and $0.7 million effective January 1, 2020 and 2021, respectively. See "Rate Plans" in Note B to the financial statements in Item 8.
- In 2018, the NYSPSC continued its Reforming the Energy Vision (REV) and related proceedings. See "Utility Regulation - State Utility Regulation - Reforming the Energy Vision" in Item 1. The NYSPSC also continued its proceedings related to the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA), income tax accounting and an April 2017 subway power outage. In addition, the NYSPSC commenced investigations into the Utilities' preparation and response to the March 2018 Winter Storms Riley and Quinn and a July 2018 CECONY steam main rupture. See "Other Regulatory Matters" in Note B, Note H and Note L to the financial statements in Item 8.
- In January 2019, CECONY filed a request with the NYSPSC for electric and gas rate increases of $485 million and $210 million, respectively, effective January 2020. See "Rate Plans" in Note B to the financial statements in Item 8.
- In January 2019, Pacific Gas and Electric Company (PG&E) filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of Con Edison Development renewable electric production projects with an aggregate of 680 MW (AC) of generating capacity (PG&E Projects) is sold to PG&E under long-term power purchase agreements (PG&E PPAs). At December 31, 2018, Con Edison's consolidated balance sheet included $885 million of net non-utility plant relating to the PG&E Projects, of $1,125 million of intangible assets relating to the PG&E PPAs, $292 million of net non-utility plant of additional projects that secure the related project debt and $1,050 million of related project debt. The PG&E bankruptcy is an event of default under the PG&E PPAs. Pursuant to the related project debt agreements, distributions from the related projects to Con Edison Development have been suspended. Unless the lenders for the related project debt otherwise agree, the lenders may, upon written notice, declare principal and interest on the related project debt to be due and payable immediately and, if such amounts are not timely paid, foreclose on the related projects. See "Clean Energy Businesses - Con Edison Development" in Item 1 and "Long-Lived and Intangible Assets" in Note A and "Long-term Debt" in Note C to the financial statements in Item 8.

Available Information

Con Edison and CECONY file annual, quarterly and current reports and other information, and Con Edison files proxy statements, with the Securities and Exchange Commission (SEC). The SEC maintains an Internet site at www.sec.gov that contains reports, proxy statements, and other information regarding issuers (including Con Edison and CECONY) that file electronically with the SEC.

This information the Companies file with the SEC is also available free of charge on or through the investor information section of their websites as soon as reasonably practicable after the reports are electronically filed with, or furnished to, the SEC. Con Edison's internet website is at: www.conedison.com; and CECONY's is at: www.coned.com.

The "About Us - Corporate Governance" section of Con Edison's website includes the company's Standards of Business Conduct (its code of ethics) and amendments or waivers of the standards for executive officers or directors, corporate governance guidelines and the charters of the following committees of the company's Board of Directors: Audit Committee, Management Development and Compensation Committee, and Corporate Governance

and Nominating Committee. This information is available in print to any shareholder who requests it. Requests should be directed to: Corporate Secretary, Consolidated Edison, Inc., 4 Irving Place, New York, NY 10003.

The "About Us - Sustainability Report" section of Con Edison's website includes "A Clean Energy Vision," the company's 2017-2018 sustainability report.

Information on the Companies' websites is not incorporated herein.

Forward-Looking Statements

This report contains forward-looking statements that are 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 expectations and not facts. Words such as "forecasts," "expects," "estimates," "anticipates," "intends," "believes," "plans," "will" and similar expressions identify forward-looking statements. The forward-looking statements reflect information available and assumptions at the time the statements are made, and 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, but not limited to, those discussed under "Risk Factors," in Item 1A.

Non-GAAP Financial Measure

Adjusted earnings is a financial measure that is not determined in accordance with generally accepted accounting principles in the United States of America (GAAP). This non-GAAP financial measure should not be considered as an alternative to net income, which is an indicator of financial performance determined in accordance with GAAP. Adjusted earnings excludes from net income certain other items that the company does not consider indicative of its ongoing financial performance. Management uses this non-GAAP financial measure to facilitate the analysis of the company's financial performance as compared to its internal budgets and previous financial results. Management also uses this non-GAAP financial measure to communicate to investors and others the company's expectations regarding its future earnings and dividends on its common stock. Management believes that this non-GAAP financial measure also is useful and meaningful to investors to facilitate their analysis of the company's financial performance. The following table is a reconciliation of Con Edison's reported net income to adjusted earnings and reported earnings per share to adjusted earnings per share.

(Millions of Dollars, except per share amounts)	2014	2015	2016	2017	2018
Reported net income for common stock – GAAP basis	$1,092	$1,193	$1,245	$1,525	$1,382
Income tax effect of the Tax Cuts and Jobs Act (a)	—	—	—	(259)	42
Gain on sale of solar electric production projects (pre-tax)	(45)	—	—	(2)	—
Income taxes (b)	19	—	—	1	—
Gain on sale of solar electric production projects (net of tax)	(26)	—	—	(1)	—
Loss from LILO transactions (pre-tax)(c)	2	—	—	—	—
Income taxes (b)	(1)	—	—	—	—
Loss from LILO transactions (net of tax)(c)	1	—	—	—	—
Impairment of assets held for sale (pre-tax)	—	5	—	—	—
Income taxes (b)	—	(2)	—	—	—
Impairment of assets held for sale (net of tax)	—	3	—	—	—
Gain on sale of the Clean Energy Businesses' retail electric supply business (pre-tax)	—	—	(104)	—	—
Income taxes (b)	—	—	48	—	—
Gain on sale of the Clean Energy Businesses' retail electric supply business (net of tax)	—	—	(56)	—	—
Goodwill impairment related to the Clean Energy Businesses' energy service business (pre-tax)	—	—	15	—	—
Income taxes (b)	—	—	(3)	—	—
Goodwill impairment related to the Clean Energy Businesses' energy service business (net of tax)	—	—	12	—	—
Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (pre-tax) (d)	—	—	—	—	(114)
Income taxes (b)	—	—	—	—	33
Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (net of tax) (d)	—	—	—	—	(81)
Net mark-to-market effects of the Clean Energy Businesses (pre-tax)	128	—	(5)	(1)	8
Income taxes (b)	(55)	—	2	—	(2)
Net mark-to-market effects of the Clean Energy Businesses (net of tax)	73	—	(3)	(1)	6
Adjusted earnings	$1,140	$1,196	$1,198	$1,264	$1,349
Reported earnings per share – GAAP basis (basic)	$3.73	$4.07	$4.15	$4.97	$4.43
Income tax effect of the Tax Cuts and Jobs Act (a)	—	—	—	(0.85)	0.14
Gain on sale of solar electric production projects (pre-tax)	(0.15)	—	—	—	—
Income taxes (b)	0.06	—	—	—	—
Gain on sale of solar electric production projects (net of tax)	(0.09)	—	—	—	—
Loss from LILO transactions (pre-tax) (c)	—	—	—	—	—
Income taxes (b)	—	—	—	—	—
Loss from LILO transactions (net of tax) (c)	—	—	—	—	—
Impairment of assets held for sale (pre-tax)	—	0.02	—	—	—
Income taxes (b)	—	(0.01)	—	—	—
Impairment of assets held for sale (net of tax)	—	0.01	—	—	—
Gain on sale of the Clean Energy Businesses' retail electric supply business (pre-tax)	—	—	(0.35)	—	—
Income taxes (b)	—	—	0.16	—	—
Gain on sale of the Clean Energy Businesses' retail electric supply business (net of tax)	—	—	(0.19)	—	—

Goodwill impairment related to the Clean Energy Businesses' energy service business (pre-tax)	—	—	0.07	—	—
Income taxes (b)	—	—	(0.03)	—	—
Goodwill impairment related to the Clean Energy Businesses' energy service business (net of tax)	—	—	0.04	—	—
Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (pre-tax) (d)	—	—	—	—	(0.36)
Income taxes (b)	—	—	—	—	0.10
Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (net of tax) (d)	—	—	—	—	(0.26)
Net mark-to-market effects of the Clean Energy Businesses (pre-tax)	0.42	—	(0.02)	—	0.03
Income taxes (b)	(0.17)	—	(0.01)	—	(0.01)
Net mark-to-market effects of the Clean Energy Businesses	0.25	—	(0.01)	—	0.02
Adjusted earnings per share	$3.89	$4.08	$3.99	$4.12	$4.33

(a) In 2017, upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million (or $0.85 per share) in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million, and accrued a regulatory liability for federal income tax rate change of $3,713 million. In 2018, the company recognized $42 million of income tax expense resulting from a re-measurement of its deferred tax assets and liabilities following the issuance of the proposed TCJA regulations. See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.

(b) The amount of income taxes was calculated using a combined federal and state income tax rate of 28% for the year ended December 31, 2018 and a combined federal and state income tax rate of 40% for the years ended December 31, 2014-2017.

(c) In 2013, a court disallowed tax losses claimed by Con Edison relating to Con Edison Development’s Lease In/Lease Out (LILO) transactions and the company subsequently terminated the transactions, resulting in a charge to earnings of $95 million (after taxes of $63 million). In 2014, adjustments were made to taxes and accrued interest.

(d) Gain recognized with respect to jointly-owned renewable energy production projects upon completion of the acquisition of Sempra Solar Holdings, LLC, net of transaction costs for the acquisition. See Note U to the financial statements in Item 8.

Item 1: Business

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Incorporation By Reference

Information in any item of this report as to which reference is made in this Item 1 is hereby incorporated by reference in this Item 1. The use of terms such as “see” or “refer to” shall be deemed to incorporate into Item 1 at the place such term is used the information to which such reference is made.

PART I

Item 1: Business

Overview

Consolidated Edison, Inc. (Con Edison), incorporated in New York State in 1997, is a holding company that owns all of the outstanding common stock of Consolidated Edison Company of New York, Inc. (CECONY), Orange and Rockland Utilities, Inc. (O&R), Con Edison Clean Energy Businesses, Inc. and Con Edison Transmission, Inc. As used in this report, the term the “Companies” refers to Con Edison and CECONY.

Con Edison’s principal business operations are those of CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission. CECONY’s principal business operations are its regulated electric, gas and steam delivery businesses. O&R’s principal business operations are its regulated electric and gas delivery businesses. The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers. Con Edison Transmission invests in electric transmission facilities and gas pipeline and storage facilities.

Con Edison seeks to provide shareholder value through continued dividend growth, supported by earnings growth in regulated utilities and contracted assets. The company invests to provide reliable, resilient, safe and clean energy critical for New York City’s growing economy. The company is an industry leading owner and operator of contracted, large-scale solar generation in the United States. Con Edison is a responsible neighbor, helping the communities it serves become more sustainable.

CECONY

Electric

CECONY provides electric service to approximately 3.5 million customers in all of New York City (except a part of Queens) and most of Westchester County, an approximately 660 square mile service area with a population of more than nine million.

Gas

CECONY delivers gas to approximately 1.1 million customers in Manhattan, the Bronx, parts of Queens and most of Westchester County.

Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering approximately 21,761 MMlb of steam annually to approximately 1,622 customers in parts of Manhattan.

O&R

Electric

O&R and its utility subsidiary, Rockland Electric Company (RECO) (together referred to herein as O&R) provide electric service to approximately 0.3 million customers in southeastern New York and northern New Jersey, an approximately 1,300 square mile service area.

Gas

O&R delivers gas to over 0.1 million customers in southeastern New York.

Clean Energy Businesses

Con Edison Clean Energy Businesses, Inc. has three wholly-owned subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), Consolidated Edison Energy, Inc. (Con Edison Energy) and Consolidated Edison Solutions, Inc. (Con Edison Solutions). Con Edison Clean Energy Businesses, Inc., together with these subsidiaries, are referred to in this report as the Clean Energy Businesses. The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers. In December 2018, a Con Edison Development subsidiary acquired Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

Con Edison Transmission

Con Edison Transmission, Inc. invests in electric and gas transmission projects through its wholly-owned subsidiaries, Consolidated Edison Transmission, LLC (CET Electric) and Con Edison Gas Pipeline and Storage, LLC (CET Gas). CET Electric owns a 45.7 percent interest in New York Transco LLC, which owns and is proposing to build additional electric transmission assets in New York. CET Gas owns, through subsidiaries, a 50 percent interest in Stagecoach Gas Services, LLC, a joint venture that owns, operates and will further develop an existing gas pipeline and storage business located in northern Pennsylvania and southern New York. Also, CET Gas and CECONY own 71.2 percent and 28.8 percent interests, respectively, in Honeoye Storage Corporation, which operates a gas storage facility in upstate New York. In addition, CET Gas owns a 12.5 percent interest in Mountain Valley Pipeline LLC, a joint venture developing a proposed 300-mile gas transmission project in West Virginia and Virginia (Mountain Valley Pipeline). See “Con Edison Transmission,” below. Con Edison Transmission, Inc., together with CET Electric and CET Gas, are referred to in this report as Con Edison Transmission.

Utility Regulation

State Utility Regulation

Regulators

The Utilities are subject to regulation by the NYSPSC, which under the New York Public Service Law, is authorized to set the terms of service and the rates the Utilities charge for providing service in New York. See “Rate Plans,” below and in Note B to the financial statements in Item 8. The NYSPSC also approves the issuance of the Utilities’ securities and transactions between the Utilities and Con Edison and its other subsidiaries. See “Capital Resources,” below and Note S to the financial statements in Item 8. The NYSPSC exercises jurisdiction over the siting of electric transmission lines in New York State (see “Con Edison Transmission,” below) and approves mergers or other business combinations involving New York utilities. In addition, the NYSPSC has the authority to (i) impose penalties on New York utilities, which could be material, for violating state utility laws and regulations and its orders; (ii) review, at least every five years, an electric utility’s capability to provide safe, adequate and reliable service, order the utility to comply with additional and more stringent terms of service than existed prior to the review, assess the continued operation of the utility as the provider of electric service in its service territory and propose, and act upon, such measures as are necessary to ensure safe and adequate service; and (iii) based on findings of repeated violations of the New York Public Service Law or rules or regulations adopted thereto that demonstrate a failure of a combination gas and electric utility to continue to provide safe and adequate service, revoke or modify an operating certificate issued to the utility by the NYSPSC (following consideration of certain factors, including public interest and standards deemed necessary by the NYSPSC to ensure continuity of service, and due process). See “Other Regulatory Matters” in Note B to the financial statements in Item 8. O&R’s New Jersey subsidiary, RECO, is subject to regulation by the New Jersey Board of Public Utilities (NJBPU). The NYSPSC, together with the NJBPU, are referred to herein as state utility regulators.

New York Utility Industry
Restructuring in the 1990s
In the 1990s, the NYSPSC restructured the electric utility industry in the state. In accordance with NYSPSC orders, the Utilities sold all of their electric generating facilities other than those that also produce steam for CECONY’s steam business (see "Electric Operations – Electric Facilities," below) and provided all of their customers the choice to buy electricity or gas from the Utilities or other suppliers (see "Electric Operations – Electric Sales and Deliveries" and "Gas Operations – Gas Sales and Deliveries," below). In 2018, 64 percent of the electricity and 33 percent of the gas CECONY delivered to its customers, and 56 percent of the electricity and 37 percent of the gas O&R delivered to its customers, was purchased by the customers from other suppliers. In addition, the Utilities no longer control and operate their bulk power electric transmission facilities. See “New York Independent System Operator (NYISO),” below.
Following industry restructuring, there were several utility mergers as a result of which substantially all of the electric and gas delivery service in New York State is now provided by one of four investor-owned utility companies – Con Edison, National Grid plc, Avangrid, Inc. (an affiliate of Iberdrola, S.A.) or CH Energy Group, Inc. (a subsidiary of Fortis Inc.) – or one of two state authorities – New York Power Authority (NYPA) or Long Island Power Authority.

Reforming the Energy Vision
In April 2014, the NYSPSC began a multi-year process to Reform the Energy Vision (REV) to improve electric system efficiency and reliability, encourage renewable energy resources, support distributed energy resources (DER), and enable more customer choice. DER includes distributed generation (such as solar electric production facilities, fuel cells and micro-turbines), energy storage and demand reduction and energy efficiency programs. The NYSPSC’s REV and the various related proceedings generally have progressed along three tracks.
Track 1 - Integrate DER into the Electric System
The NYSPSC is addressing development by New York electric utilities of a distributed system platform to manage and coordinate DER in their service areas, under NYSPSC regulation, and to provide customers, together with third parties, with data and tools to better manage their energy use. The NYSPSC has required the utilities to file distributed system implementation plans and energy efficiency plans (see “Environmental Matters - Climate Change," below). The NYSPSC has limited the circumstances under which utilities would be allowed to own DER and made utility affiliate ownership of DER within the utility’s service territory subject to market power protections. The NYSPSC also ordered the utilities to develop demonstration projects to inform distributed system platform business models and to measure customer response to REV markets, and approved cost recovery mechanism for these projects. Through December 2018, the NYSPSC staff has approved eight CECONY,three O&R, and one joint CECONY-O&R demonstration projects.
The NYSPSC has approved CECONY’s advanced metering infrastructure (AMI) plan for its electric and gas delivery businesses, subject to a cap on capital expenditures of $1,285 million. AMI components including smart meters, a communication network, information technology systems and business applications will facilitate REV initiatives. The plan provides for full deployment of AMI to CECONY’s customers by 2022. The NYSPSC has also authorized O&R to expend $98 million to deploy AMI for all of its New York customers.
Track 2 - Modify Ratemaking Design to Promote REV Objectives
The NYSPSC has adopted a ratemaking and utility revenue framework with four ways for utilities to achieve earnings: traditional cost-of-service earnings; earnings tied to non-traditional alternatives that reduce utility capital spending and provide consumer benefit as defined by the NYPSC; earnings from market-facing platform development activities; and earnings from outcome-based performance measures. The NYSPSC has indicated that existing measures for negative revenue adjustments for utility failure to meet basic service standards should generally be retained and net utility plant reconciliations should be modified to encourage cost-effective DER as an alternative to traditional utility capital investment. The Utilities’ current New York rate plans include earnings adjustment, negative revenue adjustments and net utility plant reconciliation mechanisms. See “Rate Plans” in Note B to the financial statements in Item 8.
The NYSPSC has established a benefit-cost analysis framework for, among other things, utility proposals to meet system needs through non-traditional DER alternatives that meet distribution system needs. The framework’s primary

measure is a societal cost test that, in addition to addressing avoided utility costs, quantifies certain environmental externalities and, where appropriate, other externalities. At the NYSPSC's direction, CECONY and O&R, and the other electric utilities, have developed and filed benefit-cost analysis handbooks with their distributed system implementation plans to guide DER providers in structuring their projects and proposals.

The NYSPSC began to change compensation for DER and phase out net energy metering in 2017. In New York, net energy metering compensates kilowatt-hours exported to the electric distribution system at the full service rate (that is production plus delivery plus taxes and fees). The NYSPSC allowed all existing resources to keep their current rate treatment and delayed making significant changes to policies affecting new residential and small commercial private rooftop solar until 2020. Larger installations, including new commercial and industrial projects and new community solar projects, will be paid for the value of their exports to the electricity distribution system. The new policy is intended to limit bill increases to two percent, reducing the impact of this policy on non-participating residential customers that would have occurred under net energy metering. In 2018, the NYSPSC staff issued additional whitepapers addressing standby and buyback rates, capacity value compensation, and future DER compensation.

In December 2018, the NYSPSC approved CECONY's pricing pilot for residential and small-commercial customers that will test seven different types of rate designs, including demand-based distribution rates and a subscription-based distribution rate.

Track 3 - Support State Energy Plan Clean Energy Goals

In August 2016, the NYSPSC established a clean energy standard to achieve the State Energy Plan's goals to provide 50 percent of the State's electricity from renewable resources and to reduce carbon emissions by 40 percent by 2030 (see "Environmental Matters - Climate Change," below) and to support the continued operation of upstate nuclear plants. Since 2017, load serving entities, including CECONY and O&R for their full-service customers, are required to obtain renewable energy credits (RECs) and zero-emissions credits (ZECs) in amounts determined by the NYSPSC. Load serving entities may satisfy their REC obligation by either purchasing RECs acquired through central procurement by the New York State Energy Research and Development Authority (NYSERDA), by self-supply through direct purchase of tradable RECs, or by making alternative compliance payments. The NYSPSC has not authorized New York utilities to own renewable electric production projects (except in limited circumstances, such as a shared solar pilot program for low-income customers) or required utilities to sign power purchase agreements with owners of such projects. Load serving entities purchase ZECs from NYSERDA at prices determined by the NYSPSC.

In July 2018, the NYSPSC established an offshore wind renewable energy standard. NYSERDA is to conduct offshore wind project solicitations in 2018 and 2019 for 800 MW, although it allows flexibility for NYSERDA to procure all 800 MW and up to 1,100 MW with additional NYSPSC action in a single solicitation. NYSERDA is able to purchase offshore wind renewable energy credits (ORECs) from developers under 20- to 25-year contracts. Load-serving entities, such as CECONY and O&R, will be required to purchase ORECs from NYSERDA beginning in 2025 when projects are expected to begin operation.

In May 2018, the NYSPSC initiated a proceeding on the role of electric utilities in providing needed infrastructure and rate options to advance adoption of electric vehicles. The NYSPSC has approved CECONY's Smart Charge incentive program for off-peak charging. In addition, the NYSPSC is reviewing a proposed incentive program for direct current fast charging stations to assist publically accessible station owners with operational costs.

In December 2018, the NYSPSC issued an order establishing an energy storage goal of up to 3,000 MW of energy storage by 2030 with an interim objective of 1,500 MW by 2025. In December 2018, the NYPSC issued an order requiring CECONY to file an implementation plan for a competitive procurement process to deploy 300 MW of energy storage while O&R and the other electric utilities must plan to deploy 10 MW each.

Also in December 2018, the NYSPSC issued an energy efficiency order intended to double utility energy efficiency programs between 2019 and 2025 to achieve a statewide reduction of 185 TBtu (trillion British thermal units) of energy by 2025 with utilities to achieve a statewide energy reduction of 31 TBtu by 2025. The NYSPSC also required a separate target of at least five TBtu reduction through development of a targeted heat pump program to be developed by the utilities.

The REV proceeding and the various related proceedings are continuing proceedings. The Companies are not able to predict the outcome of the proceedings or their impact.

Rate Plans

Investor-owned utilities in the United States provide delivery service to customers according to the terms of tariffs approved by the appropriate state utility regulator. The tariffs include schedules of rates for service that limit the rates charged by the utilities to amounts that the utilities recover from their customers costs approved by the regulator, including capital costs, of providing service to customers as defined by the tariff. The tariffs implement rate plans adopted by state utility regulators in rate orders issued at the conclusion of rate proceedings. The utilities' earnings depend on the limits on rates authorized in, and the other provisions of, their rate plans and their ability to operate their businesses in a manner consistent with such rate plans.

The utilities' rate plans cover specified periods, but rates determined pursuant to a plan generally continue in effect until a new rate plan is approved by the state utility regulator. In New York, either the utility or the NYSPSC can commence a proceeding for a new rate plan, and a new rate plan filed by the utility will generally take effect automatically in approximately 11 months unless prior to such time the NYSPSC approves a rate plan.

In each rate proceeding, rates are determined by the state utility regulator following the submission by the utility of testimony and supporting information, which are subject to review by the staff of the regulator. Other parties with an interest in the proceeding can also review the utility's proposal and become involved in the rate proceeding. In New York State, the review process is overseen by an administrative law judge who is employed by the NYSPSC. After an administrative law judge issues a recommended decision that generally considers the interests of the utility, the regulatory staff, other parties and legal requisites, the regulator will issue a rate order. The utility and the regulator's staff and interested parties may enter jointly into a proposed settlement agreement prior to the completion of this administrative process, in which case the agreement could be approved by the regulator with or without modification.

For each rate plan, the revenues needed to provide the utility a return on invested capital is determined by multiplying the utilities' rate base by the pre-tax weighted average cost of capital determined in the rate plan. In general, rate base, as reflected in a utility's rate plans, is the sum of the utility's net plant, working capital and certain regulatory assets less deferred taxes and certain regulatory liabilities. The NYSPSC uses a forecast of the average rate base for the year that new rates would be in effect (rate year). The NJBPU uses the rate base balances that exist at the end of the historical 12-month period on which base rates are set. The capital structure used in the weighted average cost of capital is determined using actual and forecast data for the same time periods as rate base. The costs of long-term debt, customer deposits and the allowed return on common equity represent a combination of actual and forecast financing information. The allowed return on common equity is determined by each state's respective utility regulator. The NYSPSC's current methodology for determining the allowed return on common equity assigns a one-third weight to an estimate determined from a capital asset pricing model applied to a peer group of utility companies and a two-thirds weight to an estimate determined from a dividend discount model using stock prices and dividend forecasts for a peer group of utility companies. Both methodologies employ market measurements of equity capital to estimate returns rather than the accounting measurements to which such estimates are applied in setting rates.

Pursuant to the Utilities' rate plans, there generally can be no change to the rates charged to customers during the respective terms of the rate plans other than specified adjustments provided for in the rate plans.

For information about the Utilities' rate plans, see Note B to the financial statements in Item 8.

Liability for Service Interruptions

The tariff provisions under which CECONY provides electric, gas and steam service, and O&R provides electric and gas service, limit each company's liability to pay for damages resulting from service interruptions to circumstances resulting from its gross negligence or willful misconduct. Under RECO's tariff provisions for electric service, the company is not liable for interruptions that are due to causes beyond its control.

CECONY's tariff for electric service also provides for reimbursement to electric customers for spoilage losses resulting from service interruptions in certain circumstances. In general, the company is obligated to reimburse affected residential and commercial customers for food spoilage of up to approximately $500 and $10,000, respectively, and reimburse affected residential customers for prescription medicine spoilage losses without limitation on amount per claim. The company's maximum aggregate liability for such reimbursement for an incident is $15 million. The company is not required to provide reimbursement to electric customers for outages attributable to generation or transmission system facilities or events beyond its control, such as storms, provided the company makes reasonable efforts to restore service as soon as practicable.

New York electric utilities are required to provide credits to customers who are without electric service for more than three days. The credit to a customer would equal the portion of the monthly customer charge attributable to the period the customer was without service. If an extraordinary event occurs, the NYSPSC may direct New York gas utilities to implement the same policies.

The NYSPSC has approved a scorecard for use as a guide to assess electric utility performance in restoring electric service during outages that result from a major storm. The scorecard, which could also be applied by the NYSPSC for other outages or actions, was developed to work with the penalty and emergency response plan provisions of the New York Public Service Law. The scorecard includes performance metrics in categories for preparation, operations response and communications.
Each New York electric utility is required to submit to the NYSPSC annually an emergency response plan for the reasonably prompt restoration of service in the case of widespread outages in the utility’s service territory due to storms or other events beyond the control of the utility. If, after evidentiary hearings or other investigatory proceedings, the NYSPSC finds that the utility failed to implement its plan reasonably, the NYSPSC may deny recovery of any part of the service restoration costs caused by such failure. In March 2017, the NYSPSC approved emergency response plans submitted by CECONY and O&R, subject to certain modifications. In December 2017 and 2018, CECONY and O&R, respectively, submitted updated plans.

Generic Proceedings
The NYSPSC from time to time conducts “generic” proceedings to consider issues relating to all electric and gas utilities operating in New York State. Proceedings include the REV proceeding and related proceedings, discussed above, and proceedings relating to data access, retail access, utility staffing levels, and energy efficiency and renewable energy programs. The Utilities are typically active participants in such proceedings.

Federal Utility Regulation
The Federal Energy Regulatory Commission (FERC), among other things, regulates the transmission and wholesale sales of electricity in interstate commerce and the transmission and sale of natural gas for resale in interstate commerce. In addition, the FERC has the authority to impose penalties, which could be substantial, including penalties for the violation of reliability and cyber security rules. Certain activities of the Utilities, the Clean Energy Businesses and Con Edison Transmission are subject to the jurisdiction of the FERC. The Utilities are subject to regulation by the FERC with respect to electric transmission rates and to regulation by the NYSPSC with respect to electric and gas retail commodity sales and local delivery service. As a matter of practice, the NYSPSC has approved delivery service rates for the Utilities that include both transmission and distribution costs. Wholesale energy and capacity products sold by the Clean Energy Businesses to the regional electric markets are subject to FERC jurisdiction as defined by the independent system operator tariffs. The electric and gas transmission projects in which CET Electric and CET Gas invest are also subject to regulation by the FERC. See “Con Edison Transmission,” below.

New York Independent System Operator (NYISO)
The NYISO is a not-for-profit organization that controls and directs the operation of most of the electric transmission facilities in New York State, including those of the Utilities, as an integrated system. It also administers wholesale markets for electricity in New York State and facilitates the construction of new transmission it considers necessary to meet identified reliability, economic or public policy needs. The New York State Reliability Council (NYSRC) promulgates reliability standards subject to FERC oversight, and the NYISO has agreed to comply with those standards. Pursuant to a requirement that is set annually by the NYSRC, the NYISO requires that entities supplying electricity to customers in New York State have generating capacity (owned, procured through the NYISO capacity markets or contracted for) in an amount equal to the peak demand of their customers plus the applicable reserve margin. In addition, the NYISO has determined that entities that serve customers in New York City must procure sufficient capacity from resources that are electrically located in New York City to cover a substantial percentage of the peak demands of their New York City customers. It also requires entities that serve customers in the Lower Hudson Valley and New York City customers that are served through the Lower Hudson Valley to procure sufficient

capacity from resources electrically located in the Lower Hudson Valley. These requirements apply both to regulated utilities such as CECONY and O&R for the customers they supply under regulated tariffs and to other load serving entities that supply customers on market terms. To address the possibility of a disruption due to the unavailability of gas, there are certain generating units located in New York City that use oil as fuel for certain periods and the NYISO requires new generating units located in New York City to have dual fuel capability. RECO, O&R's New Jersey subsidiary, provides electric service in a portion of its service territory that has a different independent system operator – PJM Interconnection LLC (PJM). See "CECONY – Electric Operations – Electric Supply" and "O&R – Electric Operations – Electric Supply," below.

Competition

The subset of DERs that produce electricity are collectively referred to as distributed generation (DG). DG includes solar energy production facilities, fuel cells and micro-turbines, and provide an alternative source of electricity for the Utilities' electric delivery customers. Typically, customers with DG remain connected to the utility's delivery system and pay a different rate. Gas delivery customers have electricity and oil as alternatives, and steam customers have electricity and natural gas as alternative sources for heating and cooling their buildings. Micro-grids and community-based micro-grids enable distributed generation to serve multiple locations and multiple customers. Other DERs, such as energy storage, demand reduction and energy efficiency investments, provide ways for the energy consumers within the Utilities' service areas to manage their energy usage. The following table shows the aggregate capacities of the DG projects connected to the Utilities' distribution systems at the end of the last five years:

Technology	CECONY					O&R				
Total MW, except project number	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Internal-combustion engines	101	103	104	108	110	1	1	2	2	2
Photovoltaic solar	58	95	135	178	226	28	46	63	75	96
Gas turbines	40	40	40	48	48	20	20	20	20	20
Micro turbines	9	10	10	14	17	1	1	1	1	1
Fuel cells	8	8	9	12	13	—	—	—	—	—
Steam turbines	3	3	4	6	6	—	—	—	—	—
Landfill	—	—	—	—	—	2	2	2	2	2
Total distribution-level DG	219	259	302	366	420	52	70	88	100	121
Number of DG projects	4,200	7,451	12,928	18,090	23,942	1,877	3,718	5,409	6,537	7,566

The Clean Energy Businesses participate in competitive renewable and energy infrastructure projects and provide energy-relateed products and services that are subject to different risks than those found in the businesses of the Utilities. See "Clean Energy Businesses," below. Con Edison Transmission invests in electric and gas transmission and gas storage projects, the current and prospective customers of which may have competitive alternatives.

The Utilities do not consider it reasonably likely that another company would be authorized to provide utility delivery service of electricity, natural gas or steam where the company already provides service. Any such other company would need to obtain NYSPSC consent, satisfy applicable local requirements, install facilities to provide the service, meet applicable services standards and charge customers comparable taxes and other fees and costs imposed on the service. A new delivery company would also be subject to extensive ongoing regulation by the NYSPSC. See "Utility Regulation – State Utility Regulation – Regulators," above.

The Utilities

CECONY

CECONY, incorporated in New York State in 1884, is a subsidiary of Con Edison and has no significant subsidiaries of its own. Its principal business segments are its regulated electric, gas and steam businesses.

For a discussion of the company's operating revenues and operating income for each segment, see "Results of Operations" in Item 7. For additional information about the segments, see Note N to the financial statements in Item 8.

Electric Operations

Electric Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $18,716 million and $17,996 million at December 31, 2018 and 2017, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $3,106 million and $2,990 million at December 31, 2018 and 2017, respectively, and for its portion of the steam-electric generation facilities, the costs for utility plant, net of accumulated depreciation, were $592 million and $544 million, at December 31, 2018 and 2017, respectively. See "CECONY – Steam Operations – Steam Facilities," below.

Distribution Facilities

CECONY owns 62 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2018, the company's distribution system had a transformer capacity of 32,653 MVA, with 37,049 miles of overhead distribution lines and 97,607 miles of underground distribution lines.

The underground distribution lines represent the single longest underground electric delivery system in the United States.

Transmission Facilities

The company's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. At December 31, 2018, CECONY owned or jointly owned 555 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 749 miles of underground circuits operating at 69, 138 and 345 kV. The company's 39 transmission substations and 62 area stations are supplied by circuits operated at 69 kV and above. For information about transmission projects to address, among other things, reliability concerns associated with the scheduled closure of the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) see "CECONY – Electric Operations – Electric Supply" and "Con Edison Transmission," below. CECONY's transmission facilities interconnect with those of National Grid, Central Hudson Gas & Electric Corporation, O&R, New York State Electric & Gas, Connecticut Light & Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

Generating Facilities

CECONY's electric generating facilities consist of plants located in Manhattan whose primary purpose is to produce steam for the company's steam business. The facilities have an aggregate capacity of 720 MW. The company expects to have sufficient amounts of gas and fuel oil available in 2019 for use in these facilities.

Electric Sales and Deliveries

CECONY delivers electricity to its full-service customers who purchase electricity from the company. The company also delivers electricity to its customers who choose to purchase electricity from other suppliers (retail choice program). In addition, the company delivers electricity to state and municipal customers of NYPA.

The company charges all customers in its service area for the delivery of electricity. The company generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. CECONY's electric revenues are subject to a revenue decoupling mechanism. As a result, its electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. CECONY's electric sales and deliveries for the last five years were:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Electric Energy Delivered (millions of kWh)					
CECONY full service customers	19,757	20,206	19,886	19,227	20,452
Delivery service for retail choice customers	26,221	26,662	26,813	26,136	26,266
Delivery service to NYPA customers and others	10,325	10,147	10,046	9,955	10,119
Total Deliveries in Franchise Area	56,303	57,015	56,745	55,318	56,837
Electric Energy Delivered ($ in millions)					
CECONY full service customers	$5,023	$4,757	$4,404	$4,348	$4,706
Delivery service for retail choice customers	2,646	2,714	2,768	2,712	2,624
Delivery service to NYPA customers and others	625	600	610	623	652
Other operating revenues	143	101	324	289	(11)
Total Deliveries in Franchise Area	$8,437	$8,172	$8,106	$7,972	$7,971
Average Revenue per kWh Sold (Cents)					
Residential	28.9	26.3	24.9	25.3	26.4
Commercial and industrial	22.1	20.6	19.1	19.7	19.3

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in CECONY's service area occurs during the summer air conditioning season. The weather during the summer of 2018 was cooler than design weather conditions. CECONY's 2018 service area peak demand was 12,686 MW, which occurred on August 29, 2018. "Design weather conditions" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since NYISOinvoked demand reduction programs can be called upon under specific circumstances, design weather conditions do not include these programs' potential impact. However, the CECONY forecasted peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2019 service area peak demand will be 13,270 MW. The company forecasts an average annual growth in electric peak demand in its service area at design weather conditions over the next five years to be approximately 0.1 percent per year.

Electric Supply

Most of the electricity sold by CECONY to its full-service customers in 2018 was purchased under firm power contracts or through the wholesale electricity market administered by the NYISO. The company expects that these resources will again be adequate to meet the requirements of its customers in 2019. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts, purchased through the NYISO's wholesale electricity market, or generated from its electricity generating facilities. For information about the company's contracts for electric generating capacity, see Notes I and O to the financial statements in Item 8. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases under these contracts and through the NYISO's wholesale electricity market.

CECONY owns generating stations in New York City associated primarily with its steam system. As of December 31, 2018, the generating stations had a combined electric capacity of approximately 720 MW, based on 2018 summer test ratings. For information about electric generating capacity owned by the company, see "Electric Operations – Electric Facilities – Generating Facilities," above.

In general, the Utilities recover their costs of purchasing power costs for full service customers, including the cost of hedging purchase prices, pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction. See "Financial and Commodity Market Risks – Commodity Price Risk" in Item 7 and "Recoverable Energy Costs" in Note A to the financial statements in Item 8. From time to time, certain parties have petitioned the NYSPSC to review these provisions, the elimination of which could have a material adverse effect on the Companies' financial position, results of operations or liquidity.

CECONY monitors the adequacy of the electric capacity resources and related developments in its service area, and works with other parties on long-term resource adequacy within the framework of the NYISO. In addition, the NYISO has adopted reliability rules that include obligations on transmission owners (such as CECONY) to construct facilities that may be needed for system reliability if the market does not solve a reliability need identified by the NYISO. See "New York Independent System Operator," above. In a July 1998 order, the NYSPSC indicated that it "agree(s) generally that CECONY need not plan on constructing new generation as the competitive market develops," but considers "overly broad" and did not adopt CECONY's request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity.

In November 2012, the NYSPSC directed CECONY to work with NYPA to develop a contingency plan to address reliability concerns associated with the potential closure of the nuclear power plant at the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries). In January 2017, New York State officials announced that, under an agreement reached with Entergy, one of the two nuclear reactors at Indian Point is scheduled to shut down by April 2020, while the other is scheduled to be closed a year later. In December 2017, the NYISO indicated that the two units may be retired on or after these dates. The NYISO also indicated that over its ten-year planning period, through 2027, there is no anticipated reliability need if three expected units finalize construction and enter service. Two of the units, Bayonne Energy Center II Uprate (Zone J, 120 MW) and CPV Valley Energy Center (Zone G, 678 MW) entered service in 2018 (with the latter in litigation regarding its air permit) and the other unit, Cricket Valley Energy Center (Zone G, 1,020 MW), is under construction and has a 2020 target in-service date. In December 2018, the NYSPSC directed CECONY to work with the NYSPSC staff and others to develop a contingency plan to address reliability concerns associated with the potential retirement of fossil-fueled electric generating units that are owned by others and generally used for meeting periods of high electric demand or for local reliability purposes.

Gas Operations

Gas Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for gas facilities, which are primarily distribution facilities, were $7,107 million and $6,403 million at December 31, 2018 and 2017, respectively.

Natural gas is delivered by pipeline to CECONY at various points in or near its service territory and is distributed to customers by the company through an estimated 4,416 miles of mains and 375,898 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store 1,062 MDt of which a maximum of about 240 MDt can be withdrawn per day. The company has about 1,226 MDt of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 71.2 percent owned by CET Gas and 28.8 percent owned by CECONY.

Gas Sales and Deliveries

The company generally recovers the cost of the gas that it buys and then sells to its full-service customers. It does not make any margin or profit on the gas it sells. CECONY's gas revenues are subject to a weather normalization clause and a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. CECONY's gas sales and deliveries for the last five years were:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Gas Delivered (MDt)					
Firm sales					
Full service	75,630	77,197	75,892	83,005	92,305
Firm transportation of customer-owned gas	68,737	72,864	68,442	71,353	82,472
Total Firm Sales	144,367	150,061	144,334	154,358	174,777
Interruptible sales (a)	10,496	8,332	8,957	7,553	7,351
Total Gas Delivered to CECONY Customers	154,863	156,393	153,291	161,911	182,128
Transportation of customer-owned gas					
NYPA	47,548	44,038	43,101	37,033	34,079
Other (mainly generating plants and interruptible transportation)	105,012	104,857	109,000	83,117	93,346
Off-system sales	15	389	—	55	195
Total Sales	307,438	305,677	305,392	282,116	309,748
Gas Delivered ($ in millions)					
Firm sales					
Full service	$1,141	$956	$933	$1,136	$1,356
Firm transportation of customer-owned gas	453	458	426	524	595
Total Firm Sales	1,594	1,414	1,359	1,660	1,951
Interruptible sales	91	46	34	35	40
Total Gas Delivered to CECONY Customers	1,685	1,460	1,393	1,695	1,991
Transportation of customer-owned gas					
NYPA	2	2	2	2	2
Other (mainly generating plants and interruptible transportation)	70	54	57	56	57
Off-system sales	—	1	—	—	—
Other operating revenues (mainly regulatory amortizations)	(36)	11	56	148	28
Total Sales	$1,721	$1,528	$1,508	$1,901	$2,078
Average Revenue per Dt Sold					
Residential	$16.76	$13.91	$13.96	$15.35	$16.71
General	$12.38	$9.73	$9.47	$10.86	$11.31

(a)

Includes 6,057, 1,229, 4,708, 3,816, and 3,326 MDt for 2014, 2015, 2016, 2017 and 2018, respectively, which are also reflected in firm transportation and other.

For further discussion of the company's gas operating revenues and its gas results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Gas Peak Demand
The gas peak demand for firm sales customers in CECONY's service area occurs during the winter heating season. The peak day demand during the winter 2018/2019 (through January 31, 2019) occurred on January 21, 2019 when the demand reached approximately 1,400 MDt. "Design weather conditions" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2019/2020 service area peak day demand will be 1,645 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric and steam generating stations. As of January 2019, the company forecasts an average annual growth of the gas peak demand over the next five years at design conditions to be approximately 1.0 percent in its service area, including the effect of the temporary moratorium described below.

In September 2017, CECONY submitted a petition to the NYSPSC for authority to develop smart solutions for gas customers, such as expanding energy efficiency and demand response programs, and to develop a program to encourage ground and air source heating alternatives. The company also identified a gas pipeline need as a result of strong growth in gas consumption, driven by the City of New York's clean heat program and customers in general converting to natural gas. In July 2018, the NYSPSC issued an order that authorizes CECONY to expand its energy efficiency programs for gas customers. In August 2018, the NYSPSC issued an order approving, with modifications, CECONY's gas demand response pilot program, including a three-year budget of $5.1 million. In September 2018, CECONY requested NYSPSC approval of a six-year $305 million budget for a portfolio of proposed non-pipeline gas projects including targeted energy efficiency and heating electrification measures, three renewable gas production plants and two to five gas storage facilities in Westchester County. In February 2019, the NYSPSC issued an order that approves the company's budget for non-pipeline gas projects related to energy efficiency and heating electrification ($222.6 million) and stated the company should pursue or seek cost recovery for the other solutions through existing mechanisms.

In January 2019, due to gas supply constraints, the company filed notice with the NYSPSC to establish a temporary moratorium beginning in March 2019 on new applications for firm gas service in most of Westchester County. Also, in January 2019, the NYSPSC Chair announced that its staff will lead a review of the changing market conditions that gave rise to CECONY's decision to establish the temporary moratorium and to issue a report by July 2019 considering, among other things, economic development and the state's transition to clean energy sources. In February 2019, the NYSPSC staff commenced the moratorium investigation.

Gas Supply
CECONY and O&R have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services are provided by, CECONY (for itself and as agent for O&R) and costs are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note S to the financial statements in Item 8.
Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation from upstream points where gas has been purchased to the Utilities' distribution systems, and for upstream storage services. Charges under these transportation and storage contracts are approved by the FERC. The Utilities are required to pay certain fixed charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately $302 million in 2018, including $263 million for CECONY. See "Contractual Obligations," below. At December 31, 2018, the contracts were for various terms extending to 2020 for supply and 2039 for transportation and storage. During 2018, CECONY entered into one new transportation contract. In addition, the Utilities purchase gas on the spot market and contract for interruptible gas transportation. See "Recoverable Energy Costs" in Note A, Note P and Note S to the financial statements in Item 8.

Steam Operations

Steam Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for steam facilities, including steam's portion of the steam-electric generation facilities, were $1,830 million and $1,798 million at December 31, 2018 and 2017, respectively. See "CECONY – Electric Operations – Electric Facilities," above.

CECONY generates steam at one steam-electric generating station and four steam-only generating stations and distributes steam to its customers through approximately 104 miles of transmission, distribution and service piping.

Steam Sales and Deliveries

CECONY's steam sales and deliveries for the last five years were:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Steam Sold (MMlb)					
General	594	538	465	490	593
Apartment house	6,574	6,272	5,792	5,754	6,358
Annual power	15,848	15,109	13,722	13,166	14,811
Total Steam Delivered to CECONY Customers	23,016	21,919	19,979	19,410	21,762
Steam Sold ($ in millions)					
General	$30	$29	$23	$26	$30
Apartment house	180	176	148	158	174
Annual power	469	453	378	392	441
Other operating revenues	(51)	(29)	2	19	(14)
Total Steam Delivered to CECONY Customers	$628	$629	$551	$595	$631
Average Revenue per Mlb Sold	$29.50	$30.02	$27.48	$29.68	$29.64

For further discussion of the company's steam operating revenues and its steam results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Steam Peak Demand and Capacity

Demand for steam in CECONY's service area peaks during the winter heating season. The one-hour peak demand during the winter of 2018/2019 (through January 31, 2019) occurred on January 31, 2019 when the demand reached approximately 8.4 MMlb per hour. "Design weather conditions" for the steam system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company's estimate for the winter of 2019/2020 peak demand of its steam customers is about 8.9 MMlb per hour under design weather conditions. As of January 2019, the company forecasts an average annual decrease in steam peak demand in its service area at design weather conditions over the next five years to be approximately 0.5 percent.

On December 31, 2018, the steam system was capable of delivering approximately 11.4 MMlb of steam per hour, and CECONY estimates that the system will have the same capability in the 2019/2020 winter.

Steam Supply

40 percent of the steam produced by CECONY in 2018 was supplied by the company's steam-only generating assets; 42 percent was produced by the company's steam-electric generating assets, where steam and electricity are primarily cogenerated; and 18 percent was purchased under an agreement with Brooklyn Navy Yard Cogeneration Partners L.P.

O&R

Electric Operations

Electric Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $1,034 million and $963 million at December 31, 2018 and 2017, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $227 million and $220 million at December 31, 2018 and 2017, respectively.

O&R and RECO own, in whole or in part, transmission and distribution facilities which include 549 circuit miles of transmission lines, 15 transmission substations, 63 distribution substations, 88,545 in-service line transformers, 3,748 pole miles of overhead distribution lines and 2,181 miles of underground distribution lines. O&R's transmission system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by PJM.

Electric Sales and Deliveries

O&R delivers electricity to its full-service customers who purchase electricity from the company. The company also delivers electricity to its customers who purchase electricity from other suppliers through the company's retail choice program.

The company charges all customers in its service area for the delivery of electricity. O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. O&R's New York electric revenues (which accounted for 76 percent of O&R's electric revenues in 2018) are subject to a revenue decoupling mechanism. As a result, O&R's New York electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism. O&R's electric sales and deliveries for the last five years were:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Electric Energy Delivered (millions of kWh)					
Total deliveries to O&R full service customers	2,429	2,499	2,555	2,435	2,643
Delivery service for retail choice customers	3,240	3,237	3,180	2,976	2,974
Total Deliveries In Franchise Area	5,669	5,736	5,735	5,411	5,617
Electric Energy Delivered ($ in millions)					
Total deliveries to O&R full service customers	$455	$441	$426	$433	$453
Delivery service for retail choice customers	207	213	213	201	201
Other operating revenues	18	9	(2)	8	(12)
Total Deliveries In Franchise Area	$680	$663	$637	$642	$642
Average Revenue Per kWh Sold (Cents)					
Residential	20.3	19.2	18.4	19.8	19.1
Commercial and Industrial	16.8	15.4	14.3	15.0	14.4

For further discussion of the company's electric operating revenues and its electric results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Electric Peak Demand

The electric peak demand in O&R's service area occurs during the summer air conditioning season. The weather during the summer of 2018 was cooler than design conditions. O&R's 2018 service area peak demand was 1,470 MW, which occurred on July 2, 2018. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the NYISO can invoke demand reduction programs under specific circumstances, design conditions do not include these programs' potential impact. However, the O&R forecasted peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2019 service area peak demand will be 1,585 MW. The company forecasts an average annual decrease in electric peak demand in its service area at design conditions over the next five years to be approximately 0.3 percent.

Electric Supply

The electricity O&R sold to its full-service customers in 2018 was purchased under firm power contracts or through the wholesale electricity market. The company expects that these resources will again be adequate to meet the requirements of its customers in 2019. O&R does not own any electric generating capacity. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts or purchased through the wholesale electricity market. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases. For information about the company's contracts, see Note O to the financial statements in Item 8.

In general, the Utilities recover their costs of purchasing power for full service customers, including the cost of hedging purchase prices, pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction. See "Financial and Commodity Market Risks – Commodity Price Risk," in Item 7 and "Recoverable Energy Costs" in Note A to the financial statements in Item 8. From time to time, certain parties have petitioned the NYSPSC to review these provisions, the elimination of which could have a material adverse effect on the Companies' financial position, results of operations or liquidity.

Gas Operations
Gas Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation for gas facilities, which are primarily distribution facilities, were $607 million and $573 million at December 31, 2018 and 2017, respectively. Natural gas is delivered by pipeline to O&R at various points in or near its service territory and is distributed to customers by the company through an estimated 1,881 miles of mains and 105,496 service lines.

Gas Sales and Deliveries

O&R generally recovers the cost of the gas that it buys and then sells to its full-service customers. It does not make any margin or profit on the gas it sells. O&R's gas revenues are subject to a weather normalization clause. O&R's New York gas revenues (which have accounted for substantially all of O&R's gas revenues) are subject to a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's gas sales and deliveries for the last five years were:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Gas Delivered (MDt)					
Firm sales					
Full service	9,529	9,348	9,723	10,480	12,050
Firm transportation	12,592	11,752	10,381	9,873	9,950
Total Firm Sales	22,121	21,100	20,104	20,353	22,000
Interruptible sales	4,216	4,205	3,853	3,771	3,746
Total Gas Delivered to O&R Customers	26,337	25,305	23,957	24,124	25,746
Transportation of customer-owned gas					
Sales for resale	945	906	867	896	959
Sales to electric generating stations	70	25	18	9	1
Off-system sales	3	62	16	6	15
Total Sales	27,355	26,298	24,858	25,035	26,721

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Gas Delivered ($ in millions)					
Firm sales					
Full service	$121	$91	$99	$139	$166
Firm transportation	75	68	70	74	78
Total Firm Sales	196	159	169	213	244
Interruptible Sales	2	3	3	7	6
Total Gas Delivered to O&R Customers	198	162	172	220	250
Transportation of customer-owned gas					
Sales to electric generating stations	1	—	—	—	—
Other operating revenues	13	20	12	12	(1)
Total Sales	$212	$182	$184	$232	$249
Average Revenue Per Dt Sold					
Residential	$13.01	$10.11	$10.71	$13.86	$14.22
General	$11.30	$8.24	$8.17	$11.08	$11.80

For further discussion of the company's gas operating revenues and its gas results, see "Results of Operations" in Item 7. For additional segment information, see Note N to the financial statements in Item 8.

Gas Peak Demand

The gas peak demand for firm sales customers in O&R's service area occurs during the winter heating season. The peak day demand during the winter 2018/2019 (through January 31, 2019) occurred on January 21, 2019 when the demand reached approximately 217 MDt. "Design Weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2019/2020 service area peak day demand will be 228 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric generating stations. The company forecasts an average annual growth of the gas peak demand over the next five years at design conditions to be approximately 0.6 percent in its service area.

Gas Supply

O&R and CECONY have combined their gas requirements and purchase contracts to meet those requirements into a single portfolio. See "CECONY – Gas Operations – Gas Supply" above.

Clean Energy Businesses

The following table provides information about the Clean Energy Businesses' renewable electric production projects that are in operation and/or in construction at December 31, 2018:

Project Name	Generating Capacity (a) (MW AC)	Power Purchase Agreement (PPA) Term (In Years) (b)	Actual/Expected In-Service Date (c)	Location (State)	PPA Counterparty (d)
Utility Scale Solar					
Wholly owned projects					
PJM assets	53	(e)	2011/2013	New Jersey/Pennsylvania	Various
New England assets	24	Various	2011/2017	Massachusetts/Rhode Island	Various
California Solar (f)	110	25	2012/2013/2018	California	PG&E
Mesquite Solar 1 (f)	165	20	2013/2018	Arizona	PG&E
Copper Mountain Solar 2 (f)	150	25	2013/2015/2018	Nevada	PG&E
Copper Mountain Solar 3 (f)	255	20	2014/2015/2018	Nevada	SCPPA
California Solar 2 (f)	80	20	2014/2016	California	SCE/PG&E
Texas Solar 5 (f)	95	25	2015	Texas	City of San Antonio
Texas Solar 7 (f)	106	25	2016	Texas	City of San Antonio
California Solar 3 (f)	110	20	2016/2017	California	SCE/PG&E
Upton Solar (f)	158	25	2017	Texas	City of Austin
Panoche Valley	140	20	2017/2018	California	SCE
Copper Mountain Solar 1 (f)	58	12	2018	Nevada	PG&E
Copper Mountain Solar 4 (h)	94	20	2018	Nevada	SCE
Mesquite Solar 2 (h)	100	18	2018	Arizona	SCE
Mesquite Solar 3 (h)	150	23	2018	Arizona	WAPA (Navy)
Great Valley Solar (h)	200	17	2018	California	MCE/SMUD/PG&E/SCE
Wistaria Solar (i)	100	20	2018	California	SCE
Other	6	Various	Various	Various	Various
Jointly owned projects (f) (g)					

Texas Solar 4	32	25	2014	Texas	City of San Antonio
Total Solar	2,186				
Wind					
Wholly owned projects					
Broken Bow II (f)	75	25	2014	Nebraska	NPPD
Wind Holdings (f)	180	Various	2014/2015/2018	Various	NWE/Basin Electric
Adams Rose Wind	23	7	2016	Minnesota	Dairyland
Coram Wind (f)	102	16	2016	California	PG&E
Other	22	Various	Various	Various	Various
Total Wind	402				
Total MW (AC) in Operation	2,588				
Lost Hills Solar	20	(j)	2019	California	MCE
Total MW (AC) in Construction	20				
Total MW (AC) Utility Scale	2,608				
Behind the Meter					
Total MW (AC) in Operation	45				
Total MW (AC) in Construction	1				
Total MW Behind the Meter	46				

(a) Represents Con Edison Development's ownership interest in the project.

(b) Represents Power Purchase Agreement (PPA) contractual term or remaining term from Con Edison Development's date of acquisition.

(c) Represents Actual/Expected In-Service Date or Con Edison Development's date of acquisition.

(d) PPA Counterparties include: Pacific Gas and Electric Company (PG&E), Southern California Public Power Authority (SCPPA), Southern California Edison Company (SCE), Western Area Power Administration (WAPA), Marin Clean Energy (MCE), Sacramento Municipal Utility District (SMUD), Nebraska Public Power District (NPPD) and NorthWestern Energy (NWE)

(e) Solar renewable energy credit hedges are in place, in lieu of PPAs, through 2022.

(f) Project has been pledged as security for project debt financing. See Con Edison's Consolidated Statement of Capitalization in Item 8.

(g) Texas Solar 4 is 80 percent owned. See Note Q to the financial statements in Item 8.
(h) Projects are financed with tax equity.
(i) Pending California Public Utility Commission approval to sell energy on a contracted basis to SCE
(j) Solar renewable energy hedges in place through 2019.

Con Edison Development
Con Edison Development develops, owns and operates renewable and energy infrastructure projects. In December 2018, a Con Edison Development subsidiary acquired Sempra Solar Holdings, LLC to expand the company's renewable energy asset portfolio. See Note U to the financial statements in Item 8. The company focuses its efforts on utility scale renewable electric production projects. The output of most of the projects is sold under long-term power purchase agreements (PPA) with utilities and municipalities. The following table shows the generating capacity (MW AC) of Con Edison Development's renewable electric production projects in operation at the end of the last five years:

Generating Capacity (MW AC)	2014	2015	2016	2017	2018
Renewable electric production projects	446	748	1,098	1,358	2,588

In January 2019, PG&E filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of Con Edison Development renewable electric production projects with an aggregate of 680 MW (AC) of generating capacity (PG&E Projects) is sold to PG&E under long-term power purchase agreements (PG&E PPAs). At December 31, 2018, Con Edison’s consolidated balance sheet included $885 million of net non-utility plant relating to the PG&E Projects, $1,125 million of intangible assets relating to the PG&E PPAs, $292 million of net non-utility plant of additional projects that secure the related project debt and $1,050 million of related project debt. See "Application of Critical Accounting Policies - Accounting for Long-Lived and Intangible Assets" in Item 7 and “Long-Lived and Intangible Assets” in Note A and "Long-term Debt" in Note C to the financial statements in Item 8.

Con Edison Development's renewable electric production volumes generated for the years ended December 31, 2016, 2017, and 2018 were:

	Millions of kWh Generated For the Years Ended December 31,		
Description	2016	2017	2018
Renewable electric production projects			
Solar	1,565	2,158	2,680
Wind	651	988	1,074
Total	2,216	3,146	3,754

In May 2017, Con Edison Development sold a development-stage solar electric production project for $11 million. Pursuant to its agreement with the purchaser, the company performed engineering, procurement and construction for the project (which was completed in May 2018). See Note U to the financial statements in Item 8.

Con Edison Energy
Con Edison Energy provides services to manage the dispatch, fuel requirements and risk management activities for 8,041 MW of generating plants and merchant transmission in the northeastern United States owned by unrelated parties and manages energy supply assets leased from others. The company also provides wholesale hedging and risk management services to renewable electric production projects owned by Con Edison Development and Con Edison Solutions.

Con Edison Solutions
Con Edison Solutions provides energy-efficiency services to government and commercial customers. The services include the design and installation of lighting retrofits, high-efficiency heating, ventilating and air conditioning

equipment and other energy saving technologies. The company is compensated for its services based primarily on the increased energy efficiency of the installed equipment over a multi-year period. Con Edison Solutions has won competitive solicitations for energy savings contracts with the United States Department of Energy and the United States Department of Defense, and a shared energy savings contract with the United States Postal Service. The company also develops, owns and operates behind-the-meter renewable energy projects, predominately in Massachusetts and New York, with an aggregate capacity of 45 MW (AC).

In September 2016, Con Edison Solutions sold its retail electric supply business to a subsidiary of Exelon Corporation for cash consideration of $235 million. In addition, Con Edison received $23 million in cash as a working capital adjustment in February 2017. The retail electric supply business primarily sold electricity to industrial, commercial and governmental customers in the northeastern United States and Texas and also sold electricity to residential and small commercial customers (mass retail market) in the northeastern United States. See Note U to the financial statements in Item 8. Con Edison Solutions’ electricity sales for the last five years were:

	2014	2015	2016	2017	2018
Retail electric volumes sold (millions of kWh)	11,871	13,594	9,843	—	—

For information about the Clean Energy Businesses' results, see "Results of Operations" in Item 7 and Note N to the financial statements in Item 8.

Con Edison Transmission

CET Electric

CET Electric owns a 45.7 percent interest in New York Transco LLC (NY Transco). Affiliates of certain other New York transmission owners own the remaining interests.

NY Transco's operating projects were approved by the NYSPSC in October 2013 in its proceeding to address potential needs that could arise should the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) no longer be able to operate. See Note U to the financial statements in Item 8 and “CECONY – Electric Operations – Electric Supply,” above.

In April 2015, FERC issued an order granting certain transmission incentives for NY Transco projects. In March 2016, the FERC approved a November 2015 settlement agreement that provides, in relation to the projects described above, for a 10 percent return on common equity (and/or 9.5 percent for capital costs in excess of $228 million incurred for initial commercial operation) and a maximum common equity ratio of 53 percent. The costs of the projects are allocated across New York State, with 63 percent to load serving entities in the CECONY and O&R service areas.

In December 2015, the NYSPSC issued an order in its competitive proceeding to select AC transmission projects that would relieve transmission congestion between upstate and downstate. The NYSPSC determined that there was a public policy need for new transmission to address congestion and directed the NYISO, under its FERC-approved public policy planning process, to request developers to submit transmission project proposals for two segments of the transmission system. In December 2018, the NYISO board of directors concluded, subject to its final determination, that the most efficient or cost effective transmission project for one segment of the transmission system is a project that was jointly proposed by National Grid and NY Transco ($600 million estimated cost, excluding certain interconnection costs that are not yet determined) that would increase transmission capacity by 2,100 MW when combined with the selected project to be developed by another developer for the other segment. The NYISO board indicated that following its consideration of comments from the NYISO’s management committee it will make its final determination on the selection of the transmission projects. In November 2017, FERC approved a settlement agreement which would be applicable to the segment proposed by National Grid and NY Transco if it is selected by the NYISO. The settlement agreement provides for a 10.65 percent return on common equity (subject to a cost containment mechanism), a maximum common equity ratio of 53 percent and allocation of costs across New York State (with approximately 84 percent allocated to load serving entities in the CECONY and O&R service areas).

CET Gas

CET Gas, through its subsidiaries, owns a 50 percent interest in Stagecoach Gas Services LLC (Stagecoach), a 71.2 percent interest in Honeoye Storage Corporation (Honeoye) and a 12.5 percent ownership interest in Mountain Valley Pipeline LLC (MVP). Stagecoach is a joint venture with a subsidiary of Crestwood Equity Partners LP (Crestwood) to own, operate and further develop a gas pipeline and storage business located in northern Pennsylvania and southern New York. Stagecoach provides services to its customers (including CECONY, see Note S to the financial statements in Item 8) through its 181 miles of pipe and 41 Bcf of storage capacity. Honeoye, in which CECONY owns the remaining interest, operates a gas storage facility in upstate New York. MVP is a joint venture with four other partners to construct and operate a proposed 300-mile gas transmission project in West Virginia and Virginia. In October 2017, FERC issued a Certificate of Public Convenience and Necessity for the Mountain Valley Pipeline. Environmental groups filed a rehearing request with FERC and petitioned the U.S. Court of Appeals for the District of Columbia for review of the FERC's order issuing the certificate. In June 2018, FERC denied the environmental groups' requests for rehearing. In February 2019, the court issued an order rejecting the arguments raised by the various parties challenging the FERC certificate order and finding that FERC’s approval of the project was reasonable. In February 2019, the Mountain Valley Pipeline’s operator indicated that: as currently de signed, the pipeline is estimated to cost a total of approximately $4,600 million; the pipeline is targeted to be placed in service during the fourth quarter of 2019, subject to litigation and regulatory-related delay; MVP is currently defending certain agency actions and judicial challenges that must be resolved favorably before the pipeline can be completed; and there are other proceedings that may affect MVP, including an investigation of potential criminal and/or civil violations of the Clean Water Act and other federal statutes as they relate to the construction of the pipeline. See Note S and Note U to the financial statements in Item 8.

For information about Con Edison Transmission's results, see "Results of Operations" in Item 7 and Note N to the financial statements in Item 8.

Capital Requirements and Resources

Capital Requirements

The following table contains the Companies’ capital requirements for the years 2016 through 2018 and their current estimate of amounts for 2019 through 2021:

	Actual			Estimate		
(Millions of Dollars)	2016	2017	2018	2019	2020	2021
CECONY (a)(b)						
Electric	$1,819	$1,905	$1,861	$1,871	$2,347	$2,489
Gas	811	909	1,050	1,049	1,113	1,100
Steam	126	90	94	96	89	82
Sub-total	2,756	2,904	3,005	3,016	3,549	3,671
O&R						
Electric	114	128	138	155	169	145
Gas	52	61	67	56	56	52
Sub-total	166	189	205	211	225	197
Con Edison Transmission						
CET Electric	51	—	—	—	—	—
CET Gas	1,027	66	248	200	—	—
Sub-total	1,078	66	248	200	—	—
Clean Energy Businesses	1,235	447	1,791	200	400	400
Total capital expenditures	5,235	3,606	5,249	3,627	4,174	4,268
Retirement of long-term securities						
Con Edison – parent company	2	402	2	3	403	503
CECONY	650	—	1,836	475	350	640
O&R	79	4	55	62	—	—
Clean Energy Businesses	4	28	45	110	113	117
Total retirement of long-term securities	735	434	1,938	650	866	1,260
Total capital requirements	$5,970	$4,040	$7,187	$4,277	$5,040	$5,528

(a) CECONY’s capital expenditures for environmental protection facilities and related studies were $259 million, $381 million and $490 million in 2016, 2017 and 2018, respectively, and are estimated to be $447 million in 2019.

(b) Amounts shown do not include amounts for the energy efficiency, demand reduction and combined heat and power programs.

The Utilities have an ongoing need to make substantial capital investments primarily to maintain the reliability of their electric, gas and steam delivery systems. Their estimated construction expenditures also reflect programs that will give customers greater control over their energy usage and bills, help integrate customers' new clean energy technologies into the Utilities’ electric delivery systems and accelerate the replacement of leak-prone gas distribution mains and service lines.

Estimated capital expenditures for Con Edison Transmission primarily reflect planned investments in the MVP gas transmission project. Estimated capital expenditures for the Clean Energy Businesses primarily reflect planned investments in renewable electric production projects. Actual capital expenditures for Con Edison Transmission and the Clean Energy Businesses could increase or decrease significantly from the amounts estimated depending on opportunities.

Contractual Obligations

The following table summarizes the Companies' material obligations at December 31, 2018 to make payments pursuant to contracts. Long-term debt, capital lease obligations and other noncurrent liabilities are included on their balance sheets. Operating leases and electricity purchase agreements (for which undiscounted future annual payments are shown) are described in the notes to the financial statements.

(Millions of Dollars)	Payments Due by Period				
	Total	1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Long-term debt (Statement of Capitalization)					
CECONY	$14,290	$475	$990	$—	$12,825
O&R	762	62	—	—	700
Clean Energy Businesses	2,076	110	230	413	1,323
Parent	1,201	2	906	293	—
Interest on long-term debt (a)	15,418	791	1,494	1,385	11,748
Total long-term debt, including interest	33,747	1,440	3,620	2,091	26,596
Capital lease obligations (Note J)					
CECONY	1	1	—	—	—
Total capital lease obligations	1	1	—	—	—
Operating leases (Notes J and Q)					
CECONY	864	57	110	105	592
O&R	4	1	2	1	—
Clean Energy Businesses	373	15	31	30	297
Total operating leases	1,241	73	143	136	889
Purchase obligations					
Electricity power purchase agreements – Utilities (Note I)					
CECONY					
Energy	1,957	100	189	193	1,475
Capacity (b)	1,089	202	177	109	601
Total CECONY	3,046	302	366	302	2,076
O&R					
Energy and Capacity (b)	109	66	43	—	—
Total electricity and power purchase agreements – Utilities	3,155	368	409	302	2,076
Natural gas supply, transportation, and storage contracts – Utilities (c)					
CECONY					
Natural gas supply	323	240	80	3	—
Transportation and storage	3,048	307	608	514	1,619
Total CECONY	3,371	547	688	517	1,619
O&R					
Natural gas supply	48	36	11	1	—
Transportation and storage	464	47	92	78	247
Total O&R	512	83	103	79	247
Total natural gas supply, transportation and storage contracts	3,883	630	791	596	1,866
Other purchase obligations					
CECONY (d)	6,597	1,790	2,906	1,592	309
O&R (d)	392	76	80	235	1
Clean Energy Businesses (e)	248	191	18	16	23
Total other purchase obligations	7,237	2,057	3,004	1,843	333
Total	49,264	4,569	7,967	4,968	31,760

(a) Includes interest on variable rate debt calculated at rates in effect at December 31, 2018.

(b) Included in these amounts is the cost of minimum quantities of energy that the Utilities are obligated to purchase at both fixed and variable prices.

(c) Included in these amounts is the cost of minimum quantities of natural gas supply, transportation and storage that the Utilities are obligated to purchase at both fixed and variable prices.

(d) Amounts shown for other purchase obligations, which reflect capital and operations and maintenance costs incurred by the Utilities in running their day-to-day operations, were derived from the Utilities' purchasing system as the difference between the amounts authorized and the amounts paid (or vouchered to be paid) for each obligation. For many of these obligations, the Utilities are committed to purchase less than the amount authorized. Payments for the "Other Purchase Obligations" are generally assumed to be made ratably over the term of the obligations. The Utilities believe that unreasonable effort and expense would be involved to enable them to report their "Other Purchase Obligations" in a different manner.

(e) Amounts represent commitments to purchase minimum quantities of electric energy and capacity, renewable energy certificates, natural gas, natural gas pipeline capacity, energy efficiency services and construction services entered into by the Clean Energy Businesses.

The Companies' commitments to make payments in addition to these contractual commitments include their other liabilities reflected on their balance sheets, any funding obligations for their pension and other postretirement benefit plans, financial hedging activities, their collective bargaining agreements and Con Edison's guarantees of certain obligations of the Clean Energy Businesses and CET – Electric. See Notes E, F, O and "Guarantees" in Note H to the financial statements in Item 8.

Capital Resources

Con Edison is a holding company that operates only through its subsidiaries and has no material assets other than its interests in its subsidiaries. Con Edison finances its capital requirements primarily through internally-generated funds, the sale of its common shares or external borrowings. Con Edison's ability to make payments on external borrowings and dividends on its common shares depends on receipt of dividends from its subsidiaries, proceeds from the sale of additional common shares or its interests in its subsidiaries or additional external borrowings. See "Con Edison's Ability To Pay Dividends Or Interest Depends On Dividends From Its Subsidiaries" in Item 1A and Note S to the financial statements in Item 8.

For information about restrictions on the payment of dividends by the Utilities and significant debt covenants, see Note C to the financial statements in Item 8.

For information on the Companies' commercial paper program and revolving credit agreements with banks, see Note D to the financial statements in Item 8.

The Companies require access to the capital markets to fund capital requirements that are substantially in excess of available internally-generated funds. See "Capital Requirements," above and "The Companies Require Access to Capital Markets to Satisfy Funding Requirements" in Item 1A. Each of the Companies believes that it will continue to be able to access capital, although capital market conditions may affect the timing and cost of the Companies' financing activities. The Companies monitor the availability and costs of various forms of capital, and will seek to issue Con Edison common stock and other securities when it is necessary or advantageous to do so. For information about the Companies' long-term debt and short-term borrowing, see Notes C and D to the financial statements in Item 8.

The Utilities finance their operations, capital requirements and payment of dividends to Con Edison from internally-generated funds, contributions of equity capital from Con Edison, if any, and external borrowings. See "Liquidity and Capital Resources" in Item 7.

Con Edison plans to meet its 2019 capital requirements, including for maturing securities, through internally-generated funds and the issuance of long-term debt and common equity. The company's plans include the issuance of between $1,600 million and $2,200 million of long-term debt, mostly at the Utilities, and the issuance of additional debt secured by its renewable electric production projects. The company's plans also include the issuance of up to $500 million of common equity in addition to equity under its dividend reinvestment, employee stock purchase and long term incentive plans and the physical settlement of the estimated $425 million remaining portion of its November 2018 equity forward transaction.

In 2016, the NYSPSC authorized CECONY, through 2019, to issue up to $5,200 million of debt securities ($4,604 million of which the company had issued as of December 31, 2018). In 2017, the NYSPSC authorized O&R, through 2021, to issue up to $310 million of debt securities ($150 million of which the company had issued as of

December 31, 2018). The NYSPSC also authorized CECONY and O&R for such periods to issue debt securities to refund existing debt securities of up to $2,500 million for CECONY ($636 million of which the company had issued as of December 31, 2018) and $150 million for O&R (none of which the company had issued as of December 31, 2018). In January 2019, CECONY filed a petition with the NYSPSC for authorization to issue up to $5,600 million of debt securities prior to December 31, 2022.

The Clean Energy Businesses have financed their operations and capital requirements primarily with capital contributions and borrowings from Con Edison, internally-generated funds and external borrowings. See "Long-term

Debt" in Note C to the financial statements in Item 8. Con Edison Transmission has financed its operations and capital requirements primarily with capital contributions and borrowings from Con Edison and internally-generated funds. See "Liquidity and Capital Resources" in Item 7.
For each of the Companies, the common equity ratio for the last five years was:

	Common Equity Ratio (Percent of total capitalization)				
	2014	2015	2016	2017	2018
Con Edison	52.2	52.1	49.3	51.1	49.0
CECONY	50.9	51.4	49.5	50.8	48.6

At December 31, 2018, the credit ratings assigned by Moody's, S&P and Fitch to the senior unsecured debt and commercial paper of Con Edison, CECONY and O&R were as follows:

	Moody's	S&P	Fitch
Con Edison			
Senior Unsecured Debt	Baa1	BBB+	BBB+
Commercial Paper	P-2	A-2	F2
CECONY			
Senior Unsecured Debt	A3	A-	A-
Commercial Paper	P-2	A-2	F2
O&R			
Senior Unsecured Debt	Baa1	A-	A-
Commercial Paper	P-2	A-2	F2

Credit ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities. A credit rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating. See “The Companies Require Access To Capital Markets To Satisfy Funding Requirements” and “Changes To Tax Laws Could Adversely Affect the Companies” in Item 1A.

Environmental Matters

Climate Change

As indicated by the Intergovernmental Panel on Climate Change, emissions of greenhouse gases (GHG), including carbon dioxide, are very likely changing the world’s climate.
Climate change could affect customer demand for the Companies’ energy services. It might also cause physical damage to the Companies’ facilities and disruption of their operations due to more frequent and more extreme weather-related events. In late October 2012, Superstorm Sandy caused extensive damage to the Utilities’ electric distribution system. Superstorm Sandy interrupted service to approximately 1.4 million of the Utilities’ customers – more than four times the number of customers impacted by the Utilities’ previous worst storm event (Hurricane Irene in 2011) and resulted in the Utilities incurring substantial response and restoration costs. CECONY invested $1 billion in its infrastructure in order to improve its resilience against storms like Superstorm Sandy.
Based on the most recent data (2016) published by the U.S. Environmental Protection Agency (EPA), Con Edison estimates that its direct GHG emissions constitute less than 0.1 percent of the nation’s GHG emissions. Transportation is the largest source of GHG emissions in New York State. Con Edison’s estimated emissions of GHG during the past five years were:

(Metric tons, in millions (a))	2014	2015	2016	2017	2018
CO2 equivalent emissions	3.2	3.2	3.1	3.0	3.1

(a) Estimated emissions for 2018 are based on preliminary data and are subject to third-party verification.
Con Edison’s 49 percent decrease in direct GHG emissions (carbon dioxide, methane and sulfur hexafluoride) from the 2005 baseline (6.0 million metric tons) reflects the emission reductions resulting from equipment and repair

projects, reduced steam demand, the increased use of natural gas in lieu of fuel oil at CECONY's steam production facilities as well as projects to reduce sulfur hexafluoride emissions and to replace gas distribution pipes.
CECONY has participated for several years in voluntary initiatives with the EPA to reduce its methane and sulfur hexafluoride emissions. The Utilities reduce methane emissions from the operation of their gas distribution systems through pipe maintenance and replacement programs, by operating system components at lower pressure and by introducing new technologies to prioritize leak repairs and to reduce losses when work is performed on operating assets. The Utilities reduce emissions of sulfur hexafluoride, which is used for arc suppression in substation circuit breakers and switches, by using improved technologies to locate and repair leaks and by replacing older equipment. The Utilities also actively promote energy efficiency and the use of renewable generation to help their customers reduce their GHG emissions.
NYSERDA and New York utilities had been responsible for implementing the Energy Efficiency Portfolio Standard (EEPS) established by the NYSPSC through energy efficiency programs designed and managed by NYSERDA and the utilities and authorized by the NYSPSC. CECONY billed customers EEPS surcharges of approximately $103 million in 2015 and 2014 to fund these programs. EEPS authorization ended December 2015. Beginning January 2016, New York utilities have implemented Energy Efficiency Transition Implementation Plans (ETIPs) and are responsible for designing and managing their energy efficiency programs consistent with utility-specific program budgets and metrics approved by the NYSPSC. Effective January 2016, the utilities are recovering the costs of their ETIP programs from their customers primarily through energy efficiency tracker surcharge mechanisms approved by the NYSPSC. The Utilities are authorized to bill customers $108 million and $99 million in 2018 and 2017, respectively, through these mechanisms. Pursuant to CECONY's current electric rate plan, the company will supplement its existing ETIP programs with new energy efficiency, electric vehicle and system peak reduction programs, the cost of which will be reflected in base rates. See Note B to the financial statements in Item 8. The annual budgets of the existing and new programs are approximately $234 million in 2019.
Through the Utilities' energy-efficiency programs, customers reduced their annual energy use by approximately 1,983,000 MWh of electricity and 2,743,000 Dt of gas from the programs' inception in 2009 through 2018, resulting in their avoiding the release of approximately 1,706,000 short tons of GHG into the atmosphere in 2018. In addition, CECONY's other demand-side management programs assisted customers in reducing their annual energy use by approximately 348,000 MWh of electricity from the programs' inception in 2004 through 2018, resulting in their avoiding the release of approximately 271,000 short tons of GHG into the atmosphere in 2018.
Emissions are also avoided by renewable electric production facilities replacing fossil-fueled electric production facilities. NYSERDA has been responsible for implementing the renewable portfolio standard (RPS) established by the NYSPSC. NYSERDA has entered into long-term agreements with developers of large renewable electric production facilities and pays them premiums based on the facilities' electric output. These facilities sell their energy output in the wholesale energy market administered by the NYISO. As a result of the Utilities' participation in the NYISO wholesale markets, a portion of the Utilities' NYISO energy purchases are sourced from renewable electric production facilities. NYSERDA also has provided rebates to customers who installed eligible renewable electric production technologies. The electricity produced by such customer-sited renewables generation offsets the energy that the Utilities would otherwise have procured, thereby reducing the amount of electricity produced by non-renewable production facilities. The Utilities billed customers RPS surcharges of $19 million in 2016, (and approximately $697 million cumulatively from 2006) to fund these NYSERDA programs. In March 2016, NYSERDA reported that the statewide environmental benefits of having electricity generated by renewable production facilities from 2006 through 2015, as opposed to the State's "system-mix," amounts to approximately 6,700 tons of nitrogen oxides, 12,200 tons of sulfur dioxides and 6.4 million tons of carbon dioxide in reduced emissions over this time period. In January 2016, the NYSPSC approved a 10-year $5,300 million clean energy fund to be managed by NYSERDA under the NYSPSC's supervision. The clean energy fund has four portfolios: market development; innovation and research; NY Green Bank and NY Sun. The Utilities have eliminated the separate RPS tariff and now collect all clean energy fund surcharges through the system benefit charge (including previously authorized RPS, EEPS, Technology and Market Development collections and incremental clean energy fund collections to be collected from electric customers only). The Utilities billed customers clean energy fund surcharges of $311 million, $298 million and $277 million in 2018, 2017, and 2016 respectively. For information about NYSPSC proceedings

considering renewable generation see “Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," above.
In June 2015, the New York State Energy Planning Board released its 2015 State Energy Plan. Under New York State law, any energy-related action or decision of State agencies must be reasonably consistent with the plan. The plan reflects clean energy initiatives, including the REV proceeding, NYSERDA’s clean energy fund and the following goals for New York State to meet by 2030: a 40 percent reduction in greenhouse gas emissions from 1990

levels; 50 percent of electric generation from renewable energy sources; and a 23 percent decrease in energy consumption in buildings from 2012 levels. For information about the NYSPSC's adoption of a clean energy standard to mandate achievement of the State Energy Plan's goals, see "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," above. In January 2019, the Governor of New York announced a proposal that, if enacted into law, would require that 70 percent of electric generation be from renewable energy sources by 2030 and 100 percent be carbon-free by 2040. The proposal also includes the creation of a climate action council to develop a comprehensive plan to make New York carbon neutral by significantly and cost-effectively reducing emissions from all major sources, including electricity, transportation, buildings, industry, commercial activity, and agriculture.

Also, New York State and New York City have announced goals to reduce GHG emissions 80 percent below 1990 and 2005, respectively, levels by 2050.

In 2015, the United States Environmental Protection Agency (EPA) issued its Clean Power Plan to reduce carbon dioxide emissions from existing power plants 32 percent from 2005 levels by 2030. Under the Clean Power Plan, each state is required to submit for EPA approval a plan to reduce its emissions to specified rate-based or equivalent mass-based target levels (as determined in accordance with the Clean Power Plan) applicable to the state. For New York State, the emissions rate-based target level for 2030 is approximately 20 percent below its 2012 emissions rate. State plans may, among other things, include participation in regional cap-and-trade programs. In 2017, the EPA proposed to repeal its Clean Power Plan and issued an advanced notice of proposed rulemaking to solicit information as the EPA considers proposing a future rule. In 2018, the EPA issued a proposal entitled the “Affordable Clean Energy Act” (or “ACE”) in response to the advanced notice. The proposed ACE rule is focused on coal-fired power plants and is unlikely to impact company operations.

CECONY is subject to carbon dioxide emissions regulations established by New York State under RGGI. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, established a decreasing cap on carbon dioxide emissions resulting from the generation of electricity. Under RGGI, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market. CECONY has purchased sufficient allowances of 2.89 million short tons to meet its requirement for the most recent RGGI compliance period (2018-2020). CECONY will purchase additional RGGI allowances during the remaining two years of the compliance period based on anticipated emissions, which are expected to be similar to past compliance periods.

The cost to comply with legislation, regulations or initiatives limiting the Companies’ GHG emissions could be substantial.

Environmental Sustainability

Con Edison’s sustainability strategy, as it relates to the environment, provides that the company seeks to reduce its environmental footprint by making effective use of natural resources to address the challenges of climate change and its impact on the company’s business. As part of its strategy, the company seeks, among other things, to reduce direct and indirect emissions; enhance the efficiency of its water use; minimize its impact to natural ecosystems; focus on reducing, reusing and recycling to minimize consumption; and design its work in consideration of climate forecasts.

CECONY

Superfund

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 costs, remediation costs and environmental damages. The sites as to which CECONY has been asserted to have liability under Superfund include its and its predecessor companies’ former manufactured gas sites, its multi-purpose Astoria site, the Gowanus Canal site, the Newtown Creek site and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that the company has liability. For a further discussion of claims and possible claims against the company under Superfund, estimated liability accrued for Superfund claims and recovery from customers of site investigation and remediation costs, see Note G to the financial statements in Item 8.

Manufactured Gas Sites

CECONY and its predecessors formerly owned and operated manufactured gas plants at 51 sites (MGP Sites) in New York City and Westchester County. Many of these sites have been subdivided and are now owned by parties other than CECONY and have been redeveloped for other uses, including schools, residential and commercial developments and hospitals. The New York State Department of Environmental Conservation (NYSDEC) is requiring CECONY to investigate, and if necessary, develop and implement remediation programs for the sites, including any neighboring areas to which contamination may have migrated.

CECONY has started remedial investigations at all 51 MGP Sites. After investigations, no MGP impacts have been detected at all or portions of 15 sites, and the NYSDEC has issued No Further Action (NFA) letters for these sites. Coal tar or other MGP-related contaminants have been detected at the remaining 36 sites. Remedial actions have been completed at all or portions of 14 sites and the NYSDEC has issued NFA letters for these sites. In addition, remedial actions have been completed by property owners at all or portions of four sites under the NYS Brownfield Cleanup Program and Certificates of Completion have been issued by the NYSDEC for these sites. Remedial design is ongoing for the remaining sites or portions of sites, however, the information as to the extent of contamination and scope of the remediation likely to be required for many of these sites is incomplete. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites (other than the Astoria site which is discussed below) could range from $509 million to $2,210 million.

Astoria Site

CECONY is permitted by the NYSDEC to operate a hazardous waste storage facility on property owned by it in the Astoria section of Queens, New York. Portions of the property were formerly the location of a manufactured gas plant and also have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas and the maintenance and storage of electric equipment. As a condition of its NYSDEC permit, the company is required to investigate the property and, where environmental contamination is found and action is necessary, to remediate the contamination. The company's investigations are ongoing. The company has submitted to the NYSDEC and the New York State Department of Health reports and in the future will be submitting additional reports identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on the property could range from $172 million to $515 million.

Gowanus Canal

In August 2009, CECONY received a notice of potential liability and request for information from the EPA about the operations of the company and its predecessors at sites adjacent to or near the 1.8 mile Gowanus Canal in Brooklyn, New York. In March 2010, the EPA added the Gowanus Canal to its National Priorities List of Superfund sites. The canal's adjacent waterfront is primarily commercial and industrial, currently consisting of concrete plants, warehouses and parking lots. The canal is near several residential neighborhoods. In September 2013, the EPA issued its record of decision for the site. The EPA concluded that there was significant contamination at the site, including polycyclic aromatic hydrocarbons, polychlorinated biphenyls (PCBs), pesticides, metals and volatile organic compounds. The EPA selected a remedy for the site that includes dredging and disposal of some contaminated sediments and stabilization and capping of contamination that will not be removed. The EPA estimated the cost of the selected remedy to be $506 million (and indicated the actual cost could be significantly higher or lower). The EPA has identified 39 potentially responsible parties (PRPs) with respect to the site, including CECONY (which the EPA indicated has facilities that may be a source of PCBs at the site). The EPA has ordered the PRPs, including CECONY, to coordinate and cooperate with each other to perform and/or fund the remedial design for the selected remedy, which current estimates indicate could cost approximately $97 million. CECONY is participating with other PRPs in an allocation process to determine each PRP's share of the liability for these remedial design costs. In June 2015, other Federal agencies and the NYSDEC notified the PRPs of their intent to perform a natural resource damage assessment for the site. CECONY is unable to estimate its exposure to liability for the Gowanus Canal site.

Newtown Creek

In June 2017, CECONY received a notice of potential liability from the EPA with respect to the Newtown Creek site that was listed in 2010 on the EPA's National Priorities List of Superfund sites. The EPA has identified 14 potentially responsible parties (PRPs) with respect to the site, including CECONY, and has indicated that it will notify the company as additional PRPs are identified and notified by the EPA. Newtown Creek and its tributaries (collectively, Newtown Creek) form a 3.8 mile border between Brooklyn and Queens, New York. Currently, the predominant land use around Newtown Creek includes industrial, petroleum, recycling, manufacturing and distribution facilities and warehouses. Other uses include trucking, concrete manufacture, transportation infrastructure and a wastewater treatment plant. Newtown Creek is near several residential neighborhoods. Six PRPs, not including CECONY, pursuant to an administrative settlement agreement and order on consent the EPA issued to them in 2011, have been performing a remedial investigation of the site. The EPA indicated that sampling events have shown the sediments in Newtown Creek to be contaminated with a wide variety of hazardous substances including PCBs, metals, pesticides, polycyclic aromatic hydrocarbons and volatile organic compounds. The EPA also indicated that it has reason to believe that hazardous substances have come to be released from CECONY facilities into Newtown Creek. The current schedule anticipates completion of a feasibility study for the site during 2022 and issuance of its record of decision selecting a remedy for the site shortly thereafter. CECONY is unable to estimate its exposure to liability for the Newtown Creek site.

Other Superfund Sites

In September 2007, the NYSDEC demanded that the company investigate and remediate PCB contamination that may have migrated from a former CECONY service center facility in Flushing New York, into the adjacent Flushing River. In April 2008, the company and the NYSDEC entered into a consent order under which the company agreed to implement a NYSDEC-approved investigation program for the Flushing River and, if deemed necessary by the NYSDEC to protect human health and the environment, to implement a NYSDEC-approved remediation program for any PCB contamination in the river attributable to the site. In March 2011, the company submitted to the NYSDEC a report indicating that PCBs had migrated from the site to sediment in a portion of the river. In August 2013, the NYSDEC selected a remedy that required the company to submit a remedial design report, remove contaminated sediment, restore the river bed with clean material, prepare a site management plan and implement institutional controls. The final remedial design was submitted to and approved by the NYSDEC in 2017. CECONY completed construction of the remedy during 2018.

In 2016, CECONY and another utility responded to a reported dielectric fluid leak at a New Jersey marina on the Hudson River associated with one or two underwater transmission lines, the New Jersey portion of which is owned and operated by the other utility and the New York portion of which is owned and operated by CECONY. In 2017, after the marina owner had cleared substantial debris from its collapsed pier and rip rap material that it had previously placed over and in the vicinity of the underwater transmission lines in an attempt to shore up its failing pier, a dielectric fluid leak was found and repaired on one of the underwater transmission lines. In August 2018, the EPA declared the leak response complete. CECONY and the other utility are disputing whether to return the transmission lines to operation. CECONY, the other utility and the marina owner are involved in litigation in federal court regarding response and repair costs, related damages, and the future of the lines. In September 2018, FERC dismissed a complaint filed by the other utility in which it had requested that FERC order CECONY to cooperate with the other utility to remove all of the dielectric fluid from the transmission lines and remove the lines. In October 2018, the other utility filed a request for rehearing at FERC with respect to its decision to dismiss the complaint. CECONY expects that, consistent with the cost allocation provisions of its prior arrangements with the other utility for the transmission lines, the response and repair costs incurred by CECONY, the other utility and government agencies, net of any recovery from the marina owner, will be shared by CECONY and the other utility and that CECONY's share is not reasonably likely to have a material adverse effect on its financial position, results of operations or liquidity.

CECONY is a PRP at additional Superfund sites involving other PRPs and participates in PRP groups at those sites. The company generally is not managing the site investigation and remediation at these multiparty sites. Work at these sites is in various stages, and investigation, remediation and monitoring activities at some of these sites can be expected to continue over extended periods of time. The company believes that it is unlikely that monetary sanctions, such as penalties, will be imposed by any governmental authority with respect to these sites.

The following table lists each of the additional Superfund sites for which the company anticipates it may have liability. The table also shows for each such site its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities for the site (shown in the table under “Start”), the name of the court or agency in which proceedings for the site are pending and CECONY’s estimated percentage of the total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages in aggregate for the sites below is less than $2 million. Superfund liability is joint and several. The company’s estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company’s actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Cortese Landfill	Narrowsburg, NY	1987	EPA	6.0%
Curcio Scrap Metal	Saddle Brook, NJ	1987	EPA	100.0%
Metal Bank of America	Philadelphia, PA	1987	EPA	1.0%
Global Landfill	Old Bridge, NJ	1988	EPA	0.4%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	0.7%

O&R

Superfund

The sites at which O&R has been asserted to have liability under Superfund include its manufactured gas sites and the Superfund sites discussed below. There may be additional sites as to which assertions will be made that O&R has liability. For a further discussion of claims and possible claims against O&R under Superfund, see Note G to the financial statements in Item 8.

Manufactured Gas Sites

O&R and its predecessors formerly owned and operated manufactured gas plants at seven sites (O&R MGP Sites) in Orange County and Rockland County, New York. Three of these sites are now owned by parties other than O&R, and have been redeveloped by them for residential, commercial or industrial uses. The NYSDEC is requiring O&R to develop and implement remediation programs for the O&R MGP Sites including any neighboring areas to which contamination may have migrated.

O&R has completed remedial investigations at all seven of its MGP sites and has received the NYSDEC's decision regarding the remedial work to be performed at six of the sites. Of the six sites, O&R has completed remediation at four sites. Remedial construction was initiated on a portion of one of the remaining sites in 2018 and remedial design is ongoing for the other remaining sites. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites could range from $86 million to $142 million.

Superfund Sites

O&R is a PRP at Superfund sites involving other PRPs, and participates in PRP groups at those sites. The company is not managing the site investigation and remediation at these multiparty Superfund sites. Work at these sites is in various stages, and investigation, remediation and monitoring activities at some of these sites is expected to continue over extended periods of time. The company believes that it is unlikely that monetary sanctions, such as penalties, will be imposed by any governmental authority with respect to these sites.

The following table lists each of the Superfund sites for which the company anticipates it may have liability. The table also shows for each such site its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities for the site (shown in the table under "Start"), the name of the court or agency in which proceedings for the site are pending and O&R's estimated percentage of the total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages in aggregate for the sites below is less than $1 million. Superfund liability is joint and several. The company's estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company's actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Metal Bank of America	Philadelphia, PA	1993	EPA	4.6%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	2.3%
Ellis Road	Jacksonville, FL	2011	EPA	0.2%

Other Federal, State and Local Environmental Provisions

Toxic Substances Control Act

Virtually all electric utilities, including CECONY, own equipment containing PCBs. PCBs are regulated under the Federal Toxic Substances Control Act of 1976. The Utilities have procedures in place to manage and dispose of oil and equipment containing PCBs properly when they are removed from service.

Water Quality

Under NYSDEC regulations, the operation of CECONY's generating facilities requires permits for water discharges and water withdrawals. Conditions to the renewal of such permits may include limitations on the operations of the permitted facility or requirements to install certain equipment, the cost of which could be substantial. For information about the company's generating facilities, see "CECONY – Electric Operations – Electric Facilities" and "Steam Operations – Steam Facilities" above in this Item 1.

Certain governmental authorities are investigating contamination in the Hudson River and the New York Harbor. These waters run through portions of CECONY's service area. Governmental authorities could require entities that released hazardous substances that contaminated these waters to bear the cost of investigation and remediation, which could be substantial.

Air Quality

Under new source review regulations, an owner of a large generating facility, including CECONY's steam and steam-electric generating facilities, is required to obtain a permit before making modifications to the facility, other than routine maintenance, repair, or replacement, that increase emissions of pollutants from the facility above specified thresholds. To obtain a permit, the facility owner could be required to install additional pollution controls or otherwise limit emissions from the facility. The company reviews on an on-going basis its planned modifications to its generating facilities to determine the potential applicability of new source review and similar regulations.

The EPA's Transport Rule (also referred to as the Cross-State Air Pollution Rule), which was implemented in January 2015, established a new cap and trade program requiring further reductions in air emissions than the Clean Air Intrastate Rule (CAIR) that it replaced. Under the Transport Rule, utilities are to be allocated emissions allowances and may sell the allowances or buy additional allowances. CECONY requested and received NYSPSC approval to change the provisions under which the company recovers its purchased power costs to provide for costs incurred to purchase emissions allowances and revenues received from the sale of allowances. CECONY complied with the Transport Rule in 2018 and expects to comply with the rule in 2019. If changes to the Transport Rule that have been proposed are adopted, the number of allowances allocated to CECONY would decrease and the company would be required to purchase allowances to offset the decreased allocation.

State Anti-Takeover Law

New York State law provides that a "domestic corporation," such as Con Edison, may not consummate a merger, consolidation or similar transaction with the beneficial owner of a 20 percent or greater voting stock interest in the corporation, or with an affiliate of the owner, for five years after the acquisition of the voting stock interest, unless the transaction or the acquisition of the voting stock interest was approved by the corporation's board of directors prior to the acquisition of the voting stock interest. After the expiration of the five-year period, the transaction may be consummated only pursuant to a stringent "fair price" formula or with the approval of a majority of the disinterested stockholders.

Employees

At December 31, 2018, Con Edison had no employees other than those of CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission (which had 13,685, 1,176, 435 and 11 employees, respectively). Of the CECONY and O&R employees, 8,011 and 601 employees, respectively, were represented by a collective bargaining unit. The collective bargaining agreement covering most of these CECONY employees expires in June 2020. Agreements covering other CECONY employees and O&R employees expire in June 2021 and May 2019, respectively.

Available Information

For the sources of information about the Companies, see "Available Information" in the "Introduction" appearing before this Item 1.

Item 1A: Risk Factors

Information in any item of this report as to which reference is made in this Item 1A is incorporated by reference herein. The use of such terms as "see" or "refer to" shall be deemed to incorporate at the place such term is used the information to which such reference is made.

The Companies’ businesses are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition.

The Companies have established an enterprise risk management program to identify, assess, manage and monitor its major business risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. The Companies’ major risks include:

Regulatory/Compliance Risks:

The Companies Are Extensively Regulated And Are Subject To Penalties. The Companies' operations require numerous permits, approvals and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the Utilities for violations of state utility laws, regulations or orders. In addition, the Utilities' rate plans usually include penalties for failing to meet certain operating and customer satisfaction standards. See Note B to the financial statements in Item 8. FERC has the authority to impose penalties on the Utilities and the Clean Energy Businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability and cyber security rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. The Companies may also be subject to penalties from other regulatory agencies. The Companies may be subject to new laws, regulations or other requirements or the revision or reinterpretation of such requirements, which could adversely affect them. In April 2014, the NYSPSC instituted its REV proceeding to improve system efficiency and reliability, encourage renewable energy resources, support distributed energy resources and empower customer choice. See "Utility Regulation" and "Environmental Matters – Climate Change and Other Federal, State and Local Environmental Provisions" in Item 1 and "Application of Critical Accounting Policies" in Item 7.

The Utilities' Rate Plans May Not Provide A Reasonable Return. The Utilities have rate plans approved by state utility regulators that limit the rates they can charge their customers. The rates are generally designed for, but do not guarantee, the recovery of the Utilities' cost of service (including a return on equity). See "Utility Regulation – State Utility Regulation – Rate Plans" in Item 1 and "Rate Plans" in Note B to the financial statements in Item 8. Rates usually may not be changed during the specified terms of the rate plans other than to recover energy costs and limited other exceptions. The Utilities' actual costs may exceed levels provided for such costs in the rate plans. State utility regulators can initiate proceedings to prohibit the Utilities from recovering from their customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred (see "Other Regulatory Matters" in Note B to the financial statements in Item 8). The Utilities have from time to time entered into settlement agreements to resolve various prudence proceedings.

The Companies May Be Adversely Affected By Changes To The Utilities' Rate Plans. The Utilities' rate plans typically require action by regulators at their expiration dates, which may include approval of new plans with different provisions. The need to recover from customers increasing costs, taxes or state-mandated assessments or surcharges could adversely affect the Utilities' opportunity to obtain new rate plans that provide a reasonable rate of return and continue important provisions of current rate plans. The Utilities' current New York electric and gas rate plans include revenue decoupling mechanisms and their New York electric, gas and steam rate plans include provisions for the recovery of energy costs and reconciliation of the actual amount of pension and other postretirement, environmental and certain other costs to amounts reflected in rates. In January 2019, CECONY filed a request with the NYSPSC for new electric and gas rate plans to be effective January 2020. See "Rate Plans" and "Other Regulatory Matters" in Note B to the financial statements in Item 8.

The Intentional Misconduct of Employees or Contractors Could Adversely Affect the Companies. The violation of laws or regulations by employees or contractors for personal gain may result from contract and procurement fraud, extortion, bribe acceptance, fraudulent related-party transactions and serious breaches of corporate policy or standards of business conduct. Such intentional misconduct by employees or contractors could result in substantial liability, higher costs and increased regulatory requirements. See "Employees" in Item 1.

Operations Risks:

The Failure of, or Damage to, the Companies' Facilities Could Adversely Affect the Companies. The Utilities provide electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. See the description of the Utilities' facilities in Item 1. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. A natural disaster such as a major storm, a heat wave or hurricane could damage facilities and the Utilities may experience more severe consequences from attempting to operate during and after such events. The Utilities' response to such events may be perceived to be below customer expectations. The Utilities could be required to pay substantial amounts that may not be covered by the Utilities' insurance policies to repair or replace their facilities, compensate others for injury or death or other damage and settle any proceedings initiated by state utility regulators or other regulatory agencies. The occurrence of such events could also adversely affect the cost and availability of insurance. See “Other Regulatory Matters” in Note B and “Manhattan Explosion and Fire” and "Manhattan Steam Main Rupture" in Note H to the financial statements in Item 8. Changes to laws, regulations or judicial doctrines could further expand the Utilities’ liability for service interruptions. See “Utility Regulation – State Utility Regulation” and "Environmental Matters" in Item 1.

A Cyber Attack Could Adversely Affect the Companies. The Companies and other operators of critical energy infrastructure and energy market participants face a heightened risk of cyber attack. Cyber attacks may include hacking, viruses, malware, denial of service attacks, ransomware or other data security breaches. The U.S. Department of Energy's Quadrennial Energy Review, issued in January 2017, indicated that cyber threats to the electricity system are increasing in sophistication, magnitude and frequency. The Companies' businesses require the continued operation of information systems and network infrastructure. See Item 1 for a description of the businesses of the Utilities, the Clean Energy Businesses and Con Edison Transmission. Interconnectivity with customers, independent system operators, energy traders and other energy market participants, suppliers, contractors and others exposes the Companies' information systems and network infrastructure to an increased risk of cyber attack and increases the risk that a cyber attack on the Companies could affect others. In the event of a cyber attack that the Companies were unable to defend against or mitigate, the Companies could have their operations and the operations of their customers and others disrupted. The Companies could also have their financial and other information systems and network infrastructure impaired, property damaged and customer and employee information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation, penalties and damage to their reputation. The Companies have experienced cyber attacks, although none of the attacks had a material impact.

Environmental Risks:

The Companies Are Exposed to Risks From The Environmental Consequences Of Their Operations. The Companies are exposed to risks relating to climate change and related matters. See "Environmental Matters – Climate Change" in Item 1. CECONY may also be impacted by regulations requiring reductions in air emissions. See "Environmental Matters – Other Federal, State and Local Environmental Provisions – Air Quality" in Item 1. In addition, the Utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the Utilities' operations and are present on properties or in facilities and equipment currently or previously owned by them. See "Environmental Matters" in Item 1 and Note G to the financial statements in Item 8. The Companies could be adversely affected if a causal relationship between electric and magnetic fields and adverse health effects were to be established.

Financial and Market Risks:

A Disruption In The Wholesale Energy Markets Or Failure By An Energy Supplier or Customer Could Adversely Affect The Companies. Almost all the electricity and gas the Utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. See the description of the Utilities' energy supply in Item 1. A disruption in the wholesale energy markets or a failure on the part of the Utilities' energy suppliers or operators of energy delivery systems that connect to the Utilities' energy facilities could adversely affect their ability to meet their customers' energy needs and adversely affect the Companies. The Utilities' ability to gain access to additional energy supplies, if needed, is dependent on effective markets and siting approvals for developer projects, which the Utilities do not control. See "CECONY - Gas Peak Demand" in Item 1.The output of most of the Clean Energy Businesses' renewable electric production projects is sold under long-term power purchase agreements with utilities and municipalities, and a failure on their part could adversely affect Con Edison. In January 2019, PG&E filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of Con Edison Development renewable electric production projects with an aggregate generating capacity of 680 MW (AC) is sold under PG&E PPAs. See "Clean Energy Businesses - Con Edison Development," in Item 1 and "Long-Lived and Intangible Assets" in Note A and "Long-term Debt" in Note C to the financial statements in Item 8.

The Companies Have Substantial Unfunded Pension And Other Postretirement Benefit Liabilities. The Utilities have substantial unfunded pension and other postretirement benefit liabilities. The Utilities expect to make substantial contributions to their pension and other postretirement benefit plans. Significant declines in the market values of the investments held to fund pension and other postretirement benefits could trigger substantial funding requirements under governmental regulations. See "Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits" and "Financial and Commodity Market Risks" in Item 7 and Notes E and F to the financial statements in Item 8.

Con Edison's Ability To Pay Dividends Or Interest Depends On Dividends From Its Subsidiaries. Con Edison's ability to pay dividends on its common stock or interest on its external borrowings depends primarily on the dividends and other distributions it receives from its subsidiaries. The dividends that the Utilities may pay to Con Edison are limited by the NYSPSC to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis, with certain exceptions. See “Dividends” in Note C and Note S to the financial statements in Item 8.

The Companies Require Access To Capital Markets To Satisfy Funding Requirements. The Utilities estimate that their construction expenditures will exceed $10,800 million over the next three years. The Utilities use internally-generated funds, equity contributions from Con Edison, if any, and external borrowings to fund the construction expenditures. The Clean Energy Businesses and Con Edison Transmission are investing in renewable generation and energy infrastructure projects that require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds, the sale of its common shares or external borrowings. Changes in financial market conditions or in the Companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof. See "Capital Requirements and Resources" in Item 1.

Changes To Tax Laws Could Adversely Affect the Companies. Changes to tax laws, regulations or interpretations thereof could have a material adverse impact on the Companies. The reduction in the federal corporate income tax rate to 21 percent under the TCJA results in decreased cash flows from operating activities, and requires increased cash flows from financing activities, for the Utilities. Depending on the extent of these changes in cash flows, the changes could adversely impact the Companies' credit ratings. See "Capital Requirements and Resources – Capital Resources" in Item 1, "Liquidity and Capital Resources – Cash Flows from Operating Activities" in Item 7, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

Other Risks:

The Companies' Strategies May Not Be Effective To Address Changes In The External Business Environment. The failure to identify, plan and execute strategies to address changes in the external business environment could have a material adverse impact on the Companies. Con Edison seeks to provide shareholder value through continued dividend growth, supported by earnings growth in regulated utilities and contracted assets. Changes to public policy, laws or regulations (or interpretations thereof), customer behavior or technology could significantly impact the value of the Utilities' energy delivery facilities, the Clean Energy Businesses' renewable and energy infrastructure projects and Con Edison Transmission's investment in electric and gas transmission projects. Such changes could also affect the Companies' opportunities to make additional investments in such assets and the potential return on the investments. See "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," "Environmental Matters - Climate Change" and "Competition" in Item 1.

The Companies Also Face Other Risks That Are Beyond Their Control. The Companies' results of operations can be affected by circumstances or events that are beyond their control. Weather directly influences the demand for electricity, gas and steam service, and can affect the price of energy commodities. Terrorist or other physical attacks or acts of war could damage the Companies' facilities. Economic conditions can affect customers' demand and ability to pay for service, which could adversely affect the Companies.

Item 1B: Unresolved Staff Comments

Con Edison

Con Edison has no unresolved comments from the SEC staff.

CECONY

CECONY has no unresolved comments from the SEC staff.

Item 2: Properties

Con Edison

Con Edison has no significant properties other than those of the Utilities, the Clean Energy Businesses and Con Edison Transmission.

For information about the capitalized cost of the Companies' utility plant, net of accumulated depreciation, see "Plant and Depreciation" in Note A to the financial statements in Item 8 (which information is incorporated herein by reference).

CECONY

For a discussion of CECONY's electric, gas and steam facilities, see "CECONY – Electric Operations – Electric Facilities," "CECONY – Gas Operations – Gas Facilities" and "CECONY – Steam Operations – Steam Facilities" in Item 1 (which information is incorporated herein by reference).

O&R

For a discussion of O&R's electric and gas facilities, see "O&R – Electric Operations – Electric Facilities" and "O&R – Gas Operations – Gas Facilities" in Item 1 (which information is incorporated herein by reference).

Clean Energy Businesses
For a discussion of the Clean Energy Businesses' facilities, see "Clean Energy Businesses" in Item 1 (which information is incorporated herein by reference).

Con Edison Transmission
Con Edison Transmission has no properties. Con Edison Transmission has ownership interests in electric and gas transmission companies. For information about these companies, see "Con Edison Transmission" in Item 1 (which information is incorporated herein by reference).

Item 3: Legal Proceedings
For information about certain legal proceedings affecting the Companies, see the information on the PG&E bankruptcy under "Long-Lived and Intangible Assets" in Note A, "Other Regulatory Matters" in Note B, "Superfund Sites" and "Asbestos Proceedings" in Note G and "Manhattan Explosion and Fire" and "Manhattan Steam Main Rupture" in Note H to the financial statements in Item 8 and "Environmental Matters – CECONY – Superfund" and "Environmental Matters – O&R – Superfund" in Item 1 of this report, which information is incorporated herein by reference.

Item 4: Mine Safety Disclosures
Not applicable.

Executive Officers of the Registrant

The following table sets forth certain information about the executive officers of Con Edison as of February 21, 2019. The term of office of each officer, is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company.

Name	Age	Offices and Positions During Past Five Years
John McAvoy	58	5/14 to present – Chairman of the Board, President and Chief Executive Officer and Director of Con Edison and Chairman, Chief Executive Officer and Trustee of CECONY
		12/13 to 4/14 – President and Chief Executive Officer and Director of Con Edison and Chief Executive Officer and Trustee of CECONY
Robert Hoglund	57	9/05 to present – Senior Vice President and Chief Financial Officer of Con Edison and CECONY
Timothy P. Cawley	54	1/18 to present – President of CECONY
		12/13 to 12/17 – President and Chief Executive Officer of O&R
Robert Sanchez	53	12/17 to present – President and Chief Executive Officer of O&R
		11/17 – Senior Vice President of CECONY
		9/16 to 10/17 – Senior Vice President – Corporate Shared Services of CECONY
		9/14 to 8/16 – Vice President – Brooklyn & Queens Electric Operations of CECONY
		5/11 to 8/14 – Vice President – System & Transmission Operations of CECONY
Mark Noyes	54	12/16 to present – President and Chief Executive Officer of Con Edison Clean Energy Businesses, Inc.
		5/16 to present – President and Chief Executive Officer of Con Edison Solutions
		10/15 to present – President and Chief Executive Officer of Con Edison Development and Con Edison Energy
		10/14 to 9/15 – Senior Vice President and Chief Operating Officer of Con Edison Development and Con Edison Energy
		3/09 to 9/14 – Vice President of Con Edison Development
Joseph P. Oates	57	9/16 to present – President and Chief Executive Officer of Con Edison Transmission, Inc.
		1/16 to 8/16 – President of Con Edison Transmission, Inc.
		9/15 to 8/16 – Senior Vice President – Corporate Shared Services of CECONY
		9/12 to 8/15 – Senior Vice President – Business Shared Services of CECONY
Elizabeth D. Moore	64	5/13 to present – Senior Vice President and General Counsel of Con Edison and CECONY
Frances A. Resheske	58	2/02 to present – Senior Vice President – Corporate Affairs (formerly known as Public Affairs) of CECONY
Mary E. Kelly	50	11/17 to present – Senior Vice President – Corporate Shared Services of CECONY
		1/16 to 10/17 – Vice President – Gas Engineering
		1/14 to 12/15 – Vice President – Construction
		5/09 to 12/14 – General Manager – Construction
Saumil P. Shukla	59	9/15 to present – Senior Vice President – Utility Shared Services of CECONY
		10/14 to 8/15 – Vice President – Supply Chain (Shared Services)
		9/07 to 9/14 – Vice President – Steam Operations of CECONY
Robert Muccilo	62	7/09 to present – Vice President and Controller of Con Edison and CECONY
		11/09 to present – Chief Financial Officer and Controller of O&R
Yukari Saegusa	51	9/16 to present – Treasurer of Con Edison and CECONY
		8/16 to present – Vice President of Con Edison and CECONY
		8/13 to present – Treasurer of O&R
		3/13 to 7/16 – Director of Corporate Finance of CECONY

Gurudatta Nadkarni	53	1/08 to present – Vice President of Strategic Planning of CECONY

Part II

Item 5: Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Con Edison

Con Edison's Common Shares ($.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange under the trading symbol "ED." As of January 31, 2019, there were 42,953 holders of record of Con Edison's Common Shares. Con Edison paid quarterly dividends of 69 cents per Common Share in 2017 and quarterly dividends of 71.5 cents per Common Share in 2018. On January 17, 2019, Con Edison declared a quarterly dividend of 74 cents per Common Share that is payable on March 15, 2019. Con Edison expects to pay dividends to its shareholders primarily from dividends and other distributions it receives from its subsidiaries. The payment of future dividends is subject to approval and declaration by Con Edison's Board of Directors and will depend on a variety of factors including business, financial and regulatory considerations. For additional information about the payment of dividends by the Utilities to Con Edison, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

During 2018, the market price of Con Edison's Common Shares decreased by 10.0 percent (from $84.95 at year-end 2017 to $76.46 at year-end 2018). By comparison, the S&P 500 Index decreased 6.2 percent and the S&P 500 Utilities Index increased 0.5 percent. The total return to Con Edison's common shareholders during 2018, including both price appreciation and investment of dividends, was -6.6 percent. By comparison, the total returns for the S&P 500 Index and the S&P 500 Utilities Index were -4.4 percent and 4.1 percent, respectively. For the five-year period 2014 through 2018 inclusive, Con Edison's shareholders' total return was 67.7 percent, compared with total returns for the S&P 500 Index and the S&P 500 Utilities Index of 50.3 percent and 66.6 percent, respectively.

	Years Ended December 31,					
Company / Index	2013	2014	2015	2016	2017	2018
Consolidated Edison, Inc.	100.00	124.80	126.56	150.52	179.53	167.65
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
S&P Utilities	100.00	128.98	122.73	142.72	159.99	166.57

Based on $100 invested at December 31, 2013, reinvestment of all dividends in equivalent shares of stock and market price changes on all such shares.

CECONY

The outstanding shares of CECONY's Common Stock ($2.50 par value) are the only class of common equity of CECONY. They are held by Con Edison and are not traded.

The dividends declared by CECONY in 2017 and 2018 are shown in its Consolidated Statement of Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by CECONY, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

Item 6: Selected Financial Data

For selected financial data of Con Edison and CECONY, see "Introduction" appearing before Item 1 (which selected financial data is incorporated herein by reference).

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

This combined management's discussion and analysis of financial condition and results of operations relates to the consolidated financial statements included in this report of two separate registrants: Con Edison and CECONY, and should be read in conjunction with the financial statements and the notes thereto. As used in this report, the term the "Companies" refers to Con Edison and CECONY. CECONY is a subsidiary of Con Edison and, as such, information in this management's discussion and analysis about CECONY applies to Con Edison.

Information in any item of this report referred to in this discussion and analysis is incorporated by reference herein. The use of terms such as "see" or "refer to" shall be deemed to incorporate by reference into this discussion and analysis the information to which reference is made.

Corporate Overview

Con Edison's principal business operations are those of the Utilities. Con Edison's business operations also include those of the Clean Energy Businesses and Con Edison Transmission. See "Significant Developments and Outlook" in the Introduction to this report, "The Utilities," "Clean Energy Businesses" and "Con Edison Transmission" in Item 1, and segment financial information in Note N to the financial statements in Item 8. Certain financial data of Con Edison's businesses are presented below:

	For the Year Ended December 31, 2018				At December 31, 2018	
(Millions of Dollars, except percentages)	Operating Revenues		Net Income		Assets	
CECONY	$10,680	87 %	$1,196	87 %	$43,108	80 %
O&R	891	7 %	59	4 %	2,892	5 %
Total Utilities	11,571	94 %	1,255	91 %	46,000	85 %
Clean Energy Businesses (a) (b)	763	6 %	145	10 %	5,821	11 %
Con Edison Transmission	4	— %	47	4 %	1,425	3 %
Other (c)	(1)	— %	(65)	(5)%	674	1 %
Total Con Edison	$12,337	100 %	$1,382	100 %	$53,920	100 %

(a) Net income from the Clean Energy Businesses for the year ended December 31, 2018 includes $6 million of net after-tax mark-to-market loss.

(b) In December 2018, a Con Edison Development subsidiary acquired Sempra Solar Holdings, LLC. The purchase price for the acquisition was $1,609 million. Upon completion of the acquisition, the Clean Energy Businesses recognized an after-tax gain of $89 million with respect to jointly-owned renewable energy production projects. See Note U to the financial statements in Item 8.

(c) Other includes parent company and consolidation adjustments. Net income includes $(42) million of income tax expense resulting from a re-measurement of the company's deferred tax assets and liabilities following the issuance of proposed regulations relating to the Tax Cuts and Jobs Act of 2017 (TCJA) for the year ended December 31, 2018. See Note L to the financial statements in Item 8. Net income for the year ended December 31, 2018 also includes the after-tax transaction costs of $(8) million related to a Con Edison Development subsidiary's purchase of Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

Results of Operations

Net income and earnings per share for the years ended December 31, 2018, 2017 and 2016 were as follows:

(Millions of Dollars, except per share amounts)	Net Income			Earnings per Share		
	2018	2017	2016	2018	2017	2016
CECONY	$1,196	$1,104	$1,056	$3.84	$3.59	$3.52
O&R	59	64	59	0.19	0.21	0.20
Clean Energy Businesses (a)(b)(c)	145	332	118	0.46	1.08	0.39
Con Edison Transmission (c)	47	44	20	0.15	0.15	0.07

Other (c)(d)	(65)	(19)	(8)	(0.21)	(0.06)	(0.03)
Con Edison (e)	$1,382	$1,525	$1,245	$4.43	$4.97	$4.15

(a) Includes $1 million or $0.00 a share of net after-tax gain on the sale of a solar electric production project in 2017 (see Note U to the financial statements in Item 8). Also includes $56 million or $0.19 a share of net gain related to the sale of the retail electric supply business and $(12) million or $(0.04) a share of net loss related to the goodwill impairment charge on two energy services companies in 2016 (see Notes U and K to the financial statements in Item 8). Includes $(6) million or $(0.02) a share, $1 million or $0.00 a share and $3 million or $0.02 a share of net after-tax mark-to-market gains/(losses) in 2018, 2017 and 2016, respectively.

(b) In December 2018, a Con Edison Development subsidiary acquired Sempra Solar Holdings, LLC. Upon completion of the acquisition, the Clean Energy Businesses recognized an after-tax gain of $89 million or $0.28 per share with respect to jointly-owned renewable energy production projects. See Note U to the financial statements in Item 8.

(c) Upon enactment of the TCJA in December 2017, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million and accrued a regulatory liability for future income tax of $3,713 million. The amount recognized in net income for the

Clean Energy Businesses, Con Edison Transmission and the parent company was $269 million, $11 million and $(21) million, respectively. See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.

(d) Other includes parent company and consolidation adjustments. Net income includes $(42) million or $(0.14) a share of income tax expense resulting from a re-measurement of the company's deferred tax assets and liabilities following the issuance of proposed regulations relating to the TCJA for the year ended December 31, 2018. See Note L to the financial statements in Item 8. Net income for the year ended December 31, 2018 also includes $(8) million or $(0.02) a share of the after-tax transaction costs related to a Con Edison Development subsidiary’s purchase of Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

(e) Earnings per share on a diluted basis were $4.42 a share, $4.94 a share and $4.12 a share in 2018, 2017 and 2016, respectively. See "Earnings Per Common Share" in Note A to the financial statements in Item 8.

The following tables present the estimated effect of major factors on earnings per share and net income for the years ended December 31, 2018 as compared with 2017, and 2017 as compared with 2016.

	Variation for the Years Ended December 31, 2018 vs. 2017		
	Net Income (Millions of Dollars)	Earnings per Share	
CECONY (a)			
Changes in rate plans	$258	$0.84	Reflects primarily higher electric and gas net base revenues of $0.59 a share and $0.16 a share, respectively, and growth in the number of gas customers of $0.06 a share. Electric and gas base rates increased in January 2018 in accordance with the company's rate plans.
Weather impact on steam revenues	31	0.10	Steam revenues were $0.06 a share higher in 2018 due to the estimated impact of colder than normal winter weather. Steam revenues were $(0.05) a share lower in 2017 due to the estimated impact of warmer than normal winter weather.
Operations and maintenance expenses	(25)	(0.08)	Reflects primarily higher consultant costs of $(0.05) a share and storm-related costs of $(0.04) a share.
Depreciation, property taxes and other tax matters	(115)	(0.37)	Reflects higher net property taxes of $(0.25) a share and depreciation and amortization expense of $(0.19) a share, offset, in part, by New York State sales and use tax refunds of $0.07 a share.
Other	(57)	(0.24)	Reflects primarily higher interest expense on long-term debt of $(0.16) a share, regulatory reserve related to steam earnings sharing of $(0.05) a share, and the dilutive effect of Con Edison's stock issuances of $(0.06) a share.
Total CECONY	92	0.25	
O&R (a)			
Changes in rate plans	6	0.02	Reflects primarily higher gas net base revenues. Gas base rates increased in November 2017 in accordance with the company's gas rate plan.
Operations and maintenance expenses	(6)	(0.02)	Reflects primarily reduction of a regulatory asset associated with certain site investigation and environmental remediation costs.
Depreciation, property taxes and other tax matters	(4)	(0.01)	Reflects higher depreciation and amortization expense.
Other	(1)	(0.01)	
Total O&R	(5)	(0.02)	
Clean Energy Businesses			
Operating revenues less energy costs	(16)	(0.05)	Reflects primarily lower renewable revenues, including engineering, procurement and construction services, offset, in part, by an increase in renewable electric production projects in operation and an increase in energy services revenue.
Operations and maintenance expenses	19	0.06	Reflects primarily lower engineering, procurement and construction costs.
Depreciation	(9)	(0.03)	
Net interest expense	(15)	(0.05)	
Gain on sale of solar electric production project	(1)	—	
Income tax effect of the TCJA	(268)	(0.88)	
Gain on acquisition of Sempra Solar Holdings, LLC	131	0.42	
Other	(27)	(0.09)	

Total Clean Energy Businesses	((0.862))	
Con Edison Transmission	3 —	Includes the effect of the TCJA of $0.04 a share in December 2017. Reflects income from equity investments.
Other, including parent company expenses	((4.615))	Includes TCJA re-measurement of $(0.14) a share, New York State capital tax of $(0.03) a share and transaction costs related to acquisition of Sempra Solar Holdings, LLC of $(0.02) a share. Also includes the effect of the TCJA of $(0.07) a share in December 2017.
Total Reported (GAAP basis)	$$((0.453))	

a.
Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans and the weather-normalization clause applicable to their gas businesses, revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. In general, the Utilities recover on a current basis the fuel, gas purchased for resale and purchased power costs they incur in supplying energy to their full-service customers. Accordingly, such costs do not generally affect Con Edison's results of operations.

	Variation for the Years Ended December 31, 2017 vs. 2016		
	Earnings per Share	Net Income (Millions of Dollars)	
CECONY (a)			
Changes in rate plans and regulatory charges	$0.47	$143	Reflects higher electric net base revenues of $0.10 a share resulting from the increased base rates under the company's new electric rate plan, higher gas net base revenues of $0.21 a share, growth in the number of gas customers of $0.05 a share, incentives earned under the Earnings Adjustment Mechanisms of $0.03 a share and the Energy Efficiency Portfolio Standard of $0.04 a share, a property tax refund incentive of $0.01 a share, lower retention of TCC auction proceeds of $(0.03) a share, and an increase to the regulatory reserve related to certain gas proceedings in 2016 of $0.03 a share.
Weather impact on steam revenues	0.02	6	
Operations and maintenance expenses	0.30	90	Reflects lower pension and other postretirement benefits costs of $0.29 a share.
Depreciation, property taxes and other tax matters	(0.57)	(170)	Reflects higher depreciation and amortization expense of $(0.18) a share, property taxes of $(0.27) a share, and income taxes of $(0.12) a share.
Other	(0.15)	(21)	Includes the dilutive effect of Con Edison's stock issuances.
Total CECONY	0.07	48	
O&R (a)			
Changes in rate plans and regulatory charges	0.06	18	Reflects higher electric and gas net base revenues of $0.01 and $0.04 a share, respectively.
Operations and maintenance expenses	(0.03)	(9)	Reflects higher pension costs.
Depreciation, property taxes and other tax matters	(0.03)	(6)	
Other	0.01	2	Includes the dilutive effect of Con Edison's stock issuances.
Total O&R	0.01	5	
Clean Energy Businesses			
Operating revenues less energy costs	0.33	99	Reflects revenues from the engineering, procurement and construction of Upton 2 and higher revenues from renewable electric production projects, lower revenues and energy costs resulting from the retail electric supply business that was sold in September 2016. Includes $0.01 a share net after-tax mark-to market gains in 2016. Substantially all the mark-to-market effects in the 2016 periods were related to the retail electric business sold in September 2016.
Operations and maintenance expenses	(0.30)	(89)	Reflects Upton 2 engineering, procurement and construction costs and higher energy service costs.
Depreciation	(0.06)	(19)	
Net interest expense	(0.02)	(5)	
Gain on sale of the Clean Energy Businesses' retail electric supply business in 2016	0.19	56	
	(0.04)	(12)	

Goodwill impairment related to the Clean Energy Businesses' energy service business in 2016		
Gain on sale of the Clean Energy Businesses' solar electric production project	— (1)	
Enactment of the TCJA	0.68	
Other	(0.29)	Includes the dilutive effect of Con Edison's stock issuances.
Total Clean Energy Businesses	0.69	
Con Edison Transmission	0.08	Includes the effect of the TCJA of $0.04 a share. Reflects income from equity investments and the dilutive effect of Con Edison's stock issuances.
Other, including parent company expenses	(0.03)	Includes the effect of the TCJA of $(0.07) a share. Reflects higher state income tax benefits and the dilutive effect of Con Edison's stock issuances.
Total	$0.82	

a.
Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans and the weather-normalization clause applicable to their gas businesses, revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. In general, the Utilities recover on a current basis the fuel, gas purchased for resale and purchased power costs they incur in supplying energy to their full-service customers. Accordingly, such costs do not generally affect Con Edison's results of operations.

The Companies' other operations and maintenance expenses for the years ended December 31, 2018, 2017 and 2016 were as follows:

(Millions of Dollars)	2018	2017	2016
CECONY			
Operations	$1,553	$1,528	$1,477
Pensions and other postretirement benefits	71	58	159
Health care and other benefits	166	170	160
Regulatory fees and assessments (a)	444	476	469
Other	321	294	352
Total CECONY	2,555	2,526	2,617
O&R	305	296	285
Clean Energy Businesses (b)	287	313	164
Con Edison Transmission	10	9	3
Other (c)	(5)	(5)	(5)
Total other operations and maintenance expenses	$3,152	$3,139	$3,064

(a) Includes Demand Side Management, System Benefit Charges and Public Service Law 18A assessments which are collected in revenues.

(b) The increase in other operations and maintenance expenses for the years ended December 31, 2018 and 2017 compared with the 2016 period is due primarily to higher engineering, procurement and construction costs.

(c) Includes parent company and consolidation adjustments.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business segments are its regulated electric, gas and steam utility activities. A discussion of the results of operations by principal business segment for the years ended December 31, 2018, 2017 and 2016 follows. For additional business segment financial information, see Note N to the financial statements in Item 8.

The Companies' results of operations for the years ended December 31, 2018, 2017 and 2016 were:

	CECONY			O&R			Clean Energy Businesses			Con Edison Transmission			Other (a)			Con Edison (b)		
(Millions of Dollars)	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Operating revenues	$10,68	$10,46	$10,16	$891	$874	$821	$763	$694	$1,09	$4	$2	$—	$(1)	$(5)	$(2)	$12,3	$12,03	$12,075
Purchased power	1,433	1,415	1,568	208	191	197	2	(3)	674	—	—	—	1	(2)	—	1,644	1,601	2,439
Fuel	263	216	172	—	—	—	—	—	—	—	—	—	—	—	—	263	216	172
Gas purchased for resale	643	510	319	86	73	47	313	226	112	—	—	—	(1)	(1)	(1)	1,041	808	477
Other operations and maintenance	2,555	2,526	2,617	305	296	285	287	313	164	10	9	3	(5)	(5)	(5)	3,152	3,139	3,064
Depreciation and amortization	1,276	1,195	1,106	77	71	67	85	74	42	1	1	—	(1)	—	1	1,438	1,341	1,216
Taxes, other than income taxes	2,156	2,057	1,932	83	82	79	13	16	20	—	—	—	14	—	—	2,266	2,155	2,031
Gain on sale of retail electric supply business (2016) and solar electric production project (2017) (c)	—	—	—	—	—	—	—	1	104	—	—	—	—	—	—	—	1	104
Gain on acquisition of Sempra Solar Holdings, LLC (c)	—	—	—	—	—	—	131	—	—	—	—	—	—	—	—	131	—	—
Operating income	2,354	2,549	2,451	132	161	146	194	69	183	(7)	(8)	(3)	(9)	3	3	2,664	2,774	2,780
Other income less deductions	(143)	(137)	(189)	(19)	(19)	(15)	33	33	22	91	80	43	(24)	(5)	(2)	(62)	(48)	(141)
Net interest expense	689	623	603	39	36	36	63	43	34	20	16	6	8	11	17	819	729	696
Income before income tax expense	1,522	1,789	1,659	74	106	95	164	59	171	64	56	34	(41)	(13)	(16)	1,783	1,997	1,943
Income tax expense	326	685	603	15	42	36	19	(273)	53	17	12	14	24	6	(8)	401	472	698
Net income	$1,19	$1,104	$1,056	$59	$64	$59	$145	$332	$118	$47	$44	$20	$(65)	$(19)	$(8)	$1,38	$1,525	$1,245

(a) Includes parent company and consolidation adjustments.

(b) Represents the consolidated results of operations of Con Edison and its businesses.

(c) See Note U to the financial statements in Item 8.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

CECONY

	For the Year Ended December 31, 2018				For the Year Ended December 31, 2017				
(Millions of Dollars)	Electric	Gas	Steam	2018 Total	Electric	Gas	Steam	2017 Total	2018-2017 Variation
Operating revenues	$7,971	$2,078	$631	$10,680	$7,972	$1,901	$595	$10,468	$212
Purchased power	1,393	—	40	1,433	1,379	—	36	1,415	18
Fuel	158	—	105	263	127	—	89	216	47
Gas purchased for resale	—	643	—	643	—	510	—	510	133
Other operations and maintenance	1,961	420	174	2,555	1,942	413	171	2,526	29
Depreciation and amortization	984	205	87	1,276	925	185	85	1,195	81
Taxes, other than income taxes	1,676	332	148	2,156	1,625	298	134	2,057	99
Operating income	$1,799	$478	$77	$2,354	$1,974	$495	$80	$2,549	$(195)

Electric

CECONY's results of electric operations for the year ended December 31, 2018 compared with the year ended December 31, 2017 were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	Variation
Operating revenues	$7,971	$7,972	$(1)
Purchased power	1,393	1,379	14
Fuel	158	127	31
Other operations and maintenance	1,961	1,942	19
Depreciation and amortization	984	925	59
Taxes, other than income taxes	1,676	1,625	51
Electric operating income	$1,799	$1,974	$(175)

CECONY's electric sales and deliveries in 2018 compared with 2017 were:

	Millions of kWh Delivered For the Years Ended				Revenues in Millions (a) For the Years Ended			
Description	December 31, 2018	December 31, 2017	Variation	Percent Variation	December 31, 2018	December 31, 2017	Variation	Percent Variation
Residential/Religious (b)	10,797	9,924	873	8.8 %	$2,846	$2,515	$331	13.2 %
Commercial/Industrial	9,588	9,246	342	3.7	1,850	1,823	27	1.5
Retail choice customers	26,266	26,136	130	0.5	2,624	2,712	(88)	(3.2)
NYPA, Municipal Agency and other sales	10,186	10,012	174	1.7	662	633	29	4.6
Other operating revenues (c)	—	—	—	—	(11)	289	(300)	Large
Total	56,837	55,318	1,519	2.7 % (d)	$7,971	$7,972	$(1)	— %

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which, delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved.

(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.

(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in CECONY's service area remained flat in 2018 compared with 2017.

Operating revenues decreased $1 million in 2018 compared with 2017 due primarily to the reduction in other operating revenues resulting from the deferral as a regulatory liability of estimated net benefits for the 2018 period under the TCJA (see "Other Regulatory Matters" in Note B to the financial statements in Item 8) ($308 million), offset in part by higher revenues from the electric rate plan ($244 million), fuel expenses ($31 million) and purchased power expenses ($14 million).

Purchased power expenses increased $14 million in 2018 compared with 2017 due to higher purchased volumes ($27 million), offset by lower unit costs ($13 million).

Fuel expenses increased $31 million in 2018 compared with 2017 due to higher unit costs ($38 million), offset by lower purchased volumes ($7 million).

Other operations and maintenance expenses increased $19 million in 2018 compared with 2017 due primarily to higher other employee benefits ($34 million), consultant costs ($27 million) and storm related costs ($16 million), offset in part by lower stock based compensation ($36 million) and surcharges for assessments and fees that are collected in revenues from customers ($23 million).

Depreciation and amortization increased $59 million in 2018 compared with 2017 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased $51 million in 2018 compared with 2017 due primarily to higher property taxes ($100 million) and state and local taxes ($3 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($26 million) and a sales and use tax refund ($26 million).

Gas

CECONY's results of gas operations for the year ended December 31, 2018 compared with the year ended December 31, 2017 were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	Variation
Operating revenues	$2,078	$1,901	$177
Gas purchased for resale	643	510	133
Other operations and maintenance	420	413	7
Depreciation and amortization	205	185	20
Taxes, other than income taxes	332	298	34
Gas operating income	$478	$495	$(17)

CECONY's gas sales and deliveries, excluding off-system sales, in 2018 compared with 2017 were:

	Thousands of Dt Delivered For the Years Ended					Revenues in Millions (a) For the Years Ended			
Description	December 31, 2018	December 31, 2017	Variation	Percent Variation		December 31, 2018	December 31, 2017	Variation	Percent Variation
Residential	57,815	52,244	5,571	10.7 %		$966	$802	$164	20.4 %
General	34,490	30,761	3,729	12.1		390	334	56	16.8
Firm transportation	82,472	71,353	11,119	15.6		595	524	71	13.5
Total firm sales and transportation	174,777	154,358	20,419	13.2	(b)	1,951	1,660	291	17.5
Interruptible sales (c)	7,351	7,553	(202)	(2.7)		40	35	5	14.3
NYPA	34,079	37,033	(2,954)	(8.0)		2	2	—	—
Generation plants	72,524	61,800	10,724	17.4		26	25	1	4.0
Other	20,822	21,317	(495)	(2.3)		31	31	—	—
Other operating revenues (d)	—	—	—	—		28	148	(120)	(81.1)
Total	309,553	282,061	27,492	9.7 %		$2,078	$1,901	$177	9.3 %

(a) Revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.

(b) After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company's service area increased 5.1 percent in 2018 compared with 2017, reflecting primarily increased volumes attributable to the growth in the number of gas customers.

(c)

Includes 3,326 thousands and 3,816 thousands of Dt for 2018 and 2017, respectively, which are also reflected in firm transportation and other.

(d) Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plan. See Note B to the financial statements in Item 8.

Operating revenues increased $177 million in 2018 compared with 2017 due primarily to higher revenues from the gas rate plan and growth in the number of customers ($104 million) and increased gas purchased for resale expense ($133 million), offset in part by the reduction in other operating revenues resulting from the deferral as a

regulatory liability of estimated net benefits for the 2018 period under the TCJA (see "Other Regulatory Matters" in Note B to the financial statements in Item 8) ($85 million).
Gas purchased for resale increased $133 million in 2018 compared with 2017 due to higher unit costs ($84 million) and purchased volumes ($49 million).
Other operations and maintenance expenses increased $7 million in 2018 compared with 2017 due primarily to higher consultant costs.
Depreciation and amortization increased $20 million in 2018 compared with 2017 due primarily to higher gas utility plant balances.
Taxes, other than income taxes increased $34 million in 2018 compared with 2017 due primarily to higher property taxes ($40 million) and state and local taxes ($6 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($10 million) and a sales and use tax refund ($3 million).
Steam
CECONY's results of steam operations for the year ended December 31, 2018 compared with the year ended December 31, 2017 were as follows:

(Millions of Dollars)	For the Years Ended December 31, 2018	2017	Variation
Operating revenues	$631	$595	$36
Purchased power	40	36	4
Fuel	105	89	16
Other operations and maintenance	174	171	3
Depreciation and amortization	87	85	2
Taxes, other than income taxes	148	134	14
Steam operating income	$77	$80	$(3)

CECONY's steam sales and deliveries in 2018 compared with 2017 were:

Description	Millions of Pounds Delivered For the Years Ended December 31, 2018	December 31, 2017	Variation	Percent Variation	Revenues in Millions For the Years Ended December 31, 2018	December 31, 2017	Variation	Percent Variation
General	593	490	103	21.0 %	$30	$26	$4	15.4 %
Apartment house	6,358	5,754	604	10.5	174	158	16	10.1
Annual power	14,811	13,166	1,645	12.5	441	392	49	12.5
Other operating revenues (a)	—	—	—	—	(14)	19	(33)	Large
Total	21,762	19,410	2,352	12.1 %(b)	$631	$595	$36	6.1 %

(a) Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plan. See Note B to the financial statements in Item 8.
(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries increased 0.6 percent in 2018 compared with 2017.

Operating revenues increased $36 million in 2018 compared with 2017 due primarily to the weather impact on revenues ($43 million), higher fuel expenses ($16 million) and purchased power ($4 million), offset in part by the reduction in other operating revenues resulting from the deferral as a regulatory liability of estimated net benefits for the 2018 period under the TCJA (see "Other Regulatory Matters" in Note B to the financial statements in Item 8) ($15 million) and higher regulatory reserve related to steam earnings sharing ($13 million).
Purchased power expenses increased $4 million in 2018 compared with 2017 due to higher purchased volumes ($6 million), offset by lower unit costs ($2 million).
Fuel expenses increased $16 million in 2018 compared with 2017 due to higher unit costs ($12 million) and purchased volumes ($4 million).

Other operations and maintenance expenses increased $3 million in 2018 compared with 2017 due primarily to property damage, clean-up and other response costs related to a steam main rupture (see "Manhattan Steam Main

Rupture" in Note H to the financial statements in Item 8) ($14 million), offset in part by surcharges for assessments and fees that are collected in revenues from customers ($4 million) and lower municipal infrastructure support costs ($2 million).
Depreciation and amortization increased $2 million in 2018 compared with 2017 due primarily to higher steam utility plant balances.
Taxes, other than income taxes increased $14 million in 2018 compared with 2017 due primarily to higher property taxes ($13 million) and state and local taxes ($2 million), offset in part by a sales and use tax refund ($1 million).

Taxes, Other Than Income Taxes

At $2,156 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	Variation
Property taxes	$1,845	$1,692	$153
State and local taxes related to revenue receipts	330	319	11
Payroll taxes	69	67	2
Other taxes	(88)	(21)	(67)
Total	$2,156(a)	$2,057(a)	$99

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2018 and 2017 were $2,628 and $2,495 million, respectively.

Other Income (Deductions)

Other income (deductions) decreased $6 million in 2018 compared with 2017 due primarily to an increase in non-service costs related to pension and other postretirement benefits.

Net Interest Expense

Net interest expense increased $66 million in 2018 compared with 2017 due primarily to higher debt balances in 2018.

Income Tax Expense

Income taxes decreased $359 million in 2018 compared with 2017 due primarily to lower income before income tax expense ($56 million), a decrease in the corporate federal income tax rate due to the TCJA ($250 million), a decrease in tax benefits for plant-related flow items ($9 million) and an increase in the amortization of excess deferred federal income taxes due to the TCJA ($52 million), offset in part by non-deductible business expenses ($3 million) and a decrease in bad debt write-offs ($4 million). CECONY deferred as a regulatory liability its estimated net benefits for the 2018 period under the TCJA. See "Other Regulatory Matters" in Note B to the financial statements in Item 8.

O&R

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017			
(Millions of Dollars)	Electric	Gas	2018 Total	Electric	Gas	2017 Total	2018-2017 Variation
Operating revenues	$642	$249	$891	$642	$232	$874	$17
Purchased power	208	—	208	191	—	191	17
Gas purchased for resale	—	86	86	—	73	73	13
Other operations and maintenance	233	72	305	232	64	296	9
Depreciation and amortization	56	21	77	51	20	71	6
Taxes, other than income taxes	52	31	83	53	29	82	1
Operating income	$93	$39	$132	$115	$46	$161	$(29)

Electric

O&R's results of electric operations for the year ended December 31, 2018 compared with the year ended December 31, 2017 were as follows:

(Millions of Dollars)	For the Years Ended December 31, 2018	2017	Variation
Operating revenues	$642	$642	$—
Purchased power	208	191	17
Other operations and maintenance	233	232	1
Depreciation and amortization	56	51	5
Taxes, other than income taxes	52	53	(1)
Electric operating income	$93	$115	$(22)

O&R's electric sales and deliveries in 2018 compared with 2017 were:

Description	Millions of kWh Delivered For the Years Ended December 31, 2018	December 31, 2017	Variation	Percent Variation	Revenues in Millions (a) For the Years Ended December 31, 2018	December 31, 2017	Variation	Percent Variation
Residential/Religious (b)	1,713	1,567	146	9.3 %	$326	$311	$15	4.8 %
Commercial/Industrial	799	763	36	4.7	115	113	2	1.8
Retail choice customers	2,974	2,976	(2)	(0.1)	201	201	—	—
Public authorities	131	105	26	24.8	12	9	3	33.3
Other operating revenues (c)	—	—	—	—	(12)	8	(20)	Large
Total	5,617	5,411	206	3.8 %(d)	$642	$642	$0	—

(a) O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.

(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's electric rate plan. See Note B to the financial statements in Item 8.

(d) After adjusting for weather and other variations, electric delivery volumes in O&R's service area increased 0.3 percent in 2018 compared with 2017.

Purchased power expenses increased $17 million in 2018 compared with 2017 due to higher purchased volumes ($15 million) and unit costs ($3 million).

Other operations and maintenance expenses increased $1 million in 2018 compared with 2017 due primarily to the reduction of a regulatory asset associated with certain site investigation and environmental remediation costs ($6 million), offset in part by lower surcharges for assessments and fees that are collected in revenues from customers ($3 million) and lower healthcare costs ($2 million).

Depreciation and amortization increased $5 million in 2018 compared with 2017 due primarily to higher electric utility plant balances.

Taxes, other than income taxes decreased $1 million in 2018 compared with 2017 due primarily to lower property taxes.

Gas

O&R's results of gas operations for the year ended December 31, 2018 compared with the year ended December 31, 2017 were as follows:

(Millions of Dollars)	For the Years Ended December 31, 2018	2017	Variation
Operating revenues	$249	$232	$17
Gas purchased for resale	86	73	13
Other operations and maintenance	72	64	8
Depreciation and amortization	21	20	1
Taxes, other than income taxes	31	29	2
Gas operating income	$39	$46	$(7)

O&R's gas sales and deliveries, excluding off-system sales, in 2018 compared with 2017 were:

Description	Thousands of Dt Delivered For the Years Ended December 31, 2018	December 31, 2017	Variation	Percent Variation		Revenues in Millions (a) For the Years Ended December 31, 2018	December 31, 2017	Variation	Percent Variation
Residential	9,860	8,296	1,564	18.9 %		$140	$115	$25	21.7 %
General	2,190	2,184	6	0.3		26	24	2	8.3
Firm transportation	9,950	9,873	77	0.8		78	74	4	5.4
Total firm sales and transportation	22,000	20,353	1,647	8.1	(b)	244	213	31	14.6
Interruptible sales	3,746	3,771	(25)	(0.7)		6	7	(1)	(14.3)
Generation plants	1	9	(8)	(88.9)		—	—	—	—
Other	959	896	63	7.0		1	1	—	—
Other gas revenues	—	—	—	—		(2)	11	(13)	Large
Total	26,706	25,029	1,677	6.7 %		$249	$232	$17	7.3 %

(a) Revenues from New York gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.

(b) After adjusting for weather and other variations, total firm sales and transportation volumes increased 2.4 percent in 2018 compared with 2017.

Operating revenues increased $17 million in 2018 compared with 2017 due primarily to the increase in gas purchased for resale ($13 million) and higher revenues from the New York gas rate plan ($12 million), offset in part by the reduction in other operating revenues resulting from the deferral as a regulatory liability of estimated net benefits for the 2018 period under the TCJA (see "Other Regulatory Matters" in Note B to the financial statements in Item 8) ($8 million).

Gas purchased for resale increased $13 million in 2018 compared with 2017 due to higher purchased volumes ($11 million) and unit costs ($2 million).

Other operations and maintenance expenses increased $8 million in 2018 compared with 2017 due primarily to higher pension costs ($6 million) and the reduction of a regulatory asset associated with certain site investigation and environmental remediation costs ($3 million), offset in part by lower healthcare costs ($1 million).

Depreciation and amortization increased $1 million in 2018 compared with 2017 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased $2 million in 2018 compared with 2017 due primarily to higher property taxes ($1 million) and state and local taxes ($1 million).

Taxes, Other Than Income Taxes

Taxes, other than income taxes, increased $1 million in 2018 compared with 2017. The principal components of taxes, other than income taxes, were:

(Millions of Dollars)	For the Years Ended December 31, 2018		2017		Variation
Property taxes	$65		$66		$(1)
State and local taxes related to revenue receipts	10		9		1
Payroll taxes	8		7		1
Total	$83	(a)	$82	(a)	$1

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2018 and 2017 were $112 million and $109 million, respectively.

Income Tax Expense

Income taxes decreased $27 million in 2018 compared with 2017 due primarily to lower income before income tax expense ($7 million), a decrease in the corporate federal income tax rate due to the TCJA ($15 million) and an increase in the amortization of excess deferred federal income taxes due to the TCJA ($5 million). O&R deferred as a regulatory liability its estimated net benefits for the 2018 period under the TCJA. See "Other Regulatory Matters" in Note B to the financial statements in Item 8.

Clean Energy Businesses

The Clean Energy Businesses' results of operations for the year ended December 31, 2018 compared with the year ended December 31, 2017 were as follows:

(Millions of Dollars)	For the Years Ended December 31, 2018	2017	Variation
Operating revenues	$763	$694	$69
Purchased power	2	(3)	5
Gas purchased for resale	313	226	87
Other operations and maintenance	287	313	(26)
Depreciation and amortization	85	74	11
Taxes, other than income taxes	13	16	(3)
Gain on sale of solar electric production project (a)	—	1	(1)
Gain on acquisition of Sempra Solar Holdings, LLC (a)	131	—	131
Operating income	$194	$69	$125

(a) See Note U to the financial statements in Item 8.

Operating revenues increased $69 million in 2018 compared with 2017 due primarily to an increase in wholesale revenues ($89 million) due to higher sales volumes and revenue from projects in operation ($28 million), offset in part by a decrease in renewable revenues ($9 million) from engineering, procurement and construction services revenues ($38 million) and energy services revenues ($7 million) and a decrease in net mark-to-market values ($5 million).

Purchased power expenses increased $5 million in 2018 compared with 2017 due primarily to true-ups relating to the sale of the retail electric supply business.

Gas purchased for resale increased $87 million in 2018 compared with 2017 due to higher purchased volumes.

Other operations and maintenance expenses decreased $26 million in 2018 compared with 2017 due primarily to decreased engineering, procurement and construction costs.

Depreciation and amortization increased $11 million in 2018 compared with 2017 due to an increase in renewable electric production projects in operation during 2018.

Taxes, other than income taxes decreased $3 million in 2018 compared with 2017 due to lower property taxes.

Gain on sale of solar electric production project decreased $1 million in 2018 compared with 2017 due to the absence of gain on sale in 2018 of Upton 2. See Note U to the financial statements in Item 8.

Gain on acquisition of Sempra Solar Holdings, LLC increased $131 million in 2018 compared with 2017 due to the gain recognized with respect to jointly-owned renewable energy production projects upon completion of the acquisition of Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

Net Interest Expense

Net interest expense increased $20 million in 2018 compared with 2017 due primarily to the reversal of interest on uncertain tax positions in the 2017 period and higher interest rates in the 2018 period.

Income Tax Expense

Income taxes increased $292 million in 2018 compared with 2017 due primarily to the absence of the 2017 federal income tax benefit related to the re-measurement of the Clean Energy Businesses' deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA ($269 million), higher income before income tax expense ($22 million), higher state income taxes ($6 million), a lower favorable state return-to-provision adjustment recorded in 2018 ($3 million), a reduction in the reversal of uncertain tax positions in 2018 ($3 million) and an increase in valuation allowances against state net operating loss carryforwards ($1 million), offset in part by a decrease in the corporate federal income tax rate due to the TCJA ($8 million) and an income tax benefit in 2018 related to the extension of energy efficiency programs ($3 million).

Con Edison Transmission

Net Interest Expense

Net interest expense increased $4 million in 2018 compared with 2017 due primarily to funding of increased investment in Mountain Valley Pipeline, LLC.

Other Income (Deductions)

Other income (deductions) increased $11 million in 2018 compared with 2017 due primarily to increased earnings from equity investments in Mountain Valley Pipeline, LLC.

Income Tax Expense

Income taxes increased $5 million in 2018 compared with 2017 due primarily to the absence of the 2017 federal income tax benefit related to the re-measurement of Con Edison Transmission's deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA ($11 million) and the higher income before income tax expense in 2018 ($2 million), offset in part by the decrease in the corporate federal income tax rate in 2018 due to the TCJA ($8 million).

Other

Taxes, Other Than Income Taxes

Taxes, other than income taxes increased $14 million in 2018 compared with 2017 due primarily to the New York State capital tax in 2018.

Other Income (Deductions)

Other income (deductions) decreased $19 million in 2018 compared with 2017 due primarily to the transaction costs related to the acquisition of Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

Income Tax Expense

Income taxes increased $18 million in 2018 compared with 2017 due primarily to Con Edison's higher 2017 federal net operating loss carryover into 2018 on the federal tax return ($42 million), the non-recurring deferred state income tax adjustment recorded in 2017 ($7 million) and a decrease in the corporate federal tax rate in 2018 due to TCJA ($2 million), offset in part by the absence of the 2017 federal income tax expense related to the re-measurement of Clean Energy Businesses' deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA ($21 million), lower income before income tax expense ($6 million) and lower state income taxes ($6 million). See Note L to the financial statements in Item 8.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

CECONY

(Millions of Dollars)	For the Year Ended December 31, 2017 Electric	Gas	Steam	2017 Total	For the Year Ended December 31, 2016 Electric	Gas	Steam	2016 Total	2017-2016 Variation
Operating revenues	$7,972	$1,901	$595	$10,468	$8,106	$1,508	$551	$10,165	$303
Purchased power	1,379	—	36	1,415	1,533	—	35	1,568	(153)
Fuel	127	—	89	216	104	—	68	172	44
Gas purchased for resale	—	510	—	510	—	319	—	319	191
Other operations and maintenance	1,942	413	171	2,526	2,061	378	178	2,617	(91)
Depreciation and amortization	925	185	85	1,195	865	159	82	1,106	89
Taxes, other than income taxes	1,625	298	134	2,057	1,547	265	120	1,932	125
Operating income	$1,974	$495	$80	$2,549	$1,996	$387	$68	$2,451	$98

Electric

CECONY's results of electric operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31, 2017	2016	Variation
Operating revenues	$7,972	$8,106	$(134)
Purchased power	1,379	1,533	(154)
Fuel	127	104	23
Other operations and maintenance	1,942	2,061	(119)
Depreciation and amortization	925	865	60
Taxes, other than income taxes	1,625	1,547	78
Electric operating income	$1,974	$1,996	$(22)

CECONY's electric sales and deliveries in 2017 compared with 2016 were:

Description	Millions of kWh Delivered For the Years Ended December 31, 2017	December 31, 2016	Variation	Percent Variation	Revenues in Millions (a) For the Years Ended December 31, 2017	December 31, 2016	Variation	Percent Variation
Residential/Religious (b)	9,924	10,400	(476)	(4.6)%	$2,515	$2,591	$(76)	(2.9)%
Commercial/Industrial	9,246	9,429	(183)	(1.9)	1,823	1,803	20	1.1
Retail choice customers	26,136	26,813	(677)	(2.5)	2,712	2,768	(56)	(2.0)
NYPA, Municipal Agency and other sales	10,012	10,103	(91)	(0.9)	633	620	13	2.1
Other operating revenues (c)	—	—	—	—	289	324	(35)	(10.8)
Total	55,318	56,745	(1,427)	(2.5)%(d)	$7,972	$8,106	$(134)	(1.7)%

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which, delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved.

(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.

(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in CECONY's service area decreased 1.1 percent in 2017 compared with 2016.

Operating revenues decreased $134 million in 2017 compared with 2016 due primarily to lower purchased power expenses ($154 million), offset in part by higher fuel expenses ($23 million).

Purchased power expenses decreased $154 million in 2017 compared with 2016 due to lower unit costs ($86 million) and purchased volumes ($68 million).

Fuel expenses increased $23 million in 2017 compared with 2016 due to higher unit costs.
Other operations and maintenance expenses decreased $119 million in 2017 compared with 2016 due primarily to lower costs for pension and other postretirement benefits ($89 million) and other employee benefits related to a rabbi trust ($22 million).
Depreciation and amortization increased $60 million in 2017 compared with 2016 due primarily to higher electric utility plant balances.
Taxes, other than income taxes increased $78 million in 2017 compared with 2016 due primarily to higher property taxes ($97 million) and the absence in 2017 of a favorable state audit settlement in 2016 ($5 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($21 million) and lower state and local taxes ($4 million).
Gas
CECONY’s results of gas operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	Variation
Operating revenues	$1,901	$1,508	$393
Gas purchased for resale	510	319	191
Other operations and maintenance	413	378	35
Depreciation and amortization	185	159	26
Taxes, other than income taxes	298	265	33
Gas operating income	$495	$387	$108

CECONY’s gas sales and deliveries, excluding off-system sales, in 2017 compared with 2016 were:

	Thousands of Dt Delivered For the Years Ended				Revenues in Millions (a) For the Years Ended			
Description	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation
Residential	52,244	47,794	4,450	9.3 %	$802	$667	$135	20.2 %
General	30,761	28,098	2,663	9.5	334	266	68	25.6
Firm transportation	71,353	68,442	2,911	4.3	524	426	98	23.0
Total firm sales and transportation	154,358	144,334	10,024	6.9 (b)	1,660	1,359	301	22.1
Interruptible sales (c)	7,553	8,957	(1,404)	(15.7)	35	34	1	2.9
NYPA	37,033	43,101	(6,068)	(14.1)	2	2	—	—
Generation plants	61,800	87,835	(26,035)	(29.6)	25	25	—	—
Other	21,317	21,165	152	0.7	31	32	(1)	(3.1)
Other operating revenues (d)	—	—	—	—	148	56	92	Large
Total	282,061	305,392	(23,331)	(7.6)%	$1,901	$1,508	$393	26.1 %

(a) Revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.

(b) After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company’s service area increased 5.9 percent in 2017 compared with 2016, reflecting primarily increased volumes attributable to the growth in the number of gas customers.

(c) Includes 3,816 thousands and 4,708 thousands of Dt for 2017 and 2016, respectively, which are also reflected in firm transportation and other.

(d) Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company’s rate plans. See Note B to the financial statements in Item 8.

Operating revenues increased $393 million in 2017 compared with 2016 due primarily to increased gas purchased for resale expense ($191 million) and higher revenues from the gas rate plan and growth in the number of customers ($182 million).

Gas purchased for resale increased $191 million in 2017 compared with 2016 due to higher unit costs ($176 million) and purchased volumes ($15 million).

Other operations and maintenance expenses increased $35 million in 2017 compared with 2016 due primarily to higher pension and other postretirement benefits costs ($19 million), health and life insurance expenses ($7 million) and surcharges for assessments and fees that are collected in revenues from customers ($5 million).
Depreciation and amortization increased $26 million in 2017 compared with 2016 due primarily to higher gas utility plant balances.
Taxes, other than income taxes increased $33 million in 2017 compared with 2016 due primarily to higher property taxes ($25 million), state and local taxes ($7 million) and payroll taxes ($4 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($4 million).
Steam
CECONY's results of steam operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31, 2017	2016	Variation
Operating revenues	$595	$551	$44
Purchased power	36	35	1
Fuel	89	68	21
Other operations and maintenance	171	178	(7)
Depreciation and amortization	85	82	3
Taxes, other than income taxes	134	120	14
Steam operating income	$80	$68	$12

CECONY's steam sales and deliveries in 2017 compared with 2016 were:

Description	Millions of Pounds Delivered For the Years Ended December 31, 2017	December 31, 2016	Variation	Percent Variation	Revenues in Millions For the Years Ended December 31, 2017	December 31, 2016	Variation	Percent Variation
General	490	465	25	5.4 %	$26	$23	$3	13.0 %
Apartment house	5,754	5,792	(38)	(0.7)	158	148	10	6.8
Annual power	13,166	13,722	(556)	(4.1)	392	378	14	3.7
Other operating revenues (a)	—	—	—	—	19	2	17	Large
Total	19,410	19,979	(569)	(2.8)%(b)	$595	$551	$44	8.0 %

(a) Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plan. See Note B to the financial statements in Item 8.
(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries decreased 3.8 percent in 2017 compared with 2016.

Operating revenues increased $44 million in 2017 compared with 2016 due primarily to higher fuel expenses ($21 million), the weather impact on revenues ($10 million), a property tax refund incentive in 2017 ($5 million) and lower regulatory reserve related to steam earnings sharing ($3 million).
Purchased power expenses increased $1 million in 2017 compared with 2016 due to higher unit costs ($4 million), offset by lower purchased volumes ($3 million).
Fuel expenses increased $21 million in 2017 compared with 2016 due to higher unit costs.
Other operations and maintenance expenses decreased $7 million in 2017 compared with 2016 due primarily to lower equipment maintenance expenses ($6 million) and lower municipal infrastructure support costs ($2 million).
Depreciation and amortization increased $3 million in 2017 compared with 2016 due primarily to higher steam utility plant balances.
Taxes, other than income taxes increased $14 million in 2017 compared with 2016 due primarily to higher property taxes ($13 million) and state and local taxes ($1 million).

Taxes, Other Than Income Taxes
At $2,057 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

(Millions of Dollars)	For the Years Ended December 31, 2017	2016	Variation
Property taxes	$1,692	$1,557	$135
State and local taxes related to revenue receipts	319	315	4
Payroll taxes	67	65	2
Other taxes	(21)	(5)	(16)
Total	$2,057(a)	$1,932(a)	$125

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2017 and 2016 were $2,495 and $2,358 million, respectively.

Other Income (Deductions)
Other income (deductions) increased $52 million in 2017 compared with 2016 due primarily to decrease in non-service costs related to pension benefits.
Net Interest Expense
Net interest expense increased $20 million in 2017 compared with 2016 due primarily to higher long-term debt balances in 2017.
Income Tax Expense
Income taxes increased $82 million in 2017 compared with 2016 due primarily to higher income before income tax expense ($52 million), a decrease in tax benefits for plant-related flow through items ($35 million), lower research and development tax credits ($8 million) and a higher reserve for injuries and damages ($5 million), offset in part by lower state income taxes ($7 million) and higher tax credits included in Con Edison's filing of its 2016 consolidated federal tax return in September 2017 ($6 million).
O&R

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016			
(Millions of Dollars)	Electric	Gas	2017 Total	Electric	Gas	2016 Total	2017-2016 Variation
Operating revenues	$642	$232	$874	$637	$184	$821	$53
Purchased power	191	—	191	197	—	197	(6)
Gas purchased for resale	—	73	73	—	47	47	26
Other operations and maintenance	232	64	296	232	53	285	11
Depreciation and amortization	51	20	71	49	18	67	4
Taxes, other than income taxes	53	29	82	52	27	79	3
Operating income	$115	$46	$161	$107	$39	$146	$15

Electric
O&R's results of electric operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31, 2017	2016	Variation
Operating revenues	$642	$637	$5
Purchased power	191	197	(6)

Other operations and maintenance	232	232	—
Depreciation and amortization	51	49	2
Taxes, other than income taxes	53	52	1
Electric operating income	$115	$107	$8

O&R's electric sales and deliveries in 2017 compared with 2016 were:

Millions of kWh Delivered	Revenues in Millions (a)