

# Consolidated Edison, Inc

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## 3rd Quarter 2018 Earnings Release and Clean Energy Businesses Update Presentation

November 1, 2018



## Available Information

On November 1, 2018, Consolidated Edison, Inc. issued a press release reporting its third quarter 2018 earnings and filed with the Securities and Exchange Commission the company's third quarter 2018 Form 10-Q. This presentation should be read together with, and is qualified in its entirety by reference to, the earnings press release and the Form 10-Q. Copies of the earnings press release and the Form 10-Q are available at: [www.conedison.com](http://www.conedison.com). (Select "For Investors" and then select "Press Releases" and "SEC Filings", respectively.)

## Forward-Looking Statements

This presentation 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 may differ materially from those included in the forward-looking statements because of various factors such as when the acquisition of Sempra Solar Holdings, LLC is completed, if at all, and those factors identified in reports the company has filed with the Securities and Exchange Commission, including that the company's subsidiaries are extensively regulated and are subject to penalties; its utility subsidiaries' rate plans may not provide a reasonable return; it may be adversely affected by changes to the utility subsidiaries' rate plans; the intentional misconduct of employees or contractors could adversely affect it; the failure of, or damage to, its subsidiaries' facilities could adversely affect it; a cyber-attack could adversely affect it; it is exposed to risks from the environmental consequences of its subsidiaries' operations; a disruption in the wholesale energy markets or failure by an energy supplier could adversely affect it; it has substantial unfunded pension and other postretirement benefit liabilities; its ability to pay dividends or interest depends on dividends from its subsidiaries; it requires access to capital markets to satisfy funding requirements; changes to tax laws could adversely affect it; its strategies may not be effective to address changes in the external business environment; and it also faces other risks that are beyond its control. Con Edison assumes no obligation to update forward-looking statements.

## Non-GAAP Financial Measure

This presentation also contains a financial measure, adjusted earnings, 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 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 is also useful and meaningful to investors to facilitate their analysis of the company's financial performance.

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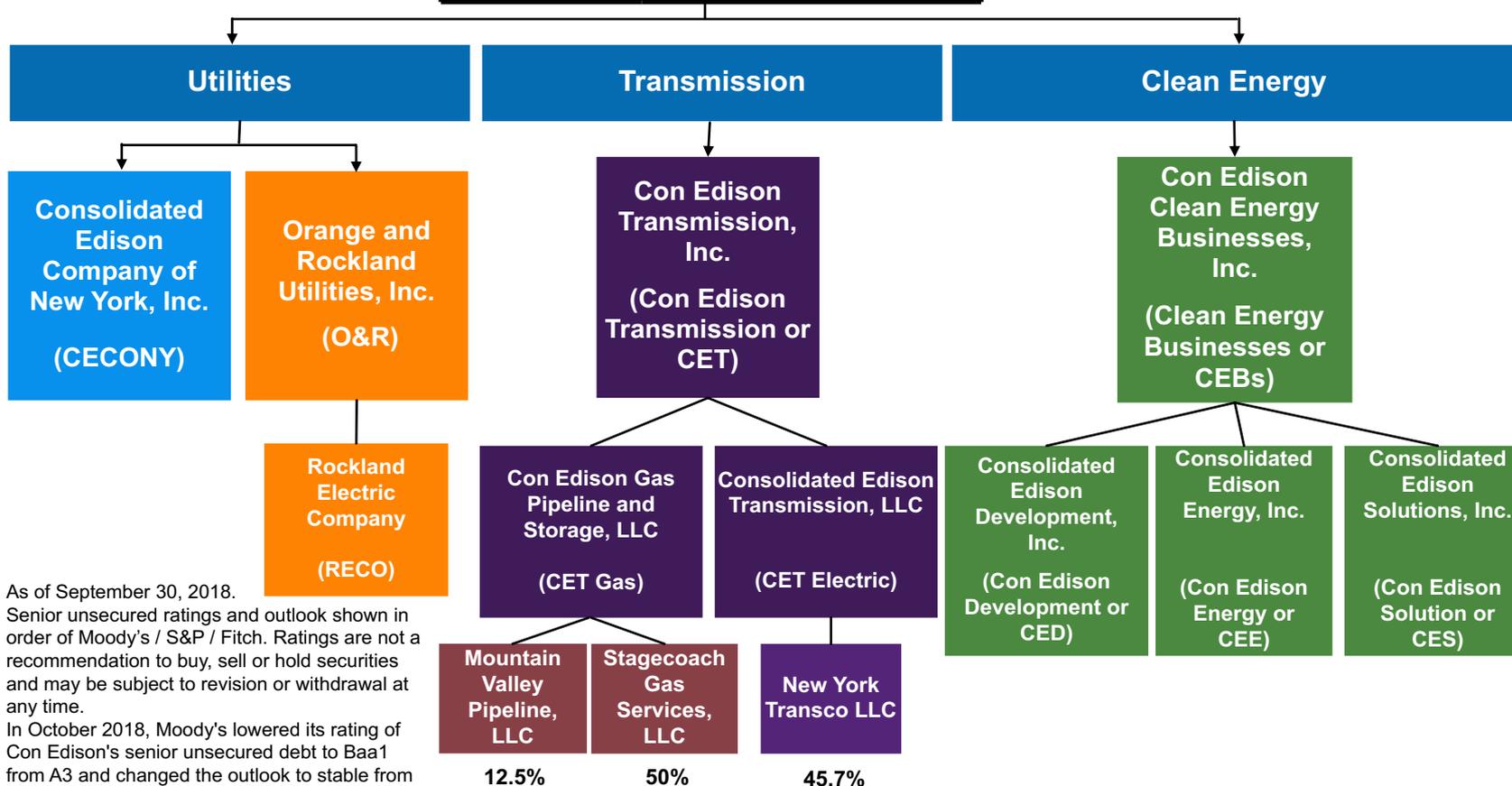
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# Organizational Structure



Market Cap <sup>(a)</sup> :	\$24.0 billion
Ratings <sup>(b)</sup> :	Baa1 <sup>(c)</sup> / BBB+ / BBB+
Outlook <sup>(b)</sup> :	Stable <sup>(c)</sup> / Stable / Stable



- a. As of September 30, 2018.
- b. Senior unsecured ratings and outlook shown in order of Moody's / S&P / Fitch. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
- c. In October 2018, Moody's lowered its rating of Con Edison's senior unsecured debt to Baa1 from A3 and changed the outlook to stable from negative.

# The Con Edison Plan

## Customer Focused

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Provide safe and reliable service

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Enhance the customer experience

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Achieve operational excellence and cost optimization

## Strategic

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Strengthen core utility delivery business

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Pursue additional regulated growth opportunities to add value in the evolving industry

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Grow existing clean energy businesses and pursue additional clean energy growth opportunities consistent with our risk appetite

## Value Oriented

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Provide steady, predictable earnings

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Maintain balance sheet stability

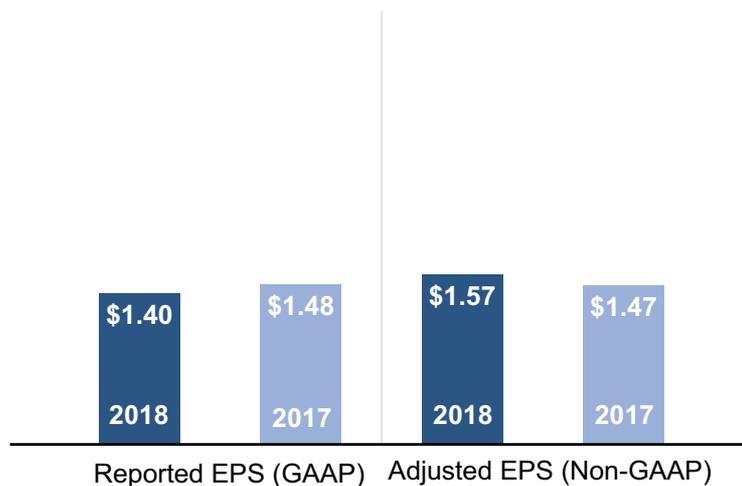
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Pay attractive, growing dividends

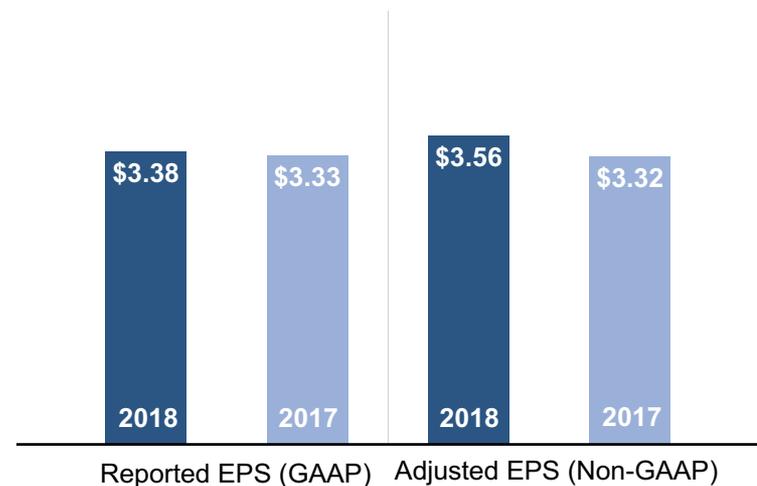
# Dividend and Earnings Announcements

- On October 18, 2018, the company issued a press release reporting that the company had declared a quarterly dividend of 71.5 cents a share on its common stock.
- On November 1, 2018, the company issued a press release forecasting its adjusted earnings per share for the year 2018 to be in the range of \$4.25 to \$4.35 a share. The company's previous forecast was in the range of \$4.15 to \$4.35 per share.

### 3Q 2018 vs. 3Q 2017



### YTD 2018 vs. YTD 2017



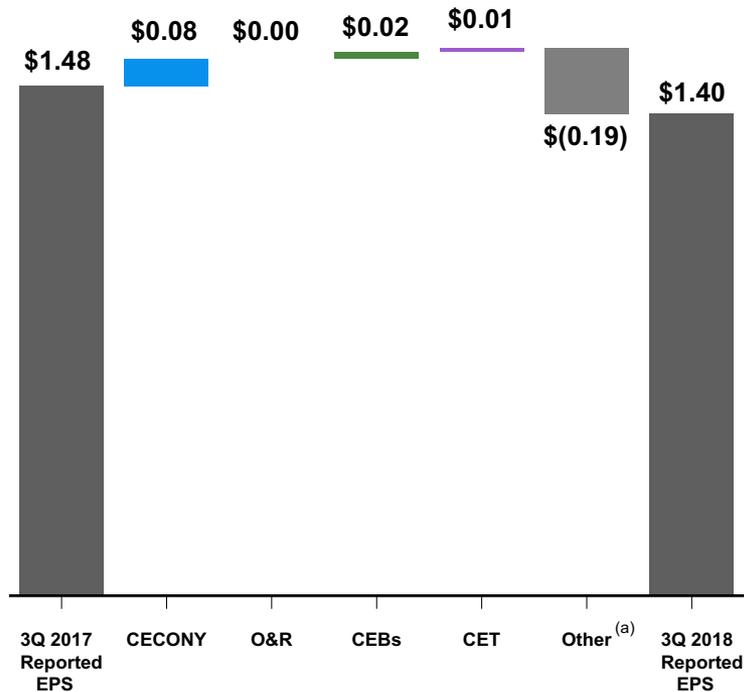
# 3Q 2018 Earnings

	Net Income (\$ in Millions)		Earnings per Share	
	2018	2017	2018	2017
<b>Reported Net Income and EPS – GAAP basis</b>	<b>\$435</b>	<b>\$457</b>	<b>\$1.40</b>	<b>\$1.48</b>
<b>TCJA re-measurement</b>	<b>42</b>	<b>—</b>	<b>0.14</b>	<b>—</b>
Sempra Solar Holdings, LLC transaction costs (pre-tax)	14	—	0.04	—
Income taxes (a)	(4)	—	(0.01)	—
<b>Sempra Solar Holdings, LLC transaction costs (net of tax)</b>	<b>10</b>	<b>—</b>	<b>0.03</b>	<b>—</b>
Net mark-to-market effects of the Clean Energy Businesses (pre-tax)	3	(7)	—	(0.02)
Income taxes (a)	(1)	3	—	0.01
<b>Net mark-to-market effects of the Clean Energy Businesses (net of tax)</b>	<b>2</b>	<b>(4)</b>	<b>—</b>	<b>(0.01)</b>
<b>Adjusted Earnings and Adjusted EPS – non-GAAP basis</b>	<b>\$489</b>	<b>\$453</b>	<b>\$1.57</b>	<b>\$1.47</b>

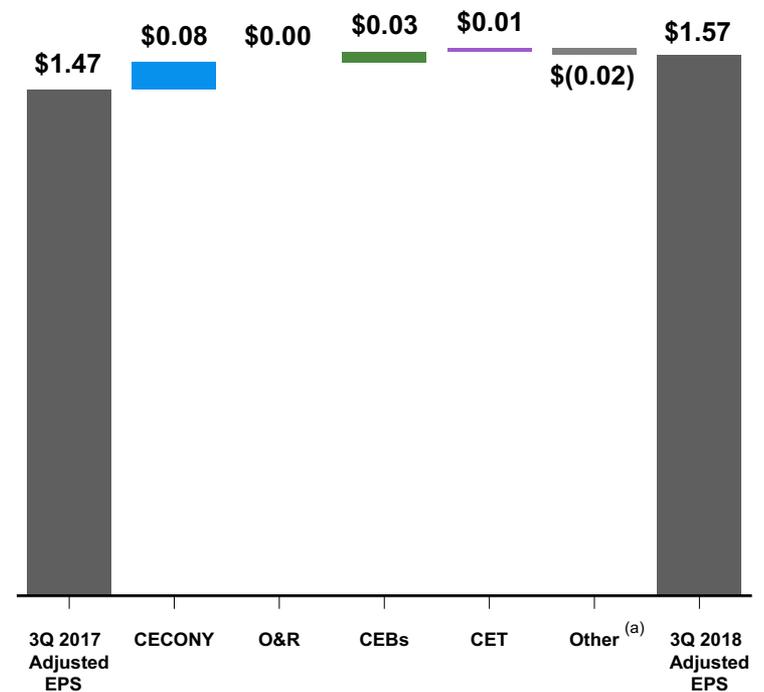
- a. The amount of income taxes was calculated using a combined federal and state income tax rate of 28% for the three months ended September 30, 2018 and a combined federal and state income tax rate of 40% for the three months ended September 30, 2017.

# Walk from 3Q 2017 EPS to 3Q 2018 EPS

## Variance in Reported EPS (GAAP)



## Variance in Adjusted EPS (Non-GAAP)



a. Includes parent company and consolidation adjustments.

# 3Q 2018 vs. 3Q 2017 EPS Variances - Three Months Ended Variation

## CECONY<sup>(a)</sup>

Changes in rate plans	\$0.22	Reflects primarily higher electric and gas net base revenues of \$0.19 a share and \$0.01 a share, respectively, and growth in the number of gas customers of \$0.01 a share. Electric and gas base rates increased in January 2018 in accordance with the company's rate plans.
Operations and maintenance expenses	(0.03)	Reflects higher consultant costs of \$(0.02) a share and higher steam operations costs of \$(0.02) a share.
Depreciation, property taxes and other tax matters	(0.13)	Reflects higher net property taxes of \$(0.07) a share and depreciation and amortization expense of \$(0.05) a share.
Other	0.02	Reflects primarily timing of the deferral for customers of estimated net benefits of the TCJA of \$0.08 a share, offset, in part, by higher interest expense on long-term debt of \$(0.05) a share and the dilutive effect of Con Edison's stock issuances of \$(0.02) a share.

**Total CECONY** **\$ 0.08**

## O&R<sup>(a)</sup>

Operations and maintenance expenses	(0.01)	Reflects reduction of a regulatory asset associated with certain site investigation and environmental remediation costs of \$(0.02) a share, partially offset by the deferral as a regulatory asset of costs for storm preparation of \$0.01 a share.
Depreciation, property taxes and other tax matters	0.01	Reflects primarily timing of the deferral for customers of estimated net benefits of the TCJA.

**Total O&R** **\$ —**

## Clean Energy Businesses

Operating revenues less energy costs	(0.08)	Reflects primarily timing of engineering, procurement and construction services revenues.
Operations and maintenance expenses	0.07	Reflects primarily lower engineering, procurement and construction costs and energy service costs.
Other	0.03	

**Total CEBs** **\$ 0.02**

## Con Edison Transmission

**Total CET** **\$ 0.01** Reflects income from equity investments.

## Other

**Parent company and consolidation adjustments** **\$ (0.19)** Includes TCJA re-measurement of \$(0.14) a share and Sempra Solar Holdings, LLC transaction costs of \$(0.03) a share. Also reflects the New York State capital tax in 2018.

**Reported EPS (GAAP)** **\$ (0.08)**

TCJA re-measurement	0.14
Sempra Solar Holdings, LLC transaction costs	0.03
Net mark-to-market effects of the CEBs	0.01

**Adjusted EPS (non-GAAP)** **\$ 0.10**

- 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.

# 3Q 2018 vs. 3Q 2017 EPS Reconciliation by Company

## Three Months Ended September 30, 2018

	CECONY	O&R	CEBs	CET	Other <sup>(b)</sup>	Total
Reported EPS – GAAP basis	\$1.38	\$0.07	\$0.10	\$0.04	\$(0.19)	\$1.40
<b>TCJA re-measurement</b>	—	—	—	—	<b>0.14</b>	<b>0.14</b>
Sempra Solar Holdings, LLC transaction costs (pre-tax)	—	—	—	—	0.04	0.04
Income taxes (a)	—	—	—	—	(0.01)	(0.01)
<b>Sempra Solar Holdings, LLC transaction costs (net of tax)</b>	—	—	—	—	<b>0.03</b>	<b>0.03</b>
Net mark-to-market losses (pre-tax)	—	—	—	—	—	—
Income taxes (b)	—	—	—	—	—	—
<b>Net mark-to-market losses (net of tax)</b>	—	—	—	—	—	—
<b>Adjusted EPS – Non-GAAP basis</b>	<b>\$1.38</b>	<b>\$0.07</b>	<b>\$0.10</b>	<b>\$0.04</b>	<b>\$(0.02)</b>	<b>\$1.57</b>

## Three Months Ended September 30, 2017

	CECONY	O&R	CEBs	CET	Other <sup>(a)</sup>	Total
Reported EPS – GAAP basis	\$1.30	\$0.07	\$0.08	\$0.03	\$—	\$1.48
Net mark-to-market losses (pre-tax)	—	—	(0.02)	—	—	(0.02)
Income taxes (b)	—	—	0.01	—	—	0.01
<b>Net mark-to-market losses (net of tax)</b>	—	—	(0.01)	—	—	(0.01)
<b>Adjusted EPS – Non-GAAP basis</b>	<b>\$1.30</b>	<b>\$0.07</b>	<b>\$0.07</b>	<b>\$0.03</b>	<b>\$—</b>	<b>\$1.47</b>

a. The amount of income taxes was calculated using a 28% combined federal and state income tax rate for the three months ended September 30, 2018 and a 40% combined federal and state income tax rate for the three months ended September 30, 2017.

b. Includes parent company and consolidation adjustments.

# 3Q 2018 Developments<sup>(a)</sup>

## CECONY & O&R

- In August and November 2017, the NYSPSC issued orders in its proceeding investigating a subway power outage. NYSPSC Case 17-E-0428 – In The Matter of an Investigation into the April 21, 2017 Metropolitan Transportation Authority Subway Power Outage and Consolidated Edison Company of New York, Inc.’s Restoration Efforts.
  - The orders require CECONY to take certain actions relating to the electrical equipment that serves the subway system. The company incurred costs related to this matter through September 30, 2018 of \$219 million. Included in this amount is \$30 million in capital and operating and maintenance costs reflected in the company’s electric rate plan and \$189 million deferred as a regulatory asset pursuant to the rate plan.
  - The company, which plans to complete the required actions in 2018, expects to incur costs related to this matter during the remainder of 2018 of \$51 million which is expected to be deferred as a regulatory asset pursuant to the rate plan. (page 23)
- In July 2018, a CECONY steam main located on Fifth Avenue and 21<sup>st</sup> street in Manhattan ruptured. Debris from the incident included dirt and mud containing asbestos. The response to the incident required the closing of buildings and streets for various periods. The NYSPSC has commenced an investigation (NYSPSC Case 18-S-0448 - In the Matter of the Investigation of a Rupture at Fifth Avenue and 21st Street on July 19, 2018 in the Service Territory of Consolidated Edison Company of New York, Inc.). As of September 30, 2018, the company incurred estimated operating costs of \$10 million for property damage, clean up and other response costs and invested \$7 million in capital, retirement and other costs. The company has notified its insurers of the incident and believes that the policies currently in force will cover the company’s costs, in excess of a required retention (the amount of which is not material), to satisfy any liability it may have for damages to others in connection with the incident. The company is unable to estimate the amount or range of its possible loss related to the incident. At September 30, 2018, the company had not accrued a liability related to the incident. (page 30)
- The Utilities’ current five-year forecasts for 2019-2023 of average annual growth of the peak demand in their service areas at design conditions: (page 44)

	Electric	Gas	Steam
CECONY	0.1 percent	1.3 percent	(0.5) percent
O&R	(0.3) percent	0.6 percent	

a. Page references to 3Q 2018 Form 10-Q.

# 3Q 2018 Developments (cont'd)<sup>(a)</sup>

## Con Edison Transmission

- As a result of challenges to certain federal and state regulatory approvals for the Mountain Valley Pipeline, construction has been delayed on the project. In October 2018, Mountain Valley Pipeline LLC indicated that the project has an estimated total cost of \$4,600 million and is targeted to be fully in-service by the end of the fourth quarter of 2019. CET Gas owns a 12.5 percent interest in the Mountain Valley Pipeline. (page 75)

## Clean Energy Businesses

- The Clean Energy Businesses have 1,630 MW (AC) of renewable energy production projects in service (1,418 MW) or under construction (212 MW). (page 74)
- 2,087 million of kWh of electricity was generated from solar projects and 776 million of kWh generated from wind projects through the nine months ending September 30, 2018. (page 75)
- In September 2018, a Con Edison Development subsidiary agreed to purchase Sempra Solar Holdings, LLC, which has ownership interests in 981 megawatts (AC) of operating renewable electric production projects, including its 379 megawatts (AC) share of projects in which its subsidiaries have a 50 percent ownership interest and Con Edison Development subsidiaries have the remaining ownership interests. (page 42)
- The Clean Energy Businesses update that begins on page 38 of this document contains additional information about the Sempra Solar Holdings transaction.

## CEI Parent

- In August 2018, the IRS and Treasury issued proposed regulations that clarified provisions in TCJA on the allowance for additional first-year depreciation for qualified property of regulated public utilities placed in service in the fourth quarter of 2017. Under this guidance, the Utilities deducted \$477 million in additional depreciation in Con Edison's 2017 federal tax return. The additional depreciation increased Con Edison's 2017 federal NOL carryover to \$563 million (CECONY's 2017 federal NOL carryover is \$153 million), which required a re-measurement of deferred tax assets and liabilities associated with the filing of its 2017 federal tax return. As a result, Con Edison decreased its net deferred tax liabilities by \$16 million (including \$51 million for CECONY), recognized \$42 million in income tax expense at the parent company related to re-measuring the 2017 federal NOL carryover to 2018 and accrued a regulatory liability for future income tax of \$58 million (including \$51 million for CECONY). The Companies expect to complete their assessment and record any final adjustments to the provisional amounts by the fourth quarter of 2018. (page 32-33)

a. Page references to 3Q 2018 Form 10-Q.

# Utility Rate Adjustments for Tax Cuts and Jobs Act of 2017 (TCJA)<sup>(a)</sup>

New York Public Service Commission Order in Case 17-M-0815 – Proceeding on Motion of the Commission on Changes in Law that May Affect Rates (August 9, 2018)

## CECONY Electric

- Customer credit will start on **January 1, 2019** and will include:
  - annual ongoing tax savings of \$247 million
- 2018 tax savings (\$304 million) and protected and unprotected portions of net regulatory liability for excess deferred income taxes (\$1,633 million and \$818 million, respectively) will be addressed in the next rate case filing

## CECONY Gas

- Customer credit of \$102 million will start on **January 1, 2019** and will include:
  - annual ongoing tax savings of \$66 million
  - pass back of 2018 tax savings (\$82 million) over a three-year period - \$27 million annually
  - pass back of protected and unprotected portions of net regulatory liability for excess deferred income taxes (\$688 million and \$109 million, respectively) over the life of the assets - \$9 million annually (amortization period for unprotected deferred tax balance will be reviewed in the next rate case filing)

## CECONY Steam

- Customer credit of \$25 million started on **October 1, 2018** and includes:
  - annual ongoing tax savings of \$14 million
  - pass back of January-September 2018 tax savings (\$15 million) over a three-year period - \$5 million annually
  - pass back of protected and unprotected portions of net regulatory liability for excess deferred income taxes (\$168 million and \$15 million, respectively) over the life of the assets - \$6 million annually (amortization period for unprotected balance will be reviewed in the next rate case filing)

a. See Note B - Regulatory Matters/Other Regulatory Matters on pages 23-25 and Note I - Income Taxes on pages 31-33 in the 3Q 2018 10-Q.

# Utility Rate Adjustments for Tax Cuts and Jobs Act of 2017 (TCJA) (cont'd)<sup>(a)</sup>

## O&R Electric and Gas

- O&R, in its ongoing rate proceedings (Case 18-E-0067; 18-G-0068), intends to reflect its TCJA net benefits as follows:
  - annual ongoing savings of \$18 million
  - pass back of 2018 savings (\$21 million) over a three-year period - \$7 million annually
  - pass back of protected portion of net regulatory liability for excess deferred income taxes (\$122 million) over remaining lives of the related assets and the unprotected portion (\$30 million) over a fifteen-year period - \$4 million annually

## Rockland Electric Company (RECO)

- NJBPU Docket No. AX1801001 - In the Matter of the Board's Consideration of the 2017 Tax Cuts and Jobs Act
  - \$2.9 million rate decrease started on April 1, 2018
  - customers paid \$1 million in July 2018 for January to March 2018 tax savings
  - pass back of protected portion of net regulatory liability for excess deferred income taxes (\$14 million) over remaining lives of the related assets and the unprotected portion (\$10 million) over a three-year period - \$3 million annually
- FERC Docket No. EL18-111-000
  - In March 2018, the Federal Energy Regulatory Commission (FERC) issued an order directing RECO to propose revisions to its transmission revenue requirement to reflect the TCJA

a. See Note B - Regulatory Matters/Other Regulatory Matters on pages 23-25 and Note I - Income Taxes on pages 31-33 in the 3Q 2018 10-Q.

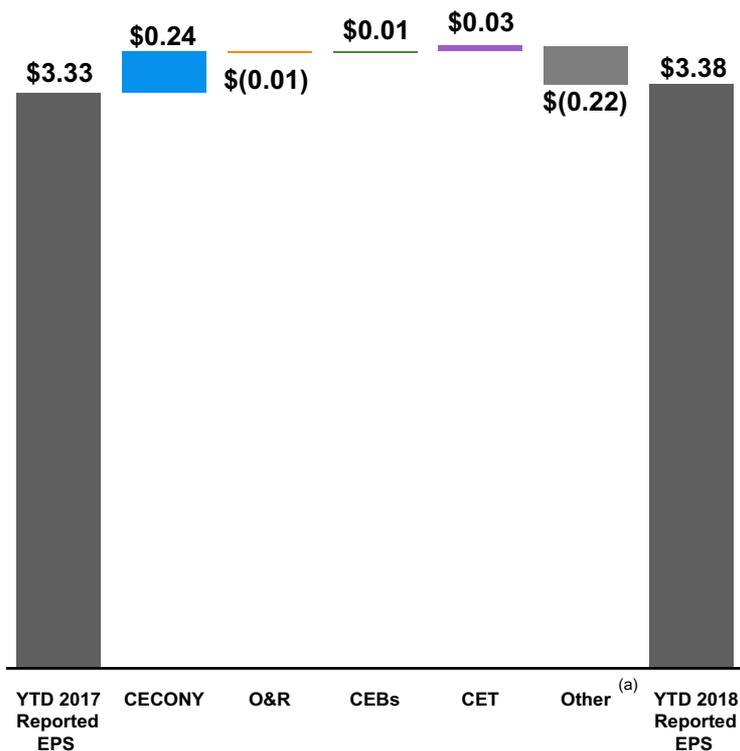
# YTD 2018 Earnings

	Net Income (\$ in Millions)		Earnings per Share	
	2018	2017	2018	2017
<b>Reported Net Income and EPS – GAAP basis</b>	<b>\$1,051</b>	<b>\$1,020</b>	<b>\$3.38</b>	<b>\$3.33</b>
<b>TCJA re-measurement</b>	<b>42</b>	<b>—</b>	<b>0.14</b>	<b>—</b>
Sempra Solar Holdings, LLC transaction costs (pre-tax)	14	—	0.04	—
Income taxes (a)	(4)	—	(0.01)	—
<b>Sempra Solar Holdings, LLC transaction costs (net of tax)</b>	<b>10</b>	<b>—</b>	<b>0.03</b>	<b>—</b>
Gain on sale of solar electric production project (pre-tax)	—	(2)	—	—
Income taxes (a)	—	1	—	—
<b>Gain on sale of solar electric production project (net of tax)</b>	<b>—</b>	<b>(1)</b>	<b>—</b>	<b>—</b>
Net mark-to-market effects of the Clean Energy Businesses (pre-tax)	5	(2)	0.01	(0.02)
Income taxes (a)	(2)	1	—	0.01
<b>Net mark-to-market effects of the Clean Energy Businesses (net of tax)</b>	<b>3</b>	<b>(1)</b>	<b>0.01</b>	<b>(0.01)</b>
<b>Adjusted Earnings and Adjusted EPS – non-GAAP basis</b>	<b>\$1,106</b>	<b>\$1,018</b>	<b>\$3.56</b>	<b>\$3.32</b>

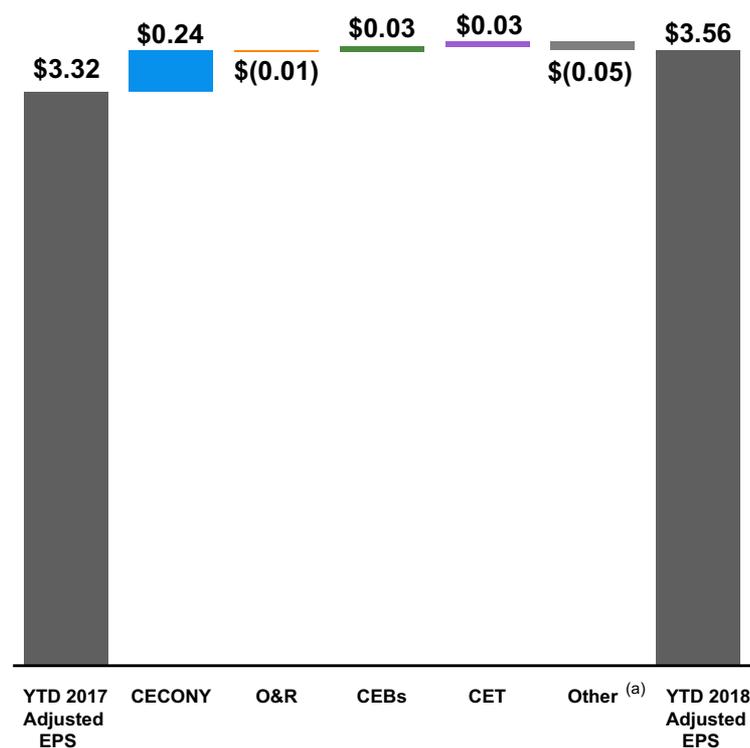
a. The amount of income taxes was calculated using a 28% combined federal and state income tax rate for the nine months ended September 30, 2018 and a 40% combined federal and state income tax rate for the nine months ended September 30, 2017.

# Walk from YTD 2017 EPS to YTD 2018 EPS

## Variance in Reported EPS (GAAP)



## Variance in Adjusted EPS (Non-GAAP)



a. Includes parent company and consolidation adjustments.

# YTD 2018 vs. YTD 2017 EPS Variances - Nine Months Ended Variation

## CECONY<sup>(a)</sup>

Changes in rate plans	\$ 0.69	Reflects primarily higher electric and gas net base revenues of \$0.48 a share and \$0.13 a share, respectively, and growth in the number of gas customers of \$0.05 a share. Electric and gas base rates increased in January 2018 in accordance with the company's rate plans.
Weather impact on steam revenues	0.08	Steam revenues were \$0.02 a share higher in the 2018 period due to the estimated impact of colder than normal April weather. Steam revenues were \$(0.05) a share lower in the 2017 period due to the estimated impact of warmer than normal winter weather.
Operations and maintenance expenses	(0.10)	Reflects primarily higher consultant costs of \$(0.06) a share and storm-related costs of \$(0.05) a share.
Depreciation, property taxes and other tax matters	(0.29)	Reflects higher net property taxes of \$(0.19) a share and depreciation and amortization expense of \$(0.14) a share, offset in part by two New York State sales and use tax refunds of \$0.04 a share.
Other	(0.14)	Reflects primarily higher interest expense on long-term debt of \$(0.11) a share, regulatory reserve related to electric and steam earnings sharing of \$(0.03) a share, and the dilutive effect of Con Edison's stock issuances of \$(0.05) a share, offset, in part, by timing of the deferral for customers of estimated net benefits of the TCJA of \$0.05 a share.
<b>Total CECONY</b>	<b>\$ 0.24</b>	

## O&R<sup>(a)</sup>

Changes in rate plans	0.03	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	(0.03)	Reflects reduction of a regulatory asset associated with certain site investigation and environmental remediation costs of \$(0.02) a share and higher pension costs of \$(0.02) a share, partially offset by lower healthcare expenses of \$0.01 a share.
Depreciation, property taxes and other tax matters	(0.01)	Reflects lower depreciation and amortization expense.
<b>Total O&amp;R</b>	<b>\$ (0.01)</b>	

## Clean Energy Businesses

Operating revenues less energy costs	0.12	Reflects primarily higher renewable revenues, including engineering, procurement and construction services and an increase in renewable electric production projects in operation.
Operations and maintenance expenses	(0.13)	Reflects primarily higher engineering, procurement and construction costs.
Depreciation	(0.01)	
Net interest expense	(0.01)	
Other	0.04	
<b>Total Clean Energy Businesses</b>	<b>\$ 0.01</b>	

## Con Edison Transmission

<b>Total CET</b>	<b>\$ 0.03</b>	Reflects income from equity investments.
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## Other

<b>Parent company and consolidation adjustments</b>	<b>\$ (0.22)</b>	Includes TCJA re-measurement of \$(0.14) a share and Sempra Solar Holdings, LLC transaction costs of \$(0.03) a share. Also reflects the New York State capital tax in 2018.
<b>Reported EPS (GAAP)</b>	<b>\$ 0.05</b>	
TCJA re-measurement	0.14	
Sempra Solar Holdings, LLC transaction costs	0.03	
Net mark-to-market effects of the Clean Energy Businesses	0.02	
<b>Adjusted EPS (non-GAAP)</b>	<b>\$ 0.24</b>	

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.

# YTD 2018 vs. YTD 2017 EPS Reconciliation by Company

## Nine Months Ended September 30, 2018

	CECONY	O&R	CEBs	CET	Other <sup>(b)</sup>	Total
Reported EPS – GAAP basis	\$3.12	\$0.17	\$0.19	\$0.11	\$(0.21)	\$3.38
<b>TCJA re-measurement</b>	—	—	—	—	0.14	0.14
Sempra Solar Holdings, LLC transaction costs (pre-tax)	—	—	—	—	0.04	0.04
Income taxes (a)	—	—	—	—	(0.01)	(0.01)
<b>Sempra Solar Holdings, LLC transaction costs (net of tax)</b>	—	—	—	—	0.03	0.03
Net mark-to-market losses (pre-tax)	—	—	0.01	—	—	0.01
Income taxes (b)	—	—	—	—	—	—
<b>Net mark-to-market losses (net of tax)</b>	—	—	0.01	—	—	0.01
<b>Adjusted EPS – Non-GAAP basis</b>	<b>\$3.12</b>	<b>\$0.17</b>	<b>\$0.20</b>	<b>\$0.11</b>	<b>\$(0.04)</b>	<b>\$3.56</b>

## Nine Months Ended September 30, 2017

	CECONY	O&R	CEBs	CET	Other <sup>(a)</sup>	Total
Reported EPS – GAAP basis	\$2.88	\$0.18	\$0.18	\$0.08	\$0.01	\$3.33
Net mark-to-market losses (pre-tax)	—	—	(0.02)	—	—	(0.02)
Income taxes (b)	—	—	0.01	—	—	0.01
<b>Net mark-to-market losses (net of tax)</b>	—	—	(0.01)	—	—	(0.01)
<b>Adjusted EPS – Non-GAAP basis</b>	<b>\$2.88</b>	<b>\$0.18</b>	<b>\$0.17</b>	<b>\$0.08</b>	<b>\$0.01</b>	<b>\$3.32</b>

- a. The amount of income taxes was calculated using a 28% combined federal and state income tax rate for the nine months ended September 30, 2018 and a 40% combined federal and state income tax rate for the nine months ended September 30, 2017.
- b. Includes parent company and consolidation adjustments.

# Five-Year Reconciliation of Reported EPS (GAAP) to Adjusted EPS (Non-GAAP)

12 Months Ending December 31,

	2014	2015	2016	2017	2018 <sup>(a)</sup>
<b>Reported EPS – GAAP basis</b>	<b>\$3.73</b>	<b>\$4.07</b>	<b>\$4.15</b>	<b>\$4.97</b>	<b>\$5.03</b>
<b>TCJA re-measurement</b>	—	—	—	—	<b>0.14</b>
Sempra Solar Holdings, LLC transaction costs (pre-tax)	—	—	—	—	0.04
Income taxes (b)	—	—	—	—	(0.01)
<b>Sempra Solar Holdings, LLC transaction costs (net of tax)</b>	—	—	—	—	<b>0.03</b>
<b>Enactment of the TCJA (net of tax)</b>	—	—	—	<b>(0.85)</b>	<b>(0.84)</b>
Gain on sale of the CEBs' retail electric supply business (pre-tax)	—	—	(0.32)	—	—
Income taxes (b)	—	—	0.13	—	—
<b>Gain on sale of the CEBs' retail electric supply business (net of tax)</b>	—	—	<b>(0.19)</b>	—	—
Goodwill impairment related to the CEBs' energy service business (pre-tax)	—	—	0.07	—	—
Income taxes (b)	—	—	(0.03)	—	—
<b>Goodwill impairment related to the CEBs' energy service business (net of tax)</b>	—	—	<b>0.04</b>	—	—
Impairment of assets held for sale (pre-tax)	—	0.02	—	—	—
Income taxes (b)	—	(0.01)	—	—	—
<b>Impairment of assets held for sale (net of tax)</b>	—	<b>0.01</b>	—	—	—
Gain on sale of the CEBs' solar electric production projects (pre-tax)	(0.15)	—	—	—	—
Income taxes (b)	0.06	—	—	—	—
<b>Gain on sale of the CEBs' solar electric production projects (net of tax)</b>	<b>(0.09)</b>	—	—	—	—
Net mark-to-market effects of the CEBs (pre-tax)	0.42	—	(0.02)	—	0.03
Income taxes (b)	(0.17)	—	0.01	—	(0.01)
<b>Net mark-to-market effects of the CEBs (net of tax)</b>	<b>0.25</b>	—	<b>(0.01)</b>	—	<b>0.02</b>
<b>Adjusted EPS – Non-GAAP basis</b>	<b>\$3.89</b>	<b>\$4.08</b>	<b>\$3.99</b>	<b>\$4.12</b>	<b>\$4.38</b>

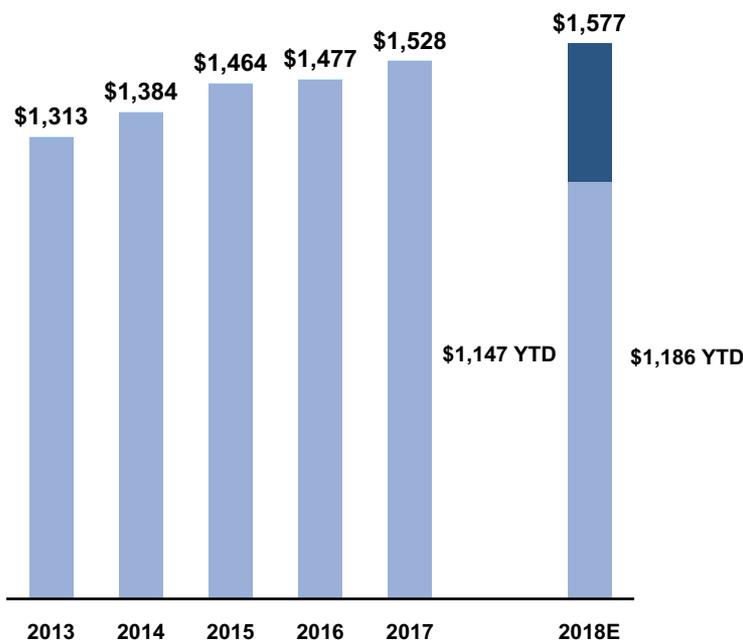
a. Represents 12-month trailing EPS ending September 30, 2018.

b. The amount of income taxes was calculated using a 28% combined federal and state income tax rate for the periods 1/1/18 - 6/30/18 and a 40% combined federal and state income tax rate for the periods 7/1/17 - 12/31/17 and years ended 2014 to 2017.

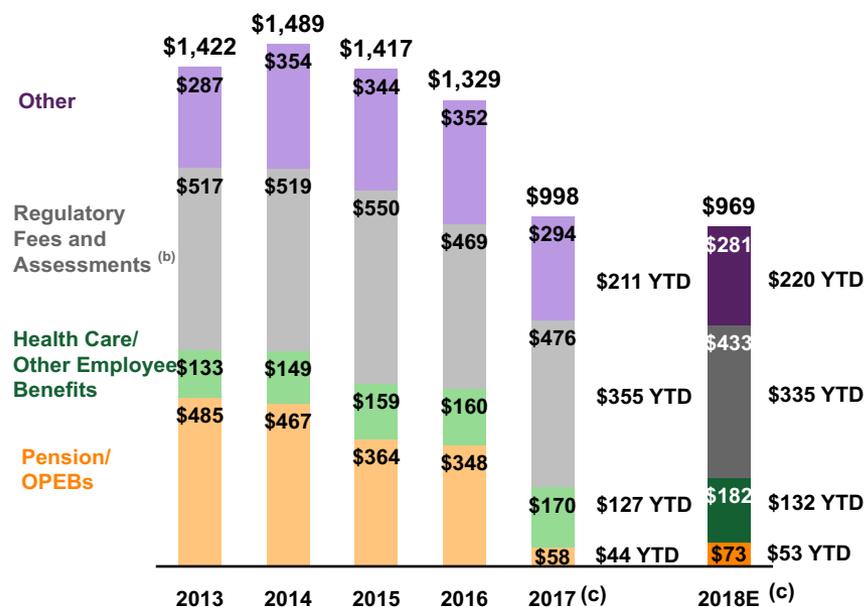
# CECONY Operations and Maintenance Expenses

(\$ in millions)

## Departmental



## Other Expenses<sup>(a)</sup>



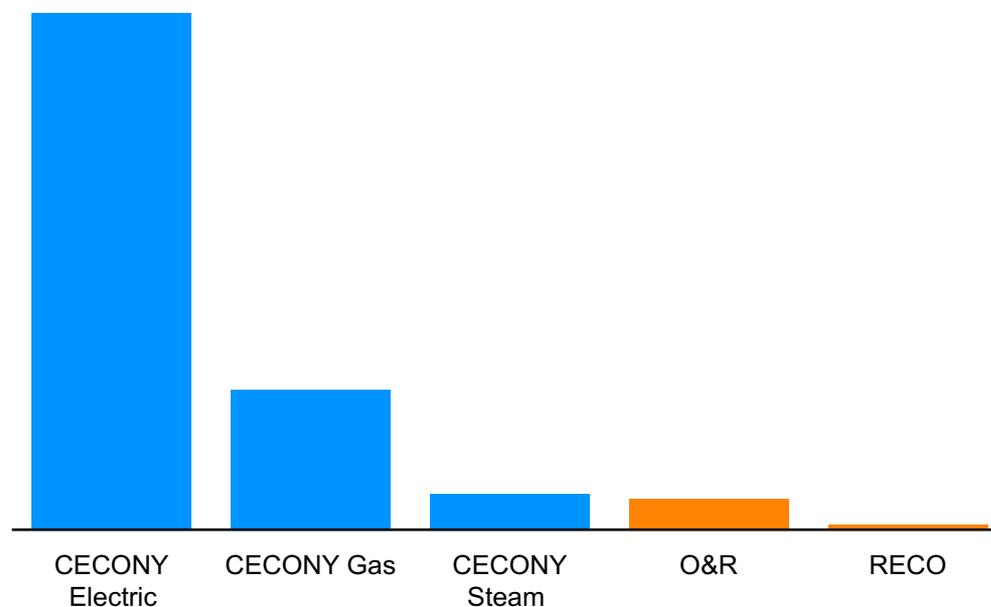
- a. Other Expenses generally are either reconciled through amounts reflected in rates, or represent surcharges that are recovered in revenues from customers.
- b. Includes Demand Side Management, System Benefit Charges and Public Service Law 18A assessments which are collected in revenues.
- c. Excludes non-service components of Pension/OPEBs pursuant to Accounting Standards Update 2017-07. See page 27-28 of the 3Q 2018 Form 10-Q.

# Composition of Regulatory Rate Base<sup>(a)</sup> (as of September 30, 2018)

CECONY		(\$ in millions)
Electric	NY	\$19,588
Gas	NY	5,342
Steam	NY	1,403
<b>Total CECONY</b>		<b>\$26,333</b>

O&R		(\$ in millions)
O&R Electric	NY	\$789
O&R Gas	NY	417
RECO	NJ	221
<b>Total O&amp;R</b>		<b>\$1,427</b>

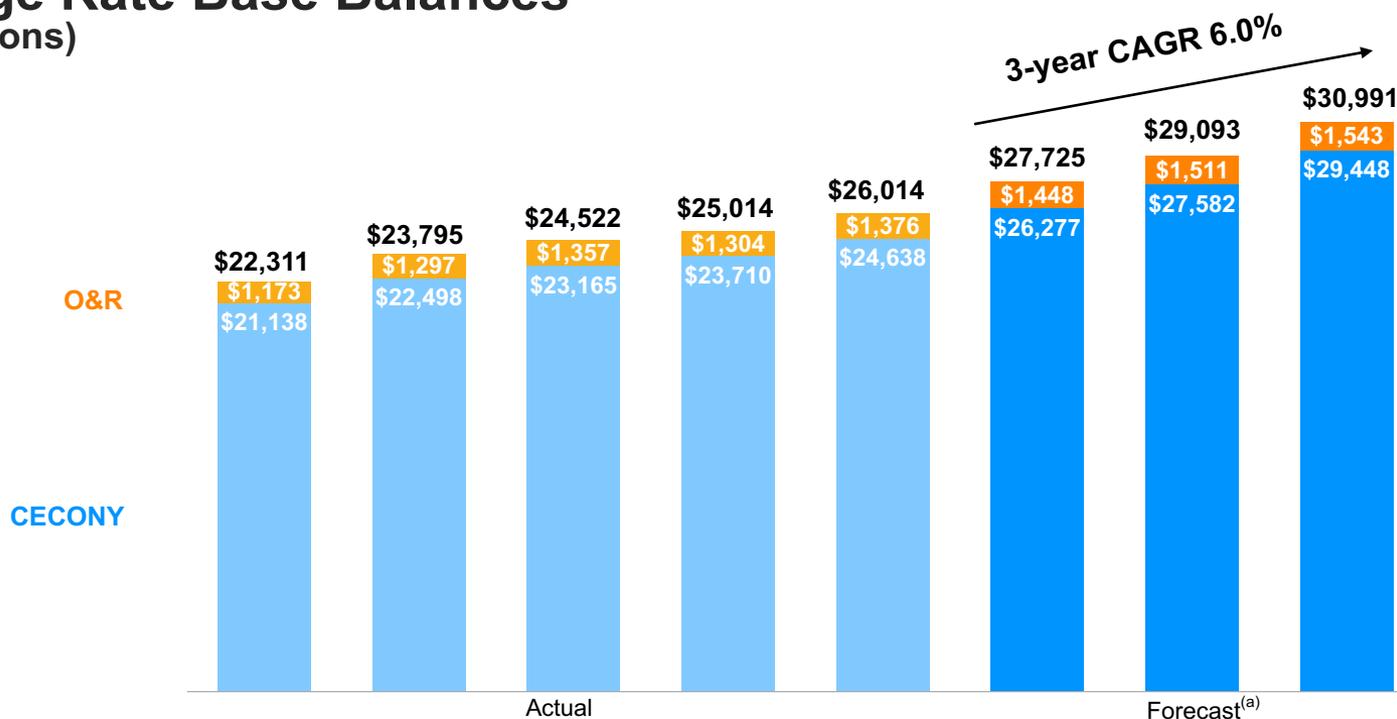
**Total Rate Base**                      **\$27,760**



a. Average rate base for 12 months ended September 30, 2018.

# Average Rate Base Balances

(\$ in millions)



		2013	2014	2015	2016	2017	2018E	2019E	2020E
<b>CECONY</b>	Electric	\$ 16,235	\$ 17,403	\$ 17,599	\$ 17,971	\$ 18,513	\$ 19,530	\$ 20,277	\$ 21,569
	Gas	3,395	3,593	4,023	4,267	4,723	5,395	6,005	6,629
	Steam	1,508	1,502	1,543	1,472	1,402	1,352	1,300	1,250
<b>O&amp;R</b>	Electric	633	726	769	731	759	792	814	821
	Gas	345	372	386	362	392	422	444	454
<b>RECO</b>	Electric	195	199	202	211	225	234	253	268

a. Reflects changes to rate base resulting from the enactment of the TCJA that will affect the utilities' net income when these changes are reflected in the utilities' next rate plans (assumed to be 2020 for CECONY; 2019 for O&R and RECO). The forecast for 2020 reflects estimated increases in average rate base due to decreased deferred taxes resulting from the end of bonus depreciation for utilities and no changes in rate base from amortization of \$3,760 million regulatory liability for future income tax relating to excess deferred income taxes or any regulatory liability for the revenue requirement impact of the reduced tax rate.

# Regulated Utility Rates of Return and Equity Ratio (12 Months ended September 30, 2018)

	Regulated Basis	
	Allowed	Actual
<b>CECONY</b>		
Electric	9.0%	9.3%
Gas	9.0	9.4
Steam	9.3	11.0
Overall – CECONY	9.0 <sup>(a)</sup>	9.4
<b>CECONY Equity Ratio</b>	<b>48.0%</b>	<b>47.6%</b>
<b>O&amp;R</b>		
Electric	9.0%	7.8%
Gas	9.0	8.0
RECO	9.6	9.3
Overall – O&R	9.1 <sup>(a)</sup>	8.1
<b>O&amp;R Equity Ratio</b>	<b>48.0%</b>	<b>49.38%</b>

a. Weighted by rate base.

# Earnings Adjustment Mechanisms and Positive Incentives

## Earnings Adjustment Mechanisms



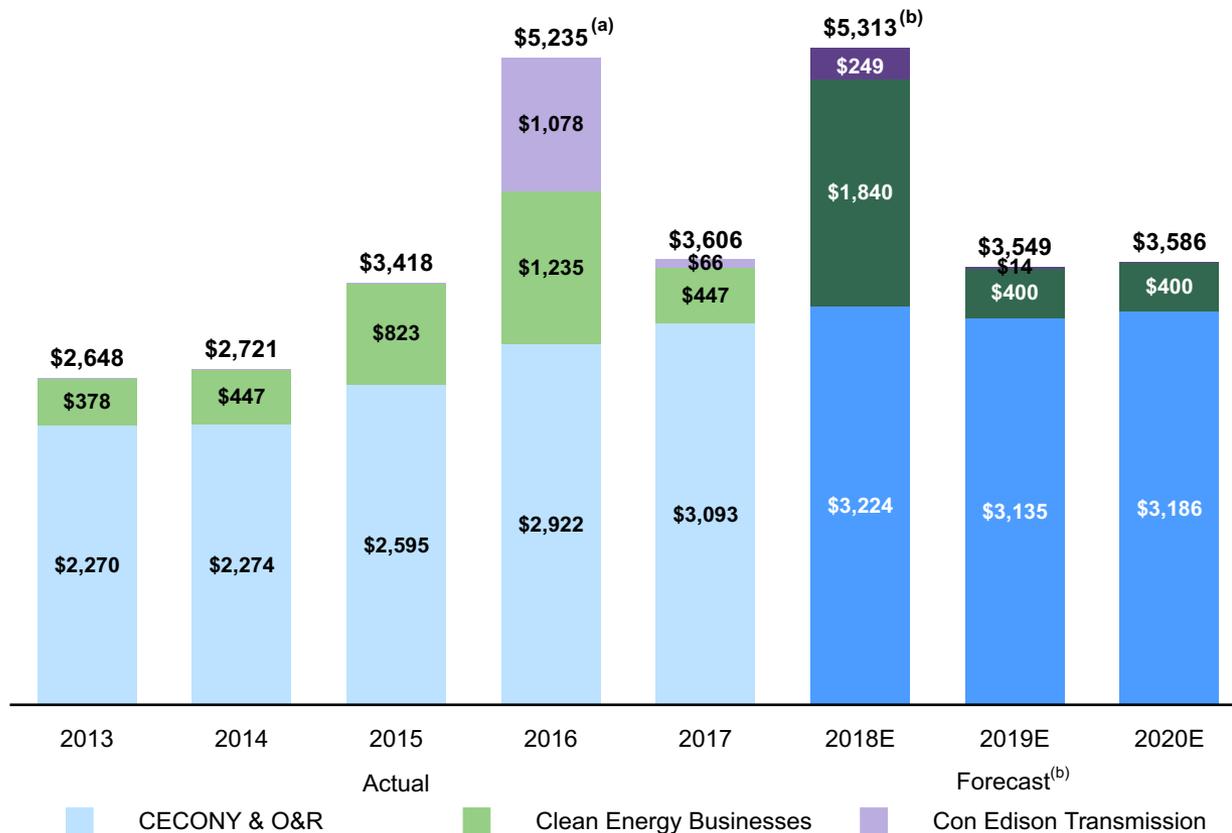
## Positive Incentives<sup>(a) (b)</sup>



- In 2017, CECONY achieved positive incentives of \$12 million, one third of which, pursuant to the accounting rules for alternative revenue recognition of the collection of such incentives under the rate plans (GAAP), will be recorded ratably from 2018 to 2020 and also reflected in the positive incentives projected, minimum and maximum amounts for the related period.
- Pursuant to GAAP, one third of the positive incentives achieved in 2018, if any, will be recorded ratably from 2018 to 2020 and also reflected in the positive incentives projected and maximum amounts for the related period. Two thirds and one third of the positive incentives achieved in 2019, if any, will be recorded in 2019 and 2020, respectively, and also reflected in the positive incentives projected and maximum amounts for the related period.
- Does not reflect negative earnings adjustment of \$5 million that CECONY recorded in 2017.
- For the three months ended September 30, 2018, CECONY recorded earnings adjustment mechanisms and positive incentives of \$10 million and \$1 million, respectively. For the nine months ended September 30, 2018, CECONY recorded earnings adjustment mechanisms and positive incentives of \$10 million and \$3 million, respectively.

# Capital Expenditures

(\$ in millions)



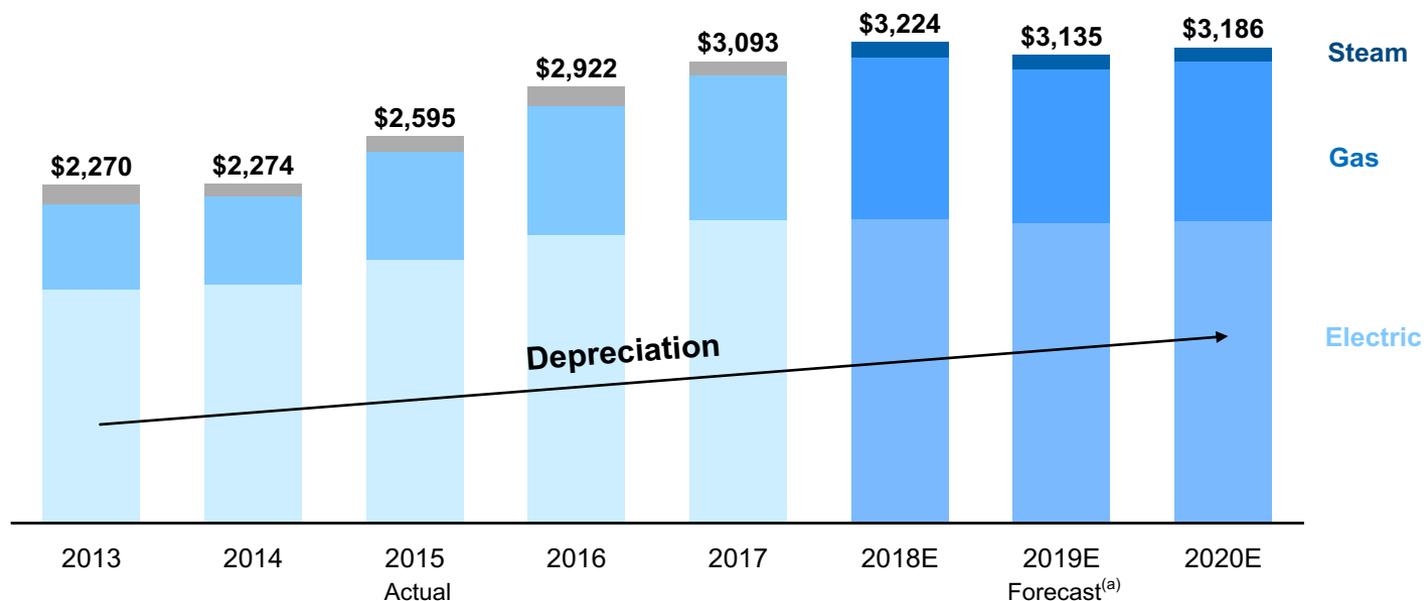
a. 2016 includes Stagecoach JV investment of \$974 million.

b. 2018E includes Con Edison Development subsidiary's agreement to acquire Sempra Solar Holdings, LLC.

c. 2018E updated as of September 30, 2018. 2019E and 2020E from 2017 Form 10-K, page 31.

# Utility Capital Expenditures

(\$ in millions)



	Annual CECONY Capital Expenditures				Annual O&R Capital Expenditures		
	Electric	Gas	Steam	Depreciation	Electric	Gas	Depreciation
2013	\$1,471	\$536	\$128	\$946	\$98	\$37	\$56
2014	1,500	549	83	991	105	37	61
2015	1,658	671	106	1,040	114	46	68
2016	1,819	811	126	1,106	114	52	67
2017	1,905	909	90	1,195	128	61	71
2018E	1,902	1,016	105	1,254	139	62	78
2019E	1,868	970	95	1,339	146	56	84
2020E	1,894	1,015	87	1,441	137	53	88

a. 2018E updated as of September 30, 2018. 2019E and 2020E from 2017 Form 10-K, page 31.

# 2018 Financing Plan and Activity

## Debt and Equity Financing Plan

- Capital expenditures of \$5,313 million (CECONY: \$3,023 million, the CEBs: \$1,840 million, O&R: \$201 million, CET: \$249 million)
- Issue between \$1,800 million and \$2,400 million of long-term debt at the utilities
- Issue up to \$825 million of long-term debt secured by ownership interests in the renewable electric production projects being acquired in the pending acquisition of Sempra Solar Holdings or, pending the issuance of such debt, other borrowings
- Issue up to \$1,165 million of common equity in 2018 in addition to equity issued through dividend reinvestment, employee stock purchase and long-term incentives plans

## Activity to date

- In May, CECONY issued \$300 million of 3.80% debentures due 2028 and \$700 million of 4.50% debentures due 2058
- In June, CECONY issued \$640 million of floating rate debenture due 2021, and redeemed \$636 million of auction rate tax-exempt debt (Series 1999A, 2001A, 2004A and 2004B) in July and August
- In August, O&R issued \$125 million of 4.35% debentures due 2048 and agreed to issue additional \$25 million in December
- In September, CED Wind Holdings, a subsidiary of CED, issued \$140 million of 4.41% senior secured notes due 2028

## Debt Maturities

(\$ in millions)	2018	2019	2020	2021	2022
Con Edison, Inc. [parent company]	\$2	\$3	\$402	\$503	\$294
CECONY	1,200 <sup>(a)</sup>	475	350	640	—
O&R	55 <sup>(b)</sup>	62	—	—	—
CEBs	45 <sup>(c)</sup>	51	53	55	57
<b>Total</b>	<b>\$1,302</b>	<b>\$591</b>	<b>\$805</b>	<b>\$1,198</b>	<b>\$351</b>

a. \$600 million of 5.85 percent 10-year debentures matured on April 1, 2018 and \$600 million of 7.13% percent 10-year debentures to mature on December 1, 2018.

b. \$50 million of 6.15 percent 10-year debentures matured on September 1, 2018.

c. \$29 million of CEB debt has been paid by September 30, 2018.

# Capital Structure – September 30, 2018

(\$ in millions)

## Consolidated Edison, Inc. Baa1<sup>(a)</sup> / BBB+ / BBB+

Debt	\$ 16,608	51%
Equity	15,898	49
<b>Total</b>	<b>\$ 32,506</b>	<b>100%</b>

## CECONY A3<sup>(a)</sup> / A- / A-

Debt	\$ 13,662	51%
Equity	12,869	49
<b>Total</b>	<b>\$ 26,531</b>	<b>100%</b>

## O&R Baa1<sup>(a)</sup> / A- / A-

Debt	\$ 733	52%
Equity	690	48
<b>Total</b>	<b>\$ 1,423</b>	<b>100%</b>

## Parent and Other

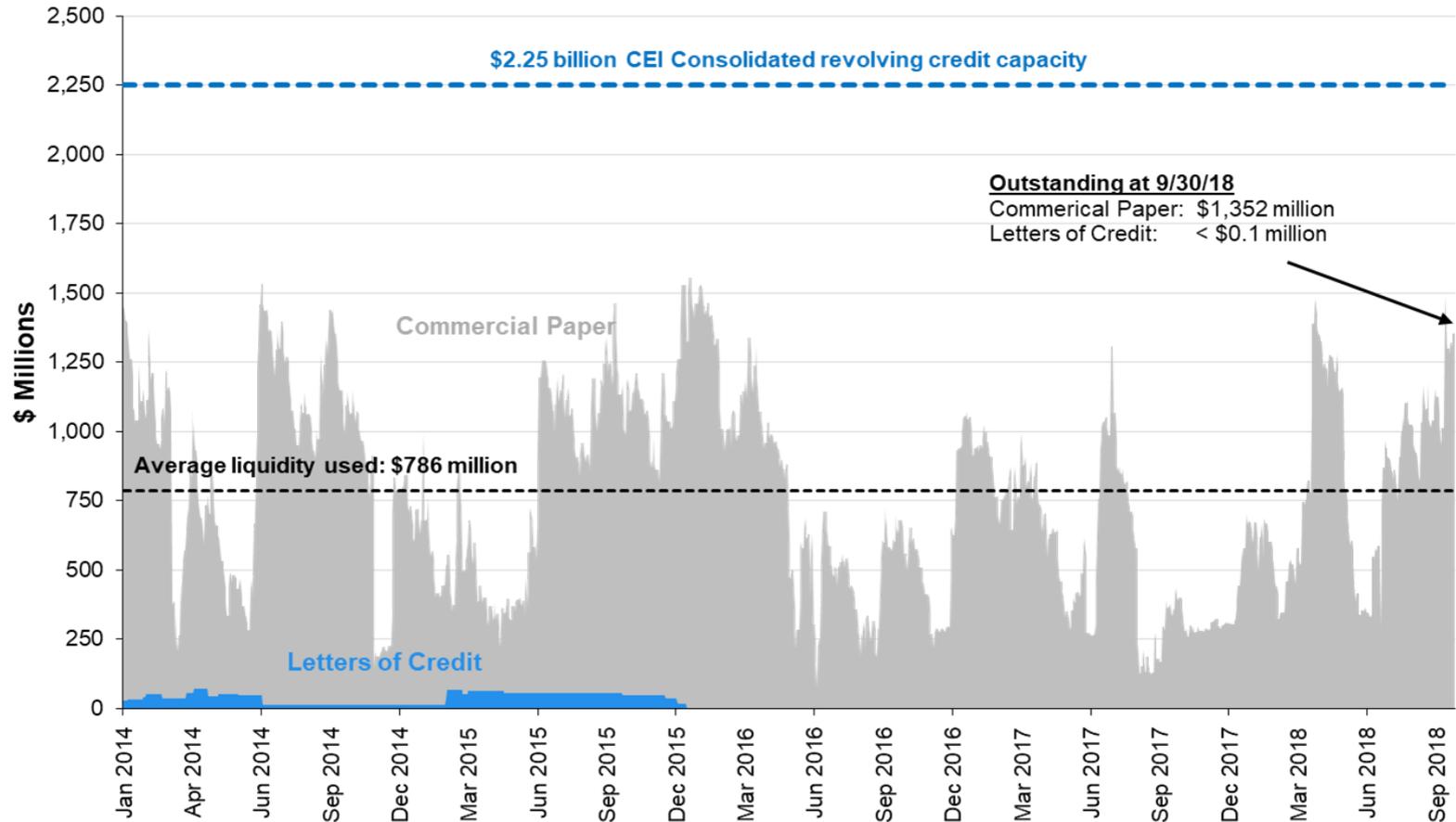
Debt	\$2,213	49%
Equity	2,339	51
<b>Total</b>	<b>\$ 4,552</b>	<b>100%</b>

Amounts shown exclude notes payable and include the current portion of long-term debt. Senior unsecured credit ratings shown in order of Moody's / S&P / Fitch. All ratings have stable outlooks.

- a. In October 2018, Moody's lowered its ratings of Con Edison's senior unsecured debt to Baa1 from A3, CECONY's senior unsecured debt to A3 from A2 and O&R's senior unsecured debt to Baa1 from A3 and changed the outlooks for Con Edison, CECONY and O&R to stable from negative.

# Liquidity Profile

(\$ in millions)



## Utility Sales and Revenues – Third Quarter and Year-to-Date

The changes in the energy delivered by the company's utility subsidiaries, both for actual amounts and as adjusted for variations in weather and billing days, for the three and nine months ended September 30, 2018 (expressed as a percentage of 2017 amounts):

	Third Quarter Variation 2018 vs. 2017		Year-to-Date Variation 2018 vs. 2017	
	Actual	Adjusted	Actual	Adjusted
<b>CECONY</b>				
Electric	6.1	(0.1)	3.9	0.3
Firm – Gas	0.5	0.9	12.0	5.4
Steam	9.5	1.5	11.8	0.2
<b>O&amp;R</b>				
Electric	10.0	1.5	5.3	0.8
Firm – Gas	(4.4)	(2.4)	9.8	1.7

# Utility Sales and Revenues – Electric Third Quarter

(\$ in millions)

## Electric – 3rd Quarter

	Millions of Kilowatt-hours		Revenues in Millions	
	2018	2017	2018	2017
<b>Con Edison of New York</b>				
Residential and Religious	3,777	3,237	\$988	\$805
Commercial and Industrial	2,706	2,570	542	534
Retail choice customers	7,756	7,510	910	867
Public Authorities	13	16	3	3
NYPA, Municipal Agency and other sales	2,745	2,689	222	204
<b>Total Sales</b>	<b>16,997</b>	<b>16,022</b>	<b>\$2,665</b>	<b>\$2,413</b>
<b>Orange and Rockland</b>				
Residential and Religious	595	500	\$115	\$105
Commercial and Industrial	219	206	34	34
Retail choice customers	864	818	67	64
Public Authorities	32	31	4	3
<b>Total Sales</b>	<b>1,710</b>	<b>1,555</b>	<b>\$220</b>	<b>\$206</b>
<b><u>Regulated Utility Sales &amp; Revenues</u></b>				
Residential and Religious	4,372	3,737	\$1,103	\$910
Commercial and Industrial	2,925	2,776	576	568
Retail choice customers	8,620	8,328	977	931
Public Authorities	45	47	7	6
NYPA, Municipal Agency and other sales	2,745	2,689	222	204
<b>Total Sales</b>	<b>18,707</b>	<b>17,577</b>	<b>\$2,885</b>	<b>\$2,619</b>

# Utility Sales and Revenues – Electric Year-To-Date

(\$ in millions)

## Electric – Year-to-Date

	Millions of Kilowatt-hours		Revenues in Millions	
	2018	2017	2018	2017
<b>Con Edison of New York</b>				
Residential and Religious	8,374	7,576	\$2,211	\$1,925
Commercial and Industrial	7,343	6,965	1,433	1,393
Retail choice customers	19,996	19,748	2,030	2,092
Public Authorities	50	44	9	8
NYPA, Municipal Agency and other sales	7,697	7,504	500	475
<b>Total Sales</b>	<b>43,460</b>	<b>41,837</b>	<b>\$6,183</b>	<b>\$5,893</b>
<b>Orange and Rockland</b>				
Residential and Religious	1,348	1,208	\$260	\$242
Commercial and Industrial	609	574	91	88
Retail choice customers	2,274	2,255	158	155
Public Authorities	104	79	10	7
<b>Total Sales</b>	<b>4,335</b>	<b>4,116</b>	<b>\$519</b>	<b>\$492</b>
<b><u>Regulated Utility Sales &amp; Revenues</u></b>				
Residential and Religious	9,722	8,784	\$2,471	\$2,167
Commercial and Industrial	7,952	7,539	1,524	1,481
Retail choice customers	22,270	22,003	2,188	2,247
Public Authorities	154	123	19	15
NYPA, Municipal Agency and other sales	7,697	7,504	500	475
<b>Total Sales</b>	<b>47,795</b>	<b>45,953</b>	<b>\$6,702</b>	<b>\$6,385</b>

# Utility Sales and Revenues – Gas Third Quarter

(\$ in millions)

## Gas – 3rd Quarter

	Thousands of Dekatherms		Revenues in Millions	
	2018	2017	2018	2017
<b>Con Edison of New York</b>				
Residential	4,469	4,731	\$118	\$104
General	4,191	4,292	54	49
Firm Transportation	9,211	8,766	71	67
<b>Total Firm Sales and Transportation</b>	<b>17,871</b>	<b>17,789</b>	<b>243</b>	<b>220</b>
Interruptible Sales	1,481	2,108	6	8
Transportation of Customer Owned Gas	45,896	38,703	16	14
<b>Total Sales</b>	<b>65,248</b>	<b>58,600</b>	<b>\$265</b>	<b>\$242</b>
Off-system Sales	—	—	—	—
<b>Orange and Rockland</b>				
Residential	605	579	\$13	\$11
General	202	198	3	2
Firm Transportation	795	898	8	8
<b>Total Firm Sales and Transportation</b>	<b>1,602</b>	<b>1,675</b>	<b>24</b>	<b>21</b>
Interruptible Sales	772	819	1	1
Transportation of Customer Owned Gas	63	79	—	—
<b>Total Sales</b>	<b>2,437</b>	<b>2,573</b>	<b>\$25</b>	<b>\$22</b>
Off-system Sales	—	—	—	—
<b>Regulated Utility Sales &amp; Revenues</b>				
Residential	5,074	5,310	\$131	\$115
General	4,393	4,490	57	51
Firm Transportation	10,006	9,664	79	75
<b>Total Firm Sales and Transportation</b>	<b>19,473</b>	<b>19,464</b>	<b>267</b>	<b>241</b>
Interruptible Sales	2,253	2,927	7	9
Transportation of Customer Owned Gas	45,959	38,782	16	14
<b>Total Sales</b>	<b>67,685</b>	<b>61,173</b>	<b>\$290</b>	<b>\$264</b>
Off-system Sales	—	—	—	—

# Utility Sales and Revenues – Gas Year-To-Date

(\$ in millions)

## Gas – Year-to-Date

	Thousands of Dekatherms		Revenues in Millions	
	2018	2017	2018	2017
<b>Con Edison of New York</b>				
Residential	43,731	39,814	\$728	\$613
General	25,894	23,427	298	255
Firm Transportation	61,628	53,952	448	390
<b>Total Firm Sales and Transportation</b>	<b>131,253</b>	<b>117,193</b>	<b>1,474</b>	<b>1,258</b>
Interruptible Sales	4,956	6,526	31	30
Transportation of Customer Owned Gas	98,876	95,978	46	45
<b>Total Sales</b>	<b>235,085</b>	<b>219,697</b>	<b>\$1,551</b>	<b>\$1,333</b>
Off-system Sales	—	41	—	—
<b>Orange and Rockland</b>				
Residential	6,503	5,556	\$96	\$79
General	1,502	1,447	18	16
Firm Transportation	6,867	6,543	57	50
<b>Total Firm Sales and Transportation</b>	<b>14,872</b>	<b>13,546</b>	<b>171</b>	<b>145</b>
Interruptible Sales	2,842	2,966	5	5
Transportation of Customer Owned Gas	637	595	1	1
<b>Total Sales</b>	<b>18,351</b>	<b>17,107</b>	<b>\$177</b>	<b>\$151</b>
Off-system Sales	—	—	—	—
<b>Regulated Utility Sales &amp; Revenues</b>				
Residential	50,234	45,370	\$824	\$692
General	27,396	24,874	316	271
Firm Transportation	68,495	60,495	505	440
<b>Total Firm Sales and Transportation</b>	<b>146,125</b>	<b>130,739</b>	<b>1,645</b>	<b>1,403</b>
Interruptible Sales	7,798	9,492	36	35
Transportation of Customer Owned Gas	99,513	96,573	47	46
<b>Total Sales</b>	<b>253,436</b>	<b>236,804</b>	<b>\$1,728</b>	<b>\$1,484</b>
Off-system Sales	—	41	—	—

# Utility Sales and Revenues – Steam Third Quarter and Year-To-Date

(\$ in millions)

## Steam – 3rd Quarter

	Millions of Pounds		Revenues in Millions	
	2018	2017	2018	2017
<b>Con Edison of New York</b>				
General	12	13	\$2	\$2
Apartment House	781	748	16	15
Annual Power	2,711	2,439	45	42
<b>Total Sales</b>	<b>3,504</b>	<b>3,200</b>	<b>\$63</b>	<b>\$59</b>

## Steam – Year-to-Date

	Millions of Pounds		Revenues in Millions	
	2018	2017	2018	2017
<b>Con Edison of New York</b>				
General	442	364	\$23	\$20
Apartment House	4,670	4,248	129	119
Annual Power	11,313	10,074	333	300
<b>Total Sales</b>	<b>16,425</b>	<b>14,686</b>	<b>\$485</b>	<b>\$439</b>

# List of Notes to 2018 Form 10Q Financial Statements

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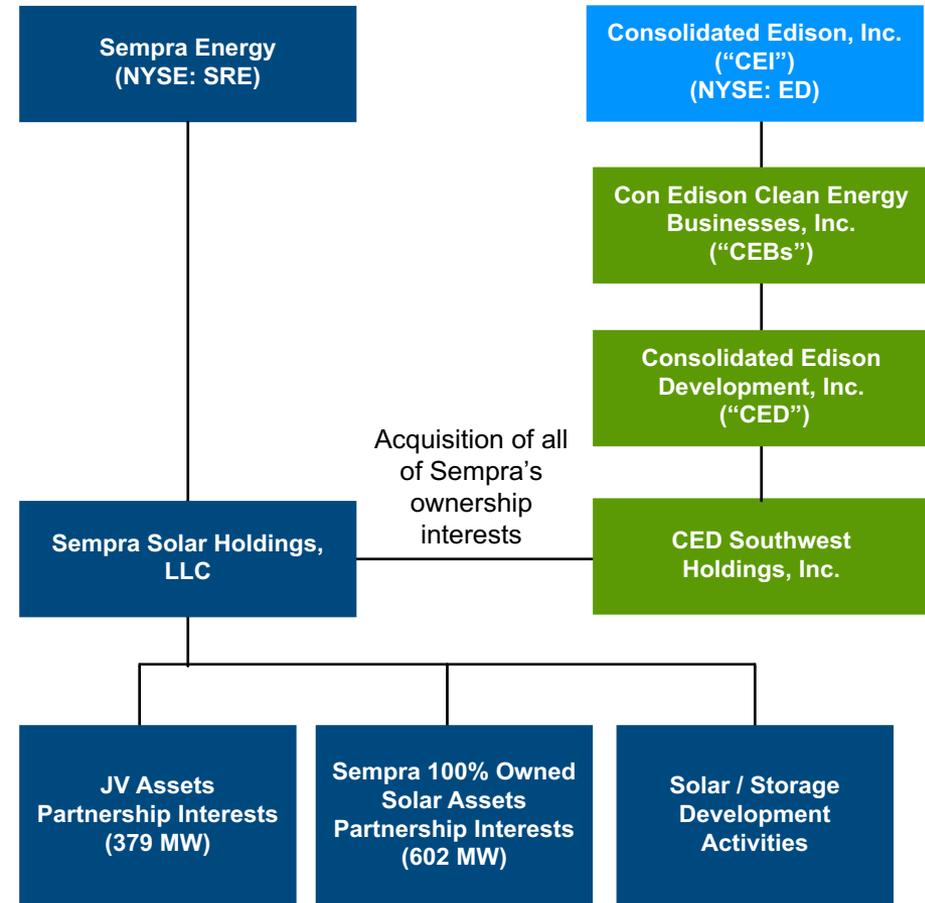
# Clean Energy Businesses Update: Sempra Solar Holdings Transaction

Consolidated Edison Development is purchasing 981 MW of operating renewable assets and related solar and energy storage development activities

## Transaction Overview

- Consolidated Edison Development, Inc. (“CED”), a wholly-owned subsidiary of Consolidated Edison, Inc. (“CEI”), has agreed to acquire Sempra Solar Holdings, LLC, a Sempra Energy subsidiary
- Sempra Solar Holdings, LLC owns:
  - 981 MW AC of operating renewable electric production projects, inclusive of Sempra’s 50% share (379 MW AC) in projects in which CED has the remaining ownership interests (the “JV Assets”), and
  - Certain development rights with respect to solar electric production and energy storage projects
- The purchase price is \$1,540 million, in addition to the assumption of \$576 million of project debt
  - Consideration expected to be funded with \$715 million of CEI issued equity and \$825 million of new debt, non-recourse to CEI
- The acquisition is subject to customary closing conditions and approvals (Federal Energy Regulatory Commission, U.S. Department of Energy and Hart-Scott-Rodino)
- Transaction is expected to close near the end of 2018

## Simplified Transaction Structure



# Sempra Solar Holdings Operating Assets

Operating investments have a weighted average remaining PPA life of 19 years

## JV Assets

Project	State	MW <sup>(b)</sup>	COD	Offtaker	PPA Term	Tax Equity	Project Debt
Copper Mountain Solar 3 <sup>(a)</sup>	NV	128	2015	SCPPA	20 years	—	✓
Mesquite Solar 1 <sup>(a)</sup>	AZ	83	2012	PG&E	20 years	—	✓
Copper Mountain Solar 2 <sup>(a)</sup>	NV	75	2015	PG&E	25 years	—	✓
California Solar	CA	55	2013	PG&E	25 years	—	✓
Broken Bow II <sup>(a)</sup> (Wind)	NE	38	2014	NPPD	25 years	—	✓
<b>JV Subtotal</b>		<b>379</b>			<b>23 years<sup>(c)</sup></b>		

## Sempra 100% Owned Solar Assets

Project	State	MW <sup>(b)</sup>	COD	Offtaker	PPA Term	Tax Equity	Project Debt
Great Valley <sup>(a)</sup>	CA	200	2017	Various <sup>(d)</sup>	15 to 20 years	✓	—
Mesquite Solar 3 <sup>(a)</sup>	AZ	150	2016	WAPA / Navy	25 years	✓	—
Mesquite Solar 2 <sup>(a)</sup>	AZ	100	2016	SCE	20 years	✓	—
Copper Mountain Solar 4 <sup>(a)</sup>	NV	94	2016	SCE	20 years	✓	—
Copper Mountain Solar 1 <sup>(a)</sup>	NV	58	2010	PG&E	20 years	—	✓
<b>100% Subtotal</b>		<b>602</b>			<b>21 years<sup>(c)</sup></b>		

a. Denotes projects that Sempra currently operates; CED will assume operations.

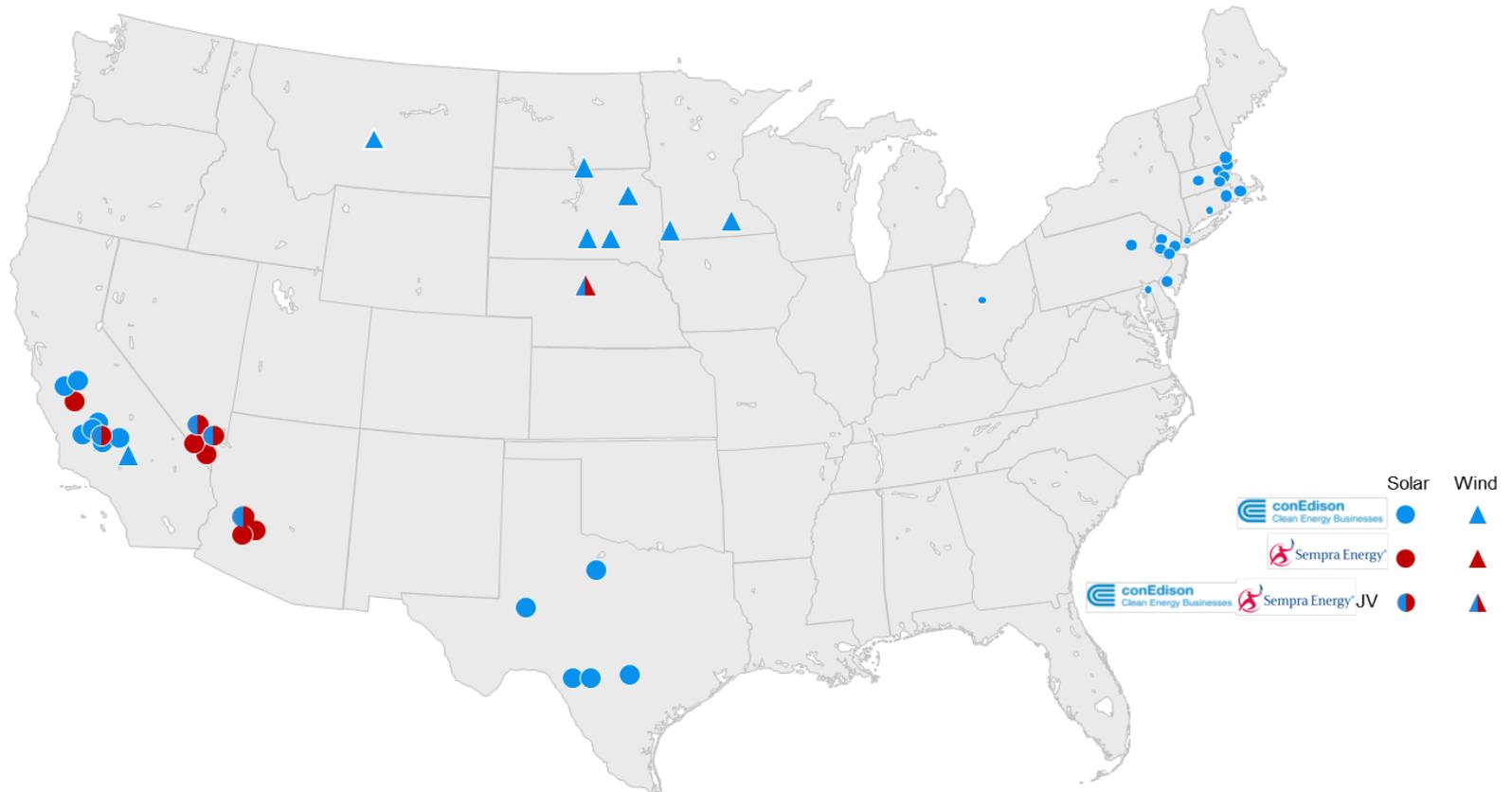
b. Represents Sempra's ownership stake.

c. Weighted average based on project capacity.

d. SCE/PG&E/Sacramento MUD/Marin Clean Energy.

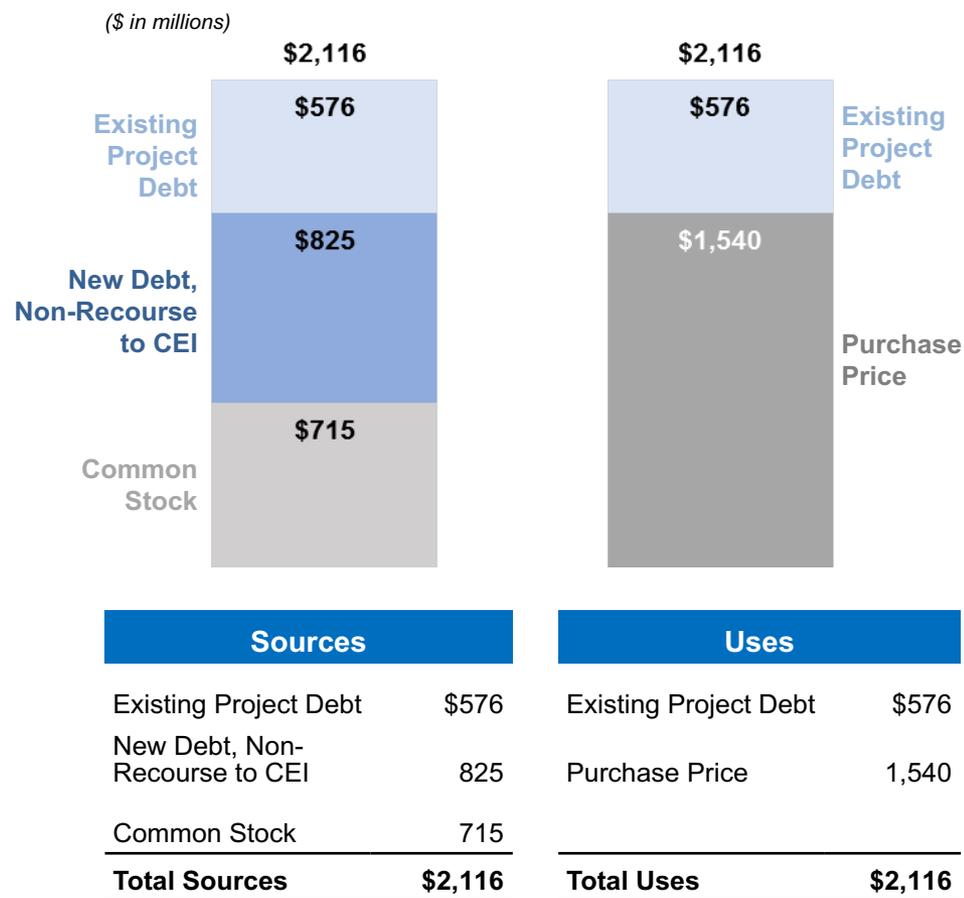
# CEBs' Pro Forma Portfolio of Renewable Assets

Acquired assets are co-located with existing CEBs assets with development opportunities in attractive growth markets



# Sources and Uses of Funds in Transaction

- CEBs had consolidated non-recourse project debt of \$890 million as of September 30, 2018
- CEBs expect to consolidate \$506 million of project debt associated with the JV Assets that is currently not consolidated under the equity method of accounting for the projects
- CEBs will also assume \$576 million of project debt (of which \$506 million is associated with the JV Assets) as part of the acquisition
- The existing third party partner will remain in place for the four projects with tax equity that are being acquired



# Accounting Considerations for Sempra Solar Holdings Acquisition

There are two significant non-cash accounting effects that are a result of the acquisition: accounting resulting from the acquisition itself, and ongoing accounting for the tax equity partner's interests in four projects

## Acquisition: Purchase Accounting

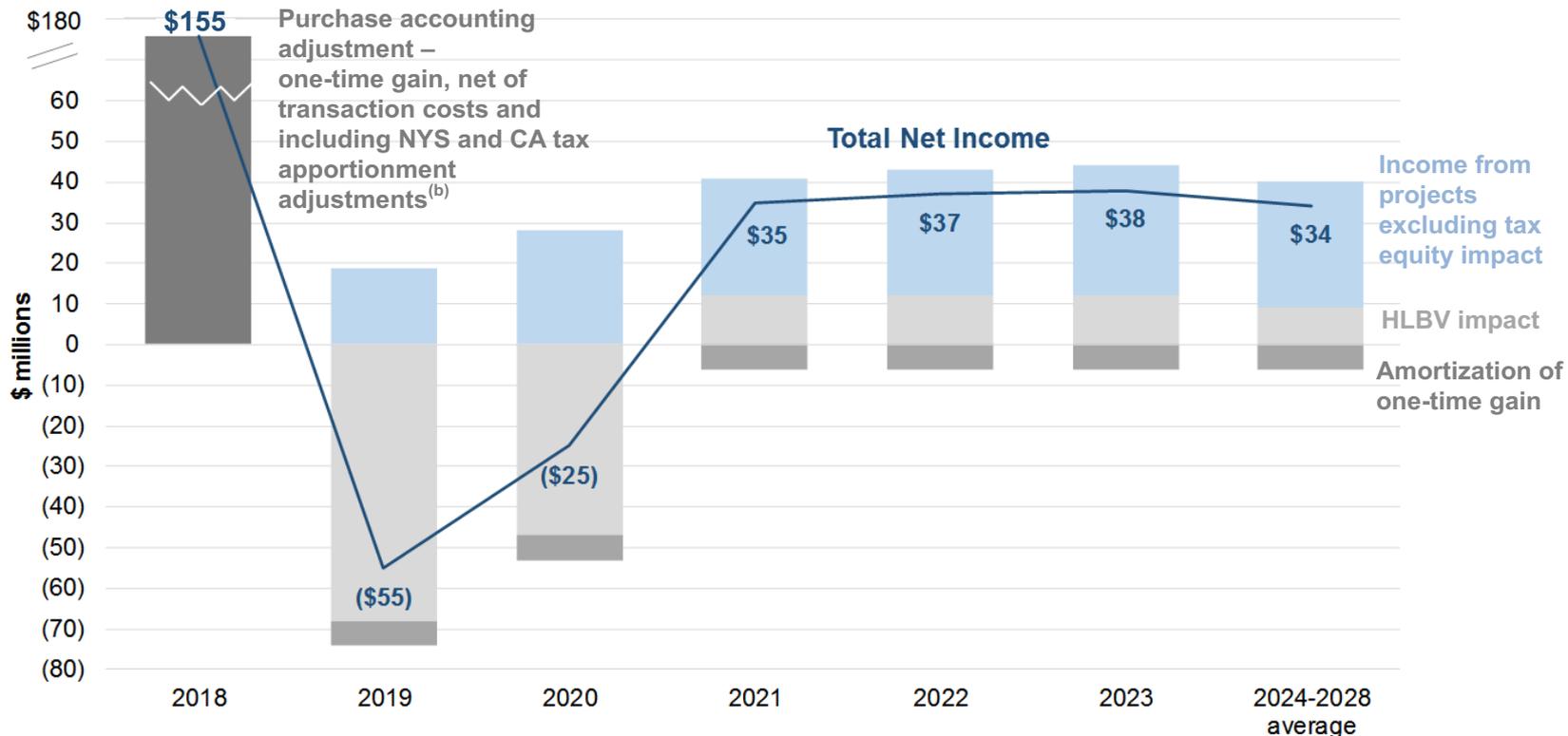
- Sempra Solar 981 MW AC of projects include 379 MW AC of projects 50% owned by Con Edison subsidiaries
- Upon the closing of the acquisition, Con Edison expects to account for the jointly-owned projects and the other projects acquired on a consolidated basis, and record a one-time gain for its previously held equity interest in the jointly-owned projects equal to the fair value in excess of book value
- Amortize the one-time gain over life of the assets
- Expense all transaction costs

## Ongoing Partner Interest: Hypothetical Liquidation at Book Value (HLBV)

- Tax equity partnerships are organized so that a tax-motivated investor receives a disproportionate share of the attributes of the partnership (high tax, low cash flow)
- Allocation of cash distributions and tax benefit sharing ratios between partners changes over time
- The HLBV calculation produces non-linear GAAP income allocation results

# Forecasted GAAP Net Income from Sempra Solar Holdings Acquisition<sup>(a)</sup>

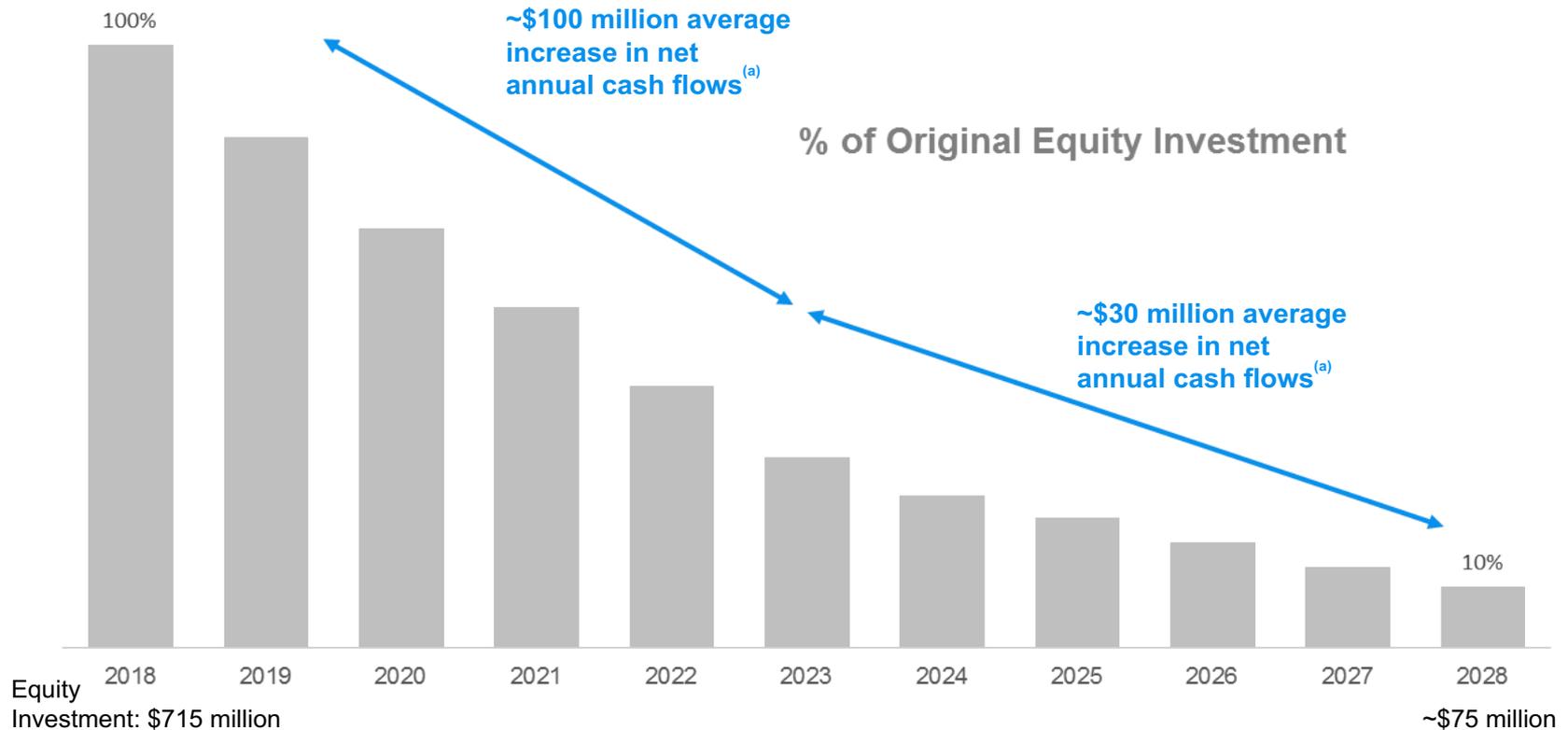
Assumes closing of acquisition and application of purchase accounting adjustment at December 31, 2018



- a. Net income is forecasted from operating assets only. Actual net income may differ from forecasted amounts due to project performance, timing of closing of the acquisition, and fair market valuation of assets and liabilities.
- b. Transaction costs of \$(10) million, net of tax, were recorded in September 2018. If the acquisition closes and purchase accounting adjustments are recorded at December 31, 2018, an estimated one-time after-tax gain of \$165 million (including updated NYS and CA tax apportionment adjustments) will be recorded in December 2018.

# Forecasted Return of Equity Used for Sempra Solar Holdings Acquisition

We expect the increase in our net cash flows over the next 10 years resulting from the acquired assets to return approximately 90% of our equity investment

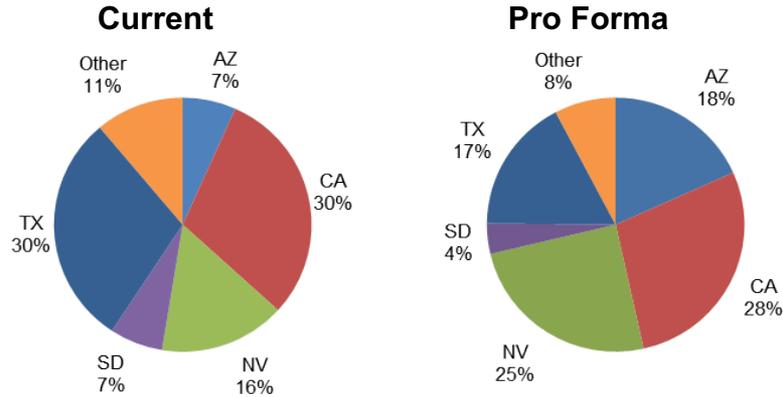


a. Annual cash flow drops with the expiration of accelerated depreciation associated with five-year Modified Accelerated Cost Recovery System on property, plant and equipment.

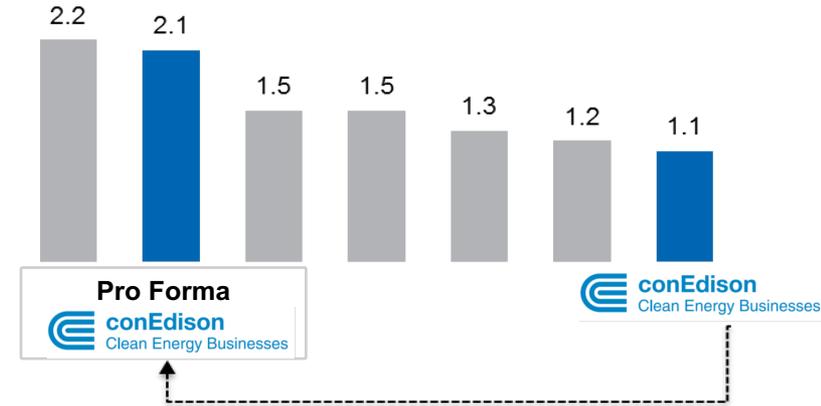
# CEBs' Utility Scale Pro Forma Portfolio

The renewable portfolio would nearly double with the purchase of Sempra Solar Holdings

## Geography (MW)

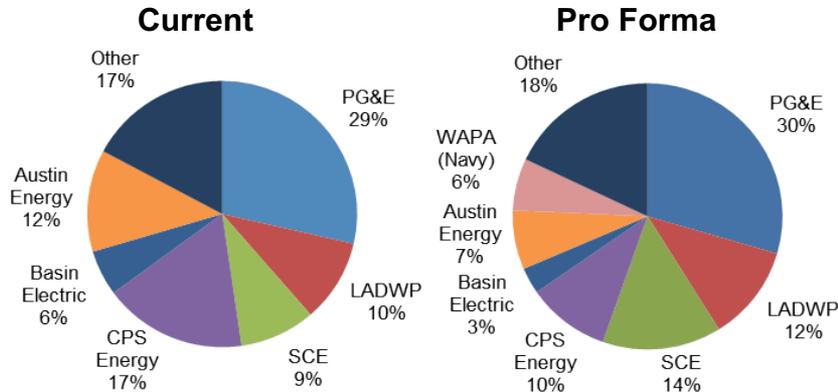


## Solar PV Asset Ownership (GW) Pro Forma (end 2017)

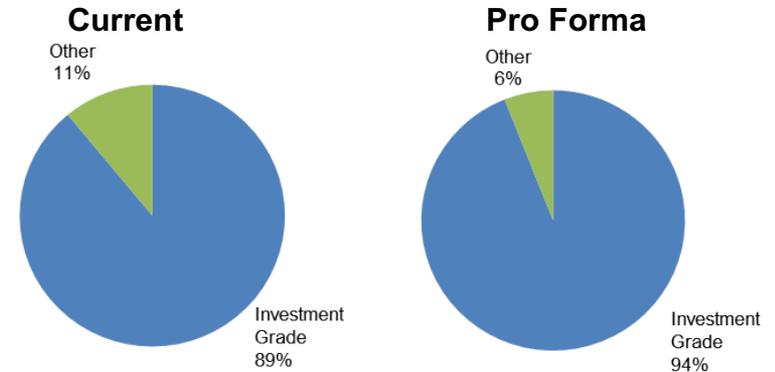


Source: Company information and IHS EER (as of year-end 2017).

## Off-Takers (MW)



## Off-Taker Credit Rating (MW)<sup>(a)</sup>



Source: Pie charts based on Company information as of June 30, 2018.

a. Investment grade category includes S&P senior unsecured ratings of AA, A, and BBB as of September 30, 2018.

## Investment Highlights

- Forecasted returns expected to exceed regulatory return
- Long-term, contracted cash flows with creditworthy counterparties
- Efficiencies from operating co-owned and co-located assets
- Familiarity with assets and markets of operation
- Consistent with CEI's strategy of growing our renewables footprint
- Enhances our development platform to enable further growth, including battery storage and repowering
- Reinforces the corporate goal of responsible environmental stewardship