Orange and Rockland Utilities, Inc.
First Quarter 2006 Financial Statements and Notes

Financial Statements (Unaudited)

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

	March 31, 2006	December 31, 2005
	(Millions of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	$ 851	$ 846
Gas	365	361
General	122	123
Total	1,338	1,330
Less: Accumulated depreciation	398	395
Net	940	935
Construction work in progress	38	32
NET PLANT	978	967
CURRENT ASSETS		
Cash and temporary cash investments	23	9
Restricted cash	2	2
Accounts receivable - customers, less allowance for uncollectible accounts of $2 in 2006 and 2005	67	61
Accrued unbilled revenue	27	29
Other receivables, less allowance for uncollectible accounts of $2 in 2006 and 2005	52	39
Accounts receivable from affiliated companies	11	30
Gas in storage, at average cost	28	62
Materials and supplies, at average cost	7	6
Prepayments	8	11
Fair value of derivative assets	22	50
Recoverable energy costs	15	29
Other current assets	16	11
TOTAL CURRENT ASSETS	278	339
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets	245	244
Other deferred charges and noncurrent assets	28	38
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	273	282
TOTAL ASSETS	$ 1,529	$ 1,588

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

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

	March 31, 2006	December 31, 2005
	(Millions of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common shareholder's equity (See Statement of Common Shareholder's Equity)	$ 372	$ 369
Long-term debt	363	384
TOTAL CAPITALIZATION	735	753
NONCURRENT LIABILITIES		
Provision for injuries and damages	6	6
Pensions and retiree benefits	115	101
Superfund and other environmental costs	52	53
Hedges on variable rate long-term debt	13	14
TOTAL NONCURRENT LIABILITIES	186	174
CURRENT LIABILITIES		
Long-term debt due within one year	22	2
Notes payable	51	101
Accounts payable	61	81
Accounts payable to affiliated companies	78	33
Customer deposits	14	14
Accrued taxes	3	4
Accrued interest	8	6
Deferred derivative gains	20	54
Deferred income taxes - recoverable energy costs	6	12
Other current liabilities	12	12
TOTAL CURRENT LIABILITIES	275	319
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	185	194
Regulatory liabilities	135	138
Other deferred credits	13	10
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	333	342
TOTAL CAPITALIZATION AND LIABILITIES	$1,529	$1,588

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Orange and Rockland Utilities, Inc.
CONSOLIDATED INCOME STATEMENT
(Unaudited)

	For the Three Months Ended March 31, 2006	2005
	(Millions of Dollars)	
OPERATING REVENUES		
Electric	$ 126	$ 121
Gas	106	97
TOTAL OPERATING REVENUES	232	218
OPERATING EXPENSES		
Purchased power	67	59
Gas purchased for resale	74	61
Other operations and maintenance	44	42
Depreciation and amortization	9	9
Taxes, other than income taxes	13	12
Income taxes	7	12
TOTAL OPERATING EXPENSES	214	195
OPERATING INCOME	18	23
OTHER INCOME (DEDUCTIONS)		
Investment and other income	1	-
INTEREST EXPENSE		
Interest on long-term debt	5	5
Other interest	2	1
NET INTEREST EXPENSE	7	6
NET INCOME	$ 12	$ 17

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended March 31, 2006	2005
	(Millions of Dollars)	
NET INCOME	$ 12	$ 17
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Supplemental pension plan minimum liability adjustments, net of taxes	(1)	-
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of $(1) and $2, taxes in 2006 and 2005, respectively	(1)	2
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(2)	2
COMPREHENSIVE INCOME	$ 10	$ 19

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY
(Unaudited)

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2004	1,000	$ -	$ 194	$ 204	$ (10)	$ 388
Net Income				17		17
Common stock dividend to parent				(7)		(7)
Other comprehensive income					2	2
BALANCE AS OF MARCH 31, 2005	1,000	$ -	$ 194	$ 214	$ (8)	$ 400
BALANCE AS OF DECEMBER 31, 2005	1,000	$ -	$ 194	$ 183	$ (8)	$ 369
Net Income				12		12
Common stock dividend to parent				(7)		(7)
Other comprehensive loss					(2)	(2)
BALANCE AS OF MARCH 31, 2006	1,000	$ -	$ 194	$ 188	$ (10)	$ 372

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

Orange and Rockland Utilities, Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	For the Three Months Ended March 31, 2006	2005
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$ 12	$ 17
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	9	9
Deferred income taxes	(14)	(6)
Other non-cash items (net)	(1)	(2)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, less allowance for uncollectibles	(6)	(28)
Accounts receivable from affiliated companies	10	-
Materials and supplies, including gas in storage	33	31
Prepayments, other receivables and other current assets	(8)	3
Recoverable energy costs	17	9
Accounts payable	(20)	(7)
Accounts payable to affiliated companies	39	(5)
Pensions and retiree benefits	14	11
Accrued taxes	(1)	2
Accrued interest	2	-
Deferred charges and other regulatory assets	1	(6)
Deferred credits and regulatory liabilities	6	3
Other liabilities	(2)	(2)
NET CASH FLOWS FROM OPERATING ACTIVITIES	91	29
INVESTING ACTIVITIES		
Utility construction expenditures	(18)	(9)
Cost of removal less salvage	(1)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(19)	(9)
FINANCING ACTIVITIES		
Net retirement of short-term debt	(50)	-
Issuance of long-term debt	-	40
Retirement of long-term debt	(1)	-
Dividend to parent	(7)	(7)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	(58)	33
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	14	53
BALANCE AT BEGINNING OF PERIOD	9	12
BALANCE AT END OF PERIOD	$ 23	$ 65
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 5	$ 4
Income Taxes/(Refund)	$ (10)	$ (2)

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

Notes to the Financial Statements (Unaudited)

General

These notes accompany and form an integral part of the interim financial statements of Orange and Rockland Utilities, Inc. and its subsidiaries (the Company or O&R), a New York corporation. The Company is a regulated utility, which is a wholly owned subsidiary of Consolidated Edison, Inc. (Con Edison). The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC), the New York Public Service Commission (PSC), the New Jersey Board of Public Utilities and the Pennsylvania Public Utility Commission with respect to rates and accounting.

The interim consolidated financial statements of O&R are unaudited but, in the opinion of its management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. O&R's interim consolidated financial statements should be read together with its separate audited financial statements including the notes thereto for the year ended December 31, 2005 (2005 Annual Financial Statements). Certain prior period amounts have been reclassified to conform to the current period presentation. Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Note A – Regulatory Matters

Reference is made to "Rate and Restructuring Agreements" in Note B to the 2005 Annual Financial Statements for information pertaining to the Company's current rate agreements.

Gas

In November 2005, O&R filed a request with the New York State Public Service Commission (PSC) for an increase in the rates it charges for gas service, effective November 1, 2006, of $24 million (4.7 percent). The filing reflected a return on common equity of 11 percent and a common equity ratio of 48.9 percent of capitalization. The filing included a proposal for a three-year plan, with additional increases effective November 1, 2007 and 2008 of $2.1 million and $1.8 million, respectively. In March 2006, the PSC Staff recommended an increase in base rates of $6.1 million effective November 1, 2006, basing its recommendation upon a return on common equity of 8.9 percent and a common equity ratio of 47.6 percent. The PSC is expected to render a decision in October 2006.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at March 31, 2006 and December 31, 2005 were comprised of the following items:

(Millions of Dollars)	2006	2005
Regulatory assets		
Transition bond charges	$ 69	$ 70
Environmental remediation costs	59	59
Pension and other postretirement benefits deferrals	53	50
Future federal income tax	51	50
Other	13	15
Regulatory assets	245	244
Deferred derivative losses - current	5	-
Recoverable energy costs - current	15	29
Total regulatory assets	$265	$273
Regulatory liabilities		
Allowance for cost of removal less salvage	$ 57	$ 57
Refundable energy costs	43	40
Unrealized gains on hedging	7	16
NYS tax law changes	12	12
Earnings sharing reserve	4	2
Other	12	11
Regulatory liabilities	135	138
Deferred derivative gains – current	20	54
Regulatory Liabilities	$155	$192

Note B – Long-Term Debt

On March 31, 2005 O&R issued (in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended) $40 million of 10-year debentures with a coupon rate of 5.3 percent and a maturity date of April 1, 2015.

In May 2006, Moody's Investors Services announced that it is reviewing its ratings of O&R for possible downgrade.

Note C – Short-Term Borrowing and Credit Agreements

For information about O&R's commercial paper program and revolving credit agreements, see Note D to the 2005 Annual Financial Statements. At March 31, 2006, O&R had $50.8 million of commercial paper outstanding. The weighted average interest rate for the three-month period was 4.5 percent. At March 31, 2006, O&R had $50 thousand of letters of credit outstanding.

Note D – Pension Benefits

Reference is made to Note E to the 2005 Annual Financial Statements.

Net Periodic Benefit Cost

The components of the Company's net periodic benefit costs for the three months ended March 31, 2006 and 2005 were as follows:

(Millions of Dollars)	2006	2005
Service cost – including administrative expenses	$2	$3
Interest cost on projected benefit obligation	7	7
Expected return on plan assets	(6)	(6)
Amortization of net actuarial loss	6	4
TOTAL PERIODIC BENEFIT COST	$9	$8
Cost capitalized	(2)	(2)
Cost deferred	(3)	(3)
Cost charged to operating expenses	$4	$3

Expected Contributions

Based on current estimates, O&R is not required under funding regulations and laws to make any contributions to the pension plan during 2006. The Company's policy however is to their accounting cost to the extent such funding is tax deductible. Therefore, O&R expects to make discretionary contributions of $35 million to the pension plan during 2006.

Note E – Other Postretirement Benefits

Reference is made to Note F to the 2005 Annual Financials Statements.

Net Periodic Benefit Cost

The components of the Company's net periodic postretirement benefit costs for the three months ended March 31, 2006 and 2005 were as follows:

(Millions of Dollars)	2006	2005
Service cost	$1	$1
Interest cost on accumulated other postretirement benefit obligation	2	2
Expected return on plan assets	(1)	(1)
Amortization of net actuarial loss	2	2
NET PERIODIC POSTRETIREMENT BENEFIT COST	$4	$4
Cost capitalized	(1)	(1)
Cost deferred	(1)	(1)
Cost charged to operating expenses	$2	$2

Expected Contributions

Based on current estimates, O&R expects to make contributions of $13 million to the other postretirement benefit plans in 2006.

Note F – Environmental Matters

Hazardous substances, such as coal tar and asbestos, have been used or generated in the course of operations of O&R and its predecessors and are present at sites and in facilities and equipment they currently or previously owned, including seven sites at which gas was manufactured (the MGP Sites).

MGP Sites

The New York State Department of Environmental Conservation (DEC) requires O&R to develop and implement remediation programs for their MGP Sites. O&R has investigated and detected soil and/or groundwater contamination to varying degrees at all of their MGP Sites. Additional investigation and determination of the remediation and monitoring methods will be required at their other MGP Sites. At March 31, 2006 and December 31, 2005, O&R had an accrued liability of $52 million and $53 million, respectively, for their MGP Sites.

In 2004, O&R estimated that the aggregate undiscounted potential liability for the remediation of the MGP Sites could range from approximately $31 million to $87 million. These estimates were based on assumptions regarding the extent of contamination and the type and extent of remediation that may be required. Actual experience may be materially different.

O&R is permitted under its New York rate agreements to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs. At March 31, 2006 and December 31, 2005, O&R's regulatory asset for recovery of these costs was $59 million. The environmental remediation costs for the three months ended March 31, 2006 and March 31, 2005 were approximately $1 million. There were no insurance recoveries during these periods.

In February 2006, a suit was brought against the Company seeking unspecified compensatory and punitive damages with respect to two decedents whose deaths were allegedly caused by exposure to contaminants from an O&R MGP site. The Company is in the process of investigating the allegations.

Asbestos Proceedings

Suits have been brought against O&R and many other defendants, wherein a large number of plaintiffs sought large amounts of damages for deaths and injuries allegedly caused by exposure to asbestos at various O&R premises. The suits that have been resolved, which are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to O&R. The amounts specified in all the remaining suits total millions of dollars but O&R believes that these amounts are greatly exaggerated, based on the disposition of previous claims.

In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. O&R defers as regulatory assets (for subsequent recovery through rates) liabilities incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants.

O&R's accrued liability for asbestos suits and the amounts deferred as regulatory assets at March 31, 2006 and December 31, 2005 were not material. O&R's accrued liability for workers' compensation proceedings (including those related to asbestos exposure) were $5 million at March 31, 2006 and December 31, 2005.

Note G – Other Material Contingencies

Timing of Deduction of Construction-Related Costs

In August 2005, the Internal Revenue Service (IRS) issued Revenue Ruling 2005-53 with respect to when federal income tax deductions can be taken for certain construction-related costs. O&R used the "simplified service cost method" (SSCM) to determine the extent to which these costs could be deducted in 2002, 2003 and 2004, and as a result reduced their current tax expense by $24 million. Under Revenue Ruling 2005-53, the Company may be required to repay, with interest, a portion of its past SSCM tax benefits and to capitalize and depreciate over a period of years costs it previously deducted under SSCM. The interest could range from zero to approximately $4.9 million. Repayment of the SSCM tax benefits would not otherwise affect O&R's results of operations because deferred taxes have been previously provided for the related temporary differences between the SSCM deductions taken for federal income tax purposes and the corresponding amounts charged to expense for financial reporting purposes.

Generating Assets Sold To Mirant

In June 1999, O&R completed the sale of all of its generating assets to affiliates (the Mirant Affiliates) of Mirant Corporation (formerly Southern Energy, Inc.). The total gross proceeds from the sale amounted to $343 million. In 2003, Mirant and most of its subsidiaries filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In January 2006, Mirant and most of its subsidiaries but not the Mirant Affiliates emerged from bankruptcy.

In May 2006, Mirant, the Mirant Affiliates and another Mirant subsidiary (the Claimants) commenced a proceeding seeking, among other things, to void the sale of the generating assets and recover the amounts paid by the Mirant Affiliates in connection with the sale (which the Claimants allege exceeded the fair value of the assets), together with interest on such amounts. In addition, the Claimants seek damages, and a declaration that O&R defend and indemnify the Mirant Affiliates, in connection with certain environmental, operational and other matters relating to some of the assets, the costs of which could be substantial. The Claimants also object to the allowance of claims totaling approximately $1 million filed by O&R in the bankruptcy proceeding.

In addition, Mirant has indicated in certain filings in its bankruptcy proceeding that under certain circumstances it would retire its Lovett generating units in 2007 and 2008. O&R is in the process of upgrading its transmission and distribution system to meet anticipated demand growth, and believes that by 2007 it would be able to meet existing transmission reliability criteria in the event that the Lovett units were shut down.

O&R is unable to predict whether or not any Mirant related lawsuits or other actions will have a material adverse effect on their financial position, results of operations or liquidity.

Note H – Stock-Based Compensation

O&R participates in the Con Edison stock-based compensation plans, which include stock options, restricted stock units and contributions to a discount stock purchase plan. Shares of Con Edison common stock used to satisfy the obligations with respect to such compensation may be new (authorized, but unissued) shares, treasury shares or shares purchased on the open market. The shares used in 2006 have been new shares.

In January 2006, O&R adopted Statement of Financial Accounting Standards (SFAS) 123(R), “Share-Based Payment,” applying the modified prospective approach. Pursuant to SFAS No. 123(R), O&R has recognized the cost of stock-based compensation as an expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by O&R during the three months ended March 31, 2006:

(Thousands of Dollars)	Stock Options	Restricted Stock Units	Performance-Based Restricted Stock
Compensation expense recognized	$227	$ -	$526

Stock Options

For a description of the stock options, the 1996 Stock Option Plan and the Long Term Incentive Plan (LTIP) under which the stock options have been awarded, reference is made to Note L to the 2005 Annual Financial Statements. Pursuant to SFAS 123(R), O&R generally recognizes compensation expense (based on the fair value of stock option awards) over the continuous service period in which the options vest. Awards to employees currently eligible for retirement are expensed in the month awarded.

The outstanding options are “equity awards” because shares of Con Edison common stock are delivered upon exercise of the options. As equity awards, the fair value of the options is measured at the grant date. The weighted average fair value of options awarded in the three-month period ended March 31, 2006 is $4.08. This value was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2006
Risk-free interest rate	4.36%
Expected term	4.6 years
Expected stock volatility	13.88%
Expected dividend yield	4.86%

The weighted average risk-free rate is calculated using the five-year U.S. Treasury securities rate on the grant date of each stock option and then weighted for the number of shares awarded. The expected life of the options is based on historical employee exercise behavior and post-vesting cancellations. The expected stock volatility is calculated using the quarterly closing prices of Con Edison stock over a period of five years, which approximates the expected term of the options. The expected dividend yield is calculated using the annualized dividend divided by the stock price on the date of grant.

A summary of changes in the status of O&R's stock options during the three months ended March 31, 2006 is as follows:

	Options	Weighted Average Exercise Price
Outstanding at 12/31/05	538,000	$40.788
Granted	77,000	46.880
Exercised	(1,000)	37.750
Forfeited	-	-
Outstanding at 3/31/06	614,000	$41.557

The exercise price of options awarded in 2006 is $46.88. The change in the fair value of the options from their grant dates to March 31, 2006 (aggregate intrinsic value) is $1 million for O&R. The aggregate intrinsic value of options exercised by employees of Con Edison's affiliates, including O&R, in the period ended March 31, 2006 is $1 million and the cash received by Con Edison for payment of the exercise price was $2 million. The weighted average remaining contractual life of options outstanding is eight years as of March 31, 2006.

The following table summarizes O&R's stock options outstanding at March 31, 2006 for each plan year:

Plan Year	Remaining Contractual Life	Options Outstanding	Weighted Average Exercise Price	Options Exercisable
2006	10	77,000	$46.880	-
2005	9	105,000	43.031	-
2004	8	100,500	43.750	-
2003	7	113,000	39.505	50,000
2002	6	101,000	42.510	101,000
2001	5	79,000	37.750	79,000
2000	4	38,500	32.500	38,500
Total		614,000		268,500

The total expense to be recognized in future periods for unvested stock options outstanding as of March 31, 2006 is $1 million for O&R.

Restricted Stock Units

For a description of the restricted stock units, reference is made to Note L to the 2005 Annual Financial Statements. In certain cases, dividend equivalents are paid on the restricted stock units. In the three months ended March 31, 2006, restricted stock unit awards under the LTIP were made as follows: (i) annual awards to officers under restricted stock unit agreements that provide for adjustment of the number of units (as described in Note L to the 2005 Annual Financial Statements, performance-based restricted stock units or PBRS) and (ii) under the Con Edison directors' deferred compensation plan. No other awards of restricted stock units were made in 2006.

In accordance with SFAS 123(R), for outstanding restricted stock awards other than PBRS, O&R has accrued a liability based on the market value of a common share on the grant date and is recognizing compensation expense over the vesting period. Prior to vesting, the awards are subject to forfeiture in whole or in part under certain circumstances. The awards are "liability awards" because each restricted stock unit represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, prior to vesting, changes in the fair value of the units are reflected in net income. For the three-month period ended March 31, 2006, there were 25,000 shares outstanding. These shares became vested in 2005 and were expensed over the vesting period, however, the receipt of the shares is deferred until a future date. The weighted average fair value as of the grant date of the outstanding shares is $31.19.

For PBRS that are subject to adjustment based on Con Edison's total shareholder return relative to the Standard and Poor's Electric Utilities Index during a specified performance period (the TSR portion), O&R uses a Monte Carlo simulation model to estimate the fair value of the awards. The fair value is recomputed each reporting period as of the earlier of the reporting date and the vesting date. For PBRS that are subject to adjustment based on determinations made in connection with the Company's annual bonus plans (the O&R Annual Team Incentive Plan portion), the fair value of the awards is determined using the market price on the date of grant. PBRS awards are "liability awards" because each PBRS represent the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, changes in the fair value of the PBRS are reflected in net income. The following table illustrates the assumptions used to calculate the fair value of the awards:

	2006
Risk-free interest rate	4.76 to 5.04%
Expected term	3 years
Expected volatility	13.32%
Expected quarterly dividends	$0.575 to $0.59

The risk-free rate is based on the U.S. Treasury zero-coupon yield curve on the date of grant. The expected term of the PBRS is three years, which equals the vesting period. O&R does not expect significant forfeitures to occur. The expected volatility is calculated using daily closing stock prices over a period of three years, which approximates the expected term of the awards. Expected annual escalation of dividends is based on historical trends.

A summary of changes in the status of the PBRS' TSR portion during the three months ended March 31, 2006 is as follows:

	Units	Weighted Average Grant Date Fair Value*
Non-vested at 12/31/05	10,925	$31.04
Granted	4,900	35.64
Vested and Exercised	(3,625)	43.06
Forfeited	-	-
Non-vested at 3/31/06	12,200	$28.78

* Fair value is determined using the Monte Carlo simulation described above.

A summary of changes in the status of the PBRS' Annual Team Incentive Plan portion during the three months ended March 31, 2006 is as follows:

	Units	Weighted Average Grant Date Price
Non-vested at 12/31/05	10,925	$43.28
Granted	4,900	46.88
Vested and Exercised	(3,625)	43.06
Forfeited	-	-
Non-vested at 3/31/06	12,200	$43.50

The total expense to be recognized by O&R in future periods for unvested PBRS outstanding as of March 31, 2006 is $2 million.

Stock Purchase Plan

For a description of the Stock Purchase Plan, reference is made to Note L to the 2005 Annual Financial Statements. Participants in the plan immediately vest in shares purchased by them under the plan. The fair value of the shares of Con Edison common stock purchased under the plan was calculated using the average of the high and low composite sale prices at which shares were traded at the New York Stock Exchange on the trading day immediately preceding such purchase dates. In the three months ended March 31, 2006, 149,584 shares were purchased under the Stock Purchase Plan by Con Edison and its subsidiaries at a weighted average price of $46.17 per share.

Notes to the Financial Statements (Unaudited) - Continued

Note I – Financial Information By Business Segment

Reference is made to Note M to the 2005 Annual Financial Statements.

The financial data for the business segments are as follows:

	For the Three Months Ended March 31,							
	Operating Revenues		Intersegment Revenues		Depreciation and Amortization		Operating Income	
(Millions of Dollars)	2006	2005	2006	2005	2006	2005	2006	2005
Electric	$126	$ 121	$ -	$ -	$6	$ 7	$ 8	$ 10
Gas	106	97	-	-	3	2	10	13
Total	$232	$ 218	$ -	$ -	$9	$ 9	$18	$ 23

Note J – Derivative Instruments and Hedging Activities

Reference is made to Note N to the 2005 Annual Financial Statements.

Energy Price Hedging

O&R hedges market price fluctuations associated with physical purchases and sales of electricity and natural gas by using derivative instruments including futures, forwards, financial swaps, or options. The fair values of these hedges at March 31, 2006 and December 31, 2005 were as follows:

(Millions of Dollars)	2006	2005
Fair value of net assets	$18	$69

Pursuant to SFAS No. 71, “Accounting for the Effects of Certain Types of Regulation,” the Company generally defers recognition in income of gains and losses on a hedge until the underlying transaction is completed. In accordance with rate provisions that permit the recovery of the cost of purchased power, O&R credits or charges to its customers’ gains and losses on hedges and related transaction costs. See “Recoverable Energy Costs” in Note A to the 2005 Annual Financial Statements.

Credit Exposure

The Company is exposed to credit risk related to transactions entered into primarily for various energy supply and hedging activities. The Company uses credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements and collateral or prepayment arrangements.

The Company had $54 million credit exposure in connection with energy supply and hedging activities, net of collateral and reserves, at March 31, 2006. The entire $54 million was with investment-grade counterparties.

Cash Flow Hedges

The Company designates a portion of its derivative instruments as cash flow hedges under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” Under cash flow hedge accounting, to the extent a hedge is determined to be “effective,” the unrealized gain or loss on the hedge is recorded in other comprehensive income (OCI) and reclassified to earnings at the time the underlying transaction is completed. A gain or loss relating to any portion of the hedge determined to be “ineffective” is recognized in earnings in the period in which such determination is made.

The following table presents selected information related to these cash flow hedges included in the accumulated OCI at March 31, 2006:

(Millions of Dollars)	Accumulated Other Comprehensive Income/(Loss) Net of Tax	Portion Expected to be Reclassified to Earnings during the Next 12 Months
Energy Price Hedges	$(1)	$(1)

The actual amounts that will be reclassified to earnings may vary from the expected amounts presented above as a result of changes in market prices. The effect of reclassification from accumulated OCI to earnings will generally be offset by the recognition of the hedged transaction in earnings. The maximum term for O&R’s cash flow hedges is 21 months.

The unrealized net gain and losses relating to the hedge ineffectiveness of these cash flow hedges that were recognized in earnings for the three months ended March 31, 2006 and 2005 were immaterial to the results of operations of O&R for those periods.

Interest Rate Hedging

The Company uses interest rate swaps to manage interest rate exposure associated with debt. The fair values of these interest rate swaps at March 31, 2006 and December 31, 2005 were as follows:

(Millions of Dollars)	2006	2005
Fair value of interest rate swaps	$(12)	$(13)

Cash Flow Hedges

The Company’s interest rate swaps are designated as cash flow hedges under SFAS No. 133. Any gain or loss on the hedges is recorded in OCI and reclassified to interest expense and included in earnings during the periods in which the hedged interest payments occur.

The following table presents select information related to these cash flow hedges included in the accumulated OCI at March 31, 2006:

(Millions of Dollars)	Accumulated Other Comprehensive Income/(Loss) Net of Tax	Portion Expected to be Reclassified to Earnings during the Next 12 Months
Interest Rate Swaps	$(7)	$(1)

The actual amounts that will be reclassified to earnings may vary from the expected amounts presented above as a result of changes in interest rates. For the Company, these costs are recovered in rates and the reclassification will have no impact on results of operations.

Note K – Related Party Transactions

Reference is made to Note P to the 2005 Annual Financial Statements.

The Company provides and receives administrative and other services to and from Con Edison and its subsidiaries pursuant to cost allocation procedures developed in accordance with rules approved by the PSC and/or other regulatory authorities, as applicable. The services received include substantial administrative support operations, such as corporate secretarial and associated ministerial duties, accounting, treasury, investor relations, information resources, legal, human resources, fuel supply, and energy management services. The costs of administrative and other services provided by O&R, and received from Con Edison and its subsidiaries for the three months ended March 31, 2006 and 2005 were as follows:

(Millions of Dollars)	2006	2005
Cost of services provided	$4	$3
Cost of services received	$7	$6

In addition, O&R purchased from Con Edison of New York $42 million and $35 million of natural gas for the three months ended March 31, 2006 and 2005, respectively. These amounts are net of the effect of related hedging transactions.

Electric hedging transactions executed by Con Edison of New York on behalf of O&R resulted in a charge to purchased power of $1.4 million for the three months ended March 31, 2006 and credit of $0.3 million for the three months ended March 31, 2005.

As of March 31, 2006 and December 31, 2005, the Company's net payable to Con Edison of New York associated with derivatives for energy price hedging, was $30 million and $2 million, respectively. See Note J.

As of March 31, 2006 and December 31, 2005, the Company's receivable from Con Edison for income taxes was $4 million and $15 million, respectively. In addition, at March 31, 2006 the Company had a payable to Con Edison for income taxes of $20 million. See Note A to the 2005 Annual Financial Statements.

O&R also purchased from Consolidated Edison Energy, Inc., a wholly owned subsidiary of Con Edison, $0.8 million of electricity for its Pennsylvania regulated subsidiary for the three months ended March 31, 2006 and $1 million of electricity for its New Jersey regulated subsidiary for the three months ended March 31, 2005, pursuant to statewide energy auctions.

In December 2005, the FERC authorized Con Edison of New York to lend funds to O&R, for periods of not more than 12 months, in amounts not to exceed $200 million outstanding at any time, at prevailing market rates. O&R has not borrowed any funds from Con Edison of New York.

Note L – New Financial Accounting Standards

Reference is made to Note Q to the 2005 Annual Financial Statements.

In April 2006, the Financial Accounting Standards Board (FASB) issued Staff Position No. FIN 46(R)-6, “Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)” (the FSP), which is effective prospectively for reporting periods beginning after June 15, 2006. The FSP clarifies that the variability to be considered in applying FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities,” should be based on an analysis of the design of the entity. The application of this FSP is not expected to have a material impact on the Companies’ financial position, results of operations or liquidity.

In March 2006, the FASB issued a proposed Statement on Employers’ Accounting for Defined Benefit Pension and Other Postretirement Benefits. The proposed Statement requires an employer that sponsors one or more defined benefit pension or other postretirement plans to recognize an asset or liability for the overfunded or underfunded status of the plan. For a pension plan, the asset or liability is the difference between the fair value of the plan’s assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan’s assets and the accumulated postretirement benefit obligation. Employers must recognize all unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive income, net of tax. Such amounts would be adjusted as they are subsequently recognized as components of net periodic benefit cost or income pursuant to the current recognition and amortization provisions of FASB Statements No. 87, “Employers’ Accounting for Pensions,” and No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions.” In general, under the Company’s rate plans, the difference between expenses recognized under these accounting standards and the rate allowance is deferred. For a description of the Company’s pension plan and other postretirement benefit plans, see Notes E and F to the 2005 Annual Financial Statements. The Company has not yet determined the impact of the proposed Statement on its financial position, results of operations or liquidity, but it could be material.

In March 2006, the FASB issued Statement No. 156, “Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140” (SFAS No. 156), which is effective for fiscal years beginning after September 15, 2006. The Statement clarifies the accounting for servicing rights, requires servicing rights to be initially measured at fair value, and provides the option to subsequently account for servicing rights at either fair value or under the amortization method previously required under FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” The adoption of SFAS No. 156 is not expected to have a material impact on the Company’s financial position, results of operations or liquidity.

In February 2006, the FASB issued Statement No. 155, “Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140” (SFAS No. 155), which is effective for fiscal years beginning after September 15, 2006. This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It establishes a requirement to evaluate interests in securitized financial assets to determine whether they are freestanding derivatives or whether they contain embedded derivatives. The adoption of SFAS No. 155 is not expected to have a material impact on the Company’s financial position, results of operations or liquidity.