# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
### WASHINGTON, D.C. 20549
# FORM 10-Q

x Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017**

OR

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

For the transition period from __________ to __________

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

| | | |
|---|---|---|
| Con Edison | Yes x | No ☐ |
| CECONY | Yes x | No ☐ |

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

| | | |
|---|---|---|
| Con Edison | | |
| Large accelerated filer x | Accelerated filer ☐ | Non-accelerated filer ☐ |
| Smaller reporting company ☐ | Emerging growth company ☐ | |
| CECONY | | |
| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer x |
| Smaller reporting company ☐ | Emerging growth company ☐ | |

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

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

| | | |
|---|---|---|
| Con Edison | Yes ☐ | No x |
| CECONY | Yes ☐ | No x |

As of October 31, 2017, Con Edison had outstanding 310,068,797 Common Shares ($.10 par value). All of the outstanding common equity of CECONY is held by Con Edison.

**Filing Format**

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

## Glossary of Terms

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

### Con Edison Companies

| | |
|---|---|
| Con Edison | Consolidated Edison, Inc. |
| CECONY | Consolidated Edison Company of New York, Inc. |
| Clean Energy Businesses | Con Edison Clean Energy Businesses, Inc., together with its subsidiaries |
| Con Edison Development | Consolidated Edison Development, Inc. |
| Con Edison Energy | Consolidated Edison Energy, Inc. |
| Con Edison Solutions | Consolidated Edison Solutions, Inc. |
| Con Edison Transmission | Con Edison Transmission, Inc., together with its subsidiaries |
| CET Electric | Consolidated Edison Transmission, LLC |
| CET Gas | Con Edison Gas Pipeline and Storage, LLC |
| O&R | Orange and Rockland Utilities, Inc. |
| RECO | Rockland Electric Company |
| The Companies | Con Edison and CECONY |
| The Utilities | CECONY and O&R |

### Regulatory Agencies, Government Agencies and Other Organizations

| | |
|---|---|
| EPA | U.S. Environmental Protection Agency |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| IASB | International Accounting Standards Board |
| IRS | Internal Revenue Service |
| NJBPU | New Jersey Board of Public Utilities |
| NJDEP | New Jersey Department of Environmental Protection |
| NYISO | New York Independent System Operator |
| NYPA | New York Power Authority |
| NYSDEC | New York State Department of Environmental Conservation |
| NYSERDA | New York State Energy Research and Development Authority |
| NYSPSC | New York State Public Service Commission |
| NYSRC | New York State Reliability Council, LLC |
| PJM | PJM Interconnection LLC |
| SEC | U.S. Securities and Exchange Commission |

### Accounting

| | |
|---|---|
| AFUDC | Allowance for funds used during construction |
| ASU | Accounting Standards Update |
| GAAP | Generally Accepted Accounting Principles in the United States of America |
| OCI | Other Comprehensive Income |
| VIE | Variable Interest Entity |

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## Environmental

| | |
|---|---|
| $CO_2$ | Carbon dioxide |
| GHG | Greenhouse gases |
| MGP Sites | Manufactured gas plant sites |
| PCBs | Polychlorinated biphenyls |
| PRP | Potentially responsible party |
| RGGI | Regional Greenhouse Gas Initiative |
| Superfund | Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes |

## Units of Measure

| | |
|---|---|
| AC | Alternating current |
| Bcf | Billion cubic feet |
| Dt | Dekatherms |
| kV | Kilovolt |
| kWh | Kilowatt-hour |
| MDt | Thousand dekatherms |
| MMlb | Million pounds |
| MVA | Megavolt ampere |
| MW | Megawatt or thousand kilowatts |
| MWh | Megawatt hour |

## Other

| | |
|---|---|
| AMI | Advanced metering infrastructure |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| DER | Distributed energy resources |
| EGWP | Employer Group Waiver Plan |
| Fitch | Fitch Ratings |
| First Quarter Form 10-Q | The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31 of the current year |
| Second Quarter Form 10-Q | The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30 of the current year |
| Third Quarter Form 10-Q | The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended September 30 of the current year |
| Form 10-K | The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2016 |
| LTIP | Long Term Incentive Plan |
| Moody's | Moody's Investors Service |
| REV | Reforming the Energy Vision |
| S&P | S&P Global Ratings |
| VaR | Value-at-Risk |



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## FORWARD-LOOKING STATEMENTS

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

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



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## Consolidated Edison, Inc.
# CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | *(Millions of Dollars/ Except Per Share Data)* | | | |
| OPERATING REVENUES | | | | |
| Electric | $2,675 | $2,769 | $6,573 | $6,717 |
| Gas | 296 | 235 | 1,593 | 1,246 |
| Steam | 62 | 63 | 448 | 406 |
| Non-utility | 178 | 350 | 458 | 999 |
| TOTAL OPERATING REVENUES | 3,211 | 3,417 | 9,072 | 9,368 |
| OPERATING EXPENSES | | | | |
| Purchased power | 460 | 798 | 1,253 | 2,047 |
| Fuel | 30 | 29 | 169 | 133 |
| Gas purchased for resale | 115 | 81 | 584 | 320 |
| Other operations and maintenance | 852 | 840 | 2,406 | 2,447 |
| Depreciation and amortization | 337 | 305 | 998 | 905 |
| Taxes, other than income taxes | 544 | 528 | 1,597 | 1,523 |
| TOTAL OPERATING EXPENSES | 2,338 | 2,581 | 7,007 | 7,375 |
| Gain on sale of retail electric supply business and solar electric production project | — | 104 | 1 | 104 |
| OPERATING INCOME | 873 | 940 | 2,066 | 2,097 |
| OTHER INCOME (DEDUCTIONS) | | | | |
| Investment income | 20 | 20 | 59 | 27 |
| Other income | 20 | 31 | 43 | 43 |
| Allowance for equity funds used during construction | 3 | 3 | 8 | 7 |
| Other deductions | (4) | (5) | (12) | (16) |
| TOTAL OTHER INCOME | 39 | 49 | 98 | 61 |
| INCOME BEFORE INTEREST AND INCOME TAX EXPENSE | 912 | 989 | 2,164 | 2,158 |
| INTEREST EXPENSE | | | | |
| Interest on long-term debt | 183 | 174 | 539 | 504 |
| Other interest | 4 | 5 | 11 | 17 |
| Allowance for borrowed funds used during construction | (2) | (1) | (5) | (4) |
| NET INTEREST EXPENSE | 185 | 178 | 545 | 517 |
| INCOME BEFORE INCOME TAX EXPENSE | 727 | 811 | 1,619 | 1,641 |
| INCOME TAX EXPENSE | 270 | 314 | 599 | 602 |
| NET INCOME | $457 | $497 | $1,020 | $1,039 |
| Net income per common share—basic | $1.48 | $1.63 | $3.33 | $3.47 |
| Net income per common share—diluted | $1.48 | $1.62 | $3.31 | $3.46 |
| DIVIDENDS DECLARED PER COMMON SHARE | $0.69 | $0.67 | $2.07 | $2.01 |
| AVERAGE NUMBER OF SHARES OUTSTANDING—BASIC (IN MILLIONS) | 307.8 | 304.5 | 306.2 | 299.1 |
| AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED (IN MILLIONS) | 309.3 | 305.9 | 307.7 | 300.5 |

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

## Consolidated Edison, Inc.
# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | *(Millions of Dollars)* | | | |
| NET INCOME | $457 | $497 | $1,020 | $1,039 |
| OTHER COMPREHENSIVE INCOME, NET OF TAXES | | | | |
| Pension and other postretirement benefit plan liability adjustments, net of taxes | 1 | 1 | 1 | 2 |
| TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES | 1 | 1 | 1 | 2 |
| COMPREHENSIVE INCOME | $458 | $498 | $1,021 | $1,041 |

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



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

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (Millions of Dollars) | |
| OPERATING ACTIVITIES | | |
| Net income | $1,020 | $1,039 |
| PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME | | |
| Depreciation and amortization | 998 | 905 |
| Deferred income taxes | 626 | 524 |
| Rate case amortization and accruals | (93) | (157) |
| Common equity component of allowance for funds used during construction | (8) | (7) |
| Net derivative gains | (4) | (7) |
| Gain on sale of retail electric supply business and solar electric production project | (1) | (104) |
| Other non-cash items, net | (1) | 99 |
| CHANGES IN ASSETS AND LIABILITIES | | |
| Accounts receivable – customers | 1 | (138) |
| Materials and supplies, including fuel oil and gas in storage | 2 | 15 |
| Other receivables and other current assets | (39) | 90 |
| Income taxes receivable | 33 | 100 |
| Prepayments | (433) | (403) |
| Accounts payable | (54) | 142 |
| Pensions and retiree benefits obligations, net | 305 | 464 |
| Pensions and retiree benefits contributions | (462) | (510) |
| Accrued taxes | (21) | (21) |
| Accrued interest | 59 | 66 |
| Superfund and environmental remediation costs, net | (9) | 68 |
| Distributions from equity investments | 87 | 45 |
| System benefit charge | 194 | 193 |
| Deferred charges, noncurrent assets and other regulatory assets | (18) | (104) |
| Deferred credits and other regulatory liabilities | (40) | 116 |
| Other current and noncurrent liabilities | 85 | (79) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 2,227 | 2,336 |
| INVESTING ACTIVITIES | | |
| Utility construction expenditures | (2,148) | (2,057) |
| Cost of removal less salvage | (185) | (149) |
| Non-utility construction expenditures | (288) | (436) |
| Investments in electric and gas transmission projects | (29) | (1,040) |
| Investments in/acquisitions of renewable electric production projects | (1) | (241) |
| Proceeds from the transfer of assets to NY Transco | — | 122 |
| Proceeds from sale of assets | 34 | 250 |
| Restricted cash | 13 | (21) |
| Other investing activities | 32 | (145) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (2,572) | (3,717) |
| FINANCING ACTIVITIES | | |
| Net payment of short-term debt | (698) | (928) |
| Issuance of long-term debt | 997 | 1,765 |
| Retirement of long-term debt | (429) | (407) |
| Debt issuance costs | (12) | (16) |
| Common stock dividends | (600) | (570) |
| Issuance of common shares - public offering | 343 | 702 |
| Issuance of common shares for stock plans | 37 | 38 |
| Distribution to noncontrolling interest | — | (1) |
| NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES | (362) | 583 |
| CASH AND TEMPORARY CASH INVESTMENTS: | | |
| NET CHANGE FOR THE PERIOD | (707) | (798) |
| BALANCE AT BEGINNING OF PERIOD | 776 | 944 |
| BALANCE AT END OF PERIOD | $69 | $146 |
| LESS: CHANGE IN CASH BALANCES HELD FOR SALE | — | (4) |
| BALANCE AT END OF PERIOD EXCLUDING HELD FOR SALE | $69 | $150 |
| SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION | | |
| Cash paid/(received) during the period for: | | |
| Interest | $479 | $437 |
| Income taxes | $(34) | $(144) |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION | | |
| Construction expenditures in accounts payable | $352 | $242 |
| Issuance of common shares for dividend reinvestment | $35 | $35 |

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

## Consolidated Edison, Inc.
# CONSOLIDATED BALANCE SHEET (UNAUDITED)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(Millions of Dollars)* | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and temporary cash investments | $69 | $776 |
| Accounts receivable – customers, less allowance for uncollectible accounts of $63 and $69 in 2017 and 2016, respectively | 1,111 | 1,106 |
| Other receivables, less allowance for uncollectible accounts of $8 and $14 in 2017 and 2016, respectively | 181 | 195 |
| Income taxes receivable | 46 | 79 |
| Accrued unbilled revenue | 411 | 447 |
| Fuel oil, gas in storage, materials and supplies, at average cost | 337 | 339 |
| Prepayments | 592 | 159 |
| Regulatory assets | 109 | 100 |
| Restricted cash | 41 | 54 |
| Other current assets | 199 | 151 |
| TOTAL CURRENT ASSETS | 3,096 | 3,406 |
| INVESTMENTS | 1,977 | 1,921 |
| UTILITY PLANT, AT ORIGINAL COST | | |
| Electric | 28,595 | 27,747 |
| Gas | 7,972 | 7,524 |
| Steam | 2,458 | 2,421 |
| General | 2,891 | 2,719 |
| TOTAL | 41,916 | 40,411 |
| Less: Accumulated depreciation | 8,904 | 8,541 |
| Net | 33,012 | 31,870 |
| Construction work in progress | 1,415 | 1,175 |
| NET UTILITY PLANT | 34,427 | 33,045 |
| NON-UTILITY PLANT | | |
| Non-utility property, less accumulated depreciation of $185 and $140 in 2017 and 2016, respectively | 1,686 | 1,482 |
| Construction work in progress | 615 | 689 |
| NET PLANT | 36,728 | 35,216 |
| OTHER NONCURRENT ASSETS | | |
| Goodwill | 428 | 428 |
| Intangible assets, less accumulated amortization of $12 and $6 in 2017 and 2016, respectively | 114 | 124 |
| Regulatory assets | 6,769 | 7,024 |
| Other deferred charges and noncurrent assets | 134 | 136 |
| TOTAL OTHER NONCURRENT ASSETS | 7,445 | 7,712 |
| TOTAL ASSETS | $49,246 | $48,255 |

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



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## Consolidated Edison, Inc.
# CONSOLIDATED BALANCE SHEET (UNAUDITED)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(Millions of Dollars)* | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Long-term debt due within one year | $687 | $39 |
| Notes payable | 356 | 1,054 |
| Accounts payable | 1,057 | 1,147 |
| Customer deposits | 344 | 352 |
| Accrued taxes | 43 | 64 |
| Accrued interest | 209 | 150 |
| Accrued wages | 105 | 101 |
| Fair value of derivative liabilities | 70 | 77 |
| Regulatory liabilities | 58 | 128 |
| System benefit charge | 628 | 434 |
| Other current liabilities | 358 | 297 |
| TOTAL CURRENT LIABILITIES | 3,915 | 3,843 |
| NONCURRENT LIABILITIES | | |
| Provision for injuries and damages | 164 | 160 |
| Pensions and retiree benefits | 1,443 | 1,847 |
| Superfund and other environmental costs | 745 | 753 |
| Asset retirement obligations | 256 | 246 |
| Fair value of derivative liabilities | 83 | 40 |
| Deferred income taxes and unamortized investment tax credits | 10,744 | 10,205 |
| Regulatory liabilities | 1,873 | 1,905 |
| Other deferred credits and noncurrent liabilities | 262 | 215 |
| TOTAL NONCURRENT LIABILITIES | 15,570 | 15,371 |
| LONG-TERM DEBT | 14,651 | 14,735 |
| EQUITY | | |
| Common shareholders' equity | 15,102 | 14,298 |
| Noncontrolling interest | 8 | 8 |
| TOTAL EQUITY (See Statement of Equity) | 15,110 | 14,306 |
| TOTAL LIABILITIES AND EQUITY | $49,246 | $48,255 |

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

## Consolidated Edison, Inc.

# CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

| | Common Stock | | | | Treasury Stock | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(In Millions)* | Shares | Amount | Additional Paid-In Capital | Retained Earnings | Shares | Amount | Capital Stock Expense | Accumulated Other Comprehensive Income/(Loss) | Noncontrolling Interest | Total |
| BALANCE AS OF DECEMBER 31, 2015 | 293 | $32 | $5,030 | $9,123 | 23 | $(1,038) | $(61) | $(34) | $9 | $13,061 |
| Net income | | | | 310 | | | | | | 310 |
| Common stock dividends | | | | (197) | | | | | | (197) |
| Issuance of common shares for stock plans | 1 | | 28 | | | | | | | 28 |
| Other comprehensive income | | | | | | | | | | — |
| Noncontrolling interest | | | | | | | | | (1) | (1) |
| BALANCE AS OF MARCH 31, 2016 | 294 | $32 | $5,058 | $9,236 | 23 | $(1,038) | $(61) | $(34) | $8 | $13,201 |
| Net income | | | | 232 | | | | | | 232 |
| Common stock dividends | | | | (204) | | | | | | (204) |
| Issuance of common shares - public offering | 10 | 1 | 723 | | | | (22) | | | 702 |
| Issuance of common shares for stock plans | | | 26 | | | | | | | 26 |
| Other comprehensive income | | | | | | | | 1 | | 1 |
| BALANCE AS OF JUNE 30, 2016 | 304 | $33 | $5,807 | $9,264 | 23 | $(1,038) | $(83) | $(33) | $8 | $13,958 |
| Net income | | | | 497 | | | | | | 497 |
| Common stock dividends | | | | (204) | | | | | | (204) |
| Issuance of common shares for stock plans | 1 | | 23 | | | | | | | 23 |
| Other comprehensive income | | | | | | | | 1 | | 1 |
| BALANCE AS OF SEPTEMBER 30, 2016 | 305 | $33 | $5,830 | $9,557 | 23 | $(1,038) | $(83) | $(32) | $8 | $14,275 |
| BALANCE AS OF DECEMBER 31, 2016 | 305 | $33 | $5,854 | $9,559 | 23 | $(1,038) | $(83) | $(27) | $8 | $14,306 |
| Net income | | | | 388 | | | | | | 388 |
| Common stock dividends | | | | (211) | | | | | | (211) |
| Issuance of common shares for stock plans | | | 24 | | | | | | | 24 |
| Other comprehensive loss | | | | | | | | (1) | | (1) |
| BALANCE AS OF MARCH 31, 2017 | 305 | $33 | $5,878 | $9,736 | 23 | $(1,038) | $(83) | $(28) | $8 | $14,506 |
| Net income | | | | 175 | | | | | | 175 |
| Common stock dividends | | | | (210) | | | | | | (210) |
| Issuance of common shares for stock plans | 1 | | 26 | | | | | | | 26 |
| Other comprehensive income | | | | | | | | 1 | | 1 |
| BALANCE AS OF JUNE 30, 2017 | 306 | $33 | $5,904 | $9,701 | 23 | $(1,038) | $(83) | $(27) | $8 | $14,498 |
| Net income | | | | 457 | | | | | | 457 |
| Common stock dividends | | | | (214) | | | | | | (214) |
| Issuance of common shares - public offering | 4 | | 345 | | | | (2) | | | 343 |
| Issuance of common shares for stock plans | | | 25 | | | | | | | 25 |
| Other comprehensive income | | | | | | | | 1 | | 1 |
| BALANCE AS OF SEPTEMBER 30, 2017 | 310 | $33 | $6,274 | $9,944 | 23 | $(1,038) | $(85) | $(26) | $8 | $15,110 |

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



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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (Millions of Dollars) | | | |
| OPERATING REVENUES | | | | |
| Electric | $2,469 | $2,557 | $6,079 | $6,222 |
| Gas | 268 | 208 | 1,421 | 1,113 |
| Steam | 62 | 63 | 448 | 406 |
| TOTAL OPERATING REVENUES | 2,799 | 2,828 | 7,948 | 7,741 |
| OPERATING EXPENSES | | | | |
| Purchased power | 400 | 495 | 1,110 | 1,216 |
| Fuel | 30 | 29 | 169 | 133 |
| Gas purchased for resale | 58 | 34 | 372 | 217 |
| Other operations and maintenance | 691 | 724 | 1,992 | 2,105 |
| Depreciation and amortization | 300 | 278 | 891 | 825 |
| Taxes, other than income taxes | 520 | 502 | 1,523 | 1,446 |
| TOTAL OPERATING EXPENSES | 1,999 | 2,062 | 6,057 | 5,942 |
| OPERATING INCOME | 800 | 766 | 1,891 | 1,799 |
| OTHER INCOME (DEDUCTIONS) | | | | |
| Investment and other income | 2 | 4 | 9 | 6 |
| Allowance for equity funds used during construction | 3 | 2 | 7 | 6 |
| Other deductions | (5) | (4) | (10) | (10) |
| TOTAL OTHER INCOME | — | 2 | 6 | 2 |
| INCOME BEFORE INTEREST AND INCOME TAX EXPENSE | 800 | 768 | 1,897 | 1,801 |
| INTEREST EXPENSE | | | | |
| Interest on long-term debt | 155 | 150 | 456 | 440 |
| Other interest | 4 | 5 | 11 | 14 |
| Allowance for borrowed funds used during construction | (2) | (1) | (4) | (3) |
| NET INTEREST EXPENSE | 157 | 154 | 463 | 451 |
| INCOME BEFORE INCOME TAX EXPENSE | 643 | 614 | 1,434 | 1,350 |
| INCOME TAX EXPENSE | 242 | 226 | 551 | 491 |
| NET INCOME | $401 | $388 | $883 | $859 |

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

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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | *(Millions of Dollars)* | | | |
| NET INCOME | $401 | $388 | $883 | $859 |
| OTHER COMPREHENSIVE INCOME, NET OF TAXES | | | | |
| Pension and other postretirement benefit plan liability adjustments, net of taxes | 1 | — | 1 | 1 |
| TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES | 1 | — | 1 | 1 |
| COMPREHENSIVE INCOME | $402 | $388 | $884 | $860 |

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



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## Consolidated Edison Company of New York, Inc.
# CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | *(Millions of Dollars)* | |
| OPERATING ACTIVITIES | | |
| Net income | $883 | $859 |
| PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME | | |
| Depreciation and amortization | 891 | 825 |
| Deferred income taxes | 566 | 569 |
| Rate case amortization and accruals | (107) | (170) |
| Common equity component of allowance for funds used during construction | (7) | (6) |
| Other non-cash items, net | (14) | 7 |
| CHANGES IN ASSETS AND LIABILITIES | | |
| Accounts receivable – customers | 18 | (79) |
| Materials and supplies, including fuel oil and gas in storage | (18) | 15 |
| Other receivables and other current assets | 29 | 18 |
| Accounts receivable from affiliated companies | 12 | 38 |
| Prepayments | (398) | (351) |
| Accounts payable | (20) | 82 |
| Accounts payable to affiliated companies | 1 | 8 |
| Pensions and retiree benefits obligations, net | 274 | 439 |
| Pensions and retiree benefits contributions | (416) | (472) |
| Superfund and environmental remediation costs, net | (7) | 76 |
| Accrued taxes | (18) | (17) |
| Accrued taxes to affiliated companies | (119) | (2) |
| Accrued interest | 61 | 43 |
| System benefit charge | 175 | 176 |
| Deferred charges, noncurrent assets and other regulatory assets | (60) | (153) |
| Deferred credits and other regulatory liabilities | 77 | 165 |
| Other current and noncurrent liabilities | (13) | (53) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 1,790 | 2,017 |
| INVESTING ACTIVITIES | | |
| Utility construction expenditures | (2,020) | (1,932) |
| Cost of removal less salvage | (179) | (146) |
| Proceeds from the transfer of assets to NY Transco | — | 122 |
| Restricted cash | 2 | 13 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (2,197) | (1,943) |
| FINANCING ACTIVITIES | | |
| Net payment of short-term debt | (453) | (553) |
| Issuance of long-term debt | 500 | 550 |
| Retirement of long-term debt | — | (400) |
| Debt issuance costs | (7) | (6) |
| Capital contribution by parent | 279 | 76 |
| Dividend to parent | (597) | (558) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | (278) | (891) |
| CASH AND TEMPORARY CASH INVESTMENTS: | | |
| NET CHANGE FOR THE PERIOD | (685) | (817) |
| BALANCE AT BEGINNING OF PERIOD | 702 | 843 |
| BALANCE AT END OF PERIOD | $17 | $26 |
| SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION | | |
| Cash paid/(received) during the period for: | | |
| Interest | $388 | $386 |
| Income taxes | $96 | $(130) |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION | | |
| Construction expenditures in accounts payable | $240 | $195 |

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

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

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(Millions of Dollars)* | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and temporary cash investments | $17 | $702 |
| Accounts receivable – customers, less allowance for uncollectible accounts of $58 and $65 in 2017 and 2016, respectively | 1,021 | 1,032 |
| Other receivables, less allowance for uncollectible accounts of $7 and $13 in 2017 and 2016, respectively | 85 | 81 |
| Accrued unbilled revenue | 382 | 399 |
| Accounts receivable from affiliated companies | 97 | 109 |
| Fuel oil, gas in storage, materials and supplies, at average cost | 288 | 270 |
| Prepayments | 498 | 100 |
| Regulatory assets | 100 | 90 |
| Restricted cash | — | 2 |
| Other current assets | 62 | 95 |
| TOTAL CURRENT ASSETS | 2,550 | 2,880 |
| INVESTMENTS | 370 | 315 |
| UTILITY PLANT, AT ORIGINAL COST | | |
| Electric | 26,930 | 26,122 |
| Gas | 7,229 | 6,814 |
| Steam | 2,458 | 2,421 |
| General | 2,640 | 2,490 |
| TOTAL | 39,257 | 37,847 |
| Less: Accumulated depreciation | 8,170 | 7,836 |
| Net | 31,087 | 30,011 |
| Construction work in progress | 1,327 | 1,104 |
| NET UTILITY PLANT | 32,414 | 31,115 |
| NON-UTILITY PROPERTY | | |
| Non-utility property, less accumulated depreciation of $25 in 2017 and 2016 | 4 | 4 |
| NET PLANT | 32,418 | 31,119 |
| OTHER NONCURRENT ASSETS | | |
| Regulatory assets | 6,248 | 6,473 |
| Other deferred charges and noncurrent assets | 61 | 69 |
| TOTAL OTHER NONCURRENT ASSETS | 6,309 | 6,542 |
| TOTAL ASSETS | $41,647 | $40,856 |

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



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

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(Millions of Dollars)* | |
| LIABILITIES AND SHAREHOLDER’S EQUITY | | |
| CURRENT LIABILITIES | | |
| Long-term debt due within one year | $600 | $— |
| Notes payable | 147 | 600 |
| Accounts payable | 802 | 876 |
| Accounts payable to affiliated companies | 11 | 10 |
| Customer deposits | 332 | 336 |
| Accrued taxes | 32 | 50 |
| Accrued taxes to affiliated companies | — | 119 |
| Accrued interest | 172 | 111 |
| Accrued wages | 95 | 91 |
| Fair value of derivative liabilities | 59 | 66 |
| Regulatory liabilities | 38 | 90 |
| System benefit charge | 573 | 398 |
| Other current liabilities | 207 | 242 |
| TOTAL CURRENT LIABILITIES | 3,068 | 2,989 |
| NONCURRENT LIABILITIES | | |
| Provision for injuries and damages | 158 | 154 |
| Pensions and retiree benefits | 1,150 | 1,544 |
| Superfund and other environmental costs | 648 | 655 |
| Asset retirement obligations | 234 | 227 |
| Fair value of derivative liabilities | 73 | 33 |
| Deferred income taxes and unamortized investment tax credits | 10,060 | 9,450 |
| Regulatory liabilities | 1,673 | 1,712 |
| Other deferred credits and noncurrent liabilities | 217 | 190 |
| TOTAL NONCURRENT LIABILITIES | 14,213 | 13,965 |
| LONG-TERM DEBT | 11,971 | 12,073 |
| SHAREHOLDER’S EQUITY (See Statement of Shareholder’s Equity) | 12,395 | 11,829 |
| TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY | $41,647 | $40,856 |

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

## Consolidated Edison Company of New York, Inc.
# CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (UNAUDITED)

| *(In Millions)* | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings | Repurchased Con Edison Stock | Capital Stock Expense | Accumulated Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| BALANCE AS OF DECEMBER 31, 2015 | 235 | $589 | $4,247 | $7,611 | $(962) | $(61) | $(9) | $11,415 |
| Net income | | | | 310 | | | | 310 |
| Common stock dividend to parent | | | | (186) | | | | (186) |
| Capital contribution by parent | | | 23 | | | | | 23 |
| Other comprehensive income | | | | | | | — | — |
| BALANCE AS OF MARCH 31, 2016 | 235 | $589 | $4,270 | $7,735 | $(962) | $(61) | $(9) | $11,562 |
| Net income | | | | 161 | | | | 161 |
| Common stock dividend to parent | | | | (186) | | | | (186) |
| Capital contribution by parent | | | 28 | | | | | 28 |
| Other comprehensive income | | | | | | | 1 | 1 |
| BALANCE AS OF JUNE 30, 2016 | 235 | $589 | $4,298 | $7,710 | $(962) | $(61) | $(8) | $11,566 |
| Net income | | | | 388 | | | | 388 |
| Common stock dividend to parent | | | | (186) | | | | (186) |
| Capital contribution by parent | | | 25 | | | | | 25 |
| Other comprehensive income | | | | | | | — | — |
| BALANCE AS OF SEPTEMBER 30, 2016 | 235 | $589 | $4,323 | $7,912 | $(962) | $(61) | $(8) | $11,793 |
| | | | | | | | | |
| BALANCE AS OF DECEMBER 31, 2016 | 235 | $589 | $4,347 | $7,923 | $(962) | $(61) | $(7) | $11,829 |
| Net income | | | | 339 | | | | 339 |
| Common stock dividend to parent | | | | (199) | | | | (199) |
| Capital contribution by parent | | | 22 | | | | | 22 |
| Other comprehensive income | | | | | | | — | — |
| BALANCE AS OF MARCH 31, 2017 | 235 | $589 | $4,369 | $8,063 | $(962) | $(61) | $(7) | $11,991 |
| Net income | | | | 143 | | | | 143 |
| Common stock dividend to parent | | | | (199) | | | | (199) |
| Capital contribution by parent | | | 23 | | | | | 23 |
| Other comprehensive income | | | | | | | — | — |
| BALANCE AS OF JUNE 30, 2017 | 235 | $589 | $4,392 | $8,007 | $(962) | $(61) | $(7) | $11,958 |
| Net income | | | | 401 | | | | 401 |
| Common stock dividend to parent | | | | (199) | | | | (199) |
| Capital contribution by parent | | | 235 | | | (1) | | 234 |
| Other comprehensive income | | | | | | | 1 | 1 |
| BALANCE AS OF SEPTEMBER 30, 2017 | 235 | $589 | $4,627 | $8,209 | $(962) | $(62) | $(6) | $12,395 |

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



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# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**General**

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the two separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison) and Consolidated Edison Company of New York, Inc. and its subsidiaries (CECONY). CECONY is a subsidiary of Con Edison and as such its financial condition and results of operations and cash flows, which are presented separately in the CECONY consolidated financial statements, are also consolidated, along with those of Orange and Rockland Utilities, Inc. (O&R), Con Edison Clean Energy Businesses, Inc. (together with its subsidiaries, the Clean Energy Businesses) and Con Edison Transmission, Inc. (together with its subsidiaries, Con Edison Transmission) in Con Edison's consolidated financial statements. The term "Utilities" is used in these notes to refer to CECONY and O&R.

As used in these notes, the term "Companies" refers to Con Edison and CECONY and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, CECONY makes no representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

The separate interim consolidated financial statements of each of the Companies are unaudited but, in the opinion of their respective managements, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Companies' separate interim consolidated financial statements should be read together with their separate audited financial statements (including the combined notes thereto) included in Item 8 of their combined Annual Report on Form 10-K for the year ended December 31, 2016 and their separate unaudited financial statements (including the combined notes thereto) included in Part 1, Item 1 of their combined Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017. Certain prior period amounts have been reclassified to conform to the current period presentation.

Con Edison has two regulated utility subsidiaries: CECONY and O&R. CECONY provides electric service and gas service in New York City and Westchester County. The company also provides steam service in parts of Manhattan. O&R, along with its regulated utility subsidiary, provides electric service in southeastern New York and northern New Jersey and gas service in southeastern New York. Con Edison Clean Energy Businesses, Inc. has three subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), a company that develops, owns and operates renewable and energy infrastructure projects; Consolidated Edison Energy, Inc. (Con Edison Energy), a company that provides energy-related products and services to wholesale customers; and Consolidated Edison Solutions, Inc. (Con Edison Solutions), a company that provides energy-related products and services to retail customers. Con Edison Transmission, Inc. invests in electric transmission facilities through its subsidiary, Consolidated Edison Transmission, LLC (CET Electric), and invests in gas pipeline and storage facilities through its subsidiary Con Edison Gas Pipeline and Storage, LLC (CET Gas).

## Note A – Summary of Significant Accounting Policies

**Earnings Per Common Share**

Con Edison presents basic and diluted earnings per share (EPS) on the face of its consolidated income statement. Basic EPS is calculated by dividing earnings available to common shareholders ("Net income" on Con Edison's consolidated income statement) by the weighted average number of Con Edison common shares outstanding during the period. In the calculation of diluted EPS, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock.

Potentially dilutive securities for Con Edison consist of restricted stock units, deferred stock units and stock options for which the average market price of the common shares for the period was greater than the exercise price.

For the three and nine months ended September 30, 2017 and 2016, basic and diluted EPS for Con Edison are calculated as follows:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| ***(Millions of Dollars, except per share amounts/Shares in Millions)*** | **2017** | **2016** | **2017** | **2016** |
| Net income | $457 | $497 | $1,020 | $1,039 |
| Weighted average common shares outstanding – basic | 307.8 | 304.5 | 306.2 | 299.1 |
| Add: Incremental shares attributable to effect of potentially dilutive securities | 1.5 | 1.4 | 1.5 | 1.4 |
| Adjusted weighted average common shares outstanding – diluted | 309.3 | 305.9 | 307.7 | 300.5 |
| Net Income per common share – basic | $1.48 | $1.63 | $3.33 | $3.47 |
| Net Income per common share – diluted | $1.48 | $1.62 | $3.31 | $3.46 |

**Changes in Accumulated Other Comprehensive Income/(Loss) by Component**
For the three and nine months ended September 30, 2017 and 2016, changes to accumulated other comprehensive income/(loss) (OCI) for Con Edison and CECONY are as follows:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| ***(Millions of Dollars)*** | **2017** | **2016** | **2017** | **2016** |
| Beginning balance, accumulated OCI, net of taxes (a) | $(27) | $(33) | $(7) | $(8) |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(1) for Con Edison in 2017 and 2016 (a)(b) | 1 | 1 | 1 | — |
| Current period OCI, net of taxes | 1 | 1 | 1 | — |
| Ending balance, accumulated OCI, net of taxes | $(26) | $(32) | $(6) | $(8) |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| ***(Millions of Dollars)*** | **2017** | **2016** | **2017** | **2016** |
| Beginning balance, accumulated OCI, net of taxes (a) | $(27) | $(34) | $(7) | $(9) |
| OCI before reclassifications, net of tax of $1 for Con Edison in 2017 and 2016 | (2) | (1) | — | — |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(2) for Con Edison in 2017 and 2016 (a)(b) | 3 | 3 | 1 | 1 |
| Current period OCI, net of taxes | 1 | 2 | 1 | 1 |
| Ending balance, accumulated OCI, net of taxes | $(26) | $(32) | $(6) | $(8) |

(a) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the consolidated income statement.
(b) For the portion of unrecognized pension and other postretirement benefit costs relating to the Utilities, costs are recorded into, and amortized out of, regulatory assets instead of OCI. The net actuarial losses and prior service costs recognized during the period are included in the computation of total periodic pension and other postretirement benefit cost. See Notes E and F.



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## Note B — Regulatory Matters

### Rate Plans

### Rockland Electric Company (RECO)

In February 2017, the New Jersey Board of Public Utilities (NJBPU) approved a stipulation of settlement for a RECO electric rate plan commencing March 2017. The following table contains a summary of the electric rate plan.

| RECO | |
|---|---|
| Effective period | March 2017 (a) |
| Base rate changes | Yr. 1 - $1.7 million |
| Amortization to income of net regulatory (assets) and liabilities | $0.2 million over three years and continuation of $(25.6) million of deferred storm costs over four years expiring July 31, 2018 (b) |
| Recoverable energy costs | Current rate recovery of purchased power costs. |
| Cost reconciliations | None |
| Average rate base | Yr. 1 - $178.7 million |
| Weighted average cost of capital (after-tax) | 7.47 percent |
| Authorized return on common equity | 9.6 percent |
| Cost of long-term debt | 5.37 percent |
| Common equity ratio | 49.7 percent |

(a) Effective until a new rate plan approved by the NJBPU goes into effect.
(b) In January 2016, the NJBPU approved RECO’s plan to spend $15.7 million in capital over three years to harden its electric system against storms, the costs of which RECO, beginning in 2017, is collecting through a customer surcharge.

In September 2017, RECO, the New Jersey Division of Rate Counsel and the New Jersey Board of Public Utilities entered into a settlement agreement, which is subject to FERC approval, that increases RECO's annual transmission revenue requirement from $11.8 million to $17.7 million, effective April 2017. The revenue requirement reflects a return on common equity of 10.0 percent.

### Other Regulatory Matters

On August 16, 2017, the New York State Public Service Commission (NYSPSC) issued an order in its proceeding investigating an April 21, 2017 Metropolitan Transportation Authority (MTA) subway power outage. The order indicated that the investigation determined that the outage was caused by a failure of CECONY’s electricity supply to a subway station, which led to a loss of the subway signals, and that one of the secondary services to the MTA facility had been improperly rerouted and was not properly documented by the company. The order also indicated that the loss of power to the subway station affected multiple subway lines and caused widespread delays across the subway system. Pursuant to the order, the company is required to take certain actions, including performing inspections of electrical equipment that serves the MTA system, analyzing power supply and power quality events affecting the MTA’s signaling services, providing new monitoring and other equipment and filing monthly reports with the NYSPSC on all of the company's activities related to the MTA system. In July 2017, the Chairman of the NYSPSC notified the company that the April 21, 2017 subway power outage incident will likely result in a prudence review of the reasonableness of CECONY's actions and conduct. The order did not commence a prudence review or address cost recovery. Under the New York State Administrative Procedure Act, the order could not remain in effect for more than 90 days without further action by the NYSPSC because it was adopted on an emergency basis. At its October 19, 2017 meeting, the NYSPSC approved another order in this proceeding. The NYSPSC has not yet issued this other order. The company is unable to estimate the amount or range of its possible costs related to this matter.

**Regulatory Assets and Liabilities**

Regulatory assets and liabilities at September 30, 2017 and December 31, 2016 were comprised of the following items:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Regulatory assets | | | | |
| Unrecognized pension and other postretirement costs | $2,626 | $2,874 | $2,476 | $2,730 |
| Future income tax | 2,419 | 2,439 | 2,308 | 2,325 |
| Environmental remediation costs | 803 | 823 | 690 | 711 |
| Revenue taxes | 341 | 295 | 325 | 280 |
| Deferred derivative losses | 88 | 48 | 78 | 42 |
| Pension and other postretirement benefits deferrals | 70 | 38 | 45 | 7 |
| Municipal infrastructure support costs | 57 | 44 | 57 | 44 |
| Deferred storm costs | 43 | 56 | — | 3 |
| Unamortized loss on reacquired debt | 39 | 43 | 37 | 41 |
| Indian Point Energy Center program costs | 32 | 50 | 32 | 50 |
| O&R property tax reconciliation | 29 | 37 | — | — |
| Brooklyn Queens demand management program | 28 | 29 | 28 | 29 |
| Preferred stock redemption | 24 | 25 | 24 | 25 |
| Surcharge for New York State assessment | 18 | 28 | 16 | 26 |
| Net electric deferrals | 13 | 24 | 13 | 24 |
| Workers' compensation | 12 | 13 | 12 | 13 |
| O&R transition bond charges | 10 | 15 | — | — |
| Recoverable energy costs | 4 | 42 | 4 | 38 |
| Other | 113 | 101 | 103 | 85 |
| Regulatory assets – noncurrent | 6,769 | 7,024 | 6,248 | 6,473 |
| Deferred derivative losses | 81 | 91 | 75 | 86 |
| Recoverable energy costs | 28 | 9 | 25 | 4 |
| Regulatory assets – current | 109 | 100 | 100 | 90 |
| Total Regulatory Assets | $6,878 | $7,124 | $6,348 | $6,563 |
| Regulatory liabilities | | | | |
| Allowance for cost of removal less salvage | $798 | $755 | $671 | $641 |
| Pension and other postretirement benefit deferrals | 202 | 193 | 174 | 162 |
| Net unbilled revenue deferrals | 166 | 145 | 166 | 145 |
| Property tax reconciliation | 140 | 178 | 140 | 178 |
| Unrecognized other postretirement costs | 84 | 60 | 84 | 60 |
| Settlement of prudence proceeding | 73 | 95 | 73 | 95 |
| Carrying charges on repair allowance and bonus depreciation | 49 | 68 | 48 | 67 |
| New York State income tax rate change | 48 | 61 | 48 | 60 |
| Variable-rate tax-exempt debt – cost rate reconciliation | 36 | 55 | 32 | 48 |
| Property tax refunds | 28 | 1 | 28 | 1 |
| Settlement of gas proceedings | 27 | 27 | 27 | 27 |
| Base rate change deferrals | 26 | 40 | 26 | 40 |
| Earnings sharing - electric, gas and steam | 24 | 39 | 15 | 28 |
| Net utility plant reconciliations | 11 | 16 | 8 | 15 |
| Other | 161 | 172 | 133 | 145 |
| Regulatory liabilities – noncurrent | 1,873 | 1,905 | 1,673 | 1,712 |
| Refundable energy costs | 29 | 29 | 9 | 5 |
| Revenue decoupling mechanism | 27 | 71 | 27 | 61 |
| Deferred derivative gains | 2 | 28 | 2 | 24 |
| Regulatory liabilities – current | 58 | 128 | 38 | 90 |
| Total Regulatory Liabilities | $1,931 | $2,033 | $1,711 | $1,802 |

## Note C — Capitalization

In March 2017, Con Edison issued $400 million aggregate principal amount of 2.00 percent debentures, due 2020, and prepaid the $400 million variable rate term loan that was to mature in 2018. Also, in March 2017, a Con Edison



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Development subsidiary issued $97 million aggregate principal amount of 4.45 percent senior notes, due 2042, secured by the company's Upton County Solar project. In June 2017, CECONY issued $500 million aggregate principal amount of 3.875 percent debentures, due 2047. In August 2017, Con Edison issued 4.1 million common shares resulting in net proceeds of $343 million, after issuance expenses, that were invested by Con Edison in its subsidiaries, principally CECONY and the Clean Energy Businesses, for funding of their construction expenditures and for other general corporate purposes.

The carrying amounts and fair values of long-term debt at September 30, 2017 and December 31, 2016 were:

| *(Millions of Dollars)* | 2017 | | 2016 | |
|---|---|---|---|---|
| **Long-Term Debt (including current portion) (a)** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Con Edison | $15,338 | $17,195 | $14,774 | $16,093 |
| CECONY | $12,571 | $14,213 | $12,073 | $13,268 |

(a) Amounts shown are net of unamortized debt expense and unamortized debt discount of $137 million and $115 million for Con Edison and CECONY, respectively, as of September 30, 2017 and $134 million and $113 million for Con Edison and CECONY, respectively, as of December 31, 2016.

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, $16,559 million and $636 million of the fair value of long-term debt at September 30, 2017 are classified as Level 2 and Level 3, respectively. For CECONY, $13,577 million and $636 million of the fair value of long-term debt at September 30, 2017 are classified as Level 2 and Level 3, respectively (see Note L). The $636 million of long-term debt classified as Level 3 is CECONY's tax-exempt, auction-rate securities for which the market is highly illiquid and there is a lack of observable inputs.

## Note D — Short-Term Borrowing

At September 30, 2017, Con Edison had $356 million of commercial paper outstanding of which $147 million was outstanding under CECONY's program. The weighted average interest rate at September 30, 2017 was 1.3 percent for both Con Edison and CECONY. At December 31, 2016, Con Edison had $1,054 million of commercial paper outstanding of which $600 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2016 was 1.0 percent for both Con Edison and CECONY.

At September 30, 2017 and December 31, 2016, no loans were outstanding under the credit agreement (Credit Agreement). An immaterial amount and $2 million (including $2 million for CECONY) of letters of credit were outstanding under the Credit Agreement as of September 30, 2017 and December 31, 2016, respectively.

## Note E — Pension Benefits

### Total Periodic Benefit Cost

The components of the Companies' total periodic benefit costs for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Service cost – including administrative expenses | $66 | $69 | $61 | $65 |
| Interest cost on projected benefit obligation | 148 | 149 | 139 | 140 |
| Expected return on plan assets | (243) | (237) | (229) | (225) |
| Recognition of net actuarial loss | 149 | 149 | 141 | 141 |
| Recognition of prior service costs | (4) | 1 | (5) | — |
| TOTAL PERIODIC BENEFIT COST | $116 | $131 | $107 | $121 |
| Cost capitalized | (40) | (51) | (37) | (49) |
| Reconciliation to rate level | (14) | 10 | (16) | 13 |
| Cost charged to operating expenses | $62 | $90 | $54 | $85 |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Service cost – including administrative expenses | $197 | $207 | $184 | $194 |
| Interest cost on projected benefit obligation | 444 | 447 | 416 | 419 |
| Expected return on plan assets | (726) | (711) | (689) | (674) |
| Recognition of net actuarial loss | 446 | 447 | 423 | 424 |
| Recognition of prior service costs | (13) | 3 | (14) | 1 |
| TOTAL PERIODIC BENEFIT COST | $348 | $393 | $320 | $364 |
| Cost capitalized | (134) | (157) | (125) | (148) |
| Reconciliation to rate level | (28) | 35 | (32) | 39 |
| Cost charged to operating expenses | $186 | $271 | $163 | $255 |

### Expected Contributions

Based on estimates as of September 30, 2017, the Companies expect to make contributions to the pension plans during 2017 of $450 million (of which $412 million is to be contributed by CECONY). The Companies' policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible and to also contribute to the non-qualified supplemental plans. During the first nine months of 2017, the Companies contributed $446 million to the pension plans (of which $409 million was contributed by CECONY). CECONY also contributed $14 million to its external trust for supplemental plans.

## Note F — Other Postretirement Benefits

### Total Periodic Benefit Cost

The components of the Companies' total periodic other postretirement benefit costs for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Service cost | $5 | $4 | $3 | $3 |
| Interest cost on accumulated other postretirement benefit obligation | 11 | 12 | 9 | 10 |
| Expected return on plan assets | (17) | (19) | (15) | (17) |
| Recognition of net actuarial loss | 1 | 1 | — | 1 |
| Recognition of prior service cost | (5) | (5) | (3) | (3) |
| TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST | $(5) | $(7) | $(6) | $(6) |
| Cost capitalized | 2 | 2 | 2 | 2 |
| Reconciliation to rate level | (1) | 7 | — | 6 |
| Cost charged to operating expenses | $(4) | $2 | $(4) | $2 |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Service cost | $15 | $13 | $10 | $10 |
| Interest cost on accumulated other postretirement benefit obligation | 34 | 36 | 28 | 30 |
| Expected return on plan assets | (52) | (58) | (45) | (50) |
| Recognition of net actuarial loss/(gain) | 2 | 4 | (2) | 2 |
| Recognition of prior service cost | (13) | (15) | (9) | (11) |
| TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST | $(14) | $(20) | $(18) | $(19) |
| Cost capitalized | 6 | 5 | 7 | 5 |
| Reconciliation to rate level | (3) | 20 | (1) | 19 |
| Cost charged to operating expenses | $(11) | $5 | $(12) | $5 |



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### Contributions

During the first nine months of 2017, Con Edison contributed $16 million, of which $8 million was contributed by CECONY, to the other postretirement benefit plans. The Companies' policy is to fund the total periodic benefit cost of the plans to the extent tax deductible.

## Note G — Environmental Matters

### Superfund Sites

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

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

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

The accrued liabilities and regulatory assets related to Superfund Sites at September 30, 2017 and December 31, 2016 were as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| ***(Millions of Dollars)*** | **2017** | **2016** | **2017** | **2016** |
| Accrued Liabilities: | | | | |
| Manufactured gas plant sites | $659 | $664 | $563 | $567 |
| Other Superfund Sites | 86 | 89 | 85 | 88 |
| Total | $745 | $753 | $648 | $655 |
| Regulatory assets | $803 | $823 | $690 | $711 |

Most of the accrued Superfund Site liability relates to sites that have been investigated, in whole or in part. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As investigations progress and information pertaining to the required remediation becomes available, the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) prudently incurred site investigation and remediation costs.

Environmental remediation costs incurred related to Superfund Sites for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| ***(Millions of Dollars)*** | **2017** | **2016** | **2017** | **2016** |
| Remediation costs incurred | $4 | $8 | $3 | $5 |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Remediation costs incurred | $18 | $20 | $13 | $10 |

Insurance recoveries received by Con Edison or CECONY were immaterial for the three and nine months ended September 30, 2017. Con Edison and CECONY received $1 million in insurance recoveries for the three and nine months ended September 30, 2016.

In 2016, Con Edison and CECONY estimated that for their manufactured gas plant sites (including CECONY's Astoria site), the aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other environmental contaminants could range up to $2.8 billion and $2.6 billion, respectively. These estimates were based on the assumption that there is contamination at all sites, including those that have not yet been fully investigated and additional assumptions about the extent of the contamination and the type and extent of the remediation that may be required. Actual experience may be materially different.

### Asbestos Proceedings

Suits have been brought in New York State and federal courts against the Utilities and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the Utilities. The suits that have been resolved, which are many, have been resolved without any payment by the Utilities, or for amounts that were not, in the aggregate, material to them. The amounts specified in all the remaining thousands of suits total billions of dollars; however, the Utilities believe that these amounts are greatly exaggerated, based on the disposition of previous claims. At September 30, 2017, Con Edison and CECONY have accrued their estimated aggregate undiscounted potential liabilities for these suits and additional suits that may be brought over the next 15 years as shown in the following table. These estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Courts have begun, and unless otherwise determined on appeal may continue, to apply different standards for determining liability in asbestos suits than the standard that applied historically. As a result, the Companies currently believe that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Companies are unable to estimate the amount or range of such loss. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. CECONY is permitted to defer as regulatory assets (for subsequent recovery through rates) costs incurred for its asbestos lawsuits and workers' compensation claims.

The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for the Companies at September 30, 2017 and December 31, 2016 were as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Accrued liability – asbestos suits | $8 | $8 | $7 | $7 |
| Regulatory assets – asbestos suits | $8 | $8 | $7 | $7 |
| Accrued liability – workers' compensation | $87 | $88 | $83 | $83 |
| Regulatory assets – workers' compensation | $12 | $13 | $12 | $13 |



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## Note H — Other Material Contingencies

### Manhattan Explosion and Fire

On March 12, 2014, two multi-use five-story tall buildings located on Park Avenue between 116th and 117th Streets in Manhattan were destroyed by an explosion and fire. CECONY had delivered gas to the buildings through service lines from a distribution main located below ground on Park Avenue. Eight people died and more than 50 people were injured. Additional buildings were also damaged. The National Transportation Safety Board (NTSB) investigated. The parties to the investigation included the company, the City of New York, the Pipeline and Hazardous Materials Safety Administration and the NYSPSC. In June 2015, the NTSB issued a final report concerning the incident, its probable cause and safety recommendations. The NTSB determined that the probable cause of the incident was (1) the failure of a defective fusion joint at a service tee (which joined a plastic service line to a plastic distribution main) installed by the company that allowed gas to leak from the distribution main and migrate into a building where it ignited and (2) a breach in a City sewer line that allowed groundwater and soil to flow into the sewer, resulting in a loss of support for the distribution main, which caused it to sag and overstressed the defective fusion joint. The NTSB also made safety recommendations, including recommendations to the company that addressed its procedures for the preparation and examination of plastic fusions, training of its staff on conditions for notifications to the City's Fire Department and extension of its gas main isolation valve installation program. In February 2017, the NYSPSC approved a settlement agreement with the company related to the NYSPSC's investigations of the incident and the practices of qualifying persons to perform plastic fusions. Pursuant to the agreement, the company will not recover from customers $126 million of costs it incurred for gas emergency response activities in 2014, 2015 and 2016 in excess of the amounts reflected in its gas rate plan and will provide $27 million of future benefits to customers (for which it has accrued a regulatory liability, see Note B). Approximately eighty suits are pending against the company seeking generally unspecified damages and, in some cases, punitive damages, for wrongful death, personal injury, property damage and business interruption. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover the company's costs, in excess of a required retention (the amount of which is not material), to satisfy any liability it may have for damages in connection with the incident. The company is unable to estimate the amount or range of its possible loss for damages related to the incident. At September 30, 2017, the company had not accrued a liability for damages related to the incident.

### Other Contingencies

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

### Guarantees

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison totaled $2,162 million and $2,370 million at September 30, 2017 and December 31, 2016, respectively.

A summary, by type and term, of Con Edison's total guarantees at September 30, 2017 is as follows:

| Guarantee Type | 0 – 3 years | 4 – 10 years | > 10 years | Total |
|---|---|---|---|---|
| | | *(Millions of Dollars)* | | |
| Con Edison Transmission | $643 | $404 | $— | $1,047 |
| Energy transactions | 459 | 30 | 211 | 700 |
| Renewable electric production projects | 268 | — | 19 | 287 |
| Other | 128 | — | — | 128 |
| Total | $1,498 | $434 | $230 | $2,162 |

**Con Edison Transmission —** Con Edison has guaranteed payment by CET Electric of the contributions CET Electric agreed to make to New York Transco LLC (NY Transco). CET Electric acquired a 45.7 percent interest in NY Transco when it was formed in 2014. In May 2016, the transmission owners transferred certain projects to NY Transco, for which CET Electric made its required contributions. NY Transco has proposed other transmission projects in the New York Independent System Operator's competitive bidding process. These other projects are subject to certain authorizations from the NYSPSC, the FERC and, as applicable, other federal, state and local agencies. Guarantee amount shown is for the maximum possible required amount of CET Electric's contributions for these other projects as calculated based on the assumptions that the projects are completed at 175 percent of their estimated costs and NY Transco does not use any debt financing for the projects. Guarantee term shown is assumed as the selection of the projects and resulting timing of the contributions is not certain. Also included within the table above is a guarantee for $25 million from Con Edison on behalf of CET Gas in relation to a proposed gas transmission project in West Virginia and Virginia.

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

**Renewable Electric Production Projects —** Con Edison, Con Edison Development, and Con Edison Solutions guarantee payments on behalf of their wholly-owned subsidiaries associated with their investment in, or development for others of, solar and wind energy facilities.

**Other —** Other guarantees include $70 million in guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with operation of solar energy facilities and energy service projects of Con Edison Development and Con Edison Solutions, respectively. Other guarantees also includes Con Edison's guarantee (subject to a $53 million maximum amount) of certain obligations of Con Edison Solutions under the agreement pursuant to which it sold its retail electric supply business. In addition, Con Edison issued a guarantee estimated at $5 million to the Public Utility Commission of Texas covering obligations of Con Edison Solutions as a retail electric provider. As part of the sale agreement for the retail electric supply business discussed above, the purchaser has agreed to pay Con Edison Solutions for draws on the guarantee to the Public Utility Commission of Texas.

## Note I — Income Tax

Con Edison's income tax expense decreased to $270 million for the three months ended September 30, 2017 from $314 million for the three months ended September 30, 2016. Con Edison's effective tax rate for the three months ended September 30, 2017 and 2016 was 37 percent and 39 percent, respectively. The decrease in Con Edison's effective tax rate is primarily due to lower state income taxes, offset in part by a decrease in tax benefits for plant-related flow through items.

CECONY's income tax expense increased to $242 million for the three months ended September 30, 2017 from $226 million for the three months ended September 30, 2016. CECONY's effective tax rate for the three months ended September 30, 2017 and 2016 was 38 percent and 37 percent, respectively. The increase in CECONY's effective tax rate is primarily due to a decrease in tax benefits for plant-related flow through items and lower research and development credits, offset in part by lower state income taxes.

Con Edison's income tax expense decreased to $599 million for the nine months ended September 30, 2017 from $602 million for the nine months ended September 30, 2016. Con Edison's effective tax rate for the nine months ended September 30, 2017 and 2016 was 37 percent. The effective tax rate remained unchanged as lower state income taxes were offset by a decrease in tax benefits for plant-related flow through items.

CECONY's income tax expense increased to $551 million for the nine months ended September 30, 2017 from $491 million for the nine months ended September 30, 2016. CECONY's effective tax rate for the nine months ended September 30, 2017 and 2016 was 38 percent and 36 percent, respectively. The increase in CECONY's effective tax rate is primarily due to a decrease in tax benefits for plant-related flow through items and lower research and development tax credits, offset in part by lower state income taxes.

Con Edison anticipates a federal consolidated net operating loss for 2017, primarily due to bonus depreciation. Con Edison expects to carryback a portion of its 2017 net operating loss to recover $19 million of income tax. The remaining 2017 net operating loss, as well as general business tax credits generated in 2017, will be carried forward to future tax years. A deferred tax asset for these tax attribute carryforwards was recorded, and no valuation allowance has been provided, as it is more likely than not that the deferred tax asset will be realized.

### Uncertain Tax Positions

At September 30, 2017, the estimated liability for uncertain tax positions for Con Edison was $41 million ($21 million for CECONY). Con Edison reasonably expects to resolve approximately $35 million ($24 million, net of federal taxes) of its uncertain tax positions within the next twelve months, including $21 million ($15 million, net of federal taxes), which, if recognized, would reduce Con Edison's effective tax rate. The amount related to CECONY is approximately $18 million ($13 million, net of federal taxes), including $4 million, which, if recognized, would reduce CECONY's effective tax rate. The total amount of unrecognized tax benefits, if recognized, that would reduce Con Edison's effective tax rate is $25 million ($18 million, net of federal taxes).



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The Companies recognize interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the Companies' consolidated income statements. In the three and nine months ended September 30, 2017, the Companies recognized an immaterial amount of interest expense and no penalties for uncertain tax positions in their consolidated income statements. At September 30, 2017 and December 31, 2016, the Companies recognized an immaterial amount of accrued interest on their consolidated balance sheets.

## Note J — Financial Information by Business Segment

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business segments are its regulated electric, gas and steam utility activities. The financial data for the business segments for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | For the Three Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating revenues | | Inter-segment revenues | | Depreciation and amortization | | Operating income/(loss) | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| CECONY | | | | | | | | |
| Electric | $2,469 | $2,557 | $4 | $5 | $232 | $217 | $855 | $841 |
| Gas | 268 | 208 | 2 | 1 | 47 | 41 | (12) | (28) |
| Steam | 62 | 63 | 19 | 22 | 21 | 20 | (43) | (47) |
| Consolidation adjustments | — | — | (25) | (28) | — | — | — | — |
| Total CECONY | $2,799 | $2,828 | $— | $— | $300 | $278 | $800 | $766 |
| O&R | | | | | | | | |
| Electric | $206 | $213 | $— | $— | $13 | $12 | $56 | $55 |
| Gas | 28 | 27 | — | — | 5 | 5 | (11) | (7) |
| Total O&R | $234 | $240 | $— | $— | $18 | $17 | $45 | $48 |
| Clean Energy Businesses | $177 | $350 | $— | $(2) | $19 | $11 | $29 | $125 |
| Con Edison Transmission | 1 | — | — | — | — | — | (2) | (1) |
| Other (a) | — | (1) | — | 2 | — | (1) | 1 | 2 |
| Total Con Edison | $3,211 | $3,417 | $— | $— | $337 | $305 | $873 | $940 |

| | For the Nine Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating revenues | | Inter-segment revenues | | Depreciation and amortization | | Operating income/(loss) | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| CECONY | | | | | | | | |
| Electric | $6,079 | $6,222 | $12 | $13 | $690 | $645 | $1,477 | $1,487 |
| Gas | 1,421 | 1,113 | 5 | 4 | 137 | 118 | 362 | 273 |
| Steam | 448 | 406 | 55 | 65 | 64 | 62 | 52 | 39 |
| Consolidation adjustments | — | — | (72) | (82) | — | — | — | — |
| Total CECONY | $7,948 | $7,741 | $— | $— | $891 | $825 | $1,891 | $1,799 |
| O&R | | | | | | | | |
| Electric | $495 | $497 | $— | $— | $38 | $37 | $83 | $86 |
| Gas | 172 | 133 | — | — | 15 | 13 | 33 | 28 |
| Total O&R | $667 | $630 | $— | $— | $53 | $50 | $116 | $114 |
| Clean Energy Businesses | $460 | $998 | $— | $7 | $54 | $30 | $63 | $184 |
| Con Edison Transmission | 1 | — | — | — | — | — | (6) | (1) |
| Other (a) | (4) | (1) | — | (7) | — | — | 2 | 1 |
| Total Con Edison | $9,072 | $9,368 | $— | $— | $998 | $905 | $2,066 | $2,097 |

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

## Note K — Derivative Instruments and Hedging Activities

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

The fair values of the Companies' commodity derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at September 30, 2017 and December 31, 2016 were:

| *(Millions of Dollars)* | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| **Balance Sheet Location** | **Gross Amounts of Recognized Assets/(Liabilities)** | **Gross Amounts Offset** | **Net Amounts of Assets/ (Liabilities) (a)** | **Gross Amounts of Recognized Assets/(Liabilities)** | **Gross Amounts Offset** | **Net Amounts of Assets/ (Liabilities) (a)** |
| Con Edison | | | | | | |
| Fair value of derivative assets | | | | | | |
| Current | $77 | $(67) | $10 (b) | $81 | $(64) | $17 (b) |
| Noncurrent | 64 | (61) | 3 | 49 | (43) | 6 |
| Total fair value of derivative assets | $141 | $(128) | $13 | $130 | $(107) | $23 |
| Fair value of derivative liabilities | | | | | | |
| Current | $(141) | $71 | $(70) | $(138) | $61 | $(77) |
| Noncurrent | (143) | 60 | (83) | (91) | 52 | (39) (c) |
| Total fair value of derivative liabilities | $(284) | $131 | $(153) | $(229) | $113 | $(116) |
| Net fair value derivative assets/(liabilities) | $(143) | $3 | $(140) (b) | $(99) | $6 | $(93) (b) (c) |
| CECONY | | | | | | |
| Fair value of derivative assets | | | | | | |
| Current | $55 | $(53) | $2 (b) | $52 | $(45) | $7 (b) |
| Noncurrent | 57 | (55) | 2 | 41 | (35) | 6 |
| Total fair value of derivative assets | $112 | $(108) | $4 | $93 | $(80) | $13 |
| Fair value of derivative liabilities | | | | | | |
| Current | $(116) | $57 | $(59) | $(111) | $45 | $(66) |
| Noncurrent | (127) | 54 | (73) | (77) | 44 | (33) |
| Total fair value of derivative liabilities | $(243) | $111 | $(132) | $(188) | $89 | $(99) |
| Net fair value derivative assets/(liabilities) | $(131) | $3 | $(128) (b) | $(95) | $9 | $(86) (b) |

(a) Derivative instruments and collateral were offset on the consolidated balance sheet as applicable under the accounting rules. The Companies enter into master agreements for their commodity derivatives. These agreements typically provide offset in the event of contract termination. In such case, generally the non-defaulting party's payable will be offset by the defaulting party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.
(b) At September 30, 2017 and December 31, 2016, margin deposits for Con Edison ($5 million and $7 million, respectively) and CECONY ($5 million and $7 million, respectively) were classified as derivative assets on the consolidated balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.
(c) Does not include $(1) million for interest rate swap.

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



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The following table presents the realized and unrealized gains or losses on commodity derivatives that have been deferred or recognized in earnings for the three and nine months ended September 30, 2017 and 2016:

| | | For the Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|---|
| | | Con Edison | | | | CECONY | |
| *(Millions of Dollars)* | **Balance Sheet Location** | **2017** | | **2016** | | **2017** | **2016** |
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: | | | | | | | |
| Current | Deferred derivative gains | $(4) | | $(1) | | $(3) | $(3) |
| Noncurrent | Deferred derivative gains | 1 | | (2) | | 1 | — |
| Total deferred gains/(losses) | | $(3) | | $(3) | | $(2) | $(3) |
| Current | Deferred derivative losses | $(11) | | $(19) | | $(9) | $(18) |
| Current | Recoverable energy costs | (40) | | (39) | | (38) | (35) |
| Noncurrent | Deferred derivative losses | (12) | | (17) | | (8) | (14) |
| Total deferred gains/(losses) | | $(63) | | $(75) | | $(55) | $(67) |
| Net deferred gains/(losses) | | $(66) | | $(78) | | $(57) | $(70) |
| | **Income Statement Location** | | | | | | |
| Pre-tax gains/(losses) recognized in income | | | | | | | |
| | Purchased power expense | $— | | $(37) | (b) | $— | $— |
| | Gas purchased for resale | (47) | | (38) | | — | — |
| | Non-utility revenue | 5 | (a) | (2) | (b) | — | — |
| Total pre-tax gains/(losses) recognized in income | | $(42) | | $(77) | | $— | $— |

(a) For the three months ended September 30, 2017, Con Edison recorded an unrealized pre-tax gain in non-utility operating revenue ($6 million).
(b) For the three months ended September 30, 2016, Con Edison recorded unrealized pre-tax losses in non-utility operating revenue ($2 million) and purchased power expense ($23 million).

| | | For the Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|---|
| | | Con Edison | | | | CECONY | |
| *(Millions of Dollars)* | **Balance Sheet Location** | **2017** | | **2016** | | **2017** | **2016** |
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: | | | | | | | |
| Current | Deferred derivative gains | $(26) | | $6 | | $(22) | $2 |
| Noncurrent | Deferred derivative gains | (2) | | (1) | | (2) | (1) |
| Total deferred gains/(losses) | | $(28) | | $5 | | $(24) | $1 |
| Current | Deferred derivative losses | $10 | | $19 | | $11 | $16 |
| Current | Recoverable energy costs | (125) | | (163) | | (116) | (148) |
| Noncurrent | Deferred derivative losses | (40) | | (5) | | (36) | (3) |
| Total deferred gains/(losses) | | $(155) | | $(149) | | $(141) | $(135) |
| Net deferred gains/(losses) | | $(183) | | $(144) | | $(165) | $(134) |
| | **Income Statement Location** | | | | | | |
| Pre-tax gains/(losses) recognized in income | | | | | | | |
| | Purchased power expense | $— | | $(106) | (b) | $— | $— |
| | Gas purchased for resale | (161) | | (72) | | — | — |
| | Non-utility revenue | 11 | (a) | 15 | (b) | — | — |
| Total pre-tax gains/(losses) recognized in income | | $(150) | | $(163) | | $— | $— |

(a) For the nine months ended September 30, 2017, Con Edison recorded an unrealized pre-tax gain in non-utility operating revenue ($2 million).
(b) For the nine months ended September 30, 2016, Con Edison recorded unrealized pre-tax gains and losses in non-utility operating revenue ($3 million loss) and purchased power expense ($11 million gain).

The following table presents the hedged volume of Con Edison's and CECONY's derivative transactions at September 30, 2017:

| | Electric Energy (MWh) (a)(b) | Capacity (MW) (a) | Natural Gas (Dt) (a)(b) | Refined Fuels (gallons) |
|---|---|---|---|---|
| Con Edison | 32,596,372 | 6,790 | 166,913,644 | 672,000 |
| CECONY | 30,492,575 | 3,000 | 158,500,000 | 672,000 |

(a) Volumes are reported net of long and short positions, except natural gas collars where the volumes of long positions are reported.
(b) Excludes electric congestion and gas basis swap contracts, which are associated with electric and gas contracts and hedged volumes.

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

At September 30, 2017, Con Edison and CECONY had $80 million and $8 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of $23 million with investment-grade counterparties, $23 million with non-investment grade/non-rated counterparties, $19 million with independent system operators and $15 million with commodity exchange brokers. CECONY's net credit exposure consisted of $7 million with commodity exchange brokers and $1 million with investment-grade counterparties.

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

The following table presents the aggregate fair value of the Companies' derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at September 30, 2017:

| *(Millions of Dollars)* | Con Edison (a) | CECONY (a) |
|---|---|---|
| Aggregate fair value – net liabilities | $148 | $131 |
| Collateral posted | 61 | 56 |
| Additional collateral (b) (downgrade one level from current ratings) | 23 | 22 |
| Additional collateral (b) (downgrade to below investment grade from current ratings) | 101 (c) | 88 (c) |

(a) Non-derivative transactions for the purchase and sale of electricity and gas and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Utilities and the Clean Energy Businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post additional collateral of $11 million at September 30, 2017. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.
(b) The Companies measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Companies have a legally enforceable right to offset.
(c) Derivative instruments that are net assets have been excluded from the table. At September 30, 2017, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $13 million.

### Interest Rate Swap

In December 2016, the Clean Energy Businesses acquired Coram Wind project which holds an interest rate swap that terminates in June 2024, pursuant to which it pays a fixed-rate of 2.0855 percent and receives a LIBOR-based variable rate. The fair value of this interest rate swap was immaterial as of September 30, 2017 and a liability of $1 million as of December 31, 2016 on Con Edison's consolidated balance sheet.



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## Note L — Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Companies often make certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Companies use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Companies classify fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.

- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016 are summarized below.

| | 2017 | | | | | 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***(Millions of Dollars)*** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustment (e)** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Netting Adjustment (e)** | **Total** |
| Con Edison | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | |
| Commodity (a)(b)(c) | $6 | $28 | $2 | $(18) | $18 | $14 | $33 | $7 | $(24) | $30 |
| Other (a)(b)(d) | 271 | 118 | — | — | 389 | 222 | 111 | — | — | 333 |
| Total assets | $277 | $146 | $2 | $(18) | $407 | $236 | $144 | $7 | $(24) | $363 |
| Derivative liabilities: | | | | | | | | | | |
| Commodity (a)(b)(c) | $2 | $155 | $22 | $(26) | $153 | $4 | $144 | $6 | $(38) | $116 |
| Interest Rate Swap (a)(b)(c) | — | — | — | — | — | — | 1 | — | — | 1 |
| Total liabilities | $2 | $155 | $22 | $(26) | $153 | $4 | $145 | $6 | $(38) | $117 |
| CECONY | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | |
| Commodity (a)(b)(c) | $5 | $12 | $1 | $(9) | $9 | $10 | $19 | $1 | $(10) | $20 |
| Other (a)(b)(d) | 248 | 113 | — | — | 361 | 200 | 106 | — | — | 306 |
| Total assets | $253 | $125 | $1 | $(9) | $370 | $210 | $125 | $1 | $(10) | $326 |
| Derivative liabilities: | | | | | | | | | | |
| Commodity (a)(b)(c) | $1 | $133 | $15 | $(17) | $132 | $1 | $124 | $— | $(26) | $99 |

(a) The Companies' policy is to review the fair value hierarchy and recognize transfers into and transfers out of the levels at the end of each reporting period. There were no transfers between levels 1, 2 and 3 for the nine months ended September 30, 2017 and for the year ended December 31, 2016.
(b) Level 2 assets and liabilities include investments held in the deferred compensation plan and/or non-qualified retirement plans, exchange-traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1, certain over-the-counter derivative instruments for electricity, refined products and natural gas. Derivative instruments classified as Level 2 are valued using industry standard models that incorporate corroborated observable inputs; such as pricing services or prices from similar instruments that trade in liquid markets, time value and volatility factors.
(c) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At September 30, 2017 and December 31, 2016, the Companies determined that nonperformance risk would have no material impact on their financial position or results of operations.
(d) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.
(e) Amounts represent the impact of legally-enforceable master netting agreements that allow the Companies to net gain and loss positions and cash collateral held or placed with the same counterparties.

The employees in the Companies' risk management group develop and maintain the Companies' valuation policies and procedures for, and verify pricing and fair value valuation of, commodity derivatives. Under the Companies' policies and procedures, multiple independent sources of information are obtained for forward price curves used to value commodity derivatives. Fair value and changes in fair value of commodity derivatives are reported on a monthly basis to the Companies' risk committees, comprised of officers and employees of the Companies that oversee energy hedging at the Utilities and the Clean Energy Businesses. The risk management group reports to the Companies' Vice President and Treasurer.



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| | Fair Value of Level 3 at September 30, 2017 (Millions of Dollars) | Valuation Techniques | Unobservable Inputs | Range |
|---|---|---|---|---|
| **Con Edison – Commodity** | | | | |
| Electricity | $(21) | Discounted Cash Flow | Forward energy prices (a) | $19.00-$76.25 per MWh |
| | | Discounted Cash Flow | Forward capacity prices (a) | $1.26-$9.47 per kW-month |
| Transmission Congestion Contracts/Financial Transmission Rights | 1 | Discounted Cash Flow | Discount to adjust auction prices for inter-zonal forward price curves (b) | 50.0% |
| | | | Inter-zonal forward price curves adjusted for historical zonal losses (b) | $0.50-$6.75 per MWh |
| Total Con Edison—Commodity | $(20) | | | |
| **CECONY – Commodity** | | | | |
| Electricity | $(15) | Discounted Cash Flow | Forward energy prices (a) | $20.50-$76.25 per MWh |
| Transmission Congestion Contracts | 1 | Discounted Cash Flow | Discount to adjust auction prices for inter-zonal forward price curves (b) | 50.0% |
| Total CECONY—Commodity | $(14) | | | |

(a) Generally, increases/(decreases) in this input in isolation would result in a higher/(lower) fair value measurement.
(b) Generally, increases/(decreases) in this input in isolation would result in a lower/(higher) fair value measurement.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of September 30, 2017 and 2016 and classified as Level 3 in the fair value hierarchy:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Beginning balance as of July 1, | $(10) | $5 | $(6) | $2 |
| Included in earnings | 7 | (4) | 1 | — |
| Included in regulatory assets and liabilities | (13) | (5) | (8) | (3) |
| Sales | — | 4 | — | — |
| Settlements | (4) | 1 | (1) | 1 |
| Ending balance as of September 30, | $(20) | $1 | $(14) | $— |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2017 | 2016 | 2017 | 2016 |
| Beginning balance as of January 1, | $1 | $6 | $1 | $8 |
| Included in earnings | 8 | (1) | 1 | (1) |
| Included in regulatory assets and liabilities | (21) | (11) | (14) | (6) |
| Purchases | 1 | 2 | 1 | 1 |
| Sales | — | 4 | — | — |
| Settlements | (9) | 1 | (3) | (2) |
| Ending balance as of September 30, | $(20) | $1 | $(14) | $— |

For the Utilities, realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power, gas and fuel costs. The Utilities generally recover these costs in accordance with rate provisions approved by the applicable state public utilities regulators. Unrealized gains and losses for commodity derivatives are generally deferred on the consolidated balance sheet in accordance with the accounting rules for regulated operations.

For the Clean Energy Businesses, realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues (immaterial for both periods) and purchased power costs ($4 million gain and $5 million loss) on the consolidated income statement for the three months ended September 30, 2017 and 2016, respectively. Realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues (immaterial for both periods) and purchased power costs ($3 million gain and $6 million loss) on the consolidated income statement for the nine months ended September 30, 2017 and 2016, respectively. The change in fair value relating to Level 3 commodity derivative assets and liabilities held at September 30, 2017 and 2016 is included in non-utility revenues (immaterial for both periods) and purchased power costs ($4 million gain and $4 million loss) on the consolidated income statement for the three months ended

September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, the change in fair value relating to Level 3 commodity derivative assets and liabilities is included in non-utility revenues (immaterial for both periods) and purchased power costs ($2 million gain and $2 million loss) on the consolidated income statement, respectively.

### Note M — Variable Interest Entities

Con Edison enters into arrangements including leases, partnerships and electricity purchase agreements, with various entities. As a result of these arrangements, Con Edison retains or may retain a variable interest in these entities.

CECONY has an ongoing long-term electricity purchase agreement with Brooklyn Navy Yard Cogeneration Partners, LP, a potential variable interest entity (VIE). In April 2017, CECONY's long-term electricity purchase agreement with Cogen Technologies Linden Venture, LP, another potential VIE, expired. In 2016, requests were made of these counterparties for information necessary to determine whether the entity was a VIE and whether CECONY is the primary beneficiary; however, the information was not made available. The payments for these contracts constitute CECONY’s maximum exposure to loss with respect to the potential VIEs.

The following table summarizes the VIEs in which Con Edison Development has entered into as of September 30, 2017:

| Project Name (a) | Generating Capacity (b) (MW AC) | Power Purchase Agreement Term (in Years) | Year of Initial Investment | Location | Maximum Exposure to Loss (*Millions of Dollars*) (c) |
|---|---|---|---|---|---|
| Copper Mountain Solar 3 | 128 | 20 | 2014 | Nevada | $175 |
| Mesquite Solar 1 | 83 | 20 | 2013 | Arizona | 102 |
| Copper Mountain Solar 2 | 75 | 25 | 2013 | Nevada | 83 |
| California Solar | 55 | 25 | 2012 | California | 64 |
| Broken Bow II | 38 | 25 | 2014 | Nebraska | 44 |
| Texas Solar 4 | 32 | 25 | 2014 | Texas | 47 |

(a) With the exception of Texas Solar 4, Con Edison’s ownership interest is 50 percent and these projects are accounted for using the equity method of accounting. With the exception of Texas Solar 4, Con Edison is not the primary beneficiary since the power to direct the activities that most significantly impact the economics of the entities are shared equally between Con Edison Development and third parties. Con Edison’s ownership interest in Texas Solar 4 is 80 percent and is consolidated in the financial statements. Con Edison is the primary beneficiary since the power to direct the activities that most significantly impact the economics of Texas Solar 4 is held by Con Edison Development.

(b) Represents Con Edison Development’s ownership interest in the project.

(c) For investments accounted for under the equity method, maximum exposure is equal to the carrying value of the investment on the consolidated balance sheet. For consolidated investments, such as Texas Solar 4, maximum exposure is equal to the net assets of the project on the consolidated balance sheet less any applicable noncontrolling interest ($7 million for Texas Solar 4). Con Edison did not provide any financial or other support during the three and nine months ended September 30, 2017 that was not previously contractually required.

### Note N — New Financial Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board jointly issued a revenue recognition standard that will supersede the revenue recognition requirements within Accounting Standards Codification Topic 605, “Revenue Recognition,” and most industry-specific guidance under the Codification through Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The purpose of the new guidance is to create a consistent framework for revenue recognition. The guidance clarifies how to measure and recognize revenue arising from customer contracts to depict the transfer of goods or services in an amount that reflects the consideration the entity expects to receive. Amendments were issued subsequently to clarify key areas including principal/agent considerations, performance obligations, licensing, sales taxes, noncash consideration, and contracts. The new standard is effective for reporting periods beginning after December 15, 2017. Early adoption is permitted for reporting periods beginning after December 15, 2016, however, the Companies plan to adopt the new standard for reporting periods beginning after December 15, 2017.

Under the new standard, companies may use either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting ASU



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2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Companies anticipate using the modified retrospective approach.

The Companies have completed their analyses of the impact of the new standard on the majority of their various revenue streams.

The majority of the Companies’ sales are derived from tariffs to provide electric, gas, and steam service to customers. For such tariffs, the Companies expect that the revenue from contracts with customers under ASU 2014-09 will be equivalent to revenue from electricity, gas, or steam supplied in that period which is consistent with current practice. Consequently, the Companies do not anticipate that the new standard will materially impact the amount and/or timing of such revenues.

Con Edison has also completed its evaluation for the majority of the revenue at the Clean Energy Businesses, including revenue from the sale of energy-related products and services to retail customers, revenue from operating renewable and energy infrastructure projects, and revenue from the sale of renewable energy credits. For such revenues, Con Edison expects that the revenue from contracts with customers under ASU 2014-09 will not be materially different from revenue recorded consistent with current practice. Consequently, Con Edison does not anticipate that the new standard will materially impact the amount and/or timing of such revenues.

The Companies continue to review the potential impacts of the remaining revenue at the Utilities and the Clean Energy Businesses on the Companies' financial position, results of operations and liquidity as well as the additional disclosures and related controls required under the new standard, and anticipate completing such reviews during the fourth quarter of 2017.

In February 2016, the FASB issued amendments on financial reporting of leasing transactions through ASU No. 2016-02, “Leases (Topic 842)." The amendments require lessees to recognize assets and liabilities on the balance sheet and disclose key information about leasing arrangements. Lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model. For income statement purposes, the pattern of expense recognition will be dependent on whether transactions are designated as operating leases or finance leases. The amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The amendments must be adopted using a modified retrospective transition and provide for certain practical expedients. Based on the existing portfolio of leases at implementation, for leases currently classified as operating leases, the Companies expect to recognize on the statements of financial position right-of-use assets and lease liabilities. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies’ results of operations and liquidity.

In January 2017, the FASB issued amendments to the guidance for Business Combinations through ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The amendments in this update clarify the definition of a business and provide guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies’ financial position, results of operations and liquidity.

In January 2017, the FASB issued amendments to the guidance for the subsequent measurement of goodwill through ASU 2017-04, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The amendments in this update simplify goodwill impairment testing by eliminating Step 2 of the goodwill impairment test wherein an entity has to compute the implied fair value of goodwill by performing procedures to determine the fair value of its assets and liabilities. Under the new guidance, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value up to the total amount of goodwill allocated to that reporting unit. For public entities, the amendments are effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies’ financial position, results of operations and liquidity.

In February 2017, the FASB issued amendments to the guidance for other income through ASU 2017-05, “Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.” The amendments in this update clarify the scope of assets within Subtopic 610-20 and add guidance for partial sales of nonfinancial assets. The amendments are effective upon the adoption of ASU 2014-09, and therefore will be effective for reporting periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of the new guidance on the Company's financial position, results of operations and liquidity.

In March 2017, the FASB issued amendments to the guidance for retirement benefits through ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The amendments in this update modify the presentation of net benefit cost, where the service component must be disaggregated from the other components of net benefit cost and be presented in the same line item as current employee compensation costs. The remaining components of the net benefit cost should be presented outside of income from operations. Additionally, the update allows only the service cost component to be eligible for capitalization. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017. Early adoption is permitted. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' financial position, results of operations and liquidity.

In March 2017, the FASB issued amendments to the guidance for debt securities through ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities, the amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In May 2017, the FASB issued amendments to the guidance for stock compensation through ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting." The amendments in this update specify that changes to value, vesting conditions, or classification of an existing share-based payment award require application of modification accounting in Topic 718. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In August 2017, the FASB issued amendments to the guidance for derivatives and hedging through ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The amendments in this update provide greater clarification on hedge accounting for risk components, presentation and disclosure of hedging instruments, and overall targeted improvements to simplify hedge accounting. For public entities, the amendments are effective for reporting periods beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' financial position, results of operations and liquidity.

## Note O — Dispositions

### Upton 2

In May 2017, Con Edison Development sold Upton 2, a development stage solar electric production project, for $11 million to Vistra Asset Co. and recorded a $1 million gain on sale ($0.7 million, net of taxes). In addition, Con Edison Development agreed to perform the engineering, procurement and construction for the 180 MW (AC) project, which is expected to be substantially completed in 2018.



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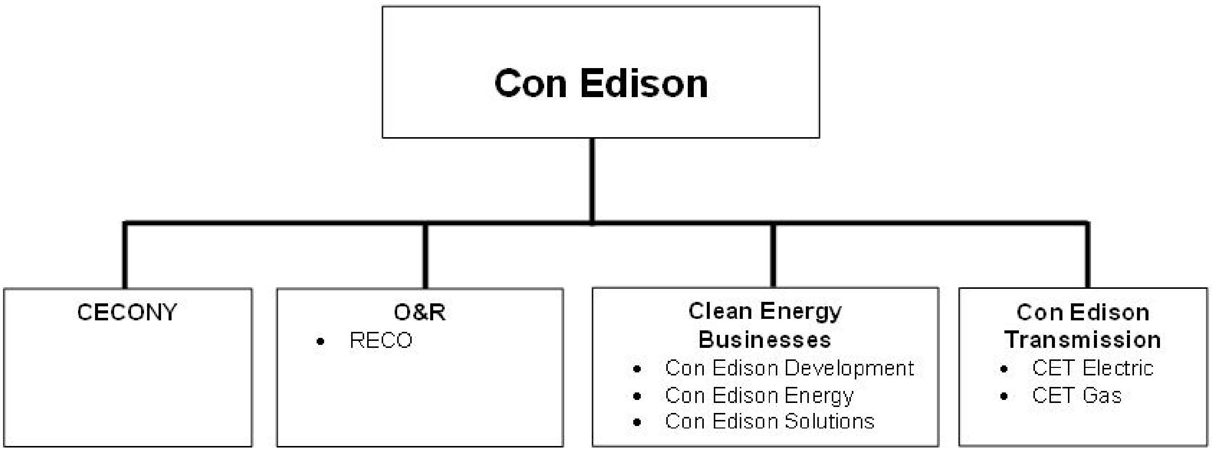
## Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

This combined management's discussion and analysis of financial condition and results of operations (MD&A) relates to the consolidated financial statements (the Third Quarter Financial Statements) included in this report of two separate registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). As used in this report, the term the "Companies" refers to Con Edison and CECONY. CECONY is a subsidiary of Con Edison and, as such, information in this management's discussion and analysis about CECONY applies to Con Edison.

This MD&A should be read in conjunction with the Third Quarter Financial Statements and the notes thereto, the MD&A in Item 7 of the Companies' combined Annual Report on Form 10-K for the year ended December 31, 2016 (File Nos. 1-14514 and 1-1217, the Form 10-K) and the MD&A in Part 1, Item 2 of the Companies' combined Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017 (File Nos. 1-14514 and 1-1217).

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

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




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

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

## CECONY

### Electric

CECONY provides electric service to approximately 3.4 million customers in all of New York City (except a part of Queens) and most of Westchester County, an approximately 660 square mile service area with a population of more than nine million.

During the summer of 2017, electric peak demand in CECONY's service area was 12,321 MW (which occurred on July 20, 2017). At design conditions, electric peak demand in the company's service area would have been approximately 13,270 MW in 2017 compared to the company's forecast of 13,470 MW. The company's five-year forecast of average annual growth of the electric peak demand in its service area at design conditions is approximately 0.1 percent for 2018 to 2022 (as compared to approximately 0.2 percent for 2017 to 2021).

### Gas

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

In May 2017, the company decreased its five-year forecast of average annual growth of the peak gas demand in its service area at design conditions from approximately 2.3 percent (for 2017 to 2021) to 1.6 percent (for 2018 to 2022). The decrease reflects, among other things, that in rolling the forecast forward a year, another year of oil-to-gas conversions has been completed and fewer opportunities to convert remain.

### Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering approximately 19,500 MMlb of steam annually to approximately 1,640 customers in parts of Manhattan.

## O&R

### Electric

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

During the summer of 2017, electric peak demand in O&R's service area was 1,410 MW (which occurred on June 13, 2017). At design conditions, electric peak demand in the company's service area would have been approximately 1,615 MW in 2017 compared to the company's forecast of 1,625 MW. The company’s five-year forecast of average annual growth of the electric peak demand in its service area at design conditions is flat for 2018 to 2022 (as compared to approximately (0.1) percent for 2017 to 2021).

### Gas

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

## Clean Energy Businesses

Con Edison Clean Energy Businesses, Inc. has three wholly-owned subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), Consolidated Edison Energy, Inc. (Con Edison Energy) and Consolidated Edison Solutions, Inc. (Con Edison Solutions). Con Edison Clean Energy Businesses, Inc., together with these subsidiaries (which were formerly referred to as the competitive energy businesses), are referred to in this report as the Clean Energy Businesses.

In September 2016, Con Edison sold the retail electric supply business of its Clean Energy Businesses to a subsidiary of Exelon Corporation for cash consideration of $235 million. In addition, Con Edison received $23 million in cash as a working capital adjustment in February 2017.

In May 2017, Con Edison Development sold a development-stage solar electric production project for $11 million and agreed to perform engineering, procurement and construction for the project. See Note O to the Third Quarter Financial Statements.



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## Con Edison Transmission

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

In October 2017, FERC issued a Certificate of Public Convenience and Necessity for the Mountain Valley Pipeline. The project has an estimated total cost of $3,000 million to $3,500 million and an in-service date targeted for late 2018.

Certain financial data of Con Edison's businesses are presented below:

| | For the Three Months Ended September 30, 2017 | | | | For the Nine Months Ended September 30, 2017 | | | | At September 30, 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***(Millions of Dollars, except percentages)*** | **Operating Revenues** | | **Net Income** | | **Operating Revenues** | | **Net Income** | | **Assets** | |
| CECONY | $2,799 | 87% | $401 | 88% | $7,948 | 88% | $883 | 87% | $41,647 | 85% |
| O&R | 234 | 7 | 22 | 5 | 667 | 7 | 53 | 5 | 2,832 | 6 |
| Total Utilities | 3,033 | 94 | 423 | 93 | 8,615 | 95 | 936 | 92 | 44,479 | 91 |
| Clean Energy Businesses (a) | 177 | 6 | 26 | 5 | 460 | 5 | 54 | 5 | 2,811 | 6 |
| Con Edison Transmission | 1 | — | 9 | 2 | 1 | — | 25 | 2 | 1,210 | 2 |
| Other (b) | — | — | (1) | — | (4) | — | 5 | 1 | 746 | 1 |
| **Total Con Edison** | **$3,211** | **100%** | **$457** | **100%** | **$9,072** | **100%** | **$1,020** | **100%** | **$49,246** | **100%** |

(a) Net income from the Clean Energy Businesses includes for the nine months ended September 30, 2017 $1 million net after-tax gain related to the sale of a development stage solar electric production project (see Note O to the Third Quarter Financial Statements). Also includes for the three and nine months ended September 30, 2017 $4 million and $1 million of net after-tax mark-to-market gains, respectively.

(b) Other includes parent company and consolidation adjustments.

## Results of Operations

Net income and earnings per share for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | For the Three Months Ended September 30, | | | | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| ***(Millions of Dollars, except per share amounts)*** | **Net Income** | | **Earnings per Share** | | **Net Income** | | **Earnings per Share** | |
| CECONY | $401 | $388 | $1.30 | $1.27 | $883 | $859 | $2.88 | $2.87 |
| O&R | 22 | 27 | 0.07 | 0.09 | 53 | 55 | 0.18 | 0.18 |
| Clean Energy Businesses (a) | 26 | 78 | 0.08 | 0.26 | 54 | 120 | 0.18 | 0.40 |
| Con Edison Transmission | 9 | 10 | 0.03 | 0.03 | 25 | 11 | 0.08 | 0.04 |
| Other (b) | (1) | (6) | — | (0.02) | 5 | (6) | 0.01 | (0.02) |
| **Con Edison (c)** | **$457** | **$497** | **$1.48** | **$1.63** | **$1,020** | **$1,039** | **$3.33** | **$3.47** |

(a) Includes $4 million or $0.01 a share and $(15) million or $(0.05) a share of net after-tax mark-to-market gains/(losses) for the three months ended September 30, 2017 and 2016, respectively, and $1 million or $0.01 a share and $5 million or $0.02 a share of net after-tax mark-to-market gains/(losses) for the nine months ended September 30, 2017 and 2016, respectively. Also includes a $1 million or $0.00 a share net after-tax gain on the sale of a solar electric production project for the nine months ended September 30, 2017 (see Note O to the Third Quarter Financial Statements) and a $47 million or $0.15 a share of net gain related to the sale of the retail electric supply business, $5 million or $0.02 a share of net gain related to the acquisition of a solar electric production investment for the three and nine months ended September 30, 2016 and a $5 million or $0.02 a share of net loss related to the impairment of a solar electric production investment for the nine months ended September 30, 2016.

(b) Other includes parent company and consolidation adjustments.
(c) Earnings per share on a diluted basis were $1.48 a share and $1.62 a share for the three months ended September 30, 2017 and 2016, respectively, and $3.31 a share and $3.46 a share for the nine months ended September 30, 2017 and 2016, respectively.

The Companies' results of operations for the three and nine months ended September 30, 2017, as compared with the 2016 periods, reflect changes in rate plans and regulatory charges and the impact of weather on steam revenues. The new electric rate plan of CECONY includes changes in the timing of recognition of annual revenues between quarters. Operations and maintenance expenses for CECONY for the three and nine months ended September 30, 2017 primarily reflect lower costs for pensions and other postretirement benefits. In addition, the Utilities' rate plans provide for revenues to cover expected changes in certain operating costs including depreciation, property taxes and other tax matters.

The following table presents the estimated effect on earnings per share and net income for the three and nine months ended September 30, 2017 period as compared with 2016 period, resulting from these and other major factors:

| | Three Months Variation | | Nine Months Variation | |
|---|---|---|---|---|
| ***(Millions of Dollars, except per share amounts)*** | **Earnings per Share Variation** | **Net Income Variation** | **Earnings per Share Variation** | **Net Income Variation** |
| CECONY (a) | | | | |
| Changes in rate plans and regulatory charges (b) | $0.12 | $35 | $0.29 | $87 |
| Weather impact on steam revenues | — | (1) | 0.01 | 4 |
| Other operations and maintenance expenses (c) | 0.07 | 22 | 0.24 | 73 |
| Depreciation, property taxes and other tax matters (d) | (0.10) | (30) | (0.36) | (108) |
| Other (e) | (0.06) | (13) | (0.17) | (32) |
| Total CECONY | 0.03 | 13 | 0.01 | 24 |
| O&R (a) | | | | |
| Changes in rate plans and regulatory charges | — | 1 | 0.04 | 12 |
| Other operations and maintenance expenses (f) | (0.01) | (2) | (0.03) | (9) |
| Depreciation and property taxes | (0.01) | (4) | (0.02) | (6) |
| Other (e) | — | — | 0.01 | 1 |
| Total O&R | (0.02) | (5) | — | (2) |
| Clean Energy Businesses | | | | |
| Operating revenues less energy costs (g) | 0.10 | 32 | 0.10 | 31 |
| Other operations and maintenance expenses (h) | (0.08) | (23) | (0.10) | (30) |
| Depreciation | (0.02) | (5) | (0.05) | (15) |
| Net interest expense | (0.01) | (3) | (0.02) | (6) |
| Other (e) (i) | (0.17) | (53) | (0.15) | (46) |
| Total Clean Energy Businesses | (0.18) | (52) | (0.22) | (66) |
| Con Edison Transmission (e) (j) | — | (1) | 0.04 | 14 |
| Other, including parent company expenses (e) (k) | 0.02 | 5 | 0.03 | 11 |
| **Total variations** | **$(0.15)** | **$(40)** | **$(0.14)** | **$(19)** |

(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 the Companies' results of operations.
(b) For the three and nine months ended September 30, 2017 as compared to the 2016 periods, reflects lower electric net base revenues of $(0.03) a share, resulting from the timing of recognition of annual revenues between quarters under CECONY's new electric rate plan. Also, for the three and nine months ended September 30, 2017 as compared with the 2016 periods, reflects higher electric net base revenues ($0.07 a share and $0.08 a share, respectively), resulting from the increased base rates under CECONY's new electric rate plan, higher gas net base revenues ($0.01 a share and $0.16 a share, respectively), incentives earned under the electric Earnings Adjustment Mechanisms of $0.02 a share, a property tax refund incentive of $0.01 a share and an increase to the regulatory reserve related to certain gas proceedings in 2016 ($0.02 a share and $0.03 a share, respectively). For the nine months ended September 30, 2017 as compared with the 2016 period, reflects growth in the number of gas customers of $0.03 a share.
(c) Reflects lower pension and other postretirement benefits costs of $0.07 a share and $0.22 a share for the three and nine months ended September 30, 2017 as compared with the 2016 periods.
(d) Reflects higher depreciation and amortization expense of $(0.04) a share and $(0.13) a share, property taxes of $(0.04) a share and $(0.13) a share, and income taxes of $(0.02) a share and $(0.10) a share for the three and nine months ended September 30, 2017 as compared with the 2016 periods.
(e) Includes the impact of the dilutive effect of Con Edison's stock issuances.
(f) Reflects higher pension costs of $(0.01) a share and $(0.02) a share for the three and nine months ended September 30, 2017 as compared with the 2016 periods. Also, for the nine months ended September 30, 2017 as compared with the 2016 period, reflects higher regulatory assessments and fees that are collected in revenues from customers and a higher reserve for injuries and damages of $(0.01) a share.



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(g) Reflects higher revenues from renewable electric production projects and lower revenues and energy costs resulting from the retail electric supply business which was sold in September 2016. Includes $0.01 a share and $(0.05) a share of net after-tax mark-to-market gains/(losses) for the three months ended September 30, 2017 and 2016, respectively, and $0.01 a share and $0.02 a share of net after-tax mark-to-market gains for the nine months ended September 30, 2017 and 2016, respectively. Substantially all the mark-to-market effects in the 2016 periods were related to the retail electric supply business sold in September 2016.
(h) Reflects Upton 2 engineering, procurement and construction costs ($(0.05) a share and $(0.06) a share, respectively) as well as increased energy service costs ($(0.02) a share and $(0.04) a share, respectively) for the three and nine months ended September 30, 2017 as compared with the 2016 periods.
(i) Includes $0.02 a share of net after-tax gain related to the acquisition of a solar electric production investment for the three and nine months ended September 30, 2016, net of $(0.02) a share of impairment loss related to the solar electric production investment for the nine months ended September 30, 2016. Includes $0.15 a share of net after-tax gain related to the sale of the retail electric supply business for the three and nine months ended September 30, 2016.
(j) Reflects income from equity investments.
(k) Reflects higher state income tax benefits.

The Companies' other operations and maintenance expenses for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| ***(Millions of Dollars)*** | **2017** | **2016** | **2017** | **2016** |
| CECONY | | | | |
| Operations | $386 | $381 | $1,147 | $1,109 |
| Pensions and other postretirement benefits | 51 | 87 | 152 | 261 |
| Health care and other benefits | 45 | 47 | 127 | 124 |
| Regulatory fees and assessments (a) | 142 | 135 | 355 | 361 |
| Other | 67 | 74 | 211 | 250 |
| Total CECONY | 691 | 724 | 1,992 | 2,105 |
| O&R | 80 | 77 | 236 | 220 |
| Clean Energy Businesses | 79 | 40 | 174 | 124 |
| Con Edison Transmission | 3 | 1 | 7 | 1 |
| Other (b) | (1) | (2) | (3) | (3) |
| **Total other operations and maintenance expenses** | **$852** | **$840** | **$2,406** | **$2,447** |

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

A discussion of the results of operations by principal business segment for the three and nine months ended September 30, 2017 and 2016 follows. For additional business segment financial information, see Note J to the Third Quarter Financial Statements.

### Three Months Ended September 30, 2017 Compared with Three Months Ended September 30, 2016

The Companies' results of operations in 2017 compared with 2016 were:

| | CECONY | | O&R | | Clean Energy Businesses | | Con Edison Transmission | | Other (a) | | Con Edison (b) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent |
| Operating revenues | $(29) | (1.0)% | $(6) | (2.5)% | $(173) | (49.4)% | $1 | —% | $1 | Large | $(206) | (6.0)% |
| Purchased power | (95) | (19.2) | (9) | (13.0) | (234) | Large | — | — | — | — | (338) | (42.4) |
| Fuel | 1 | 3.4 | — | — | — | — | — | — | — | — | 1 | 3.4 |
| Gas purchased for resale | 24 | 70.6 | 2 | 25.0 | 8 | 20.5 | — | — | — | — | 34 | 42.0 |
| Other operations and maintenance | (33) | (4.6) | 3 | 3.9 | 39 | 97.5 | 2 | Large | 1 | (50.0) | 12 | 1.4 |
| Depreciation and amortization | 22 | 7.9 | 1 | 5.9 | 8 | 72.7 | — | — | 1 | Large | 32 | 10.5 |
| Taxes, other than income taxes | 18 | 3.6 | — | — | (2) | (40.0) | — | — | — | — | 16 | 3.0 |
| Gain on sale of retail electric supply business (2016) | — | — | — | — | (104) | Large | — | — | — | — | (104) | Large |
| Operating income | 34 | 4.4 | (3) | (6.3) | (96) | (76.8) | (1) | Large | (1) | (50.0) | (67) | (7.1) |
| Other income less deductions | (2) | Large | (1) | Large | (9) | (33.3) | 1 | 5.0 | 1 | Large | (10) | (20.4) |
| Net interest expense | 3 | 1.9 | — | — | 5 | 71.4 | 1 | 33.3 | (2) | (40.0) | 7 | 3.9 |
| Income before income tax expense | 29 | 4.7 | (4) | (10.0) | (110) | (75.9) | (1) | (6.3) | 2 | 50.0 | (84) | (10.4) |
| Income tax expense | 16 | 7.1 | 1 | 7.7 | (58) | (86.6) | — | — | (3) | Large | (44) | (14.0) |
| **Net income** | **$13** | **3.4%** | **$(5)** | **(18.5)%** | **$(52)** | **(66.7)%** | **$(1)** | **(10.0)%** | **$5** | **83.3 %** | **$(40)** | **(8.0)%** |

(a) Includes parent company and consolidation adjustments.
(b) Represents the consolidated results of operations of Con Edison and its businesses.



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## CECONY

| | For the Three Months Ended September 30, 2017 | | | | For the Three Months Ended September 30, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Electric | Gas | Steam | 2017 Total | Electric | Gas | Steam | 2016 Total | 2017-2016 Variation |
| Operating revenues | $2,469 | $268 | $62 | $2,799 | $2,557 | $208 | $63 | $2,828 | $(29) |
| Purchased power | 393 | — | 7 | 400 | 486 | — | 9 | 495 | (95) |
| Fuel | 24 | — | 6 | 30 | 21 | — | 8 | 29 | 1 |
| Gas purchased for resale | — | 58 | — | 58 | — | 34 | — | 34 | 24 |
| Other operations and maintenance | 547 | 104 | 40 | 691 | 578 | 102 | 44 | 724 | (33) |
| Depreciation and amortization | 232 | 47 | 21 | 300 | 217 | 41 | 20 | 278 | 22 |
| Taxes, other than income taxes | 418 | 71 | 31 | 520 | 414 | 59 | 29 | 502 | 18 |
| **Operating income** | **$855** | **$(12)** | **$(43)** | **$800** | **$841** | **$(28)** | **$(47)** | **$766** | **$34** |

### Electric

CECONY's results of electric operations for the three months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Three Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $2,469 | $2,557 | $(88) |
| Purchased power | 393 | 486 | (93) |
| Fuel | 24 | 21 | 3 |
| Other operations and maintenance | 547 | 578 | (31) |
| Depreciation and amortization | 232 | 217 | 15 |
| Taxes, other than income taxes | 418 | 414 | 4 |
| **Electric operating income** | **$855** | **$841** | **$14** |

CECONY's electric sales and deliveries for the three months ended September 30, 2017 compared with the 2016 period were:

| | Millions of kWh Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | For the Three Months Ended | | | |
| Description | September 30, 2017 | September 30, 2016 | Variation | Percent Variation | September 30, 2017 | September 30, 2016 | Variation | Percent Variation |
| Residential/Religious (b) | 3,237 | 3,653 | (416) | (11.4)% | $805 | $883 | $(78) | (8.8)% |
| Commercial/Industrial | 2,570 | 2,749 | (179) | (6.5) | 534 | 551 | (17) | (3.1) |
| Retail choice customers | 7,510 | 8,136 | (626) | (7.7) | 867 | 918 | (51) | (5.6) |
| NYPA, Municipal Agency and other sales | 2,705 | 2,764 | (59) | (2.1) | 207 | 204 | 3 | 1.5 |
| Other operating revenues (c) | — | — | — | — | 56 | 1 | 55 | Large |
| **Total** | **16,022** | **17,302** | **(1,280)** | **(7.4)% (d)** | **$2,469** | **$2,557** | **$(88)** | **(3.4)%** |

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans.
(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in CECONY's service area decreased 1.4 percent in the three months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* decreased $88 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower purchased power expenses ($93 million), offset by higher revenues from the electric rate plan ($27 million).

*Purchased power* expenses decreased $93 million in the three months ended September 30, 2017 compared with the 2016 period due to lower purchased volumes ($66 million) and unit costs ($27 million).

*Fuel* expenses increased $3 million in the three months ended September 30, 2017 compared with the 2016 period due to higher unit costs ($6 million), offset by lower purchased volumes from the company's electric generating facilities ($3 million).

*Other operations and maintenance* expenses decreased $31 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower pension and other postretirement benefits ($38 million) and environmental costs ($6 million), offset by higher surcharges for assessments and fees that are collected in revenues from customers ($6 million) and uncollectible expense ($5 million).

*Depreciation and amortization* increased $15 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher electric utility plant balances.

*Taxes, other than income taxes* increased $4 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes ($11 million), offset by lower state and local taxes ($5 million).

**Gas**

CECONY's results of gas operations for the three months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Three Months Ended | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **September 30, 2017** | **September 30, 2016** | **Variation** |
| Operating revenues | $268 | $208 | $60 |
| Gas purchased for resale | 58 | 34 | 24 |
| Other operations and maintenance | 104 | 102 | 2 |
| Depreciation and amortization | 47 | 41 | 6 |
| Taxes, other than income taxes | 71 | 59 | 12 |
| **Gas operating income** | **$(12)** | **$(28)** | **$16** |

CECONY's gas sales and deliveries, excluding off-system sales, for the three months ended September 30, 2017 compared with the 2016 period were:

| | Thousands of Dt Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | For the Three Months Ended | | | |
| **Description** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** |
| Residential | 4,731 | 4,335 | 396 | 9.1% | $104 | $88 | $16 | 18.2% |
| General | 4,292 | 3,963 | 329 | 8.3 | 49 | 41 | 8 | 19.5 |
| Firm transportation | 8,766 | 8,305 | 461 | 5.6 | 67 | 53 | 14 | 26.4 |
| **Total firm sales and transportation** | **17,789** | **16,603** | **1,186** | **7.1 (b)** | **220** | **182** | **38** | **20.9** |
| Interruptible sales (c) | 2,108 | 1,664 | 444 | 26.7 | 8 | 4 | 4 | Large |
| NYPA | 10,148 | 12,800 | (2,652) | (20.7) | 1 | 1 | — | — |
| Generation plants | 24,068 | 35,745 | (11,677) | (32.7) | 7 | 7 | — | — |
| Other | 4,487 | 4,975 | (488) | (9.8) | 6 | 6 | — | — |
| Other operating revenues (d) | — | — | — | — | 26 | 8 | 18 | Large |
| **Total** | **58,600** | **71,787** | **(13,187)** | **(18.4)%** | **$268** | **$208** | **$60** | **28.8%** |

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



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(b) After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company's service area increased 6.0 percent in the three months ended September 30, 2017 compared with the 2016 period, reflecting primarily increased volumes attributable to the growth in the number of gas customers.
(c) Includes 1,535 thousands and 915 thousands of Dt for the 2017 and 2016 periods, respectively, which are also reflected in firm transportation and other.
(d) Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans.

*Operating revenues* increased $60 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher revenues from the gas rate plan and growth in the number of customers ($29 million) and higher gas purchased for resale expense ($24 million).

*Gas purchased for resale* increased $24 million in the three months ended September 30, 2017 compared with the 2016 period due to higher unit costs ($20 million) and purchased volumes ($4 million).

*Other operations and maintenance* expenses increased $2 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher surcharges for assessments and fees that were collected in revenues from customers.

*Depreciation and amortization* increased $6 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher gas utility plant balances.

*Taxes, other than income taxes* increased $12 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes ($6 million), state and local taxes ($4 million) and payroll taxes ($1 million).

**Steam**

CECONY's results of steam operations for the three months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Three Months Ended | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **September 30, 2017** | **September 30, 2016** | **Variation** |
| Operating revenues | $62 | $63 | $(1) |
| Purchased power | 7 | 9 | (2) |
| Fuel | 6 | 8 | (2) |
| Other operations and maintenance | 40 | 44 | (4) |
| Depreciation and amortization | 21 | 20 | 1 |
| Taxes, other than income taxes | 31 | 29 | 2 |
| **Steam operating income** | **$(43)** | **$(47)** | **$4** |

CECONY's steam sales and deliveries for the three months ended September 30, 2017 compared with the 2016 period were:

| | Millions of Pounds Delivered | | | | Revenues in Millions | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | For the Three Months Ended | | | |
| **Description** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** |
| General | 13 | 10 | 3 | 30.0% | $2 | $2 | $— | —% |
| Apartment house | 748 | 776 | (28) | (3.6) | 15 | 15 | — | — |
| Annual power | 2,439 | 2,950 | (511) | (17.3) | 42 | 49 | (7) | (14.3) |
| Other operating revenues (a) | — | — | — | — | 3 | (3) | 6 | Large |
| **Total** | **3,200** | **3,736** | **(536)** | **(14.3)% (b)** | **$62** | **$63** | **$(1)** | **(1.6)%** |

(a) Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plan.
(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries decreased 8.6 percent in the three months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* decreased $1 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower purchased power expenses ($2 million) and lower fuel expenses ($2 million), offset in part by a property tax refund incentive ($3 million).

*Purchased power* expenses decreased $2 million in the three months ended September 30, 2017 compared with the 2016 period due to lower unit costs ($1 million) and purchased volumes ($1 million).

*Fuel* expenses decreased $2 million in the three months ended September 30, 2017 compared with the 2016 period due to lower unit costs ($1 million) and purchased volumes from the company's steam generating facilities ($1 million).

*Other operations and maintenance* expenses decreased $4 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower municipal infrastructure support costs.

*Depreciation and amortization* increased $1 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher steam utility plant balances.

*Taxes, other than income taxes* increased $2 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes.

### Other Income (Deductions)

Other income (deductions) decreased $2 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to a decrease in investment and other income.

### Net Interest Expense

Net interest expense increased $3 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher long-term debt balances in the 2017 period.

### Income Tax Expense

Income taxes increased $16 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher income before income tax expense ($11 million), a decrease in tax benefits for plant-related flow through items ($7 million), offset in part by higher research and development tax credits ($2 million).

## O&R

| | For the Three Months Ended September 30, 2017 | | | For the Three Months Ended September 30, 2016 | | | |
|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Electric | Gas | 2017 Total | Electric | Gas | 2016 Total | 2017-2016 Variation |
| Operating revenues | $206 | $28 | $234 | $213 | $27 | $240 | $(6) |
| Purchased power | 60 | — | 60 | 69 | — | 69 | (9) |
| Gas purchased for resale | — | 10 | 10 | — | 8 | 8 | 2 |
| Other operations and maintenance | 63 | 17 | 80 | 63 | 14 | 77 | 3 |
| Depreciation and amortization | 13 | 5 | 18 | 12 | 5 | 17 | 1 |
| Taxes, other than income taxes | 14 | 7 | 21 | 14 | 7 | 21 | — |
| **Operating income** | **$56** | **$(11)** | **$45** | **$55** | **$(7)** | **$48** | **$(3)** |

### Electric

O&R's results of electric operations for the three months ended September 30, 2017 compared with the 2016 period is as follows:



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| | For the Three Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $206 | $213 | $(7) |
| Purchased power | 60 | 69 | (9) |
| Other operations and maintenance | 63 | 63 | — |
| Depreciation and amortization | 13 | 12 | 1 |
| Taxes, other than income taxes | 14 | 14 | — |
| **Electric operating income** | **$56** | **$55** | **$1** |

O&R’s electric sales and deliveries for the three months ended September 30, 2017 compared with the 2016 period were:

| | Millions of kWh Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | For the Three Months Ended | | | |
| Description | September 30, 2017 | September 30, 2016 | Variation | Percent Variation | September 30, 2017 | September 30, 2016 | Variation | Percent Variation |
| Residential/Religious (b) | 500 | 585 | (85) | (14.5)% | $105 | $109 | $(4) | (3.7)% |
| Commercial/Industrial | 206 | 216 | (10) | (4.6) | 34 | 35 | (1) | (2.9) |
| Retail choice customers | 818 | 925 | (107) | (11.6) | 64 | 70 | (6) | (8.6) |
| Public authorities | 31 | 31 | — | — | 3 | 2 | 1 | 50.0 |
| Other operating revenues (c) | — | — | — | — | — | (3) | 3 | Large |
| **Total** | **1,555** | **1,757** | **(202)** | **(11.5)% (d)** | **$206** | **$213** | **$(7)** | **(3.3)%** |

(a) O&R’s New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R’s electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.
(b) “Residential/Religious” generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company’s electric rate plan.
(d) After adjusting for weather and other variations, electric delivery volumes in O&R’s service area decreased 3.4 percent in the three months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* decreased $7 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower purchased power expenses ($9 million), offset by higher revenues from the New York electric rate plan ($3 million).

*Purchased power* expenses decreased $9 million in the three months ended September 30, 2017 compared with the 2016 period due to lower purchased volumes ($10 million), offset by higher unit costs ($1 million).

*Depreciation and amortization* expenses increased $1 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher electric utility plant balances.

## Gas

O&R’s results of gas operations for the three months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Three Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $28 | $27 | $1 |
| Gas purchased for resale | 10 | 8 | 2 |
| Other operations and maintenance | 17 | 14 | 3 |
| Depreciation and amortization | 5 | 5 | — |
| Taxes, other than income taxes | 7 | 7 | — |
| **Gas operating income** | **$(11)** | **$(7)** | **$(4)** |

O&R's gas sales and deliveries, excluding off-system sales, for the three months ended September 30, 2017 compared with the 2016 period were:

| | Thousands of Dt Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | For the Three Months Ended | | | |
| Description | September 30, 2017 | September 30, 2016 | Variation | Percent Variation | September 30, 2017 | September 30, 2016 | Variation | Percent Variation |
| Residential | 579 | 550 | 29 | 5.3% | $11 | $9 | $2 | 22.2% |
| General | 198 | 177 | 21 | 11.9 | 2 | 2 | — | — |
| Firm transportation | 898 | 884 | 14 | 1.6 | 8 | 8 | — | — |
| **Total firm sales and transportation** | **1,675** | **1,611** | **64** | **4.0 (b)** | **21** | **19** | **2** | **10.5** |
| Interruptible sales | 819 | 893 | (74) | (8.3) | 1 | — | 1 | — |
| Generation plants | 5 | 3 | 2 | 66.7 | — | — | — | — |
| Other | 74 | 70 | 4 | 5.7 | — | — | — | — |
| Other gas revenues | — | — | — | — | 6 | 8 | (2) | (25.0) |
| **Total** | **2,573** | **2,577** | **(4)** | **(0.2)%** | **$28** | **$27** | **$1** | **3.7%** |

(a) Revenues from New York gas sales are subject to a weather normalization clause and a revenue decoupling mechanism as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for weather and other variations, total firm sales and transportation volumes increased 3.1 percent in the three months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* increased $1 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher gas purchased for resale ($2 million), offset by lower revenues from the New York gas rate plan ($1 million).

*Gas purchased for resale* increased $2 million in the three months ended September 30, 2017 compared with the 2016 period due to higher purchased volumes ($3 million), offset by lower unit costs ($1 million).

*Other operations and maintenance* expenses increased $3 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to higher pension costs.

### Income Tax Expense

Income taxes increased $1 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to the absence in 2017 of a tax benefit from a corporate-owned life insurance policy in 2016 ($2 million), offset in part by lower income before income tax expense ($1 million).

## Clean Energy Businesses

The Clean Energy Businesses' results of operations for the three months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Three Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $177 | $350 | $(173) |
| Purchased power | — | 234 | (234) |
| Gas purchased for resale | 47 | 39 | 8 |
| Other operations and maintenance | 79 | 40 | 39 |
| Depreciation and amortization | 19 | 11 | 8 |
| Taxes, other than income taxes | 3 | 5 | (2) |
| Gain on sale of retail electric supply business (2016) | — | (104) | 104 |
| **Operating income** | **$29** | **$125** | **$(96)** |

*Operating revenues* decreased $173 million in the three months ended September 30, 2017 compared with the 2016 period, due primarily to lower electric retail revenues of $256 million from the sale of the retail electric supply business in September 2016. Renewable revenues increased $56 million due primarily to an increase in renewable electric production projects in operation and revenues from the engineering, procurement and construction of Upton



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2 (see Note O to the Third Quarter Financial Statements). Energy services revenues increased $9 million. Wholesale revenues increased $10 million due to higher sales volumes. Net mark-to-market values increased $32 million, due primarily to the sale of the retail electric supply business, of which $24 million in gains are reflected in purchased power costs and $8 million in gains are reflected in revenues.

*Purchased power* expenses decreased $234 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower electric costs due to the sale of the retail electric supply business in September 2016 ($210 million) and changes in mark-to-market values ($24 million).

*Gas purchased for resale* increased $8 million in the three months ended September 30, 2017 compared with the 2016 period due to higher purchased volumes.

*Other operations and maintenance* expenses increased $39 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to Upton 2 engineering, procurement and construction costs (see Note O to the Third Quarter Financial Statements) and an increase in energy services costs.

*Depreciation and amortization* increased $8 million in the three months ended September 30, 2017 compared with the 2016 period due to an increase in solar electric production projects in operation during 2017.

*Taxes, other than income taxes* decreased $2 million in the three months ended September 30, 2017 compared with the 2016 period primarily due to lower gross receipts tax from the sale of the retail electric supply business.

G*ain on sale of retail electric supply busine*ss was $104 million in the three months ended September 30, 2016 reflecting the sale of the Clean Energy Businesses' retail electric supply business.

**Other Income (Deductions)**

Other income (deductions) decreased $9 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to the gain related to the acquisition of a solar electric production investment in 2016.

**Net Interest Expense**

Net interest expense increased $5 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to increased debt on solar electric production projects.

**Income Tax Expense**

Income taxes decreased $58 million in the three months ended September 30, 2017 compared with the 2016 period due primarily to lower income before income tax expense ($44 million), higher renewable energy tax credits ($1 million) and the increase to deferred state income taxes in 2016 as a result of the sale of the retail electric supply business that increased the Clean Energy Businesses’ state apportionment factor on its cumulative temporary differences ($13 million).

**Other**

For Con Edison, “Other” includes parent company and consolidation adjustments.

**Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016**

The Companies' results of operations in 2017 compared with 2016 were:

| | CECONY | | O&R | | Clean Energy Businesses | | Con Edison Transmission | | Other (a) | | Con Edison (b) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent | Increases (Decreases) Amount | Increases (Decreases) Percent |
| Operating revenues | $207 | 2.7 % | $37 | 5.9% | $(538) | (53.9)% | $1 | —% | $(3) | Large | $(296) | (3.2)% |
| Purchased power | (106) | (8.7) | (6) | (3.9) | (679) | Large | — | — | (3) | Large | (794) | (38.8) |
| Fuel | 36 | 27.1 | — | — | — | — | — | — | — | — | 36 | 27.1 |
| Gas purchased for resale | 155 | 71.4 | 20 | 62.5 | 89 | Large | — | — | — | — | 264 | 82.5 |
| Other operations and maintenance | (113) | (5.4) | 16 | 7.3 | 50 | 40.3 | 6 | Large | — | — | (41) | (1.7) |
| Depreciation and amortization | 66 | 8.0 | 3 | 6.0 | 24 | 80.0 | — | — | — | — | 93 | 10.3 |
| Taxes, other than income taxes | 77 | 5.3 | 2 | 3.3 | (4) | (25.0) | — | — | (1) | Large | 74 | 4.9 |
| Gain on sale of retail electric supply business (2016) and solar electric production project (2017) | — | — | — | — | (103) | Large | — | — | — | — | (103) | Large |
| Operating income | 92 | 5.1 | 2 | 1.8 | (121) | (65.8) | (5) | Large | 1 | Large | (31) | (1.5) |
| Other income less deductions | 4 | Large | (1) | Large | (2) | (5.7) | 37 | Large | (1) | — | 37 | 60.7 |
| Net interest expense | 12 | 2.7 | (1) | (3.6) | 11 | 47.8 | 8 | Large | (2) | (18.2) | 28 | 5.4 |
| Income before income tax expense | 84 | 6.2 | 2 | 2.3 | (134) | (68.4) | 24 | Large | 2 | (20.0) | (22) | (1.3) |
| Income tax expense | 60 | 12.2 | 4 | 12.5 | (68) | (89.5) | 10 | Large | (9) | Large | (3) | (0.5) |
| **Net income** | **$24** | **2.8 %** | **$(2)** | **(3.6)%** | **$(66)** | **(55.0)%** | **$14** | **Large** | **$11** | **Large** | **$(19)** | **(1.8)%** |

(a) Includes parent company and consolidation adjustments.
(b) Represents the consolidated results of operations of Con Edison and its businesses.



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## CECONY

| | For the Nine Months Ended September 30, 2017 | | | | For the Nine Months Ended September 30, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Electric | Gas | Steam | 2017 Total | Electric | Gas | Steam | 2016 Total | 2017-2016 Variation |
| Operating revenues | $6,079 | $1,421 | $448 | $7,948 | $6,222 | $1,113 | $406 | $7,741 | $207 |
| Purchased power | 1,084 | — | 26 | 1,110 | 1,191 | — | 25 | 1,216 | (106) |
| Fuel | 95 | — | 74 | 169 | 81 | — | 52 | 133 | 36 |
| Gas purchased for resale | — | 372 | — | 372 | — | 217 | — | 217 | 155 |
| Other operations and maintenance | 1,528 | 330 | 134 | 1,992 | 1,659 | 307 | 139 | 2,105 | (113) |
| Depreciation and amortization | 690 | 137 | 64 | 891 | 645 | 118 | 62 | 825 | 66 |
| Taxes, other than income taxes | 1,205 | 220 | 98 | 1,523 | 1,159 | 198 | 89 | 1,446 | 77 |
| **Operating income** | **$1,477** | **$362** | **$52** | **$1,891** | **$1,487** | **$273** | **$39** | **$1,799** | **$92** |

### Electric

CECONY’s results of electric operations for the nine months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Nine Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $6,079 | $6,222 | $(143) |
| Purchased power | 1,084 | 1,191 | (107) |
| Fuel | 95 | 81 | 14 |
| Other operations and maintenance | 1,528 | 1,659 | (131) |
| Depreciation and amortization | 690 | 645 | 45 |
| Taxes, other than income taxes | 1,205 | 1,159 | 46 |
| **Electric operating income** | **$1,477** | **$1,487** | **$(10)** |

CECONY’s electric sales and deliveries for the nine months ended September 30, 2017 compared with the 2016 period were:

| | Millions of kWh Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Nine Months Ended | | | | For the Nine Months Ended | | | |
| Description | September 30, 2017 | September 30, 2016 | Variation | Percent Variation | September 30, 2017 | September 30, 2016 | Variation | Percent Variation |
| Residential/Religious (b) | 7,576 | 8,130 | (554) | (6.8)% | $1,925 | $2,017 | $(92) | (4.6)% |
| Commercial/Industrial | 6,965 | 7,220 | (255) | (3.5) | 1,393 | 1,381 | 12 | 0.9 |
| Retail choice customers | 19,748 | 20,404 | (656) | (3.2) | 2,092 | 2,114 | (22) | (1.0) |
| NYPA, Municipal Agency and other sales | 7,548 | 7,641 | (93) | (1.2) | 483 | 474 | 9 | 1.9 |
| Other operating revenues (c) | — | — | — | — | 186 | 236 | (50) | (21.2) |
| **Total** | **41,837** | **43,395** | **(1,558)** | **(3.6)% (d)** | **$6,079** | **$6,222** | **$(143)** | **(2.3)%** |

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) “Residential/Religious” generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company’s rate plans.
(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in CECONY’s service area decreased 0.9 percent in the nine months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* decreased $143 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to lower purchased power costs ($107 million). The lower revenues reflected the decline in surcharges for assessments and fees that were collected in revenues from customers ($13 million).

*Purchased power* expenses decreased $107 million in the nine months ended September 30, 2017 compared with the 2016 period due to lower purchased volumes ($95 million) and unit costs ($12 million).

*Fuel* expenses increased $14 million in the nine months ended September 30, 2017 compared with the 2016 period due to higher unit costs ($12 million) and purchased volumes from the company's electric generating facilities ($2 million).

*Other operations and maintenance* expenses decreased $131 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to lower costs for pension and other postretirement benefits ($114 million), surcharges for assessments and fees that are collected in revenues from customers ($13 million), environmental costs ($17 million) and stock based compensation ($6 million), offset by higher costs for municipal infrastructure support ($20 million).

*Depreciation and amortization* increased $45 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher electric utility plant balances.

*Taxes, other than income taxes* increased $46 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes ($43 million) and the absence in 2017 of a favorable state audit settlement in 2016 ($5 million), offset by lower state and local taxes ($4 million).

**Gas**

CECONY's results of gas operations for the nine months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Nine Months Ended | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **September 30, 2017** | **September 30, 2016** | **Variation** |
| Operating revenues | $1,421 | $1,113 | $308 |
| Gas purchased for resale | 372 | 217 | 155 |
| Other operations and maintenance | 330 | 307 | 23 |
| Depreciation and amortization | 137 | 118 | 19 |
| Taxes, other than income taxes | 220 | 198 | 22 |
| **Gas operating income** | **$362** | **$273** | **$89** |



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CECONY's gas sales and deliveries, excluding off-system sales, for the nine months ended September 30, 2017 compared with the 2016 period were:

| | Thousands of Dt Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Nine Months Ended | | | | For the Nine Months Ended | | | |
| **Description** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** |
| Residential | 39,814 | 35,565 | 4,249 | 11.9% | $613 | $506 | $107 | 21.1 % |
| General | 23,427 | 20,962 | 2,465 | 11.8 | 255 | 200 | 55 | 27.5 |
| Firm transportation | 53,952 | 51,333 | 2,619 | 5.1 | 390 | 332 | 58 | 17.5 |
| **Total firm sales and transportation** | **117,193** | **107,860** | **9,333** | **8.7 (b)** | **1,258** | **1,038** | **220** | **21.2** |
| Interruptible sales (c) | 6,526 | 7,587 | (1,061) | (14.0) | 30 | 29 | 1 | 3.4 |
| NYPA | 30,233 | 31,970 | (1,737) | (5.4) | 2 | 2 | — | — |
| Generation plants | 48,989 | 70,895 | (21,906) | (30.9) | 19 | 19 | — | — |
| Other | 16,756 | 16,442 | 314 | 1.9 | 24 | 25 | (1) | (4.0) |
| Other operating revenues (d) | — | — | — | — | 88 | — | 88 | — |
| **Total** | **219,697** | **234,754** | **(15,057)** | **(6.4)%** | **$1,421** | **$1,113** | **$308** | **27.7 %** |

(a) Revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company's service area increased 6.4 percent in the nine months ended September 30, 2017 compared with the 2016 period, reflecting primarily increased volumes attributable to the growth in the number of gas customers.
(c) Includes 3,563 thousands and 3,940 thousands of Dt for the 2017 and 2016 periods, respectively, which are also reflected in firm transportation and other.
(d) Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans.

*Operating revenues* increased $308 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher revenues from the gas rate plan and growth in the number of customers ($133 million) and increased gas purchased for resale expense ($155 million).

*Gas purchased for resale* increased $155 million in the nine months ended September 30, 2017 compared with the 2016 period due to higher unit costs ($151 million) and purchased volumes ($4 million).

*Other operations and maintenance* expenses increased $23 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher pension and other postretirement benefits costs ($7 million), health and life expenses ($5 million), surcharges for assessments and fees that are collected in revenues from customers ($3 million) and costs for maintenance of gas mains ($2 million).

*Depreciation and amortization* increased $19 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher gas utility plant balances.

*Taxes, other than income taxes* increased $22 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes ($12 million), state and local taxes ($6 million) and payroll taxes ($3 million).

### Steam

CECONY's results of steam operations for the nine months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Nine Months Ended | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **September 30, 2017** | **September 30, 2016** | **Variation** |
| Operating revenues | $448 | $406 | $42 |
| Purchased power | 26 | 25 | 1 |
| Fuel | 74 | 52 | 22 |
| Other operations and maintenance | 134 | 139 | (5) |
| Depreciation and amortization | 64 | 62 | 2 |
| Taxes, other than income taxes | 98 | 89 | 9 |
| **Steam operating income** | **$52** | **$39** | **$13** |

CECONY's steam sales and deliveries for the nine months ended September 30, 2017 compared with the 2016 period were:

| | Millions of Pounds Delivered | | | | Revenues in Millions | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Nine Months Ended | | | | For the Nine Months Ended | | | |
| **Description** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** |
| General | 364 | 345 | 19 | 5.5% | $20 | $18 | $2 | 11.1% |
| Apartment house | 4,248 | 4,251 | (3) | (0.1) | 119 | 107 | 12 | 11.2 |
| Annual power | 10,074 | 10,640 | (566) | (5.3) | 300 | 284 | 16 | 5.6 |
| Other operating revenues (a) | — | — | — | — | 9 | (3) | 12 | Large |
| **Total** | **14,686** | **15,236** | **(550)** | **(3.6)% (b)** | **$448** | **$406** | **$42** | **10.3%** |

(a) Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plan.
(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries decreased 3.5 percent in the nine months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* increased $42 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher fuel expenses ($22 million), the weather impact on revenues ($6 million), lower regulatory reserve related to steam earnings sharing ($7 million), a property tax refund incentive ($3 million), and higher purchased power costs ($1 million).

*Purchased power* expenses increased $1 million in the nine months ended September 30, 2017 compared with the 2016 period due to higher unit costs ($5 million), offset by lower purchased volumes ($4 million).

*Fuel* expenses increased $22 million in the nine months ended September 30, 2017 compared with the 2016 period due to higher unit costs ($23 million), offset by lower purchased volumes from the company's steam generating facilities ($1 million).

*Other operations and maintenance* expenses decreased $5 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to lower equipment maintenance expenses.

*Depreciation and amortization* increased $2 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher steam utility plant balances.

*Taxes, other than income taxes* increased $9 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes ($7 million) and state and local taxes ($1 million).

### Net Interest Expense

Net interest expense increased $12 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher long-term debt balances in the 2017 period.



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### Income Tax Expense

Income taxes increased $60 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher income before income tax expense ($33 million), a decrease in tax benefits for plant-related flow through items ($27 million), lower research and development tax credits ($10 million) and a higher reserve for injuries and damages ($9 million), offset in part by lower state income taxes ($7 million), higher research and development tax credits included in Con Edison's filing of its 2016 consolidated federal tax return in September 2017 ($5 million), a decrease in bad debt expense ($2 million) and a decrease in uncertain tax positions ($1 million).

## O&R

| | For the Nine Months Ended September 30, 2017 | | | For the Nine Months Ended September 30, 2016 | | | |
|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Electric | Gas | 2017 Total | Electric | Gas | 2016 Total | 2017-2016 Variation |
| Operating revenues | $495 | $172 | $667 | $497 | $133 | $630 | $37 |
| Purchased power | 148 | — | 148 | 154 | — | 154 | (6) |
| Gas purchased for resale | — | 52 | 52 | — | 32 | 32 | 20 |
| Other operations and maintenance | 185 | 51 | 236 | 180 | 40 | 220 | 16 |
| Depreciation and amortization | 38 | 15 | 53 | 37 | 13 | 50 | 3 |
| Taxes, other than income taxes | 41 | 21 | 62 | 40 | 20 | 60 | 2 |
| **Operating income** | **$83** | **$33** | **$116** | **$86** | **$28** | **$114** | **$2** |

### Electric

O&R's results of electric operations for the nine months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Nine Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $495 | $497 | $(2) |
| Purchased power | 148 | 154 | (6) |
| Other operations and maintenance | 185 | 180 | 5 |
| Depreciation and amortization | 38 | 37 | 1 |
| Taxes, other than income taxes | 41 | 40 | 1 |
| **Electric operating income** | **$83** | **$86** | **$(3)** |

O&R's electric sales and deliveries for the nine months ended September 30, 2017 compared with the 2016 period were:

| | Millions of kWh Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Nine Months Ended | | | | For the Nine Months Ended | | | |
| Description | September 30, 2017 | September 30, 2016 | Variation | Percent Variation | September 30, 2017 | September 30, 2016 | Variation | Percent Variation |
| Residential/Religious (b) | 1,208 | 1,307 | (99) | (7.6)% | $242 | $240 | $2 | 0.8% |
| Commercial/Industrial | 574 | 607 | (33) | (5.4) | 88 | 89 | (1) | (1.1) |
| Retail choice customers | 2,255 | 2,434 | (179) | (7.4) | 155 | 166 | (11) | (6.6) |
| Public authorities | 79 | 76 | 3 | 3.9 | 7 | 6 | 1 | 16.7 |
| Other operating revenues (c) | — | — | — | — | 3 | (4) | 7 | Large |
| **Total** | **4,116** | **4,424** | **(308)** | **(7.0)% (d)** | **$495** | **$497** | **$(2)** | **(0.4)%** |

(a) O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.
(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.
(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's electric rate plan.
(d) After adjusting for weather and other variations, electric delivery volumes in O&R's service area decreased 2.2 percent in the nine months ended September 30, 2017 compared with the 2016 period.

*Operating revenues* decreased $2 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to lower purchased power expense ($6 million) and lower revenues from rental property ($1 million), offset by higher revenues from the New York electric rate plan ($6 million).

*Purchased power* expenses decreased $6 million in the nine months ended September 30, 2017 compared with the 2016 period due to lower purchased volumes ($5 million) and unit costs ($1 million).

*Other operations and maintenance* expenses increased $5 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to operating costs related to weather events in 2017 ($2 million), higher surcharges for assessments and fees that are collected in revenues from customers ($1 million) and a higher reserve for injuries and damages ($1 million).

*Depreciation and amortization* increased $1 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher electric utility plant balances.

*Taxes, other than income taxes* increased $1 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes.

**Gas**

O&R's results of gas operations for the nine months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Nine Months Ended | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **September 30, 2017** | **September 30, 2016** | **Variation** |
| Operating revenues | $172 | $133 | $39 |
| Gas purchased for resale | 52 | 32 | 20 |
| Other operations and maintenance | 51 | 40 | 11 |
| Depreciation and amortization | 15 | 13 | 2 |
| Taxes, other than income taxes | 21 | 20 | 1 |
| **Gas operating income** | **$33** | **$28** | **$5** |



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O&R’s gas sales and deliveries, excluding off-system sales, for the nine months ended September 30, 2017 compared with the 2016 period were:

| | Thousands of Dt Delivered | | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the Nine Months Ended | | | | | For the Nine Months Ended | | | |
| **Description** | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** | | **September 30, 2017** | **September 30, 2016** | **Variation** | **Percent Variation** |
| Residential | 5,556 | 5,266 | 290 | 5.5% | | $79 | $55 | $24 | 43.6% |
| General | 1,447 | 1,224 | 223 | 18.2 | | 16 | 10 | 6 | 60.0 |
| Firm transportation | 6,543 | 7,188 | (645) | (9.0) | | 50 | 49 | 1 | 2.0 |
| **Total firm sales and transportation** | **13,546** | **13,678** | **(132)** | **(1.0)** | **(b)** | **145** | **114** | **31** | **27.2** |
| Interruptible sales | 2,966 | 3,020 | (54) | (1.8) | | 5 | 2 | 3 | Large |
| Generation plants | 6 | 15 | (9) | (60.0) | | — | — | — | — |
| Other | 589 | 583 | 6 | 1.0 | | 1 | — | 1 | — |
| Other gas revenues | — | — | — | — | | 21 | 17 | 4 | 23.5% |
| **Total** | **17,107** | **17,296** | **(189)** | **(1.1)%** | | **$172** | **$133** | **$39** | **29.3%** |

(a) Revenues from New York gas sales are subject to a weather normalization clause and a revenue decoupling mechanism as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for weather and other variations, total firm sales and transportation volumes increased 0.1 percent in the nine months ended September 30, 2017 compared with 2016 period.

*Operating revenues* increased $39 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to an increase in gas purchased for resale ($20 million) and higher revenues from the New York gas rate plan ($14 million).

*Gas purchased for resale* increased $20 million in the nine months ended September 30, 2017 compared with the 2016 period due to higher purchased volumes ($12 million) and unit costs ($8 million).

*Other operations and maintenance* expenses increased $11 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher pension costs.

*Depreciation and amortization* increased $2 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher gas utility plant balances.

*Taxes, other than income taxes* increased $1 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher property taxes.

**Income Tax Expense**

Income taxes increased $4 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher income before income tax expense ($1 million), a decrease in tax benefits for plant-related flow through items ($1 million) and the absence in 2017 of a tax benefit from a corporate-owned life insurance policy in 2016 ($2 million).

## Clean Energy Businesses

The Clean Energy Businesses' results of operations for the nine months ended September 30, 2017 compared with the 2016 period is as follows:

| | For the Nine Months Ended | | |
|---|---|---|---|
| *(Millions of Dollars)* | September 30, 2017 | September 30, 2016 | Variation |
| Operating revenues | $460 | $998 | $(538) |
| Purchased power | (3) | 676 | (679) |
| Gas purchased for resale | 161 | 72 | 89 |
| Other operations and maintenance | 174 | 124 | 50 |
| Depreciation and amortization | 54 | 30 | 24 |
| Taxes, other than income taxes | 12 | 16 | (4) |
| Gain on sale of retail electric supply business (2016) and solar electric production project (2017) (a) | (1) | (104) | 103 |
| **Operating income** | **$63** | **$184** | **$(121)** |

(a) See Note O to the Third Quarter Financial Statements.

*Operating revenues* decreased $538 million in the nine months ended September 30, 2017 compared with the 2016 period, due primarily to lower electric retail revenues of $781 million from the sale of the retail electric supply business in September 2016. Renewable revenues increased $112 million due primarily to an increase in renewable electric production projects in operation and revenues from the engineering, procurement and construction of Upton 2 (see Note O to the Third Quarter Financial Statements). Energy services revenues increased $21 million. Wholesale revenues increased $105 million due to higher sales volumes. Net mark-to-market values decreased $6 million of which $11 million in losses are reflected in purchased power costs and $5 million in gains are reflected in revenues.

*Purchased power* expenses decreased $679 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to lower electric costs due to the sale of the retail electric supply business in September 2016 ($689 million) offset by changes in mark-to-market values ($11 million).

*Gas purchased for resale* increased $89 million in the nine months ended September 30, 2017 compared with the 2016 period due to higher purchased volumes.

*Other operations and maintenance* expenses increased $50 million in the nine months ended September 30, 2017 compared with the 2016 period due to Upton 2 engineering, procurement and construction costs (see Note O to the Third Quarter Financial Statements) and an increase in energy services costs.

*Depreciation and amortization* increased $24 million in the nine months ended September 30, 2017 compared with the 2016 period due to an increase in solar electric production projects in operation during 2017.

*Taxes, other than income taxes* decreased $4 million in the nine months ended September 30, 2017 compared with the 2016 period due to lower gross receipts tax from the sale of the retail electric supply business in September 2016.

G*ain on sale of retail electric supply business* was $104 million in the nine months ended September 30, 2016 reflecting the sale of the Clean Energy Businesses' retail electric supply business.

### Other Income (Deductions)

Other income (deductions) decreased $2 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to earnings from equity investments.

### Net Interest Expense

Net interest expense increased $11 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to increased debt on solar electric production projects.



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### Income Tax Expense

Income taxes decreased $68 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to lower income before income tax expense ($54 million), higher renewable energy tax credits ($1 million) and the increase to deferred state income taxes in 2016 as a result of the sale of the retail electric supply business that increased the Clean Energy Businesses' state apportionment factor on its cumulative temporary differences ($13 million).

## Con Edison Transmission

*Other operations and maintenance* increased $6 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to CET having no employees or other direct costs until January 1, 2017.

### Net Interest Expense

Net interest expense increased $8 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to a new debt issuance in 2016.

### Other Income (Deductions)

Other income (deductions) increased $37 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to earnings from equity investments in Stagecoach Gas Services, LLC, substantially all of which were made in June 2016.

### Income Tax Expense

Income taxes increased $10 million in the nine months ended September 30, 2017 compared with the 2016 period due primarily to higher income before income tax expense.

## Other

For Con Edison, "Other" includes parent company and consolidation adjustments.

## Liquidity and Capital Resources

The Companies' liquidity reflects cash flows from operating, investing and financing activities, as shown on their respective consolidated statement of cash flows and as discussed below.

Changes in the Companies' cash and temporary cash investments resulting from operating, investing and financing activities for the nine months ended September 30, 2017 and 2016 are summarized as follows:

| | For the Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | Con Edison | | | CECONY | | |
| *(Millions of Dollars)* | 2017 | 2016 | Variation | 2017 | 2016 | Variation |
| Operating activities | $2,227 | $2,336 | $(109) | $1,790 | $2,017 | $(227) |
| Investing activities | (2,572) | (3,717) | 1,145 | (2,197) | (1,943) | (254) |
| Financing activities | (362) | 583 | (945) | (278) | (891) | 613 |
| Net change for the period | (707) | (798) | 91 | (685) | (817) | 132 |
| Balance at beginning of period | 776 | 944 | (168) | 702 | 843 | (141) |
| Balance at end of period | $69 | $146 | $(77) | $17 | $26 | $(9) |
| Less: Change in cash balances held for sale | — | (4) | 4 | — | — | — |
| Balance at end of period excluding held for sale | $69 | $150 | $(81) | $17 | $26 | $(9) |

### Cash Flows from Operating Activities

The Utilities' cash flows from operating activities reflect primarily their energy sales and deliveries and cost of operations. The volume of energy sales and deliveries is affected primarily by factors external to the Utilities, such as growth of customer demand, weather, market prices for energy and economic conditions. Measures that promote distributed energy resources, such as distributed generation, demand reduction and energy efficiency, also affect the volume of energy sales and deliveries. Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans, changes in delivery volumes from levels assumed when rates were approved may affect the timing of cash flows but generally not net income. The prices at which the Utilities provide energy to their customers are determined in accordance with their rate plans. In general, changes in the Utilities' cost of purchased power, fuel and gas may affect the timing of cash flows but not net income because the costs are recovered in accordance with rate plans.

Net income is the result of cash and non-cash (or accrual) transactions. Only cash transactions affect the Companies' cash flows from operating activities. Principal non-cash charges or credits include depreciation, deferred income tax expense and amortizations of certain regulatory assets and liabilities. Non-cash charges or credits may also be accrued under the revenue decoupling and cost reconciliation mechanisms in the Utilities' New York electric and gas rate plans.

Net cash flows from operating activities for the nine months ended September 30, 2017 for Con Edison and CECONY were $109 million and $227 million lower, respectively, than in the 2016 period. The change in net cash flows for Con Edison and CECONY reflects primarily higher cash paid for income taxes in the 2017 period as compared with the 2016 period of $110 million and $226 million, respectively, net of refunds received. The income tax refund received in 2016 reflected the extension of bonus depreciation in late 2015, resulting in a refund of the 2015 estimated federal tax payments.

The change in net cash flows also reflects the timing of payments for and recovery of energy costs. This timing is reflected within changes to accounts receivable – customers, recoverable and refundable energy costs within other regulatory assets and liabilities and accounts payable balances.

The changes in regulatory assets primarily reflect changes in deferred pension costs in accordance with the accounting rules for retirement benefits.

### Cash Flows Used in Investing Activities

Net cash flows used in investing activities for Con Edison and CECONY were $1,145 million lower and $254 million higher, respectively, for the nine months ended September 30, 2017 compared with the 2016 period. The change for Con Edison reflects primarily lower new investments in electric and gas transmission projects ($1,011 million) and renewable electric production projects ($240 million), and a decrease in non-utility construction expenditures ($148 million), offset in part by lower proceeds from sale of assets ($216 million). The change for CECONY primarily reflects absence of proceeds from the transfer of assets to NY Transco in 2016 ($122 million) and increased utility construction expenditures ($88 million).

### Cash Flows from Financing Activities

Net cash flows from financing activities for Con Edison and CECONY were $945 million lower and $613 million higher, respectively, in the nine months ended September 30, 2017 compared with the 2016 period.

In August 2017, Con Edison issued 4.1 million common shares resulting in net proceeds of $343 million, after issuance expenses, that were invested by Con Edison in its subsidiaries, principally CECONY and the Clean Energy Businesses, for funding of their construction expenditures and for other general corporate purposes.

In June 2017, CECONY issued $500 million aggregate principal amount of 3.875 percent debentures, due 2047, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes.

In March 2017, Con Edison issued $400 million aggregate principal amount of 2.00 percent debentures, due 2020, and prepaid the June 2016 $400 million variable rate term loan that was to mature in 2018.

Also, in March 2017, a Con Edison Development subsidiary issued $97 million aggregate principal amount of 4.45 percent senior notes, due 2042, secured by the company's Upton County Solar project.



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In June 2016, CECONY issued $550 million aggregate principal amount of 3.85 percent debentures, due 2046, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes. In September 2016, CECONY redeemed at maturity $400 million of 5.50 percent 10-year debentures.

In June 2016, a Con Edison Solutions subsidiary borrowed $2 million pursuant to a loan agreement with a New Jersey utility. The borrowing matures in 2026, bears interest of 11.18 percent and may be repaid in cash or project Solar Renewable Energy Certificates.

In May 2016, Con Edison issued approximately 10 million common shares resulting in net proceeds, after issuance expenses, of $702 million and $500 million aggregate principal amount of 2.00 percent debentures, due 2021, the net proceeds from the sale of which were used in connection with the acquisition by a CET Gas subsidiary of a 50 percent equity interest in a gas pipeline and storage joint venture (see "Con Edison Transmission", above) and for general corporate purposes.

In May 2016, a Con Edison Development subsidiary issued $95 million aggregate principal amount of 4.07 percent senior notes, due 2036, secured by the company's California Holdings 3 solar project.

In February 2016, a Con Edison Development subsidiary issued $218 million aggregate principal amount of 4.21 percent senior notes, due 2041, secured by the company's Texas Solar 7 solar project.

Con Edison’s cash flows from financing for nine months ended September 30, 2017 and 2016 also reflect the proceeds, and reduction in cash used for reinvested dividends, resulting from the issuance of common shares under the company’s dividend reinvestment, stock purchase and long-term incentive plans of $74 million and $77 million, respectively.

Cash flows used in financing activities of the Companies also reflect commercial paper issuances and repayments. The commercial paper amounts outstanding at September 30, 2017 and 2016 and the average daily balances for the nine months ended September 30, 2017 and 2016 for Con Edison and CECONY were as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| ***(Millions of Dollars, except Weighted Average Yield)*** | **Outstanding at September 30,** | **Daily average** | **Outstanding at September 30,** | **Daily average** |
| Con Edison | $356 | $645 | $601 | $813 |
| CECONY | $147 | $323 | $480 | $385 |
| Weighted average yield | 1.3 | 1.1 | 0.7 | 0.6 |

### Capital Requirements and Resources

Con Edison has decreased its estimates for capital requirements for the retirement of long-term securities for 2018 from $1,688 million to $1,288 million. The decrease reflects the $400 million prepayment of a variable rate term loan that was to mature in 2018. See Note C to the Third Quarter Financial Statements.

For each of the Companies, the ratio of earnings to fixed charges (Securities and Exchange Commission (SEC) basis) for the nine months ended September 30, 2017 and 2016 and the twelve months ended December 31, 2016 was:

| | Ratio of Earnings to Fixed Charges | | |
|---|---|---|---|
| | **For the Nine Months Ended September 30, 2017** | **For the Nine Months Ended September 30, 2016** | **For the Twelve Months Ended December 31, 2016** |
| Con Edison | 3.8 | 4.0 | 3.6 |
| CECONY | 3.9 | 3.8 | 3.6 |

For each of the Companies, the common equity ratio at September 30, 2017 and December 31, 2016 was:

| | Common Equity Ratio (Percent of total capitalization) | |
|---|---|---|
| | September 30, 2017 | December 31, 2016 |
| Con Edison | 50.8 | 49.3 |
| CECONY | 50.9 | 49.5 |

## Other Changes in Assets and Liabilities

The following table shows changes in certain assets and liabilities at September 30, 2017, compared with December 31, 2016.

| | Con Edison | CECONY |
|---|---|---|
| *(Millions of Dollars)* | 2017 vs. 2016 Variation | 2017 vs. 2016 Variation |
| Assets | | |
| Prepayments | $433 | $398 |
| Non-utility property, less accumulated depreciation | 204 | — |
| Regulatory asset - Unrecognized pension and other postretirement costs | (248) | (254) |
| Liabilities | | |
| Pension and retiree benefits | $(404) | $(394) |
| Deferred income taxes and unamortized investment tax credits | 539 | 610 |
| System benefit charge | 194 | 175 |

### Prepayments

The increase in prepayments for Con Edison and CECONY reflects primarily the portion allocable to the 2017 fourth quarter of CECONY's July 2017 payment of its New York City semi-annual property taxes.

### Non-Utility Property, Less Accumulated Depreciation

The increase in non-utility property, less accumulated depreciation, for Con Edison reflects the completion of construction of Con Edison Development's Upton County Solar renewable electric production project (see Con Edison Development, below).

### Regulatory Asset for Unrecognized Pension and Other Postretirement Costs and Liability for Pension and Retiree Benefits

The decrease in the regulatory asset for unrecognized pension and other postretirement costs and the liability for pension and retiree benefits reflects the final actuarial valuation of the pension and other retiree benefit plans as measured at December 31, 2016, in accordance with the accounting rules for retirement benefits. The change in the regulatory asset also reflects the year’s amortization of accounting costs. The change in the liability for pension and retiree benefits reflects in part contributions to the plans made by the Utilities in 2017. See Notes E and F to the Third Quarter Financial Statements.

### Deferred Income Taxes and Unamortized Investment Tax Credits

The increase in the liability for deferred income taxes and unamortized investment tax credits for Con Edison and CECONY reflects primarily bonus depreciation in 2017, partially offset by the increase in deferred income tax assets associated with the federal tax attribute carryforwards related to the net operating loss and general business tax credits. See Note I to the Third Quarter Financial Statements.

### System Benefit Charge

The increase in the liability for the system benefit charge reflects amounts collected by the Utilities from their customers that will be required to be paid to NYSERDA.

## Off-Balance Sheet Arrangements

None of the Companies’ transactions, agreements or other contractual arrangements meets the SEC definition of off-balance sheet arrangements.



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## Regulatory Matters

In March 2017, the NYSPSC issued an order that changes the way distributed energy resources are compensated and begins to phase out net energy metering. In New York, net energy metering compensates kilowatt-hours exported to the electric distribution system at the full service rate (that is production plus delivery plus taxes and fees). To provide a gradual transition, the NYSPSC allowed all existing resources to keep their current rate treatment and will delay making significant changes to policies affecting new residential and small commercial rooftop solar until 2020. Larger installations, including new commercial and industrial projects and new community solar projects, will be paid for the value of their exports to the electricity distribution system. The new policy establishes a 2 percent limit on bill increases, reducing the shifting of avoided distribution costs to non-participating residential customers that would have occurred under net energy metering.

In October 2017, the Environmental Defense Fund and the Natural Resources Defense Council requested the NYSPSC to prohibit CECONY from recovering costs under the company's 20-year transportation contract for 250,000 dekatherms per day of capacity on the Mountain Valley Pipeline unless CECONY demonstrates compliance with a public interest standard.

For additional information about the Utilities' regulatory matters, see Note B to the Third Quarter Financial Statements.

## Environmental Matters

In May 2017, a transformer failure at a CECONY substation discharged thousands of gallons of transformer oil into the soil. Some of the transformer oil, which contained small amounts of polychlorinated biphenyls (PCBs), leaked into the East River. The company, the U.S. Coast Guard, the New York State Department of Environmental Conservation and other agencies responded to the incident. The company has replaced the transformer, and is continuing to remediate and monitor the site, the costs of which are not expected to have a material adverse effect on its financial condition, results of operations or liquidity. In connection with the incident, the company may incur monetary sanctions of more than $0.1 million for violations of certain provisions regulating the discharge of materials into, and for the protection of, the environment.

In June 2017, CECONY received a notice of potential liability from the U.S. Environmental Protection Agency (EPA) with respect to the Newtown Creek site that was listed in 2010 on the EPA's National Priorities List of Superfund sites. The EPA has identified fourteen potentially responsible parties (PRPs) with respect to the site, including CECONY, and has indicated that it will notify the company as additional PRPs are identified and notified by the EPA. Newtown Creek and its tributaries (collectively, Newtown Creek) form a 3.8 mile border between Brooklyn and Queens, New York. Currently, the predominant land use around Newtown Creek includes industrial, petroleum, recycling, manufacturing and distribution facilities and warehouses. Other uses include trucking, concrete manufacture, transportation infrastructure and a wastewater treatment plant. Newtown Creek is near several residential neighborhoods. Six PRPs, not including CECONY, pursuant to an administrative settlement agreement and order on consent the EPA issued to them in 2011, have been performing a remedial investigation of the site. The EPA indicated that sampling events have shown the sediments in Newtown Creek to be contaminated with a wide variety of hazardous substances including PCBs, metals, pesticides, polycyclic aromatic hydrocarbons and volatile organic contaminants. The EPA also indicated that it has reason to believe that hazardous substances have come to be released from CECONY facilities into Newtown Creek. The EPA's current schedule anticipates completion of a feasibility study for the site by late 2018 and issuance of its record of decision selecting a remedy for the site by late 2020. CECONY is unable to estimate its exposure to liability for the Newtown Creek site.

In the fourth quarter of 2016, CECONY and another utility responded to a reported dielectric fluid leak at a New Jersey marina on the Hudson River associated with one or two underwater transmission lines, the New Jersey portion of which is owned and operated by the other utility and the New York portion of which is owned and operated by CECONY. During the third quarter of 2017, after the marina owner had cleared substantial debris from its collapsed pier, a dielectric fluid leak was found and repaired on one of the underwater transmission lines. In the fourth quarter of 2017, it is anticipated that sediment regrading will be completed in underwater areas of the marina that had been disturbed during the leak search and repair efforts. Monitoring also will be conducted to evaluate whether any further action is necessary. CECONY expects that, consistent with the cost allocation provisions of their prior arrangements for the transmission lines, the costs to respond to the incident and repair the line, net of any recovery from the marina owner, will be shared by CECONY and the other utility. At September 30, 2017, the response and repair costs amounted to approximately $27 million, including those costs incurred by CECONY and those costs which the company has been notified have been incurred by the other utility and the U.S. Coast Guard.

CECONY does not expect that its ultimate share of the costs to respond to the discharge and repair the transmission line will have a material adverse effect on its financial condition, results of operation or liquidity.

For additional information about the Companies' environmental matters, see Note G to the Third Quarter Financial Statements.

## Con Edison Development

The following table provides information about the renewable electric production projects Con Edison Development owned at September 30, 2017:

| Project Name | Production Technology | Generating Capacity (a) (MW AC) | Purchased Power Agreement (PPA)Term (In Years) (b) | Actual/Expected In-Service Date (c) | Location (State) |
|---|---|---|---|---|---|
| *Wholly owned projects* | | | | | |
| Pilesgrove | Solar | 18 | (d) | 2011 | New Jersey |
| Flemington Solar | Solar | 8 | (d) | 2011 | New Jersey |
| Frenchtown I, II and III | Solar | 14 | (d) | 2011-13 | New Jersey |
| PA Solar | Solar | 10 | | 2012 | Pennsylvania |
| California Solar 2 (e) | Solar | 80 | 20 | 2014-16 | California |
| Oak Tree Wind | Wind | 20 | 20 | 2014 | South Dakota |
| Texas Solar 3 | Solar | 6 | 25 | 2015 | Texas |
| Texas Solar 5 (e) | Solar | 95 | 25 | 2015 | Texas |
| Campbell County Wind | Wind | 95 | 30 | 2015 | South Dakota |
| Texas Solar 7 (e) | Solar | 106 | 25 | 2016 | Texas |
| California Solar 3 (e) | Solar | 110 | 20 | 2016 | California |
| Adams Wind (e) | Wind | 23 | 7 | 2016 | Minnesota |
| Valley View (e) | Wind | 10 | 14 | 2016 | Minnesota |
| Coram (e) | Wind | 102 | 16 | 2016 | California |
| Upton County Solar (e) | Solar | 158 | 25 | 2017 | Texas |
| Projects of less than 5 MW | Solar / Wind | 25 | Various | Various | Various |
| *Jointly owned projects (e) (f)* | | | | | |
| California Solar | Solar | 55 | 25 | 2012-13 | California |
| Mesquite Solar 1 | Solar | 83 | 20 | 2013 | Arizona |
| Copper Mountain Solar 2 | Solar | 75 | 25 | 2013-15 | Nevada |
| Copper Mountain Solar 3 | Solar | 128 | 20 | 2014-15 | Nevada |
| Broken Bow II | Wind | 38 | 25 | 2014 | Nebraska |
| Texas Solar 4 | Solar | 32 | 25 | 2014 | Texas |
| **Total MW (AC) in Operation** | | **1,291** | | | |
| Panoche Valley | Solar | 240 | 20 | 2018 | California |
| **Total MW (AC) in Construction** | | **240** | | | |
| **Total MW (AC), All Projects** | | **1,531** | | | |

(a) Represents Con Edison Development's ownership interest in the project.
(b) Represents PPA contractual term or remaining term from Con Edison Development's date of acquisition.
(c) Represents Actual/Expected In-Service Date or Con Edison Development's date of acquisition.
(d) Have Solar Renewable Energy Credit hedges in place, in lieu of PPAs, out to 2020.
(e) Project has been pledged to secure financing for the project.
(f) All of the jointly-owned projects are 50 percent owned, except for Texas Solar 4 (which is 80 percent owned). See Note M to the Third Quarter Financial Statements.

Con Edison Development's renewable electric production volumes generated for the three and nine months ended September 30, 2017 compared with the 2016 period were:

| | Millions of kWh Generated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Three Months Ended | | | | For the Nine Months Ended | | | |
| Description | September 30, 2017 | September 30, 2016 | Variation | Percent Variation | September 30, 2017 | September 30, 2016 | Variation | Percent Variation |
| Renewable electric production projects | | | | | | | | |
| Solar | 668 | 458 | 210 | 45.9% | 1,679 | 1,215 | 464 | 38.2% |
| Wind | 217 | 137 | 80 | 58.4% | 734 | 464 | 270 | 58.2% |
| **Total** | **885** | **595** | **290** | **48.7%** | **2,413** | **1,679** | **734** | **43.7%** |

## Financial and Commodity Market Risks

The Companies are subject to various risks and uncertainties associated with financial and commodity markets. The most significant market risks include interest rate risk, commodity price risk, credit risk and investment risk.

### Interest Rate Risk

The Companies' interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including the construction expenditures of the Utilities and maturing debt securities. Con Edison and its businesses manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. Con Edison and CECONY estimate that at September 30, 2017, a 10 percent increase in interest rates applicable to its variable rate debt would result in an increase in annual interest expense of $2 million. Under CECONY's current electric, gas and steam rate plans, variations in actual variable rate tax-exempt debt interest expense are reconciled to levels reflected in rates.

### Commodity Price Risk

Con Edison's commodity price risk relates primarily to the purchase and sale of electricity, gas and related derivative instruments. The Utilities and the Clean Energy Businesses apply risk management strategies to mitigate their related exposures. See Note K to the Third Quarter Financial Statements.

Con Edison estimates that, as of September 30, 2017, a 10 percent decline in market prices would result in a decline in fair value of $66 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which $60 million is for CECONY and $6 million is for O&R. Con Edison expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In accordance with provisions approved by state regulators, the Utilities generally recover from customers the costs they incur for energy purchased for their customers, including gains and losses on certain derivative instruments used to hedge energy purchased and related costs.

The Clean Energy Businesses use a value-at-risk (VaR) model to assess the market price risk of their portfolio of electricity and gas commodity fixed-price purchase and sales commitments, physical forward contracts, generating assets and commodity derivative instruments. VaR represents the potential change in fair value of the portfolio due to changes in market prices, for a specified time period and confidence level. These businesses estimate VaR across their portfolio using a delta-normal variance/covariance model with a 95 percent confidence level and compare the measured VaR results against performance due to actual prices and stress test the portfolio each quarter using an assumed 30 percent price change from forecast. Since the VaR calculation involves complex methodologies and estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. VaR for the portfolio, assuming a one-day holding period, for the nine months ended September 30, 2017 and the year ended December 31, 2016, respectively, was as follows:

| 95% Confidence Level, One-Day Holding Period | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | *(Millions of Dollars)* | |
| Average for the period | $— | $2 |
| High | 1 | 4 |
| Low | — | 1 |

**Credit Risk**

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the Clean Energy Businesses. See the discussion of credit exposure in Note K to the Third Quarter Financial Statements.

**Investment Risk**

The Companies’ investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans and to the investments of the Clean Energy Businesses and Con Edison Transmission that are accounted for under the equity method.

The Companies’ current investment policy for pension plan assets includes investment targets of 53 to 63 percent equities and 35 to 49 percent fixed income and other securities. At September 30, 2017, the pension plan investments consisted of 58 percent equity and 42 percent fixed income and other securities.

For the Utilities’ pension and other postretirement benefit plans, regulatory accounting treatment is generally applied in accordance with the accounting rules for regulated operations. In accordance with the Statement of Policy issued by the NYSPSC and its current electric, gas and steam rate plans, CECONY defers for payment to or recovery from customers the difference between the pension and other postretirement benefit expenses and the amounts for such expenses reflected in rates. Generally, O&R also defers such difference pursuant to its rate plans.

## Material Contingencies

For information concerning potential liabilities arising from the Companies’ material contingencies, see "Other Regulatory Matters" in Note B and Notes G and H to the Third Quarter Financial Statements.



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## Item 3: Quantitative and Qualitative Disclosures About Market Risk

For information about the Companies' primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks," in Part I, Item 2 of this report, which information is incorporated herein by reference.

## Item 4: Controls and Procedures

The Companies maintain disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed in the reports that they submit to the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. For each of the Companies, its management, with the participation of its principal executive officer and principal financial officer, has evaluated its disclosure controls and procedures as of the end of the period covered by this report and, based on such evaluation, has concluded that the controls and procedures are effective to provide such reasonable assurance. Reasonable assurance is not absolute assurance, however, and there can be no assurance that any design of controls or procedures would be effective under all potential future conditions, regardless of how remote.

There was no change in the Companies' internal control over financial reporting that occurred during the Companies' most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Companies' internal control over financial reporting.

Table of Contents

# Part II Other Information

### Item 1: Legal Proceedings

For information about certain legal proceedings affecting the Companies, see "Other Regulatory Matters" in Note B and Notes G and H to the financial statements in Part I, Item 1 of this report and "Environmental Matters" in Part I, Item 2 of this report, which information is incorporated herein by reference.

### Item 1A: Risk Factors

There were no material changes in the Companies' risk factors compared to those disclosed in Item 1A of the Form 10-K.

### Item 6: Exhibits

### Con Edison

| | |
|---|---|
| Exhibit 10.1.1 | Amendment to the Consolidated Edison Retirement Plan. |
| Exhibit 10.1.2 | Amendment to the Consolidated Edison Retirement Plan. |
| Exhibit 12.1 | Statement of computation of Con Edison's ratio of earnings to fixed charges for the nine-month periods ended September 30, 2017 and 2016, and the 12-month period ended December 31, 2016. |
| Exhibit 31.1.1 | Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer. |
| Exhibit 31.1.2 | Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer. |
| Exhibit 32.1.1 | Section 1350 Certifications – Chief Executive Officer. |
| Exhibit 32.1.2 | Section 1350 Certifications – Chief Financial Officer. |
| Exhibit 101.INS | XBRL Instance Document. |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema. |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase. |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase. |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. |

### CECONY

| | |
|---|---|
| Exhibit 10.2.1 | CECONY Supplemental Medical Benefits. |
| Exhibit 12.2 | Statement of computation of CECONY's ratio of earnings to fixed charges for the nine-month periods ended September 30, 2017 and 2016, and the 12-month period ended December 31, 2016. |
| Exhibit 31.2.1 | Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer. |
| Exhibit 31.2.2 | Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer. |
| Exhibit 32.2.1 | Section 1350 Certifications – Chief Executive Officer. |
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| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase. |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. |

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, instruments defining the rights of holders of long-term debt of Con Edison's subsidiaries other than CECONY, the total amount of which does not exceed ten percent of the total assets of Con Edison and its subsidiaries on a consolidated basis, are not filed as exhibits to Con Edison's Form 10-K or Form 10-Q. Con Edison agrees to furnish to the SEC upon request a copy of any such instrument.



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**Signatures**

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

**Consolidated Edison, Inc.**
**Consolidated Edison Company of New York, Inc.**

Date: November 2, 2017 By /s/ Robert Hoglund

**Robert Hoglund**
**Senior Vice President, Chief Financial Officer and Duly Authorized Officer**

# AMENDMENT
# TO THE

# CONSOLIDATED EDISON
# RETIREMENT PLAN

Amending the Retirement Plan to

Freeze Participation for

Local 3 Employees

**Whereas,** pursuant to the authority of the Board of Directors and Board of Trustees, as set forth in Article X, Amendment, Merger, and Termination, Section 10.01, Amendment of the Plan, to amend in whole or in part any or all of the provisions of the Plan; and further

**Whereas**, on July 20, 2017, the Board of Directors and Board of Trustees approved the 2017-2021 Collective Bargaining Contract ("2017 Contract"), between Consolidated Edison Company Of New York, Inc. - Staten Island (the "Company") and Local Union No. 3 of the International Brotherhood Of Electrical Workers, AFL-CIO (the "Union"), that effectively amends the Retirement Plan, effective June 25, 2017, to freeze participation to each Local 3 Employee who is hired on or after June 25, 2017. Such Local 3 Employee shall be covered under the Defined Contribution Pension formula in the Thrift Savings Plan; and further

**Whereas,** that the Vice President - Human Resources (an "Authorized Officer") acting individually be, and hereby is, authorized to take the necessary actions to execute amendments to the Plan, the amendments to be in such form as the Authorized Officer executing the same may approve, his or her execution thereof to be evidence conclusively of his or her approval thereof; and it is further

**Now, therefore,** The Retirement Plan is amended as set forth below:

**<u>Amendment Number 1</u>**

The Title Page to the Retirement Plan is amended by adding at the end of the Amendment List the following:

- Amended, Effective June 25, 2017, to Take Into Account the Changes Resulting from the 2017 - 2021 Collective Bargaining Contract Between Local 3 and CECONY

**<u>Amendment Number 2</u>**

The **<u>Introduction</u>** is amended, to add at the end of that Section:

As a result of the Board of Directors and Board of Trustees approval on July 20, 2017, of the 2017 - 2021 Collective Bargaining Contract Between Local 3 and CECONY, the Retirement Plan is amended, effective June 25, 2017, to freeze entry of a Local 3 Employee. The 2017-2021 Collective Bargaining Contract provides that each Local 3 Employee hired on or after June 25, 2017, will earn future pension benefits under the Defined Contribution Pension Formula.

(h) Each CECONY Weekly Employee who: (i) is a member of Local 3; (ii) was hired on or after January 1, 2010, and before June 30, 2013; and (iii) is actively employed as of June 30, 2013 (“PC Participant”) will be given an opportunity to make a “Pension Choice (“PC”),” as set forth below. The Pension Choice temporary program will end on December 31, 2015, and no further Pension Choices submitted by a PC Participant will be accepted after December 31, 2015.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed effective as of September 13, 2017

*/s/ Richard Bagwell*
Vice President of Human Resources Consolidated Edison Company of New York, Inc.
And the Plan Administrator of the Retirement Plan

# AMENDMENT TO THE

# CONSOLIDATED EDISON RETIREMENT PLAN

Amending the Retirement Plan to
Increase the Ceiling on
the Percent of a Variable Pay Award
Taken Into Account for
Pension Calculation Purposes

**Whereas,** pursuant to the authority of the Board of Directors and Board of Trustees, as set forth in Article X, Amendment, Merger, and Termination, Section 10.01, Amendment of the Plan, to amend in whole or in part any or all of the provisions of the Plan; and further

**Whereas**, on July 20, 2017, the Board of Directors and Board of Trustees resolved amending the Retirement Plan, effective January 1, 2017, to change the maximum amount of the annual incentive compensation included in determining future pension benefits for non-officer management employees of CECONY, Con Edison Transmission, Inc., and Con Edison Clean Energy Businesses, Inc. from 25 percent to 36 percent of annual basic straight time salary; and further

**Whereas,** that the Vice President - Human Resources (an "Authorized Officer") acting individually be, and hereby is, authorized to take the necessary actions to execute amendments to the Plan, the amendments to be in such form as the Authorized Officer executing the same may approve, his or her execution thereof to be evidence conclusively of his or her approval thereof; and it is further

**Now, therefore,** The Retirement Plan is amended as set forth below:

**Amendment Number 1**

The Title Page to the Retirement Plan is amended by adding at the end of the Amendment List the following:

- Amended, Effective January 1, 2017, to Change the Maximum Amount of the Annual Incentive Compensation Included In Determining Future Pension Benefits

**Amendment Number 2**

The **Introduction** is amended, to add at the end of that Section:

As a result of the Board of Directors and Board of Trustees approval on July 20, 2017, to amend the Plan, effective January 1, 2017, the Plan is amended to change the maximum amount of the annual incentive compensation included in determining future pension benefits for non-officer management employees of CECONY, Con Edison Transmission, Inc., and Con Edison Clean Energy Businesses, Inc.

**Amendment Number 3**

Article I, Definitions, Section 1.11, Annual Variable Pay Award, is amended, by adding at the end of the Section, the following sentence:

Effective January 1, 2017, the amount of any Annual Variable Pay Award to be counted under the Retirement Plan for a non-officer CECONY Management Employee or a non-officer of Con Edison Transmission, Inc., or Con Edison Clean Energy Businesses, Inc. will be increased from 25 percent up to but not exceed 36 percent of her or his annual rate of basic straight time salary or pay in effect as of January 1 of the Plan Year in which the award is made.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed effective as of September 13, 2017

*/s/ Richard Bagwell*
Vice President of Human Resources of
Consolidated Edison Company of New York, Inc.
And the Plan Administrator of the Retirement Plan

Exhibit 12.1

**Consolidated Edison, Inc.**
**Ratio of Earnings to Fixed Charges**
**(Millions of Dollars)**

| | For the Nine Months Ended September 30, 2017 | For The Twelve Months Ended December 31, 2016 | For the Nine Months Ended September 30, 2016 |
|---|---|---|---|
| **Earnings** | | | |
| Net Income | $1,020 | $1,245 | $1,039 |
| Preferred Stock Dividend | — | — | — |
| (Income)/Loss from Equity Investees | (31) | (28) | (28) |
| Minority Interest Loss | — | — | — |
| Income Tax | 599 | 698 | 602 |
| Pre-Tax Income | $1,588 | $1,915 | $1,613 |
| Add: Fixed Charges* | 572 | 730 | 542 |
| Add: Distributed Income of Equity Investees | — | — | — |
| Subtract: Interest Capitalized | — | — | — |
| Subtract: Pre-Tax Preferred Stock Dividend Requirement | — | — | — |
| **Earnings** | **$2,160** | **$2,645** | **$2,155** |
| *** Fixed Charges** | | | |
| Interest on Long-term Debt | $529 | $664 | $493 |
| Amortization of Debt Discount, Premium and Expense | 10 | 14 | 11 |
| Interest Capitalized | — | — | — |
| Other Interest | 11 | 24 | 17 |
| Interest Component of Rentals | 22 | 28 | 21 |
| Pre-Tax Preferred Stock Dividend Requirement | — | — | — |
| **Fixed Charges** | **$572** | **$730** | **$542** |
| Ratio of Earnings to Fixed Charges | 3.8 | 3.6 | 4.0 |

**Exhibit 31.1.1**

**CERTIFICATIONS**

I, John McAvoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 of Consolidated Edison, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ John McAvoy

John McAvoy

Chairman, President and Chief Executive Officer

**Exhibit 31.1.2**

**CERTIFICATIONS**

I, Robert Hoglund, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 of Consolidated Edison, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ Robert Hoglund

Robert Hoglund
Senior Vice President and Chief Financial Officer

**Exhibit 32.1.1**

**Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002**

I, John McAvoy, the Chief Executive Officer of Consolidated Edison, Inc. (the “Company”) certify that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, which this statement accompanies, (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John McAvoy

John McAvoy

Date: November 2, 2017

**Exhibit 32.1.2**

**Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002**

I, Robert Hoglund, the Chief Financial Officer of Consolidated Edison, Inc. (the “Company”) certify that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, which this statement accompanies, (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Hoglund

Robert Hoglund

Date: November 2, 2017

# Consolidated Edison Company of New York

SUPPLEMENTAL MEDICAL BENEFITS

**EFFECTIVE DATE: January 1, 2017**

CN007

3331910

This document printed in February, 2017 takes the place of any documents previously issued to you which described your benefits.

Printed in U.S.A.

Exhibit 10.2.1

# Table of Contents

*Home Office: Bloomfield, Connecticut*
*Mailing Address: Hartford, Connecticut 06152*

## CIGNA HEALTH AND LIFE INSURANCE COMPANY

a Cigna company (hereinafter called Cigna) certifies that it insures certain Employees for the benefits provided by the following policy(s):

**POLICYHOLDER: Consolidated Edison Company of New York**

**GROUP POLICY(S) —** COVERAGE
3331910 - OSUPP SUPPLEMENTAL MEDICAL BENEFITS

**EFFECTIVE DATE:** January 1, 2017

**THIS CERTIFICATE IS SUBJECT TO THE LAWS OF THE STATE OF NEW JERSEY.**

This certificate describes the main features of the insurance. It does not waive or alter any of the terms of the policy(s). If questions arise, the policy(s) will govern.
This certificate takes the place of any other issued to you on a prior date which described the insurance.

Anna Krishtul

*Anna Krishtul, Corporate Secretary*

## Explanation of Terms

You will find terms starting with capital letters throughout your certificate. To help you understand your benefits, most of these terms are defined in the Definitions section of your certificate.

# Important Notices

## Notice of Grandfathered Plan Status

This plan is being treated as a “grandfathered health plan” under the Patient Protection and Affordable Care Act (the Affordable Care Act). As permitted by the Affordable Care Act, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted. Being a grandfathered health plan means that your coverage may not include certain consumer protections of the Affordable Care Act that apply to other plans, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans must comply with certain other consumer protections in the Affordable Care Act, for example, the elimination of lifetime limits on benefits.

Questions regarding which protections apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the plan administrator at the phone number or address provided in your plan documents, to your employer or plan sponsor or an explanation can be found on Cigna’s website at http://www.Cigna.com/sites/healthcare_reform/customer.html.

If your plan is subject to ERISA, you may also contact the Employee Benefits Security Administration, U.S. Department of Labor at 1-866-444-3272 or www.dol.gov/ebsa/healthreform. This website has a table summarizing which protections do and do not apply to grandfathered health plans.

If your plan is a nonfederal government plan or a church plan, you may also contact the U.S. Department of Health and Human Services at www.healthcare.gov.

01-11

HC-NOT4

**Important Information**

**Mental Health Parity and Addiction Equity Act The Certificate is amended as stated below:**

In the event of a conflict between the provisions of your plan documents and the provisions of this notice, the provisions that provide the better benefit shall apply.

**The Schedule and Mental Health and Substance Abuse Covered Expenses:**

Partial Hospitalization charges for Mental Health and Substance Abuse will be paid at the Outpatient level. Covered Expenses are changed as follows:

**Mental Health and Substance Abuse Services**

**Mental Health Services** are services that are required to treat a disorder that impairs the behavior, emotional reaction or thought processes. In determining benefits payable, charges made for the treatment of any physiological conditions related to Mental Health will not be considered to be charges made for treatment of Mental Health.

**Substance Abuse** is defined as the psychological or physical dependence on alcohol or other mind-altering drugs that requires diagnosis, care, and treatment. In determining benefits payable, charges made for the treatment of any physiological conditions related to rehabilitation services for alcohol or drug abuse or addiction will not be considered to be charges made for treatment of Substance Abuse.

**Inpatient Mental Health Services**

Services that are provided by a Hospital while you or your Dependent is Confined in a Hospital for the treatment and evaluation of Mental Health. Inpatient Mental Health Services include Mental Health Residential Treatment Services.

**Mental Health Residential Treatment Services** are services provided by a Hospital for the evaluation and treatment of the psychological and social functional disturbances that are a result of subacute Mental Health conditions.

**Mental Health Residential Treatment Center** means an institution which specializes in the treatment of psychological and social disturbances that are the result of Mental Health conditions; provides a subacute, structured, psychotherapeutic treatment program, under the supervision of Physicians; provides 24-hour care, in which a person lives in an open setting; and is licensed in accordance with the laws of the appropriate legally authorized agency as a residential treatment center.

A person is considered confined in a Mental Health Residential Treatment Center when she/he is a registered bed patient in a Mental Health Residential Treatment Center upon the recommendation of a Physician.

**Outpatient Mental Health Services** are Services of Providers who are qualified to treat Mental Health when treatment is provided on an outpatient basis, while you or your Dependent is not Confined in a Hospital, or for Partial Hospitalization sessions, and is provided in an individual, group or Mental Health Intensive Outpatient Therapy Program. Covered services include, but are not limited to, outpatient treatment of conditions such as: anxiety or depression which interfere with daily functioning; emotional adjustment or concerns related to chronic conditions, such as psychosis or depression; emotional reactions associated with marital problems or divorce; child/adolescent problems of conduct or poor impulse control; affective disorders; suicidal or homicidal threats or acts; eating disorders; or acute exacerbation of chronic Mental Health conditions (crisis intervention and relapse prevention) and outpatient testing and assessment.

**Partial Hospitalization** sessions are services that are provided for not less than 4 hours and not more than 12 hours in any 24- hour period.

**Inpatient Substance Abuse Rehabilitation Services**

Services provided for rehabilitation, while you or your Dependent is Confined in a Hospital, when required for the diagnosis and treatment of abuse or addiction to alcohol and/or drugs. Inpatient Substance Abuse Services include Residential Treatment services.

**Substance Abuse Residential Treatment Services** are services provided by a Hospital for the evaluation and treatment of the psychological and social functional disturbances that are a result of subacute Substance Abuse conditions.

**Substance Abuse Residential Treatment Center** means an institution which specializes in the treatment of psychological and social disturbances that are the result of Substance Abuse; provides a subacute, structured, psychotherapeutic treatment program, under the supervision of Physicians; provides 24- hour care, in which a person lives in an open setting; and is licensed in accordance with the laws of the appropriate legally authorized agency as a residential treatment center.

A person is considered confined in a Substance Abuse Residential Treatment Center when she/he is a registered bed patient in a Substance Abuse Residential Treatment Center upon the recommendation of a Physician.

**Outpatient Substance Abuse Rehabilitation Services**

Services provided for the diagnosis and treatment of abuse or addiction to alcohol and/or drugs, while you or your Dependent is not Confined in a Hospital, including outpatient rehabilitation in an individual, or a Substance Abuse Intensive Outpatient Therapy Program and for Partial Hospitalization sessions.

**Partial Hospitalization** sessions are services that are provided for not less than 4 hours and not more than 12 hours in any 24- hour period.

A Substance Abuse Intensive Outpatient Therapy Program consists of distinct levels or phases of treatment that are provided by a certified/licensed Substance Abuse program. Intensive Outpatient Therapy Programs provide a combination of individual, family and/or group therapy in a day, totaling nine, or more hours in a week.

**Substance Abuse Detoxification Services**

Detoxification and related medical ancillary services are provided when required for the diagnosis and treatment of addiction to alcohol and/or drugs. Cigna will decide, based on the Medical Necessity of each situation, whether such services will be provided in an inpatient or outpatient setting.

**Mental Health and Substance Abuse Exclusions:**

The following exclusion is hereby deleted and no longer applies:

- any court ordered treatment or therapy, or any treatment or therapy ordered as a condition of parole, probation or custody or visitation evaluations unless Medically Necessary and otherwise covered under this policy or agreement.

**Terms within the agreement:**

The term “mental retardation” within your Certificate is hereby changed to “intellectual disabilities”.

**Visit Limits:**

Any health care service billed with a Mental Health or Substance Abuse diagnosis, will not incur a visit limit, including but not limited to genetic counseling and nutritional evaluation/counseling.

HC-NOT69 12-14

**Discrimination is Against the Law**

Cigna complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability or sex. Cigna does not exclude people or treat them differently because of race, color, national origin, age, disability or sex.

Cigna:

- Provides free aids and services to people with disabilities to communicate effectively with Cigna, such as qualified sign language interpreters and written information in other formats (large print, audio, accessible electronic formats, other formats).
- Provides free language services to people whose primary language is not English, such as qualified interpreters and information written in other languages.

If you need these services, contact Customer Service/Member Services at the toll-free phone number shown on your ID card, and ask an associate for assistance.

If you believe that Cigna has failed to provide these services or discriminated in another way on the basis of race, color, national origin, age, disability or sex, you can file a grievance by sending an email to ACAGrievance@cigna.com or by writing to the following address: Cigna, Nondiscrimination Complaint Coordinator, P.O. Box 188016, Chattanooga, TN 37422.

If you need assistance filing a written grievance, please call the toll-free phone shown on your ID card or send an email to ACAGrievance@cigna.com.

You can also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights electronically through the Office for Civil Rights Complaint Portal, available at https://ocrportal.hhs.gov/ocr/portal/lobby.jsf, or by mail at:
U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201; or by phone at 1-800-368-1019, 800-537-7697 (TDD).

Complaint forms are available at http://www.hhs.gov/ocr/office/file/index.html.

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**Proficiency of Language Assistance Services**

**ATTENTION**: Language assistance services, free of charge, are available to you. For current Cigna customers, call the number on the back of your ID card. Otherwise, call 1-800- 244-6224 (TTY: Dial 711).

Spanish

**ATENCIÓN:** tiene a su disposición servicios gratuitos de asistencia lingüística. Si es un cliente actual de Cigna, llame al número que figura en el reverso de su tarjeta de identificación. Si no lo es, llame al 1-800-244-6224 (los usuarios de TTY deben llamar al 711).

Chinese

**注意**：我們可為您免費提供語言協助服務。對於 Cigna 的現有客戶，請致電您的 ID 卡背面的號碼。其他客戶請致電 1-800-244-6224（聽障專線：請撥 711）。

Vietnamese

**CHÚ Ý:** Có dịch vụ hỗ trợ ngôn ngữ miễn phí dành cho bạn. Dành cho khách hàng hiện tại của Cigna, gọi số ở mặt sau thẻ Hội viên. Các tr☒ờng hợp khác xin gọi số 1- 800-244-6224 (TTY: Quay số 711).

Korean

주의: 언어 지원 서비스를 비용없이 이용하실 수 있습니다. 기존 Cigna 가입자의 경우, 가입자 ID 카드 뒷면에 있는 전화번호로 연락해 주십시오. 아니면 1-800-244-6224번으로 연락해 **주십시오**(TTY: 711번으로 전화).

Tagalog

**PAUNAWA:** Makakakuha ka ng mga serbisyo sa tulong sa wika nang libre. Para sa mga kasalukuyang customer ng Cigna, tawagan ang numero sa likuran ng iyong ID card. O kaya, tumawag sa 1-800-244-6224 (TTY: I-dial ang 711).

Russian

**ВНИМАНИЕ:** вам могут предоставить бесплатные услуги перевода. Если вы уже участвуете в плане Cigna, позвоните по номеру, указанному на обратной стороне вашей идентификационной карточки участника плана. Если вы не являетесь участником одного из наших планов, позвоните по номеру 1-800-244-6224 (TTY: 711).

Arabic

برجاء بطاقتكم ظهر علي مدونلا بالرقم صالتاال برجاء نلحاليي
Cigna مال علع ملك متاحة ةين المجا الترجمة خدمات باقتالن
التخصية. او اتصل ب 1-800-244-6224 (TTY: اتصل ب 177).

French Creole

**ATANSYON:** Gen sèvis èd nan lang ki disponib gratis pou ou. Pou kliyan Cigna yo, rele nimewo ki dèyè kat ID ou.

Sinon, rele nimewo 1-800-244-6224 (TTY: Rele 711). French

**ATTENTION:** des services d'aide linguistique vous sont proposés gratuitement. Si vous êtes un client actuel de Cigna, veuillez appeler le numéro indiqué au verso de votre carte d'identité. Sinon, veuillez appeler le numéro 1-800-244-6224 (ATS: composez le numéro 711).

Portuguese

**ATENÇÃO:** Tem ao seu dispor serviços de assistência linguística, totalmente gratuitos. Para clientes Cigna atuais, ligue para o número que se encontra no verso do seu cartão de identificação. Caso contrário, ligue para 1-800-244-6224 (Dispositivos TTY: marque 711).

Polish

**UWAGA:** W celu skorzystania z dostępnej, bezpłatnej pomocy językowej, obecni klienci firmy Cigna mogą dzwonić pod numer podany na odwrocie karty identyfikacyjnej. Wszystkie inne osoby prosimy o skorzystanie z numeru 1-800-244-6224 (TTY: wybierz 711).

Japanese

**お知らせ**：無料の日本語サポートサービスをご利用いただけます。現在のCignaのお客様は、IDカード裏面の電話番号におかけ下さい。その他の方は、1-800-244- 6224 **におかけください。（文字電話: 番号**711）。

Italian

**ATTENZIONE:** sono disponibili servizi di assistenza linguistica gratuiti. Per i clientI Cigna attuali, chiamare il numero sul retro della tessera ID. In caso contrario, chiamare il numero 1-800-244-6224 (utenti TTY: chiamare il numero 711).

German

**Achtung:** Die Leistungen der Sprachunterstützung stehen Ihnen kostenlos zur Verfügung. Für gegenwärtige Cigna- Kunden, Bitte rufen Sie die Nummer auf der Rückseite Ihres Personalausweises. Sonst, rufen Sie 1-800-244-6224 (TTY: Wählen Sie 711).

Persian (Farsi)

کارت شتب در که ای مارش با لطفا ،Cigna **فعلی انمشتری**
بتاس ماش دسترس در نگاویرا ،زبان کیمک خدمات **:توجه**
رایب
1- **مارهش با ،اینصورت یرغ در** .بگیرید مارت است ماش تناسایی
800-244-6224 **تماس بگیرید** (TTY: 177 را شماره گیری کنید).

HC-NOT77 10-16

## How To File Your Claim

Claims can be submitted by the provider if the provider is able and willing to file on your behalf. If the provider is not submitting on your behalf, you must send your completed claim form and itemized bills to the claims address listed on the claim form.

You may get the required claim forms from the website listed on your identification card or by calling Member Services using the toll-free number on your identification card.

**CLAIM REMINDERS**

- BE SURE TO USE YOUR MEMBER ID AND ACCOUNT/GROUP NUMBER WHEN YOU FILE CIGNA'S CLAIM FORMS, OR WHEN YOU CALL YOUR CIGNA CLAIM OFFICE.

  YOUR MEMBER ID IS THE ID SHOWN ON YOUR BENEFIT IDENTIFICATION CARD.

  YOUR ACCOUNT/GROUP NUMBER IS SHOWN ON YOUR BENEFIT IDENTIFICATION CARD.
- BE SURE TO FOLLOW THE INSTRUCTIONS LISTED ON THE BACK OF THE CLAIM FORM CAREFULLY WHEN SUBMITTING A CLAIM TO CIGNA.

**Timely Filing of Out-of-Network Claims**

Cigna will consider claims for coverage under our plans when proof of loss (a claim) is submitted within one year (365 days) after services are rendered. If services are rendered on consecutive days, such as for a hospital confinement, the limit will be counted from the last date of service. If claims are not submitted within one year, the claim will not be considered valid and will be denied. However, if proof of loss is not given in the time period stated in the paragraph, the claim will not be invalidated nor reduced if it is shown that proof of loss was given as soon as reasonably possible.

**WARNING:** Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties. Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

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## Eligibility - Effective Date

**Eligibility for Employee Insurance**

You will become eligible for Supplemental Medical Benefits on the day you are eligible under your Employer-Sponsored Medical and Vision Benefits Plans if you are in a Class of Eligible Employees.

**Eligibility for Dependent Insurance**

You will become eligible for Supplemental Medical Benefits for Dependents on the later of:

- the day you become eligible for yourself; or
- the day you acquire your first Dependent.

**Classes of Eligible Employees**

Each Employee

**Employee Supplemental Medical Benefits**

This Plan is offered to you as an Employee.

**Effective Date of Your Supplemental Medical Benefits**

You will become insured on the date you elect the insurance by signing an approved payroll deduction form (if required), but no earlier than the date you become eligible.

**Dependent Supplemental Medical Benefits**

For your Dependents to be insured, you may have to pay part of the cost of Dependent Supplemental Medical Benefits.

**Effective Date of Your Supplemental Medical Benefits for Your Dependents**

Supplemental Medical Benefits for your Dependents will become effective on the date you elect them by signing an approved payroll deduction form (if required), but no earlier than the date you become eligible for them. All of your Dependents as defined by the terms of your Employer- Sponsored Medical and Vision Benefits Plans will be included.

Your Dependents will be insured only if you are insured.

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# Supplemental Medical Benefits

If you or any one of your Dependents, while insured for Supplemental Medical Benefits, incurs Covered Expenses as defined below, Cigna will pay 100% of the amount of Covered Expenses so incurred. The amount of Supplemental Medical Benefits payable will be subject to the Maximum Benefit Provision.

**Maximum Benefit Provision**

The total amount of Supplemental Medical Benefits payable for all expenses incurred for you and your Dependents, if any, in a calendar year will not exceed $2,700 per individual and
$5,200 per family, per calendar year.

**Covered Expenses**

The term Covered Expenses means expenses incurred by or on behalf of you or any one of your Dependents. for the charges below. Expenses are considered Covered Expenses to the extent that the services or supplies provided are recommended by a Physician. Covered Expenses will include only those expenses incurred for charges made:

- for medical services and supplies to the extent that no benefits are payable under your Employer's medical insurance plan solely because of: Coinsurance factors or Deductibles; dollar limits; or limits on the number of days for which benefits are payable.
- for or in connection with cosmetic surgery when: a person receives an Injury which results in bodily damage requiring the surgery; it qualifies as reconstructive surgery following a mastectomy, including surgery and reconstruction of the other breast to achieve symmetry; it qualifies as reconstructive surgery performed on a person following surgery, and both the surgery and the reconstructive surgery are essential and medically necessary; or it is performed to correct a congenital abnormality on one of your Dependents who has not reached skeletal maturity.
- for eye examinations and eyeglasses, including contact lenses.
- for hearing examinations and hearing aids.
- for routine physical examinations and immunizations.
- for dental services and supplies provided by a Dentist to the extent that no benefits are payable under your Employer's dental plan solely because of: Coinsurance factors or Deductibles; or dollar limits.
- for orthodontia.
- for or in connection with in vitro fertilization, artificial insemination or similar procedures.
- for charges made for or in connection with tired, weak or strained feet for which treatment consists of routine foot care, including but not limited to, the removal of calluses and corns or the trimming of toenails.

**Limitations**

No payment will be made for expenses incurred to the extent that you or your Dependents are entitled to receive payment for such expenses under any other Group Health Plan sponsored by your Employer.

See the section in this certificate entitled **General Limitations** for additional restrictions that apply to these benefits.

**Extension Of Supplemental Medical Benefits**

Covered Expenses incurred after a person's Supplemental Medical Benefits cease, but within one year, will be deemed to be incurred while he is insured if such expense is for an Injury or a Sickness which causes him to be Totally Disabled from the day his insurance ceases until that expense is incurred.
This Extension of Supplemental Medical Benefits will not apply to a child born as a result of a pregnancy which exists when these benefits cease.

**General**

There is no Conversion Privilege applicable to Supplemental Medical Benefits once insurance under the Policy ceases.

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## Covered Expenses

The term Covered Expenses means the expenses incurred by or on behalf of a person for the charges listed below if they are incurred after he becomes insured for these benefits. Expenses incurred for such charges are considered Covered Expenses to the extent that the services or supplies provided are recommended by a Physician, and are Medically Necessary for the care and treatment of an Injury or a Sickness, as determined by Cigna. **Any applicable Copayments, Deductibles or limits are shown in The Schedule.**

**Covered Expenses**

- charges made by a Hospital, on its own behalf, for Bed and Board and other Necessary Services and Supplies; except that for any day of Hospital Confinement, Covered Expenses will not include that portion of charges for Bed and Board which is more than the Bed and Board Limit shown in The Schedule.
- charges for licensed ambulance service to or from the nearest Hospital where the needed medical care and treatment can be provided.

- charges made by a Hospital, on its own behalf, for medical care and treatment received as an outpatient.
- charges made by a Free-Standing Surgical Facility, on its own behalf for medical care and treatment.
- charges made on its own behalf, by an Other Health Care Facility, including a Skilled Nursing Facility, a Rehabilitation Hospital or a subacute facility for medical care and treatment; except that for any day of Other Health Care Facility confinement, Covered Expenses will not include that portion of charges which are in excess of the Other Health Care Facility Daily Limit shown in The Schedule.
- charges made for Emergency Services and Urgent Care.
- charges made by a Physician or a Psychologist for professional services.
- charges made by a Nurse, other than a member of your family or your Dependent's family, for professional nursing service.
- charges made for anesthetics and their administration; diagnostic x-ray and laboratory examinations; x-ray, radium, and radioactive isotope treatment; chemotherapy; blood transfusions; oxygen and other gases and their administration.
- charges made for a baseline mammogram for women between the ages of 35 and 40; an annual mammogram for women age 40 and over; and mammograms at any time if ordered by a woman's health care provider for women with a family history of breast cancer or other breast cancer risk factors.
- charges made for an annual Papanicolaou laboratory screening test. Pap smear coverage includes an initial pap smear and any confirmatory tests, when Medically Necessary, as ordered by the attending Physician, including all associated laboratory tests.
- charges made for an annual prostate-specific antigen test (PSA), including a digital rectal examination, for men age 50 and over who are asymptomatic and for men age 40 and over with a family history of prostate cancer, or other prostate cancer risk factors.
- charges made for laboratory services, radiation therapy and other diagnostic and therapeutic radiological procedures.
- abortion when a Physician certifies in writing that the pregnancy would endanger the life of the mother, or when the expenses are incurred to treat medical complications due to abortion.
- charges made for the following preventive care services (detailed information is available at www.healthcare.gov.):
  (1) evidence-based items or services that have in effect a rating of "A" or "B" in the current recommendations of the United States Preventive Services Task Force;
  (2) immunizations that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention with respect to the Covered Person involved;
  (3) for infants, children, and adolescents, evidence- informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration;
  (4) for women, such additional preventive care and screenings not described in paragraph (1) as provided for in comprehensive guidelines supported by the Health Resources and Services Administration.
- charges made for Preventive Care consisting of the following health and wellness tests and services delivered or supervised by a Physician, in keeping with prevailing medical standards:
  - for all persons 20 years of age and older, annual tests to determine blood hemoglobin, blood pressure, blood glucose level, and blood cholesterol level or, instead, low- density lipoprotein (LDL) level and blood high-density lipoprotein (HDL) level; for all persons 35 years of age or older, a glaucoma eye test every five years; for all persons 40 years of age or older, an annual stool examination for presence of blood; for all persons 45 years of age or older, a left-sided colon examination of 35 to 60 centimeters every five years; for all women 20 years of age and older; a Pap smear as recommended by a Physician; for all women 40 years and older, a mammogram annually; for all adults, recommended immunizations; and all persons 20 years of age and older, an annual consultation with a health care provider to discuss lifestyle behaviors that promote health and well-being including, but not limited to, smoking control, nutrition and diet recommendations, exercise plans, lower back protection, weight control, immunization practices, breast self-examination, testicular self-exam and seat belt usage in motor vehicles; excluding any charges for:
    - services for which benefits are otherwise provided under this Medical Benefits section;
    - services for which benefits are not payable according to the Expenses Not Covered section.

  Other wellness tests and time schedules will be covered upon the recommendation of a Physician. Any In-Network deductible will be waived for these preventive care services.

Additionally, Covered Expenses include charges for childhood immunizations as recommended by the Advisory Committee on Immunization practices of the U.S. Public Health Service, the Department of Health and the New Jersey Department of Health and Senior Services for a Dependent child during that child's lifetime. Any In- Network deductible will be waived for childhood immunizations.

- charges for the following screening examinations and laboratory tests for colorectal cancer screening in average- risk adults, beginning at age 50: annual guaiac-based fecal occult blood test (gFOBT) with high tests sensitivity for cancer; annual immunochemical-based fecal occult blood test (FIT) with high test sensitivity for cancer; stool DNA (sDNA) test with high test sensitivity for cancer; flexible sigmoidoscopy every five years; colonoscopy every ten years; double contract barium enema every five years; computed tomography colonography (virtual colonoscopy) every five years.
- charges for maternity benefits to include 48 hours of inpatient care following a vaginal delivery and 96 hours of inpatient care following a cesarean section for a mother and her newborn child in a licensed health care facility if requested by the mother or determined by the attending Physician to be Medically Necessary.
- charges for screening by blood lead measurement for lead poisoning for children, including: confirmatory blood lead testing, medical evaluation, and any necessary medical follow-up and treatment for lead poisoning for children.
- charges for therapeutic treatment of inherited metabolic diseases, when diagnosed by a Physician and deemed to be medically necessary. Treatment includes the purchase of medical foods and low protein modified food products. Inherited metabolic diseases means a disease caused by an inherited abnormality of body chemistry. A low protein modified food product is one that is specially formulated to have less than one gram of protein per serving. It is intended to be used under the direction of a Physician for the dietary treatment of an inherited metabolic disease, but does not include a (natural) food that is naturally low in protein.

  Medical food means one that is intended for the dietary treatment of a disease or condition for which nutritional requirements are established by medical evaluation and is formulated to be consumed or administered enterally under the direction of a Physician.
- charges for screening for newborn hearing loss by electrophysiologic screening measures and periodic monitoring. Any deductible will be waived for newborn and infant hearing screening.
- charges for or in connection with a drug that has been prescribed for a treatment for which it has not been approved by the Food and Drug Administration (FDA). Such drug must be covered, provided: it is recognized as medically appropriate for that specific treatment in one of the following reference compendia: the American Medical Association Drug Evaluations; the American Hospital Formulary Service Drug Information; the United States Pharmacopeia Drug Information; or it is recommended by a clinical study or review article in a major peer-reviewed professional journal; and the drug has not been contraindicated by the FDA for the use prescribed.
- charges for insulin, insulin syringes, prefilled insulin cartridges for the blind, glucose test strips, visual reading strips and urine test strips, lancets, alcohol swabs and oral blood sugar control agents which are recommended or prescribed by a Physician, nurse practitioner or clinical nurse specialist for the treatment of diabetes. Diabetic pharmaceuticals are payable at the same Deductible and Coinsurance as any other Covered Expense.
- charges for blood glucose monitors (including monitors for the blind), insulin pumps, infusion devices and related accessories. Charges for these items are not subject to the Durable Medical Equipment Maximum shown in The Schedule.
- charges for the diagnosis and treatment of autism and other developmental disabilities.

  For a primary diagnosis of autism or another developmental disability, Cigna provides coverage for the following medically necessary therapies as prescribed through a treatment plan:

  - occupational therapy where occupational therapy refers to treatment to develop a covered person's ability to perform the ordinary tasks of daily living;
  - physical therapy where physical therapy refers to treatment to develop a covered person's physical function; and
  - speech therapy where speech therapy speech therapy refers to treatment of a speech impairment.

  If a covered person's primary diagnosis is autism, and the covered person is under 21 years of age, in addition to coverage for the therapy services as described above, Cigna also covers Medically Necessary behavioral interventions based on the principles of applied behavioral analysis and related structured behavioral programs as prescribed through a treatment plan. Except as stated below, such coverage of medically necessary behavioral interventions based on the principles of applied behavioral analysis and related structured behavioral programs is subject to a

  $36,000 maximum benefit per calendar year for each year through 2011. (Thereafter the maximum benefit shall be adjusted by New Jersey regulation.)

**Exception**: If the Employer providing coverage under the Contract is subject to the Federal law governing parity in mental health and substance use disorder benefits the maximum benefit does not apply.

The treatment plan(s) referred to above must be in writing, signed by the treating physician, and must include: a diagnosis, proposed treatment by type, frequency and duration; the anticipated outcomes stated as goals; and the frequency by which the treatment plan will be updated.

Cigna may request additional information if necessary to determine the coverage under this plan. Cigna may require the submission of an updated treatment plan once every six months unless Cigna and the treating physician agree to more frequent updates.

**Clinical Trials**

Charges made for routine patient services associated with cancer clinical trials approved and sponsored by the federal government. In addition the following criteria must be met:

- the cancer clinical trial is listed on the NIH web site www.clinicaltrials.gov as being sponsored by the federal government;
- the trial investigates a treatment for terminal cancer and: the person has failed standard therapies for the disease; cannot tolerate standard therapies for the disease; or no effective nonexperimental treatment for the disease exists;
- the person meets all inclusion criteria for the clinical trial and is not treated “off-protocol”;
- the trial is approved by the Institutional Review Board of the institution administering the treatment.

Routine patient services do not include, and reimbursement will not be provided for:

- the investigational service or supply itself;
- services or supplies listed herein as Exclusions;
- services or supplies related to data collection for the clinical trial (i.e., protocol-induced costs);
- services or supplies which, in the absence of private health care coverage, are provided by a clinical trial sponsor or other party (e.g., device, drug, item or service supplied by manufacturer and not yet FDA approved) without charge to the trial participant.

**Genetic Testing**

Charges made for genetic testing that uses a proven testing method for the identification of genetically-linked inheritable disease. Genetic testing is covered only if:

- a person has symptoms or signs of a genetically-linked inheritable disease;
- it has been determined that a person is at risk for carrier status as supported by existing peer-reviewed, evidence-based, scientific literature for the development of a genetically-linked inheritable disease when the results will impact clinical outcome; or
- the therapeutic purpose is to identify specific genetic mutation that has been demonstrated in the existing peer- reviewed, evidence-based, scientific literature to directly impact treatment options.

Pre-implantation genetic testing, genetic diagnosis prior to embryo transfer, is covered when either parent has an inherited disease or is a documented carrier of a genetically- linked inheritable disease.

Genetic counseling is covered if a person is undergoing approved genetic testing, or if a person has an inherited disease and is a potential candidate for genetic testing. Genetic counseling is limited to 3 visits per calendar year for both pre- and post-genetic testing.

**Nutritional Evaluation**

Charges made for nutritional evaluation and counseling when diet is a part of the medical management of a documented organic disease.

**Internal Prosthetic/Medical Appliances**

Charges made for internal prosthetic/medical appliances that provide permanent or temporary internal functional supports for nonfunctional body parts are covered. Medically Necessary repair, maintenance or replacement of a covered appliance is also covered.

**Diabetic Services**

Charges made for diabetic services, provided an official diagnosis of diabetes has been made by a Physician. Diabetic services include:

- coverage for an annual screening via dilated eye examinations by a Physician for person with diabetes;
- glycohemoglobin A1c blood testing determination whenever needed to assess and achieve near-normal glycemia; and
- microalbumin/urinalysis screening annually. Additional diabetic

services include:

- coverage for Medically Necessary fitting of therapeutic molded or depth-inlay shoes, replacement inserts, preventive devices and shoe modifications;
- calluses and nail trimming;
- complex evaluation of sensory loss; and
- treatment of ulcerations with total contact casting.

Diabetic services will also include inpatient and outpatient self-management training services provided by a Physician, by a certified diabetes educator, or by a registered pharmacist qualified to provide management education for diabetes:

- according to standards established under New Jersey Department of Health and Senior Services regulations upon diagnosis of diabetes; or
- when a Physician certifies that a change in self-management is needed due to a change in symptoms or conditions, or that new medication, therapy or retraining is Medically Necessary.

Covered training will also include nutrition therapy by a licensed, certified dietician or nutritionist and must be supervised and certified as completed successfully by a Physician.

**Second Surgical Opinion Benefits**

Covered Expenses will include expenses incurred for charges made for a second surgical opinion if, as a result of an Injury or a Sickness, you or any one of your Dependents, while insured for these benefits and prior to the performance of an Elective Surgical Procedure recommended by a surgeon, asks for an opinion from another Physician who is qualified to diagnose and treat that Injury or Sickness. Covered Expenses will also include any diagnostic laboratory or x-ray examinations asked for by the Physician who gives that opinion.

Payment will be made whether or not the Surgical Procedure is performed.

**Third Surgical Opinion Benefits**

If your second surgical opinion does not confirm that an Elective Surgical Procedure is medically advisable, a third surgical opinion will also be covered.

**Limitations**

No payment will be made for expenses incurred in connection with:

- cosmetic or dental Surgical Procedures not covered under the policy;
- minor Surgical Procedures that are routinely performed in a Physician's office, such as incision and drainage for abscess or excision of benign lesions;
- an opinion rendered by the Physician who performs the Surgical Procedure.
- other limitations shown in the General Limitations section.

No payment will be made under any other section to the extent that benefits are payable for incurred expenses under this section.

**Elective Surgical Procedure**

The term Elective Surgical Procedure means a Surgical Procedure which is not considered emergency in nature and which may be avoided without undue risk to the individual.

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## General Limitations Supplemental Medical Benefits

No payment will be made for expenses incurred for you or any one of your Dependents for:

- cosmetic surgery which does not meet any of the requirements listed under **Covered Expenses**.
- electrolysis or other hair removal procedures.
- illegal operations or treatments.
- controlled substances, including, but not limited to, marijuana or laetrile.
- nursing services for a normal, healthy infant.
- weight-loss programs for general health, even if a Physician prescribes the program.
- over-the-counter drugs or medications or any drug or medication that does not require a Physician's prescription for use, if used for general well-being or for purely cosmetic purposes.
- nicotine gum or nicotine patches.

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## Payment of Benefits

**To Whom Payable**

Medical Benefits are assignable to the provider. When you assign benefits to a provider, you have assigned the entire amount of the benefits due on that claim. If the provider is overpaid because of accepting a patient’s payment on the charge, it is the provider’s responsibility to reimburse the patient. Because of Cigna’s contracts with providers, all claims from contracted providers should be assigned.

Cigna may, at its option, make payment to you for the cost of any Covered Expenses even if benefits have been assigned. When benefits are paid to you or your Dependent, you or your Dependents are responsible for reimbursing the provider.

If any person to whom benefits are payable is a minor or, in the opinion of Cigna is not able to give a valid receipt for any payment due him, such payment will be made to his legal guardian. If no request for payment has been made by his legal guardian, Cigna may, at its option, make payment to the person or institution appearing to have assumed his custody and support.

When one of our participants passes away, Cigna may receive notice that an executor of the estate has been established. The executor has the same rights as our insured and benefit payments for unassigned claims should be made payable to the executor.

Payment as described above will release Cigna from all liability to the extent of any payment made.

**Time of Payment**

Benefits will be paid by Cigna within 30 days after it receives a proper claim by electronic means and within 40 days after it receives a proper claim by other than electronic means. A claim will be considered to be properly submitted if it is an eligible claim for a health care service provided by a Physician to an insured; the claim has no material defect such as missing substantiating documentation or incorrect coding; there is no dispute regarding the amount of the claim; Cigna has no reason to believe the claim is fraudulent; and the claim requires no special treatment that prevents timely payment. If the claim is in whole or in part denied, ineligible, incomplete of substantiating documentation, miscoded or contains misinformation, the amount is in dispute, or requires special treatment, Cigna will in writing or by electronic means as appropriate, give an explanation of: denial, what documentation is needed to perfect a claim, a disputed claim amount, or a claim requiring extra time to process. Cigna will give notice of receipt of a claim by electronic means no later than two working days following receipt of the transmission of the claim. An overdue payment shall bear simple interest at the rate of 12% per annum.

**Recovery of Overpayment**

When an overpayment has been made by Cigna, Cigna will have the right, as permitted by New Jersey law, to: recover that overpayment from the person to whom or on whose behalf it was made; or offset the amount of that overpayment from a future claim payment.

**Calculation of Covered Expenses**

Cigna, in its discretion, will calculate Covered Expenses following evaluation and validation of all provider billings in accordance with:

- the methodologies in the most recent edition of the Current Procedural terminology,
- the methodologies as reported by generally recognized professionals or publications.

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# Termination of Supplemental Medical Benefits

## Employees

Your Supplemental Medical Benefits will cease on the earliest date below:

- The date you cease to be in a Class of Eligible Employees or cease to qualify for the insurance.
- The date your coverage under the Employer's Group Medical Benefits Plan ceases.
- The date the Supplemental Medical Benefits policy is canceled.
- The date your Active Service ends except as described below.

Any continuation of insurance must be based on a plan which precludes individual selection.

**Temporary Layoff or Leave of Absence**

If your Active Service ends due to temporary layoff or leave of absence, your insurance will be continued until the date your Employer: stops paying premium for you; or otherwise cancels your insurance. However, your insurance will not be continued for more than 60 days past the date your Active Service ends.

**Injury or Sickness**

If your Active Service ends due to an Injury or Sickness, your insurance will be continued while you remain totally and continuously disabled as a result of the Injury or Sickness.

However, your insurance will not continue past the date your Employer stops paying premium for you or otherwise cancels your insurance.

## Dependents

Your Supplemental Medical Benefits for all of your Dependents will cease on the earliest date below:

- The date you cease to be in a Class of Eligible Employees or cease to qualify for the insurance.
- The date your coverage under the Employer's Group Medical Benefits Plan ceases.
- The date the Supplemental Medical Benefits policy is canceled.

The insurance for any one of your Dependents will cease on the date that Dependent no longer qualifies as a Dependent, as defined under the Employer's Group Medical Benefits Plan.

Any continuation of insurance with premium waiver set forth in the Employer-Sponsored Medical Benefits Plan will not apply to the insurance under this Supplemental Medical Benefits policy.

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## Continuation

**Special Continuation of Medical Insurance - Total Disability**

If your insurance would otherwise cease due to total disability, and if you have been insured for at least three consecutive months under the policy, and if you pay your Employer the required premium, your Medical Insurance will be continued until the earliest of:

- the last day for which you have paid the required premium;
- the date you become employed and eligible for similar insurance under another group policy for medical and dental benefits;
- the date the policy is canceled.

Within 31 days after the date the insurance would otherwise cease, you may elect such continuation by completing a continuation notification and by paying the required premium to your Employer.

If your insurance is being continued as outlined above, the Medical Insurance for any of your Dependents insured on the date your insurance would otherwise cease may be continued, subject to the above provisions. The Dependent Medical Insurance will be continued until the earlier of:

- the date your insurance ceases; or
- with respect to any one Dependent, the date that Dependent no longer qualifies as a Dependent.

This option will not operate to reduce any continuation of insurance otherwise provided.

**Continuation of Coverage for Dependent Children under New Jersey Law**

A Dependent child of a Covered Person who meets the limiting age for coverage of a Dependent, is eligible to continue coverage for himself until his 31st birthday, provided he meets all of the following “Special Eligibility Criteria” for this continuation coverage:

- is a Covered Person’s child by blood or by law; and
- has reached the limiting age as specified under his parents’ policy, but has not yet reached his 31st birthday; and
- is unmarried; and
- has no Dependents of his own; and
- is either a resident of New Jersey OR is enrolled as a full- time student at an accredited public or private institution of higher education; and
- is not covered under any other group or individual health benefits plan, and is not entitled to benefits under Medicare.

To obtain continued coverage under this provision, the Dependent child must make a written election for continuation coverage as a Dependent, complete any necessary enrollment forms and pay the premium, at any of the following times:

- within 30 days prior to the termination of coverage at the specific age provided in this Plan; or
- within 30 days after meeting the “Special Eligibility Criteria” requirements, when coverage for the Dependent under this Plan previously terminated; or
- during an open enrollment period, if provided in the Plan, if the Dependent child meets the “Special Eligibility Criteria” during the open enrollment period; or
- for the initial 12 months after the effective date of this legislation, from 5/12/2006 to 5/11/2007 only, a Dependent child meeting the “Special Eligibility Criteria” whose coverage as a Dependent under a Covered Person’s policy terminated prior to 5/12/2006 due to attainment of limiting age under such Covered Person’s policy.

A Dependent child is only entitled to make an election for continued coverage if the Dependent child was actually covered under his parent’s Plan on the date he reached the limiting age and was terminated due to reaching such limiting age.

To continue group health benefits, the Dependent child must meet all of the requirements specified in this section and must make written election to us. The effective date of the Dependent child’s continued coverage will be the later of: the date the Dependent child requests continued coverage with us; or the date the Dependent meets all of the “Special Eligibility Criteria.” This continued coverage is conditional upon the Dependent child completing the required enrollment form and sending us the first month’s premium due. The Dependent child covered under this continuation benefit must pay subsequent premiums monthly, in advance, at the times and in the manner specified by us. Premium payments, other than the first premium payment, will be considered timely if payment is made no later than 30 days of the date such premium payment is due.

For a Dependent child whose coverage has not yet terminated due to the attainment of the limiting age as specified under this Plan, the written election must be made within 30 days prior to termination of coverage due to the attainment of the limiting age.

For a Dependent child who did not qualify for this continued coverage because he fails to meet all the “Special Eligibility Criteria,” but who subsequently meets all of the “Special Eligibility Criteria,” written election must be made within 30 days after the Dependent child first subsequently meets all of the requirements.

This election opportunity for the Dependent child is explained in greater detail as follows:

- If a Dependent child did not qualify because he or she was married, the notice must be given within 30 days of the date he or she is no longer married.
- If a Dependent child did not qualify because he had a Dependent of his own, the election must be made within 30 days of the date he no longer has a Dependent.
- If a Dependent child did not qualify because he either was not a resident of New Jersey or was not a full-time student at an accredited school, the election must be made within 30 days of the date he becomes a resident of New Jersey, or becomes a full-time student at an accredited school.
- If a Dependent child did not qualify because he was covered under any other group or individual health benefits plan, group health plan, church plan or health benefits plan, or was entitled to Medicare, the election must be made within 30 days of the date he is no longer covered under any other group or individual health benefits plan, group health plan, church plan or health benefits plan, or is no longer entitled to Medicare.

Each year, there will be an Open Enrollment Period as specified under this Plan during which a Dependent child who previously did not elect to continue coverage, may make an election to continue coverage.

A Dependent child who qualifies for this continuation coverage as of May 12, 2006, having reached the limiting age under his parents’ plan and lost coverage prior to May 12, 2006 due to reaching such limiting age, may give written notice of an election for continued coverage at any time beginning May 12, 2006 and continuing until May 11, 2007.

A Dependent child who was covered under prior Creditable Coverage that terminated no more than 90 days prior to making an election for continuation under this section will be given credit for the time he was covered under the Creditable Coverage toward the application of the Pre-Existing Conditions Exclusion under the Policy.

The continued coverage shall be identical to the coverage provided to the Dependent child continuant’s parent who is covered as an Employee under this Plan. If coverage is modified for Dependents who are under the limiting age as specified in this Plan, the coverage for Dependent child continuants shall also be modified in the same manner. Evidence of insurability is not required for the continued coverage.

The Group is required to notify the Dependent child in writing of the option to continue coverage and the duties of continuing coverage at the following times:

- on/before the coverage of the Dependent terminates due to reaching the limiting age; and
- at the time coverage terminates because the Dependent child no longer meets the “Special Eligibility Criteria”, except
  that notice is not required when the Dependent child turns 30 or has a dependent of his own; and
- before any open enrollment period; and
- immediately following 5/12/2006, for the subsequent 12 months.

Continuation of coverage under this section will end on the earliest of the following dates:

- the date ending the period for which premium has been paid for the Dependent child continuant, subject to the Grace Period for such payment; or
- the date the Group ceases to provide coverage to the Covered Person, who is the Dependent child’s parent; or
- the date the Plan under which the Dependent child continuing coverage is amended to delete coverage for Dependents; or
- the date the Dependent child ceases to continue to meet any of the “Special Eligibility Criteria” requirements; or
- the date the Dependent child’s parent who is covered as an Employee under this Plan waives Dependent coverage. Except, if the Employee has no other Dependents, the Dependent child continuant’s coverage will not end as a result of the Employee waiving Dependent coverage.

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## Rescissions

Your coverage may not be rescinded (retroactively terminated) by Cigna or the plan sponsor unless the plan sponsor or an individual (or a person seeking coverage on behalf of the individual) performs an act, practice or omission that constitutes fraud; or the plan sponsor or individual (or a person seeking coverage on behalf of the individual) makes an intentional misrepresentation of material fact.

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HC-TRM80

# Medical Benefits Extension Upon Policy Cancellation

If the Medical Benefits under this plan cease for you or your Dependent due to cancellation of the policy, and you are or you Dependent is Totally Disabled on that date due to an Injury or Sickness, Medical Benefits will be paid for Covered Expenses incurred in connection with that Injury or Sickness. However, no benefits will be paid after the earliest of:

- the date you exceed the Maximum Benefit, if any, shown in the Schedule;
- the date you are covered for medical benefits under another group policy;
- the date you are no longer Totally Disabled (but only if benefits for that disabling condition are being paid for you under the replacing policy);
- 12 months from the date your Medical Benefits cease; or
- 12 months from the date the policy is canceled.

### Totally Disabled

You will be considered Totally Disabled if, because of an Injury or a Sickness:

- you are unable to perform the basic duties of your occupation; and
- you are not performing any other work or engaging in any other occupation for wage or profit.

Your Dependent will be considered Totally Disabled if, because of an Injury or a Sickness:

- he is unable to engage in the normal activities of a person of the same age, sex and ability; or
- in the case of a Dependent who normally works for wage or profit, he is not performing such work.

**Please Note:** The terms of this Medical Benefits Extension will not apply to a child born as a result of a pregnancy which exists when you or your Dependent's Medical Benefits cease.

HC-BEX10 04-10

V1

# Federal Requirements

The following pages explain your rights and responsibilities under federal laws and regulations. Some states may have similar requirements. If a similar provision appears elsewhere in this booklet, the provision which provides the better benefit will apply.

10-10

HC-FED1

## Qualified Medical Child Support Order (QMCSO)

### Eligibility for Coverage Under a QMCSO

If a Qualified Medical Child Support Order (QMCSO) is issued for your child, that child will be eligible for coverage as required by the order and you will not be considered a Late Entrant for Dependent Insurance.

You must notify your Employer and elect coverage for that child, and yourself if you are not already enrolled, within 31 days of the QMCSO being issued.

### Qualified Medical Child Support Order Defined

A Qualified Medical Child Support Order is a judgment, decree or order (including approval of a settlement agreement) or administrative notice, which is issued pursuant to a state domestic relations law (including a community property law), or to an administrative process, which provides for child support or provides for health benefit coverage to such child and relates to benefits under the group health plan, and satisfies all of the following:

- the order recognizes or creates a child's right to receive group health benefits for which a participant or beneficiary is eligible;
- the order specifies your name and last known address, and the child's name and last known address, except that the name and address of an official of a state or political subdivision may be substituted for the child's mailing address;
- the order provides a description of the coverage to be provided, or the manner in which the type of coverage is to be determined;
- the order states the period to which it applies; and
- if the order is a National Medical Support Notice completed in accordance with the Child Support Performance and Incentive Act of 1998, such Notice meets the requirements above.

The QMCSO may not require the health insurance policy to provide coverage for any type or form of benefit or option not otherwise provided under the policy, except that an order may require a plan to comply with State laws regarding health care coverage.

**Payment of Benefits**

Any payment of benefits in reimbursement for Covered Expenses paid by the child, or the child's custodial parent or legal guardian, shall be made to the child, the child's custodial parent or legal guardian, or a state official whose name and address have been substituted for the name and address of the child.

HC-FED4 10-10

## Special Enrollment Rights Under the Health Insurance Portability & Accountability Act (HIPAA)

If you or your eligible Dependent(s) experience a special enrollment event as described below, you or your eligible Dependent(s) may be entitled to enroll in the Plan outside of a designated enrollment period upon the occurrence of one of the special enrollment events listed below. If you are already enrolled in the Plan, you may request enrollment for you and your eligible Dependent(s) under a different option offered by the Employer for which you are currently eligible. If you are not already enrolled in the Plan, you must request special enrollment for yourself in addition to your eligible Dependent(s). You and all of your eligible Dependent(s) must be covered under the same option. The special enrollment events include:

- **Acquiring a new Dependent.** If you acquire a new Dependent(s) through marriage, birth, adoption or placement for adoption, you may request special enrollment for any of the following combinations of individuals if not already enrolled in the Plan: Employee only; spouse only; Employee and spouse; Dependent child(ren) only; Employee and Dependent child(ren); Employee, spouse and Dependent child(ren). Enrollment of Dependent children is limited to the newborn or adopted children or children who became Dependent children of the Employee due to marriage.
- **Loss of eligibility for State Medicaid or Children's Health Insurance Program (CHIP).** If you and/or your Dependent(s) were covered under a state Medicaid or CHIP plan and the coverage is terminated due to a loss of eligibility, you may request special enrollment for yourself and any affected Dependent(s) who are not already enrolled in the Plan. You must request enrollment within 60 days after termination of Medicaid or CHIP coverage.
- **Loss of eligibility for other coverage (excluding continuation coverage).** If coverage was declined under this Plan due to coverage under another plan, and eligibility for the other coverage is lost, you and all of your eligible

  Dependent(s) may request special enrollment in this Plan. If required by the Plan, when enrollment in this Plan was previously declined, it must have been declined in writing with a statement that the reason for declining enrollment was due to other health coverage. This provision applies to loss of eligibility as a result of any of the following:
  - divorce or legal separation;
  - cessation of Dependent status (such as reaching the limiting age);
  - death of the Employee;
  - termination of employment;
  - reduction in work hours to below the minimum required for eligibility;
  - you or your Dependent(s) no longer reside, live or work in the other plan's network service area and no other coverage is available under the other plan;
  - you or your Dependent(s) incur a claim which meets or exceeds the lifetime maximum limit that is applicable to all benefits offered under the other plan; or
  - the other plan no longer offers any benefits to a class of similarly situated individuals.
- **Termination of employer contributions (excluding continuation coverage).** If a current or former employer ceases all contributions toward the Employee's or Dependent's other coverage, special enrollment may be requested in this Plan for you and all of your eligible Dependent(s).
- **Exhaustion of COBRA or other continuation coverage.** Special enrollment may be requested in this Plan for you and all of your eligible Dependent(s) upon exhaustion of COBRA or other continuation coverage. If you or your Dependent(s) elect COBRA or other continuation coverage following loss of coverage under another plan, the COBRA or other continuation coverage must be exhausted before any special enrollment rights exist under this Plan. An individual is considered to have exhausted COBRA or other continuation coverage only if such coverage ceases: due to failure of the employer or other responsible entity to remit premiums on a timely basis; when the person no longer resides or works in the other plan's service area and there is no other COBRA or continuation coverage available under the plan; or when the individual incurs a claim that would meet or exceed a lifetime maximum limit on all benefits and there is no other COBRA or other continuation coverage available to the individual. This does not include termination of an employer's limited period of contributions toward COBRA or other continuation coverage as provided under any severance or other agreement.
- **Eligibility for employment assistance under State Medicaid or Children's Health Insurance Program**

**(CHIP).** If you and/or your Dependent(s) become eligible for assistance with group health plan premium payments under a state Medicaid or CHIP plan, you may request special enrollment for yourself and any affected Dependent(s) who are not already enrolled in the Plan. You must request enrollment within 60 days after the date you are determined to be eligible for assistance.

**Except as stated above, special enrollment must be requested within 30 days after the occurrence of the special enrollment event. If the special enrollment event is the birth or adoption of a Dependent child, coverage will be effective immediately on the date of birth, adoption or placement for adoption. Coverage with regard to any other special enrollment event will be effective no later than the first day of the first calendar month following receipt of the request for special enrollment.**

Domestic Partners and their children (if not legal children of the Employee) are not eligible for special enrollment.

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## Effect of Section 125 Tax Regulations on This Plan

Your Employer has chosen to administer this Plan in accordance with Section 125 regulations of the Internal Revenue Code. Per this regulation, you may agree to a pretax salary reduction put toward the cost of your benefits.

Otherwise, you will receive your taxable earnings as cash (salary).

A. **Coverage Elections**

Per Section 125 regulations, you are generally allowed to enroll for or change coverage only before each annual benefit period. However, exceptions are allowed if your Employer agrees and you enroll for or change coverage within 30 days of the following:

- the date you meet the Special Enrollment criteria described above; or
- the date you meet the criteria shown in the following Sections B through H.

B. **Change of Status**

A change in status is defined as:

- change in legal marital status due to marriage, death of a spouse, divorce, annulment or legal separation;
- change in number of Dependents due to birth, adoption, placement for adoption, or death of a Dependent;
- change in employment status of Employee, spouse or Dependent due to termination or start of employment, strike, lockout, beginning or end of unpaid leave of absence, including under the Family and Medical Leave Act (FMLA), or change in worksite;
- changes in employment status of Employee, spouse or Dependent resulting in eligibility or ineligibility for coverage;
- change in residence of Employee, spouse or Dependent to a location outside of the Employer's network service area; and
- changes which cause a Dependent to become eligible or ineligible for coverage.

C. **Court Order**

A change in coverage due to and consistent with a court order of the Employee or other person to cover a Dependent.

D. **Medicare or Medicaid Eligibility/Entitlement**

The Employee, spouse or Dependent cancels or reduces coverage due to entitlement to Medicare or Medicaid, or enrolls or increases coverage due to loss of Medicare or Medicaid eligibility.

E. **Change in Cost of Coverage**

If the cost of benefits increases or decreases during a benefit period, your Employer may, in accordance with plan terms, automatically change your elective contribution.

When the change in cost is significant, you may either increase your contribution or elect less-costly coverage. When a significant overall reduction is made to the benefit option you have elected, you may elect another available benefit option. When a new benefit option is added, you may change your election to the new benefit option.

F. **Changes in Coverage of Spouse or Dependent Under Another Employer's Plan**

You may make a coverage election change if the plan of your spouse or Dependent: incurs a change such as adding or deleting a benefit option; allows election changes due to Special Enrollment, Change in Status, Court Order or Medicare or Medicaid Eligibility/Entitlement; or this Plan and the other plan have different periods of coverage or open enrollment periods.

G. **Reduction in work hours**

If an Employee's work hours are reduced below 30 hours/week (even if it does not result in the Employee losing eligibility for the Employer's coverage); and the Employee (and family) intend to enroll in another plan that provides Minimum Essential Coverage (MEC). The new coverage must be effective no later than the 1st day of the 2nd month following the month that includes the date the original coverage is revoked.

H. **Enrollment in Qualified Health Plan (QHP)**

The Employee must be eligible for a Special Enrollment Period to enroll in a QHP through a Marketplace or the Employee wants to enroll in a QHP through a Marketplace during the Marketplace's annual open enrollment period; and the disenrollment from the group plan corresponds to the intended enrollment of the Employee (and family) in a QHP through a Marketplace for new coverage effective beginning no later than the day immediately following the last day of the original coverage.

HC-FED70 12-14

## Eligibility for Coverage for Adopted Children

Any child who is adopted by you, including a child who is placed with you for adoption, will be eligible for Dependent Insurance, if otherwise eligible as a Dependent, upon the date of placement with you. A child will be considered placed for adoption when you become legally obligated to support that child, totally or partially, prior to that child's adoption.

If a child placed for adoption is not adopted, all health coverage ceases when the placement ends, and will not be continued.

The provisions in the "Exception for Newborns" section of this document that describe requirements for enrollment and effective date of insurance will also apply to an adopted child or a child placed with you for adoption.

HC-FED67 09-14

## Coverage for Maternity Hospital Stay

Under federal law, group health plans and health insurance issuers offering group health insurance coverage generally may not restrict benefits for any hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a vaginal delivery, or less than 96 hours following a delivery by cesarean section. However, the plan or issuer may pay for a shorter stay if the attending provider (*e.g.*, your physician, nurse midwife, or physician assistant), after consultation with the mother, discharges the mother or newborn earlier.

Also, under federal law, plans and issuers may not set the level of benefits or out-of-pocket costs so that any later portion of the 48-hour (or 96-hour) stay is treated in a manner less favorable to the mother or newborn than any earlier portion of the stay.

**In addition, a plan or issuer may not, under federal law, require that a physician or other health care provider obtain authorization for prescribing a length of stay of up to 48 hours (or 96 hours). However, to use certain providers or facilities, or to reduce your out-of-pocket costs, you may be required to obtain precertification. For information on precertification, contact your plan administrator.**

HC-FED10 10-10

## Women's Health and Cancer Rights Act (WHCRA)

Do you know that your plan, as required by the Women's Health and Cancer Rights Act of 1998, provides benefits for mastectomy-related services including all stages of reconstruction and surgery to achieve symmetry between the breasts, prostheses, and complications resulting from a mastectomy, including lymphedema? Call Member Services at the toll free number listed on your ID card for more information.

HC-FED12 10-10

## Group Plan Coverage Instead of Medicaid

If your income and liquid resources do not exceed certain limits established by law, the state may decide to pay premiums for this coverage instead of for Medicaid, if it is cost effective. This includes premiums for continuation coverage required by federal law.

HC-FED13 10-10

## Requirements of Medical Leave Act of 1993 (as amended) (FMLA)

Any provisions of the policy that provide for: continuation of insurance during a leave of absence; and reinstatement of insurance following a return to Active Service; are modified by the following provisions of the federal Family and Medical Leave Act of 1993, as amended, where applicable:

**Continuation of Health Insurance During Leave**

Your health insurance will be continued during a leave of absence if:

- that leave qualifies as a leave of absence under the Family and Medical Leave Act of 1993, as amended; and

- you are an eligible Employee under the terms of that Act.

The cost of your health insurance during such leave must be paid, whether entirely by your Employer or in part by you and your Employer.

**Reinstatement of Canceled Insurance Following Leave**

Upon your return to Active Service following a leave of absence that qualifies under the Family and Medical Leave Act of 1993, as amended, any canceled insurance (health, life or disability) will be reinstated as of the date of your return.

You will not be required to satisfy any eligibility or benefit waiting period to the extent that they had been satisfied prior to the start of such leave of absence.

Your Employer will give you detailed information about the Family and Medical Leave Act of 1993, as amended.

HC-FED17 10-10

## Uniformed Services Employment and Re- Employment Rights Act of 1994 (USERRA)

The Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA) sets requirements for continuation of health coverage and re-employment in regard to an Employee's military leave of absence. These requirements apply to medical and dental coverage for you and your Dependents. They do not apply to any Life, Short- term or Long-term Disability or Accidental Death & Dismemberment coverage you may have.

**Continuation of Coverage**

For leaves of less than 31 days, coverage will continue as described in the Termination section regarding Leave of Absence.

For leaves of 31 days or more, you may continue coverage for yourself and your Dependents as follows:

You may continue benefits by paying the required premium to your Employer, until the earliest of the following:

- 24 months from the last day of employment with the Employer;
- the day after you fail to return to work; and
- the date the policy cancels.

Your Employer may charge you and your Dependents up to 102% of the total premium.

**Reinstatement of Benefits (applicable to all coverages)**

If your coverage ends during the leave of absence because you do not elect USERRA at the expiration of USERRA and you are reemployed by your current Employer, coverage for you and your Dependents may be reinstated if you gave your Employer advance written or verbal notice of your military service leave, and the duration of all military leaves while you are employed with your current Employer does not exceed 5 years.

You and your Dependents will be subject to only the balance of a waiting period that was not yet satisfied before the leave began. However, if an Injury or Sickness occurs or is aggravated during the military leave, full Plan limitations will apply.

If your coverage under this plan terminates as a result of your eligibility for military medical and dental coverage and your order to active duty is canceled before your active duty service commences, these reinstatement rights will continue to apply.

HC-FED18 10-10

## Claim Determination Procedures under ERISA

**The following complies with federal law. Provisions of applicable laws of your state may supersede.**

**Procedures Regarding Medical Necessity Determinations**

In general, health services and benefits must be Medically Necessary to be covered under the plan. The procedures for determining Medical Necessity vary, according to the type of service or benefit requested, and the type of health plan.
Medical Necessity determinations are made on a preservice, concurrent, or postservice basis, as described below:

Certain services require prior authorization in order to be covered. The Certificate describes who is responsible for obtaining this review. You or your authorized representative (typically, your health care professional) must request prior authorization according to the procedures described below, in the Certificate, and in your provider's network participation documents as applicable.

When services or benefits are determined to be not covered, you or your representative will receive a written description of the adverse determination, and may appeal the determination. Appeal procedures are described in the Certificate, in your provider's network participation documents as applicable, and in the determination notices.

**Preservice Determinations**

When you or your representative requests a required prior authorization, Cigna will notify you or your representative of the determination within 15 days after receiving the request. However, if more time is needed due to matters beyond Cigna's control, Cigna will notify you or your representative within 15 days after receiving your request. This notice will include the date a determination can be expected, which will be no more than 30 days after receipt of the request. If more time is needed because necessary information is missing from the request, the notice will also specify what information is needed, and you or your representative must provide the specified information to Cigna within 45 days after receiving the notice. The determination period will be suspended on the date Cigna sends such a notice of missing information, and the determination period will resume on the date you or your representative responds to the notice.

If the determination periods above would seriously jeopardize your life or health, your ability to regain maximum function, or in the opinion of a health care professional with knowledge of your health condition, cause you severe pain which cannot be managed without the requested services, Cigna will make the preservice determination on an expedited basis. Cigna's reviewer, in consultation with the treating health care professional, will decide if an expedited determination is necessary. Cigna will notify you or your representative of an expedited determination within 72 hours after receiving the request.

However, if necessary information is missing from the request, Cigna will notify you or your representative within 24 hours after receiving the request to specify what information is needed. You or your representative must provide the specified information to Cigna within 48 hours after receiving the notice. Cigna will notify you or your representative of the expedited benefit determination within 48 hours after you or your representative responds to the notice. Expedited determinations may be provided orally, followed within 3 days by written or electronic notification.

If you or your representative fails to follow Cigna’s procedures for requesting a required preservice determination, Cigna will notify you or your representative of the failure and describe the proper procedures for filing within 5 days (or 24 hours, if an expedited determination is required, as described above) after receiving the request. This notice may be provided orally, unless you or your representative requests written notification.

**Concurrent Determinations**

When an ongoing course of treatment has been approved for you and you wish to extend the approval, you or your representative must request a required concurrent coverage determination at least 24 hours prior to the expiration of the approved period of time or number of treatments. When you or your representative requests such a determination, Cigna will notify you or your representative of the determination within 24 hours after receiving the request.

**Postservice Determinations**

When you or your representative requests a coverage determination or a claim payment determination after services have been rendered, Cigna will notify you or your representative of the determination within 30 days after

receiving the request. However, if more time is needed to make a determination due to matters beyond Cigna’s control, Cigna will notify you or your representative within 30 days after receiving the request. This notice will include the date a determination can be expected, which will be no more than 45 days after receipt of the request.

If more time is needed because necessary information is missing from the request, the notice will also specify what information is needed, and you or your representative must provide the specified information to Cigna within 45 days after receiving the notice. The determination period will be suspended on the date Cigna sends such a notice of missing information, and the determination period will resume on the date you or your representative responds to the notice.

**Notice of Adverse Determination**

Every notice of an adverse benefit determination will be provided in writing or electronically, and will include all of the following that pertain to the determination: the specific reason or reasons for the adverse determination; reference to the specific plan provisions on which the determination is based; a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; a description of the plan’s review procedures and the time limits applicable, including a statement of a claimant’s rights to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal, (if applicable); upon request and free of charge, a copy of any internal rule, guideline, protocol or other similar criterion that was relied upon in making the adverse determination regarding your claim; and an explanation of the scientific or clinical judgment for a determination that is based on a Medical Necessity, experimental treatment or other similar exclusion or limit; and in the case of a claim involving urgent care, a description of the expedited review process applicable to such claim.

HC-FED79 03-13

## COBRA Continuation Rights Under Federal Law

**For You and Your Dependents**

**What is COBRA Continuation Coverage?**

Under federal law, you and/or your Dependents must be given the opportunity to continue health insurance when there is a “qualifying event” that would result in loss of coverage under the Plan. You and/or your Dependents will be permitted to continue the same coverage under which you or your Dependents were covered on the day before the qualifying event occurred, unless you move out of that plan’s coverage area or the plan is no longer available. You and/or your Dependents cannot change coverage options until the next open enrollment period.

**When is COBRA Continuation Available?**

For you and your Dependents, COBRA continuation is available for up to 18 months from the date of the following qualifying events if the event would result in a loss of coverage under the Plan:

- your termination of employment for any reason, other than gross misconduct; or
- your reduction in work hours.

For your Dependents, COBRA continuation coverage is available for up to 36 months from the date of the following qualifying events if the event would result in a loss of coverage under the Plan:

- your death;
- your divorce or legal separation; or
- for a Dependent child, failure to continue to qualify as a Dependent under the Plan.

**Who is Entitled to COBRA Continuation?**

Only a “qualified beneficiary” (as defined by federal law) may elect to continue health insurance coverage. A qualified beneficiary may include the following individuals who were covered by the Plan on the day the qualifying event occurred: you, your spouse, and your Dependent children. Each qualified beneficiary has their own right to elect or decline COBRA continuation coverage even if you decline or are not eligible for COBRA continuation.

The following individuals are not qualified beneficiaries for purposes of COBRA continuation: domestic partners, grandchildren (unless adopted by you), stepchildren (unless adopted by you). Although these individuals do not have an independent right to elect COBRA continuation coverage, if you elect COBRA continuation coverage for yourself, you may also cover your Dependents even if they are not considered qualified beneficiaries under COBRA. However, such individuals’ coverage will terminate when your COBRA continuation coverage terminates. The sections titled “Secondary Qualifying Events” and “Medicare Extension For Your Dependents” are not applicable to these individuals.

**Secondary Qualifying Events**

If, as a result of your termination of employment or reduction in work hours, your Dependent(s) have elected COBRA continuation coverage and one or more Dependents experience another COBRA qualifying event, the affected Dependent(s) may elect to extend their COBRA continuation coverage for an additional 18 months (7 months if the secondary event occurs within the disability extension period) for a maximum of 36 months from the initial qualifying event. The second qualifying event must occur before the end of the initial 18 months of COBRA continuation coverage or within the disability extension period discussed below. Under no circumstances will COBRA continuation coverage be available for more than 36 months from the initial qualifying event. Secondary qualifying events are: your death; your divorce or legal separation; or, for a Dependent child, failure to continue to qualify as a Dependent under the Plan.

**Disability Extension**

If, after electing COBRA continuation coverage due to your termination of employment or reduction in work hours, you or one of your Dependents is determined by the Social Security Administration (SSA) to be totally disabled under Title II or XVI of the SSA, you and all of your Dependents who have elected COBRA continuation coverage may extend such continuation for an additional 11 months, for a maximum of 29 months from the initial qualifying event.

To qualify for the disability extension, all of the following requirements must be satisfied:

- SSA must determine that the disability occurred prior to or within 60 days after the disabled individual elected COBRA continuation coverage; and
- A copy of the written SSA determination must be provided to the Plan Administrator within 60 calendar days after the date the SSA determination is made AND before the end of the initial 18-month continuation period.

If the SSA later determines that the individual is no longer disabled, you must notify the Plan Administrator within 30 days after the date the final determination is made by SSA. The 11-month disability extension will terminate for all covered persons on the first day of the month that is more than 30 days after the date the SSA makes a final determination that the disabled individual is no longer disabled.

All causes for “Termination of COBRA Continuation” listed below will also apply to the period of disability extension.

**Medicare Extension for Your Dependents**

When the qualifying event is your termination of employment or reduction in work hours and you became enrolled in Medicare (Part A, Part B or both) within the 18 months before the qualifying event, COBRA continuation coverage for your Dependents will last for up to 36 months after the date you became enrolled in Medicare. Your COBRA continuation coverage will last for up to 18 months from the date of your termination of employment or reduction in work hours.

**Termination of COBRA Continuation**

COBRA continuation coverage will be terminated upon the occurrence of any of the following:

- the end of the COBRA continuation period of 18, 29 or 36 months, as applicable;

- failure to pay the required premium within 30 calendar days after the due date;
- cancellation of the Employer's policy with Cigna;
- after electing COBRA continuation coverage, a qualified beneficiary enrolls in Medicare (Part A, Part B, or both);
- after electing COBRA continuation coverage, a qualified beneficiary becomes covered under another group health plan, unless the qualified beneficiary has a condition for which the new plan limits or excludes coverage under a pre- existing condition provision. In such case coverage will continue until the earliest of: the end of the applicable maximum period; the date the pre-existing condition provision is no longer applicable; or the occurrence of an event described in one of the first three bullets above;
- any reason the Plan would terminate coverage of a participant or beneficiary who is not receiving continuation coverage (e.g., fraud).

**Employer's Notification Requirements**

Your Employer is required to provide you and/or your Dependents with the following notices:

- An initial notification of COBRA continuation rights must be provided within 90 days after your (or your spouse's) coverage under the Plan begins (or the Plan first becomes subject to COBRA continuation requirements, if later). If you and/or your Dependents experience a qualifying event before the end of that 90-day period, the initial notice must be provided within the time frame required for the COBRA continuation coverage election notice as explained below.
- A COBRA continuation coverage election notice must be provided to you and/or your Dependents within the following timeframes:
  - if the Plan provides that COBRA continuation coverage and the period within which an Employer must notify the Plan Administrator of a qualifying event starts upon the loss of coverage, 44 days after loss of coverage under the Plan;
  - if the Plan provides that COBRA continuation coverage and the period within which an Employer must notify the Plan Administrator of a qualifying event starts upon the occurrence of a qualifying event, 44 days after the qualifying event occurs; or
  - in the case of a multi-employer plan, no later than 14 days after the end of the period in which Employers must provide notice of a qualifying event to the Plan Administrator.

**How to Elect COBRA Continuation Coverage**

The COBRA coverage election notice will list the individuals who are eligible for COBRA continuation coverage and inform you of the applicable premium. The notice will also include instructions for electing COBRA continuation coverage. You must notify the Plan Administrator of your election no later than the due date stated on the COBRA election notice. If a written election notice is required, it must be post-marked no later than the due date stated on the COBRA election notice. If you do not make proper notification by the due date shown on the notice, you and your Dependents will lose the right to elect COBRA continuation coverage. If you reject COBRA continuation coverage before the due date, you may change your mind as long as you furnish a completed election form before the due date.

Each qualified beneficiary has an independent right to elect COBRA continuation coverage. Continuation coverage may be elected for only one, several, or for all Dependents who are qualified beneficiaries. Parents may elect to continue coverage on behalf of their Dependent children. You or your spouse may elect continuation coverage on behalf of all the qualified beneficiaries. You are not required to elect COBRA continuation coverage in order for your Dependents to elect COBRA continuation.

**How Much Does COBRA Continuation Coverage Cost?**

Each qualified beneficiary may be required to pay the entire cost of continuation coverage. The amount may not exceed 102% of the cost to the group health plan (including both Employer and Employee contributions) for coverage of a similarly situated active Employee or family member. The premium during the 11-month disability extension may not exceed 150% of the cost to the group health plan (including both employer and employee contributions) for coverage of a similarly situated active Employee or family member.

For example: If the Employee alone elects COBRA continuation coverage, the Employee will be charged 102% (or 150%) of the active Employee premium. If the spouse or one Dependent child alone elects COBRA continuation coverage, they will be charged 102% (or 150%) of the active Employee premium. If more than one qualified beneficiary elects COBRA continuation coverage, they will be charged 102% (or 150%) of the applicable family premium.

**When and How to Pay COBRA Premiums**

*First payment for COBRA continuation*

If you elect COBRA continuation coverage, you do not have to send any payment with the election form. However, you must make your first payment no later than 45 calendar days after the date of your election. (This is the date the Election Notice is postmarked, if mailed.) If you do not make your first payment within that 45 days, you will lose all COBRA continuation rights under the Plan.

*Subsequent payments*

After you make your first payment for COBRA continuation coverage, you will be required to make subsequent payments of the required premium for each additional month of coverage. Payment is due on the first day of each month. If you make a payment on or before its due date, your coverage under the Plan will continue for that coverage period without any break.

*Grace periods for subsequent payments*

Although subsequent payments are due by the first day of the month, you will be given a grace period of 30 days after the first day of the coverage period to make each monthly payment. Your COBRA continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment. However, if your payment is received after the due date, your coverage under the Plan may be suspended during this time. Any providers who contact the Plan to confirm coverage during this time may be informed that coverage has been suspended. If payment is received before the end of the grace period, your coverage will be reinstated back to the beginning of the coverage period. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated. If you fail to make a payment before the end of the grace period for that coverage period, you will lose all rights to COBRA continuation coverage under the Plan.

**You Must Give Notice of Certain Qualifying Events**

If you or your Dependent(s) experience one of the following qualifying events, you must notify the Plan Administrator within 60 calendar days after the later of the date the qualifying event occurs or the date coverage would cease as a result of the qualifying event:

- Your divorce or legal separation; or
- Your child ceases to qualify as a Dependent under the Plan.
- The occurrence of a secondary qualifying event as discussed under “Secondary Qualifying Events” above (this notice must be received prior to the end of the initial 18- or 29- month COBRA period).

(Also refer to the section titled “Disability Extension” for additional notice requirements.)

Notice must be made in writing and must include: the name of the Plan, name and address of the Employee covered under the Plan, name and address(es) of the qualified beneficiaries affected by the qualifying event; the qualifying event; the date the qualifying event occurred; and supporting documentation (e.g., divorce decree, birth certificate, disability determination, etc.).

**Newly Acquired Dependents**

If you acquire a new Dependent through marriage, birth, adoption or placement for adoption while your coverage is being continued, you may cover such Dependent under your COBRA continuation coverage. However, only your newborn

or adopted Dependent child is a qualified beneficiary and may continue COBRA continuation coverage for the remainder of the coverage period following your early

termination of COBRA coverage or due to a secondary qualifying event. COBRA coverage for your Dependent spouse and any Dependent children who are not your children (e.g., stepchildren or grandchildren) will cease on the date your COBRA coverage ceases and they are not eligible for a secondary qualifying event.

**COBRA Continuation for Retirees Following Employer’s Bankruptcy**

If you are covered as a retiree, and a proceeding in bankruptcy is filed with respect to the Employer under Title 11 of the United States Code, you may be entitled to COBRA continuation coverage. If the bankruptcy results in a loss of coverage for you, your Dependents or your surviving spouse within one year before or after such proceeding, you and your covered Dependents will become COBRA qualified beneficiaries with respect to the bankruptcy. You will be entitled to COBRA continuation coverage until your death.

Your surviving spouse and covered Dependent children will be entitled to COBRA continuation coverage for up to 36 months following your death. However, COBRA continuation coverage will cease upon the occurrence of any of the events listed under “Termination of COBRA Continuation” above.

**Interaction With Other Continuation Benefits**

You may be eligible for other continuation benefits under state law. Refer to the Termination section for any other continuation benefits.

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## ERISA Required Information

The name of the Plan is:

Consolidated Edison Company of New York

The name, address, ZIP code and business telephone number of the sponsor of the Plan is:

Consolidated Edison Company 4 Irving Place, Room 1100 New York, NY 10003
212-780-8211

| Employer Identification Number (EIN): | Plan Number: |
|---|---|
| 135009340 | 501 |

The name, address, ZIP code and business telephone number of the Plan Administrator is:

Employer named above

The name, address and ZIP code of the person designated as agent for service of legal process is:

Employer named above

The office designated to consider the appeal of denied claims is:

The Cigna Claim Office responsible for this Plan

The cost of the Plan is shared by Employee and Employer. The Plan's

fiscal year ends on 12/31.

The preceding pages set forth the eligibility requirements and benefits provided for you under this Plan.

**Plan Trustees**

A list of any Trustees of the Plan, which includes name, title and address, is available upon request to the Plan Administrator.

**Plan Type**

The plan is a healthcare benefit plan.

**Collective Bargaining Agreements**

You may contact the Plan Administrator to determine whether the Plan is maintained pursuant to one or more collective bargaining agreements and if a particular Employer is a sponsor. A copy is available for examination from the Plan Administrator upon written request.

**Discretionary Authority**

The Plan Administrator delegates to Cigna the discretionary authority to interpret and apply plan terms and to make factual determinations in connection with its review of claims under the plan. Such discretionary authority is intended to include, but not limited to, the determination of the eligibility of persons desiring to enroll in or claim benefits under the plan, the determination of whether a person is entitled to benefits under the plan, and the computation of any and all benefit payments. The Plan Administrator also delegates to Cigna the discretionary authority to perform a full and fair review, as required by ERISA, of each claim denial which has been appealed by the claimant or his duly authorized representative.

**Plan Modification, Amendment and Termination**

The Employer as Plan Sponsor reserves the right to, at any time, change or terminate benefits under the Plan, to change or terminate the eligibility of classes of employees to be covered by the Plan, to amend or eliminate any other plan term or condition, and to terminate the whole plan or any part of it.

Contact the Employer for the procedure by which benefits may be changed or terminated, by which the eligibility of classes of employees may be changed or terminated, or by which part or all of the Plan may be terminated. No consent of any participant is required to terminate, modify, amend or change the Plan.

Termination of the Plan together with termination of the insurance policy(s) which funds the Plan benefits will have no adverse effect on any benefits to be paid under the policy(s) for any covered medical expenses incurred prior to the date that policy(s) terminates. Likewise, any extension of benefits under the policy(s) due to you or your Dependent's total disability which began prior to and has continued beyond the date the policy(s) terminates will not be affected by the Plan termination. Rights to purchase limited amounts of life and medical insurance to replace part of the benefits lost because the policy(s) terminated may arise under the terms of the policy(s). A subsequent Plan termination will not affect the extension of benefits and rights under the policy(s).

Your coverage under the Plan's insurance policy(s) will end on the earliest of the following dates:

- the date you leave Active Service (or later as explained in the Termination Section;)
- the date you are no longer in an eligible class;
- if the Plan is contributory, the date you cease to contribute;
- the date the policy(s) terminates.

See your Plan Administrator to determine if any extension of benefits or rights are available to you or your Dependents under this policy(s). No extension of benefits or rights will be available solely because the Plan terminates.

**Statement of Rights**

As a participant in the plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

**Receive Information About Your Plan and Benefits**

- examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure room of the Employee Benefits Security Administration.
- obtain, upon written request to the Plan Administrator, copies of documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each person under the Plan with a copy of this summary financial report.

**Continue Group Health Plan Coverage**

- continue health care coverage for yourself, your spouse or Dependents if there is a loss of coverage under the Plan as a result of a qualifying event. You or your Dependents may have to pay for such coverage. Review the documents governing the Plan on the rules governing your federal continuation coverage rights.

**Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties upon the people responsible for the operation of the employee benefit plan. The people who operate your plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA. If your claim for a welfare benefit is denied or ignored you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

**Enforce Your Rights**

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of documents governing the plan or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court.

In addition, if you disagree with the plan’s decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in federal court. If it should happen that plan fiduciaries misuse the plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example if it finds your claim is frivolous.

**Assistance with Your Questions**

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

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## Notice of an Appeal or a Grievance

The appeal or grievance provision in this certificate may be superseded by the law of your state. Please see your explanation of benefits for the applicable appeal or grievance procedure.

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VI

# When You Have A Concern Or Complaint

For the purposes of this section, any reference to “you,” “your” or “Member” also refers to a representative or provider designated by you to act on your behalf, unless otherwise noted and a “Physician reviewer” is a licensed Physician who is also a Medical Director or his or her designee who rendered the initial adverse determination.

We want you to be completely satisfied with the care you receive. That is why we have established a process for addressing your concerns and solving your problems.

**Complaints and Administrative Appeals Regarding Contractual Benefits, Quality of Care and Services**

**Start with Member Services**

We are here to listen and help. If you have a specific concern or complaint regarding a person, a service, the quality of care, choice of or access to providers, provider network adequacy or contractual benefits, you or your designated representative (including your treating Provider) can call our toll-free number and explain your concern to one of our Customer Service representatives. You can also express that concern in writing. Please call or write to us at the following:

Customer Services Toll-Free Number or address that appears on your Benefit Identification card, explanation of benefits or claim form.

We will do our best to resolve the matter on your initial contact. If we need more time to review or investigate your concern, we will get back to you as soon as possible, but in any case within 30 calendar days.

If you are not satisfied with the results of a coverage decision, you can start the appeals procedure.

**Administrative Appeals Procedure**

Cigna has a two step appeals procedure for coverage decisions. To initiate an Administrative appeal, you must submit a request for an appeal in writing within 180 days of receipt of a denial notice. You should state the reason why you feel your appeal should be approved and include any information supporting your appeal. If you are unable or choose not to write, you may ask to register your appeal by calling the toll-free number on your Benefit Identification card. If you choose to designate a representative to appeal on your behalf, including your provider, all correspondence related to your appeal will be sent to your designated representative and you. If you do not want such representative to pursue the appeal on your behalf, you must notify Cigna that you do not want this representative appealing this issue on your behalf.

**Level One Appeal**

Your appeal will be reviewed and the decision made by someone not involved in the initial decision. Expedited appeals will be considered by a health care professional.

For level one appeals, we will acknowledge in writing that we have received your request within 10 business days and respond in writing with a decision within 30 calendar days after we receive an appeal for a post-service coverage determination or within 15 calendar days for a pre-service coverage determination. If more time or information is needed to make the determination, we will notify you in writing to request an extension of up to 15 calendar days and to specify any additional information needed to complete the review.

You may request that the appeal process be expedited if the time frames under this process would seriously jeopardize your life, health or ability to regain maximum function or in the opinion of your Physician would cause you severe pain which cannot be managed without the requested services; or your appeal involves non-authorization of an admission or continuing inpatient Hospital stay. Cigna's Physician reviewer, in consultation with the treating Physician, will decide if an expedited appeal is necessary. When an appeal is expedited, we will respond with a decision within 72 hours.

**Level Two Appeal**

If you are dissatisfied with our level one appeal decision, you may request a second review. To initiate a level two appeal, follow the same process required for a level one appeal, except that such a request must be submitted within 60 days from your receipt of a Level One Appeal decision.

Receipt of requests for a second review will be acknowledged in writing within 10 business days. Post-service requests will be completed within 30 calendar days, while most pre-service requests will be completed within 15 calendar days. If more time or information is needed to make the determination, we will notify you in writing to request an extension of up to 15 calendar days and to specify any additional information needed to complete the review. You will be notified in writing of the decision.

You may request that the appeal process be expedited if the time frames under this process would seriously jeopardize your life, health or ability to regain maximum function or in the opinion of your Physician would cause you severe pain which cannot be managed without the requested services; or your appeal involves nonauthorization of an admission or continuing inpatient Hospital stay. Cigna's Physician reviewer, in consultation with the treating Physician will decide if an expedited appeal is necessary. When an appeal is expedited, we will respond with a decision within 72 hours.

**Appeal to the State of New Jersey**

For appeals regarding a person, a service, the quality of care, choice of or access to providers, provider network adequacy, or the contractual benefits, if you remain dissatisfied after exhausting Cigna's Complaint and Appeal procedure, you may appeal to the State of New Jersey Department of Banking and Insurance at the following address and telephone number:

Consumer Protection Services
New Jersey Department of Banking and Insurance 20 West State Street, 9th Floor
P.O. Box 329
Trenton, NJ 08625-0329
(609) 292-5316

You may also wish to access an online New Jersey complaint form at: www.state.nj.us/dobi/enfcon.htm.

**Appeals Regarding Required Medical Necessity and Utilization Review Determinations**

**Initial Determination**

Cigna is responsible for making decisions about the appropriateness, medical necessity and efficiency of health care services provided to Members under this Certificate. All decisions to deny or limit coverage for an inpatient admission, a service, a procedure or an extension of inpatient stay, are made by a New Jersey-licensed Physician.

The health care determinations made by Cigna are directly communicated to the treating or requesting Provider (including a Provider acting on your behalf with your consent, if such Provider is the requesting Provider) on a timely basis appropriate to the Member's medical needs. Cigna will not reverse its initial determination of medical necessity or appropriateness unless misrepresented or fraudulent information was submitted to Cigna as part of the request for health care services.

You or your designated representative (including a provider acting on your behalf with your consent) may request a written notice of an initial determination made by Cigna, including an explanation of the Medical Necessity Appeal process.

**Medical Necessity Appeals Procedure**

Cigna has a two step procedure for coverage decisions. To initiate a Medical Necessity appeal, you must submit a request for an appeal in writing to the address that appears on your Benefit Identification card, explanation of benefits or claim form within 180 days of receipt of a denial notice. You should state the reason why you feel your appeal should be approved and include any information supporting your appeal. If you are unable or choose not to write, you may ask to register your appeal by calling the toll-free number on your Benefit Identification card. If you choose to designate a representative to appeal on your behalf, including your provider, all correspondence related to your appeal will be sent to your designated representative and you. If you do not want such representative to pursue the appeal on your behalf, you must notify Cigna that you do not want this representative appealing this issue on your behalf.

**Level One Appeal**

You have the opportunity to speak with, and may request appeal review by, Cigna's Physician reviewer.

For level one appeals, we will respond in writing with a decision within five business days after we receive an appeal.

You may request that the appeal process be expedited if: the time frames under this process would seriously jeopardize your life, health or ability to regain maximum function or in the opinion of your Physician would cause you severe pain which cannot be managed without the requested services; your appeal involves non-authorization of an admission or continuing inpatient Hospital stay; or your appeal addresses a determination regarding urgent or emergency care. Cigna's Physician reviewer, in consultation with the treating Physician will decide if an expedited appeal is necessary. When an appeal is expedited, we will respond with a decision within 72 hours.

**Level Two Appeal**

If you are dissatisfied with our level one appeal decision, you may request a second review. To initiate a level two appeal, follow the same process required for a level one appeal, except that such a request must be submitted within 60 days from your receipt of a Level One Appeal decision.

Most requests for a second review will be conducted by the Appeals Committee, which consists of at least one Physician reviewer and two other Physicians/health care professionals. Anyone involved in the prior decision may not participate on the Appeal Committee. The committee will consult with at least one Physician in the same or similar specialty as the care under consideration, as determined by Cigna's Physician reviewer. You may request that the same or similar specialist be a participant on the committee. You may present your situation to the committee in person or by conference call.

For level two appeals we will acknowledge in writing that we have received your request within 10 business days and schedule a committee review. The committee review will be completed within 15 calendar days for pre-service appeals and 20 business days for post-service appeals. If more time or information is needed to make the determination, we will notify the Department of Banking and Insurance and you in writing to request an extension of up to 15 calendar days for pre-service appeals and 20 business days for post-service appeals and to specify any additional information needed by the Appeals Committee to complete the review. You will be notified in writing of the Appeals Committee's decision.

You may request that the appeal process be expedited if: the time frames under this process would seriously jeopardize your life, health or ability to regain maximum function or in the opinion of your Physician would cause you severe pain which cannot be managed without the requested services; your appeal involves non-authorization of an admission or continuing inpatient Hospital stay; or your appeal addresses a determination regarding urgent or emergency care. When an appeal is expedited, we will respond with a decision within 72 hours.

**External Appeals of Utilization Management Determinations**

After exhausting Cigna's Medical Necessity Appeal procedure, if you remain dissatisfied with Cigna's health care determination, you may initiate a review by an Independent Utilization Review Organization (IURO) within 60 calendar days from the receipt of Cigna's final written decision. To initiate a review, you or your Provider, on your behalf, should complete the State of New Jersey IURO forms provided by Cigna and mail the completed forms to:

Consumer Protection Services
New Jersey Department of Banking and Insurance 20 West State Street, 9th Floor
P.O. Box 329
Trenton, NJ 08625-0329
(609) 292-5316

along with a check or money order for $25 payable to the "New Jersey Department of Banking and Insurance" (this fee may be reduced to $2 in cases of financial hardship). If a Provider is appealing to the IURO on your behalf, the Provider is responsible for paying your portion of the cost of the IURO appeal (e.g. $25, or $2 if financial hardship). Cigna will bear the remaining costs of the review.

You or your Provider, on your behalf, may also request review of your appeal by the IURO if Cigna has missed any timeframes associated with the processing of your medical necessity appeal. If this is the case, you must certify to the IURO that you or your Provider, on your behalf, did not hinder Cigna from making a timely determination by failing to provide the information required for Cigna to make its decision.

Once the IURO communicates its decision, Cigna will respond within 10 business days to you (or the Provider, on your behalf) the IURO and the Department of Banking and Insurance with a written report describing how Cigna will implement the IURO's decision.

The External Appeals Program is a voluntary program. The decision of the IURO is binding on Cigna.

**Appeal to the State of New Jersey**

You have the right to contact the New Jersey Department of Banking and Insurance for assistance at any time. The New Jersey Department of Banking and Insurance may be contacted at the following address and telephone number:

Consumer Protection Services
New Jersey Department of Banking and Insurance 20 West State Street, 9th Floor
P.O. Box 329
Trenton, NJ 08625-0329
(609) 292-5316

**Notice of Benefit Determination on Appeal**

Every notice of a determination on appeal will be provided in writing or electronically and, if an adverse determination, will include:

- the specific reason or reasons for the adverse determination;
- reference to the specific plan provisions on which the determination is based;
- a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other Relevant Information as defined;
- a statement describing:
  - the procedure to initiate the next level of appeal;
  - any voluntary appeal procedures offered by the plan; and
  - the claimant's right to bring an action under ERISA section 502(a);
- upon request and free of charge, a copy of any internal rule, guideline, protocol or other similar criterion that was relied upon in making the adverse determination regarding your appeal, and an explanation of the scientific or clinical judgment for a determination that is based on a Medical Necessity, experimental treatment or other similar exclusion or limit.

You also have the right to bring a civil action under Section 502(a) of ERISA if you are not satisfied with the Level Two Appeal decision (or with the Level One Appeal decision if expedited). You or your plan may have other voluntary alternative dispute resolution options such as Mediation. One way to find out what may be available is to contact your local
U.S. Department of Labor office and your State insurance regulatory agency. You may also contact the Plan Administrator.

**Relevant Information**

Relevant Information is any document, record, or other information which: was relied upon in making the benefit determination; was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; demonstrates compliance with the administrative processes and safeguards required by federal law in making the benefit determination; or constitutes a statement of policy or guidance with respect to the plan concerning the denied treatment option or benefit or the claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the benefit determination.

**Legal Action Following Appeals**

If your plan is governed by ERISA, you have the right to bring a civil action in federal court under Section 502(a) of ERISA if you are not satisfied with the outcome of the Appeals Procedure. In most instances, you may not initiate a legal action against Cigna until you have completed the Level One and Level Two Appeal processes. If your Appeal is expedited, there is no need to complete the Level Two process prior to bringing legal action in federal court.

If your plan is governed by New Jersey P.L.2001, c.187 (2A:53A-30 et seq), you have the right to bring action in state court accordance with that statute. You must exhaust the Independent Health Care Appeals Program procedures created pursuant to section 11 of P.L.1997, c.192 (C26:2S-11), before filing an action in state court, unless serious or significant harm to the covered person has occurred or will imminently occur, before filing an action in state court for economic and non-economic loss that occurs as a result of Cigna's negligence with respect to the denial of or delay in approving or providing medically necessary covered services, which denial or delay is the proximate cause of a covered person's: death; serious and protracted or permanent impairment of a bodily function or system; loss of a body organ necessary for normal bodily function; loss of a body member; exacerbation of a serious or life-threatening disease or condition that results in serious or significant harm or requires substantial medical treatment; a physical condition resulting in chronic and significant pain; or substantial physical or mental harm which resulted in further substantial medical treatment made medically necessary by the denial or delay of care.

HC-APL26 04-10
VI

# Definitions

### Active Service

You will be considered in Active Service:

- on any of your Employer's scheduled work days if you are performing the regular duties of your work on a full-time basis on that day either at your Employer's place of business or at some location to which you are required to travel for your Employer's business.
- on a day which is not one of your Employer's scheduled work days if you were in Active Service on the preceding scheduled work day.

HC-DFS1 04-10
VI

### Bed and Board

The term Bed and Board includes all charges made by a Hospital on its own behalf for room and meals and for all general services and activities needed for the care of registered bed patients.

HC-DFS2 04-10
V2

### Biologically-Based Mental Illness

A mental or nervous condition that is caused by a biological disorder of the brain and results in a clinically significant or psychological syndrome or pattern that substantially limits the functioning of the person with the illness, including but not limited to: schizophrenia; schizoaffective disorder; major depressive disorder; bipolar disorder; paranoia and other psychotic disorders; obsessive-compulsive disorder; panic disorder; and pervasive developmental disorder or autism.

HC-DFS110 04-10
V1

### Custodial Services

Any services that are of a sheltering, protective, or safeguarding nature. Such services may include a stay in an

institutional setting, at-home care, or nursing services to care for someone because of age or mental or physical condition. This service primarily helps the person in daily

living.

Custodial care also can provide medical services, given mainly to maintain the person's current state of health. These services cannot be intended to greatly improve a medical condition; they are intended to provide care while the patient cannot care for himself or herself.

Custodial Services include but are not limited to:

- Services related to watching or protecting a person;
- Services related to performing or assisting a person in performing any activities of daily living, such as: walking, grooming, bathing, dressing, getting in or out of bed, toileting, eating, preparing foods, or taking medications that can be self administered, and
- Services not required to be performed by trained or skilled medical or paramedical personnel.

HC-DFS4 04-10
V1

### Dependent

Dependents are:

- your lawful spouse or civil union partner; or
- your Domestic Partner; and
- any child of yours who is:
  - less than 26 years old.
  - 26 or more years old, not married nor in a civil union partnership nor in a Domestic Partnership, and primarily supported by you and incapable of self-sustaining employment by reason of mental or physical disability which arose while the child was covered as a Dependent under this Plan, or while covered as a dependent under a prior plan with no break in coverage.

    Proof of the child's condition and dependence must be submitted to Cigna within 31 days after the date the child ceases to qualify above. From time to time, but not more frequently than once a year, Cigna may require proof of the continuation of such condition and dependence.

The term child means a child born to you or a child legally adopted by you. It also includes a stepchild or a child for whom you are the legal guardian. If your civil union partner has a child, that child will also be included as a Dependent. If your Domestic Partner has a child, that child will also be included as a Dependent.

Benefits for a Dependent child will continue until the last day of the calendar month in which the limiting age is reached.

Anyone who is eligible as an Employee will not be considered as a Dependent spouse. A child under age 26 who is eligible as an Employee and a Dependent child may be covered as either an Employee or as a Dependent child.

No one may be considered as a Dependent of more than one Employee.

HC-DFS646 01-15 V1

**Domestic Partner**

A Domestic Partner is party to a domestic partnership, which is established when all of the following requirements are met:

- Both persons have a common residence and are otherwise jointly responsible for each other's common welfare as evidenced by joint financial arrangements or joint ownership of real or personal property, demonstrated by at least one of the following:
  - a joint deed, mortgage agreement or lease;
  - a joint bank account;
  - designation of one of the persons as a primary beneficiary in the other person's will;
  - designation of one of the persons as a primary beneficiary in the other person's life insurance policy or retirement plan; or
  - joint ownership of a motor vehicle.
- Both persons agree to be jointly responsible for each other's basic living expenses during the domestic partnership.
- Neither person is in a marriage or civil union partnership recognized by New Jersey law, or a member of another domestic partnership.
- Neither person is related to the other by blood or affinity, up to and including the fourth degree of consanguinity.
- Both persons have chosen to share each other's lives in a committed relationship of mutual caring.
- Both persons are at least 18 years of age.
- Both persons file jointly an Affidavit of Domestic Partnership.
- Neither person has been a partner in a domestic partnership that was terminated less than 180 days prior to the filing of the current Affidavit of Domestic Partnership, except that this prohibition will not apply if one of the partners dies.

The section of this certificate entitled "COBRA Continuation Rights Under Federal Law" will not apply to your Domestic Partner and his or her Dependents.

HC-DFS120 04-10 V1

**Emergency Services**

Emergency services are medical, psychiatric, surgical, Hospital and related health care services and testing, including ambulance service, which are required to treat a sudden, unexpected onset of a bodily Injury or serious Sickness which could reasonably be expected by a prudent layperson to result in serious medical complications, loss of life or permanent impairment to bodily functions in the absence of immediate medical attention. Examples of such Injury or Sickness are conditions that produce loss of consciousness or excessive bleeding, as well as conditions which may otherwise be determined by Cigna, in accordance with generally accepted medical standards, to require immediate medical attention The presenting symptoms, as coded by the provider and recorded by the Hospital on the claim form, or the final diagnosis, will be the basis for the determination of coverage.

HC-DFS111 04-10 V1

**Employee**

The term Employee means a full-time employee of the Employer who is currently in Active Service. The term does not include employees who are part-time or temporary or who normally work less than 20 hours a week for the Employer.

HC-DFS7 04-10 V3

**Employer**

The term Employer means the Policyholder and all Affiliated Employers.

HC-DFS8 04-10 V1

**Essential Health Benefits**

Essential health benefits means, to the extent covered under the plan, expenses incurred with respect to covered services, in at least the following categories: ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, including behavioral health treatment, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services and chronic disease management and pediatric services, including oral and vision care.

HC-DFS411 01-11

**Expense Incurred**

An expense is incurred when the service or the supply for which it is incurred is provided.

HC-DFS10 04-10
VI

**Free-Standing Surgical Facility**

The term Free-standing Surgical Facility means an institution which meets all of the following requirements:

- it has a medical staff of Physicians, Nurses and licensed anesthesiologists;
- it maintains at least two operating rooms and one recovery room;
- it maintains diagnostic laboratory and x-ray facilities;
- it has equipment for emergency care;
- it has a blood supply;
- it maintains medical records;
- it has agreements with Hospitals for immediate acceptance of patients who need Hospital Confinement on an inpatient basis; and
- it is licensed in accordance with the laws of the appropriate legally authorized agency.

HC-DFS11 04-10
VI

**Hospice Care Program**

The term Hospice Care Program means:

- a coordinated, interdisciplinary program to meet the physical, psychological, spiritual and social needs of dying persons and their families;
- a program that provides palliative and supportive medical, nursing and other health services through home or inpatient care during the illness;
- a program for persons who have a Terminal Illness and for the families of those persons.

HC-DFS51 04-10
VI

**Hospice Care Services**

The term Hospice Care Services means any services provided by: a Hospital, a Skilled Nursing Facility or a similar institution, a Home Health Care Agency, a Hospice Facility, or any other licensed facility or agency under a Hospice Care Program.

HC-DFS52 04-10
VI

**Hospice Facility**

The term Hospice Facility means an institution or part of it which:

- primarily provides care for Terminally Ill patients;
- is accredited by the National Hospice Organization;
- meets standards established by Cigna; and
- fulfills any licensing requirements of the state or locality in which it operates.

HC-DFS53 04-10
VI

**Hospital**

The term Hospital means:

- an institution licensed as a hospital, which: maintains, on the premises, all facilities necessary for medical and surgical treatment; provides such treatment on an inpatient basis, for compensation, under the supervision of Physicians; and provides 24-hour service by Registered Graduate Nurses;
- an institution which qualifies as a hospital, a psychiatric hospital or a tuberculosis hospital, and a provider of services under Medicare, if such institution is accredited as a hospital by the Joint Commission on the Accreditation of Healthcare Organizations;
- a public or private hospital or detoxification facility licensed by the state to provide treatment for alcoholism or a licensed residential treatment facility which provides an alcoholic treatment program which meets minimum standards of such care prescribed by the Joint Commission on the Accreditation of Healthcare Organizations.

The term Hospital will not include an institution which is primarily a place for rest, a place for the aged, or a nursing home.

HC-DFS115 04-10
VI

**Hospital Confinement or Confined in a Hospital**

A person will be considered Confined in a Hospital if he is:

- a registered bed patient in a Hospital upon the recommendation of a Physician;
- receiving emergency care in a Hospital for: an Injury, on his first visit as an outpatient within 72 hours after the Injury is received; or a sudden and unexpected Sickness within 12 hours after the Sickness begins, if lack of such care would cause his condition to worsen seriously;
- receiving treatment for Mental Health and Substance Abuse Services in a Partial Hospitalization program;
- receiving treatment for Substance Abuse Services in a Substance Abuse Residential Treatment Center.

HC-DFS116 04-10
VI

**Injury**

The term Injury means an accidental bodily injury.

HC-DFS12 04-10
VI

**Medicaid**

The term Medicaid means a state program of medical aid for needy persons established under Title XIX of the Social Security Act of 1965 as amended.

HC-DFS16 04-10
VI

**Medically Necessary/Medical Necessity**

Medically Necessary Covered Services and Supplies means or describes a health care service that a health care provider, exercising his prudent clinical judgment, would provide to a covered person for the purpose of evaluating, diagnosing or treating an illness, injury, disease or its symptoms and that is: in accordance with the generally accepted standards of medical practice; clinically appropriate, in terms of type, frequency, extent, site and duration, and considered effective for the covered person's illness, injury or disease; not primarily for the convenience of the covered person or the health care provider; and not more costly than an alternative service or sequence of services at least as likely to produce equivalent therapeutic or diagnostic results as to the diagnosis or treatment of that covered person's illness, injury or disease.

HC-DFS113 04-10
VI

**Medicare**

The term Medicare means the program of medical care benefits provided under Title XVIII of the Social Security Act of 1965 as amended.

HC-DFS17 04-10
VI

**Necessary Services and Supplies**

The term Necessary Services and Supplies includes any charges, except charges for Bed and Board, made by a Hospital on its own behalf for medical services and supplies actually used during Hospital Confinement, any charges, by whomever made, for licensed ambulance service to or from the nearest Hospital where the needed medical care and treatment can be provided; and any charges, by whomever made, for the administration of anesthetics during Hospital Confinement.

The term Necessary Services and Supplies will not include any charges for special nursing fees, dental fees or medical fees.

HC-DFS21 04-10
VI

**Nurse**

The term Nurse means a Registered Graduate Nurse, a Licensed Practical Nurse or a Licensed Vocational Nurse who has the right to use the abbreviation "R.N.," "L.P.N." or "L.V.N."

HC-DFS22 04-10
VI

**Other Health Care Facility/Other Health Professional**

The term Other Health Care Facility means a facility other than a Hospital or hospice facility. Examples of Other Health Care Facilities include, but are not limited to, licensed skilled nursing facilities, rehabilitation Hospitals and subacute facilities. The term Other Health Professional means an individual other than a Physician who is licensed or otherwise authorized under the applicable state law to deliver medical services and supplies. Other Health Professionals include, but are not limited to physical therapists, registered nurses and licensed practical nurses. Other Health Professionals do not include providers such as Certified First Assistants, Certified Operating Room Technicians, Certified Surgical Assistants/Technicians, Licensed Certified Surgical Assistants/Technicians, Licensed Surgical Assistants, Orthopedic Physician Assistants and Surgical First Assistants.

HC-DFS23 04-10
VI

**Patient Protection and Affordable Care Act of 2010 ("PPACA")**

Patient Protection and Affordable Care Act of 2010 means the Patient Protection and Affordable Care Act of 2010 (Public Law 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152).

HC-DFS412 01-11

**Physician**

The term Physician means a licensed medical practitioner who is practicing within the scope of his license and who is licensed to prescribe and administer drugs or to perform surgery. It will also include any other licensed medical practitioner whose services are required to be covered by law in the locality where the policy is issued if he is:

- operating within the scope of his license; and
- performing a service for which benefits are provided under this plan when performed by a Physician.

HC-DFS25 04-10
VI

**Psychologist**

The term Psychologist means a person who is licensed or certified as a clinical psychologist. Where no licensure or certification exists, the term Psychologist means a person who is considered qualified as a clinical psychologist by a recognized psychological association. It will also include any other licensed counseling practitioner whose services are required to be covered by law in the locality where the policy is issued if he is operating within the scope of his license and performing a service for which benefits are provided under this plan when performed by a Psychologist.

HC-DFS26 04-10
VI

**Review Organization**

The term Review Organization refers to an affiliate of Cigna or another entity to which Cigna has delegated responsibility for performing utilization review services. The Review Organization is an organization with a staff of clinicians which may include Physicians, Registered Graduate Nurses, licensed mental health and substance abuse professionals, and other trained staff members who perform utilization review services.

HC-DFS30 04-10
VI

**Sickness - For Medical Insurance**

The term Sickness means a physical or mental illness. It also includes pregnancy. Expenses incurred for routine Hospital and pediatric care of a newborn child prior to discharge from the Hospital nursery will be considered to be incurred as a result of Sickness.

HC-DFS50 04-10
VI

**Skilled Nursing Facility**

The term Skilled Nursing Facility means a licensed institution (other than a Hospital, as defined) which specializes in:

- physical rehabilitation on an inpatient basis; or
- skilled nursing and medical care on an inpatient basis;

but only if that institution: maintains on the premises all facilities necessary for medical treatment; provides such treatment, for compensation, under the supervision of Physicians; and provides Nurses' services.

HC-DFS31 04-10
VI

Cigna

**Terminal Illness**

A Terminal Illness will be considered to exist if a person becomes terminally ill with a prognosis of six months or less to live, as diagnosed by a Physician.

HC-DFS54 04-10
VI

**Urgent Care**

Urgent Care is medical, surgical, Hospital or related health care services and testing which are not Emergency Services, but which are determined by Cigna, in accordance with generally accepted medical standards, to have been necessary to treat an unforeseen condition requiring immediate medical attention. This does not include care that could have been foreseen before leaving the immediate area where you ordinarily receive and/or were scheduled to receive services. Such care includes, but is not limited to, delivery beyond the 35th week of pregnancy, dialysis, scheduled medical treatments or therapy, or care received after a Physician's recommendation that the insured should not travel due to any medical condition.

HC-DFS114 04-10
VI

Exhibit 12.2

**Consolidated Edison Company of New York, Inc.**
**Ratio of Earnings to Fixed Charges**
**(Millions of Dollars)**

| | For the Nine Months Ended September 30, 2017 | For the Twelve Months Ended December 31, 2016 | For the Nine Months Ended September 30, 2016 |
|---|---|---|---|
| **Earnings** | | | |
| Net Income | $883 | $1,056 | $859 |
| Preferred Stock Dividend | — | — | — |
| (Income)/Loss from Equity Investees | — | — | — |
| Minority Interest Loss | — | — | — |
| Income Tax | 551 | 603 | 491 |
| Pre-Tax Income | $1,434 | $1,659 | $1,350 |
| Add: Fixed Charges* | 488 | 634 | 474 |
| Add: Distributed Income of Equity Investees | — | — | — |
| Subtract: Interest Capitalized | — | — | — |
| Subtract: Pre-Tax Preferred Stock Dividend Requirement | — | — | — |
| **Earnings** | **$1,922** | **$2,293** | **$1,824** |
| *** Fixed Charges** | | | |
| Interest on Long-term Debt | $447 | $575 | $430 |
| Amortization of Debt Discount, Premium and Expense | 9 | 13 | 10 |
| Interest Capitalized | — | — | — |
| Other Interest | 11 | 19 | 14 |
| Interest Component of Rentals | 21 | 27 | 20 |
| Pre-Tax Preferred Stock Dividend Requirement | — | — | — |
| **Fixed Charges** | **$488** | **$634** | **$474** |
| Ratio of Earnings to Fixed Charges | 3.9 | 3.6 | 3.8 |

**Exhibit 31.2.1**

**CERTIFICATIONS**

I, John McAvoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 of Consolidated Edison Company of New York, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ John McAvoy

John McAvoy

Chairman and Chief Executive Officer

**Exhibit 31.2.2**

**CERTIFICATIONS**

I, Robert Hoglund, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 of Consolidated Edison Company of New York, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 2, 2017

/s/ Robert Hoglund

Robert Hoglund
Senior Vice President and Chief Financial Officer

**Exhibit 32.2.1**

**Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002**

I, John McAvoy, the Chief Executive Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John McAvoy

John McAvoy

Date: November 2, 2017

**Exhibit 32.2.2**

**Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002**

I, Robert Hoglund, the Chief Financial Officer of Consolidated Edison Company of New York, Inc. (the “Company”) certify that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, which this statement accompanies, (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Hoglund

Robert Hoglund

Date: November 2, 2017