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

# FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

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

For the transition period from ___________ to ___________

Commission File Number 1-14514

# Consolidated Edison, Inc.

Exact name of registrant as specified in its charter
and principal office address and telephone number

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

4 Irving Place,
New York, New York 10003

(212) 460-4600

Commission File Number 1-1217

# Consolidated Edison Company of New York, Inc.

Exact name of registrant as specified in its charter
and principal office address and telephone number

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

4 Irving Place,
New York, New York 10003

(212) 460-4600

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

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

**Securities Registered Pursuant to Section 12(g) of the Act:** None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

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

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

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

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

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

| | | | | |
| --- | --- | --- | --- | --- |
| Con Edison | Yes | ☒ | No | ☐ |
| CECONY | Yes | ☒ | 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 | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ |
| Smaller reporting company | ☐ | Emerging growth company | ☐ | | |
| **CECONY** | | | | | |
| Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated Filer | ☒ |
| Smaller reporting company | ☐ | Emerging growth company | ☐ | | |

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

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

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

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2019, was approximately $29.1 billion.

As of January 31, 2020, Con Edison had outstanding 333,775,472 Common Shares ($.10 par value).

All of the outstanding common equity of CECONY is held by Con Edison.

## Documents Incorporated By Reference

Portions of Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 18, 2020, to be filed with the Commission pursuant to Regulation 14A, not later than 120 days after December 31, 2019, is incorporated in Part III of this report.

## Filing Format

This Annual Report on Form 10-K is a combined report being filed separately by two different registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a wholly-owned subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. CECONY meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

As used in this report, the term the "Companies" refers to Con Edison and CECONY. However, CECONY makes no representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

# Glossary of Terms

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

### Con Edison Companies

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

### Regulatory Agencies, Government Agencies and Other Organizations

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

### Accounting

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

### Environmental

| | |
|---|---|
| **CO2** | Carbon dioxide |
| **GHG** | Greenhouse gases |
| **MGP Sites** | Manufactured gas plant sites |
| **PCBs** | Polychlorinated biphenyls |
| **PRP** | Potentially responsible party |
| **RGGI** | Regional Greenhouse Gas Initiative |
| **Superfund** | Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes |

### Units of Measure

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

### Other

| | |
|---|---|
| **AMI** | Advanced metering infrastructure |
| **CLCPA** | Climate Leadership and Community Protection Act |
| **COSO** | Committee of Sponsoring Organizations of the Treadway Commission |
| **DER** | Distributed energy resources |
| **Fitch** | Fitch Ratings |
| **LTIP** | Long Term Incentive Plan |
| **Moody's** | Moody's Investors Service |
| **REV** | Reforming the Energy Vision |
| **S&P** | S&P Global Ratings |
| **TCJA** | The federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 |
| **VaR** | Value-at-Risk |

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## Introduction

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

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

Con Edison is a holding company that owns:

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

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

## Selected Financial Data

### Con Edison

| *(Millions of Dollars, except per share amounts)* | For the Year Ended December 31, 2015 | 2016 | | 2017 | | 2018 | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenues | $12,554 | $12,075 | | $12,033 | | 12,337 | | **12,574** | |
| Energy costs | 3,716 | 3,088 | | 2,625 | | 2,948 | | **2,633** | |
| Operating income (f) | 2,879 | 2,780 | | 2,774 | | 2,664 | | **2,676** | |
| Net income for common stock | 1,193 | 1,245 | | 1,525 | (e) | 1,382 | (e) | **1,343** | |
| Total assets | 45,642 | 48,255 | (a) | 48,111 | (b) | 53,920 | (c) | **58,079** | **(d)** |
| Long-term debt | 12,006 | 14,735 | | 14,731 | | 17,495 | | **18,527** | |
| Total equity | 13,061 | 14,306 | | 15,425 | | 16,839 | | **18,213** | |
| Net Income per common share – basic | $4.07 | $4.15 | | $4.97 | | $4.43 | | **$4.09** | |
| Net Income per common share – diluted | $4.05 | $4.12 | | $4.94 | | $4.42 | | **$4.08** | |
| Dividends declared per common share | $2.60 | $2.68 | | $2.76 | | $2.86 | | **$2.96** | |
| Book value per share | $44.50 | $46.91 | | $49.72 | | $52.46 | | **$54.75** | |
| Average common shares outstanding *(millions)* | 293 | 300 | | 307 | | 312 | | **329** | |

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

(b) Reflects a $2,384 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA) of $2,418 million (including the netting of $1,168 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of $348 million. See Notes B, E, F and L to the financial statements in Item 8.

(c) Reflects a $4,149 million increase in net plant, offset by a $288 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E, and F to the financial statements in Item 8.
(d) Reflects a $2,140 million increase in net plant and a $303 million increase in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E, and F to the financial statements in Item 8.
(e) In 2017, upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by $5,312 million, recognized $259 million (or $0.85 per share) in net income, decreased its regulatory asset for future income tax by $1,250 million, decreased its regulatory asset for revenue taxes by $90 million, and accrued a regulatory liability for federal income tax rate change of $3,713 million. In 2018, Con Edison recognized $42 million of income tax expense resulting from a re-measurement of its deferred tax assets and liabilities following the issuance of proposed TCJA regulations. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.
(f) Excludes the non-service components of pension and other postretirement benefits. See Notes E and F to the financial statements in Item 8.

## CECONY

| | For the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| *(Millions of Dollars)* | **2015** | **2016** | **2017** | **2018** | **2019** |
| Operating revenues | $10,328 | $10,165 | $10,468 | $10,680 | **$10,821** |
| Energy costs | 2,304 | 2,059 | 2,141 | 2,339 | **2,170** |
| Operating income (e) | 2,670 | 2,451 | 2,549 | 2,354 | **2,348** |
| Net income | 1,084 | 1,056 | 1,104 | 1,196 | **1,250** |
| Total assets | 40,230 | 40,856 (a) | 40,451 (b) | 43,108 (c) | **46,557** (d) |
| Long-term debt | 10,787 | 12,073 | 12,065 | 13,676 | **14,614** |
| Shareholder's equity | 11,415 | 11,829 | 12,439 | 12,910 | **14,147** |

(a) Reflects a $1,804 million increase in net plant and a $967 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
(b) Reflects a $2,090 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the TCJA of $2,305 million (including the netting of $1,123 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of $354 million. See Notes B, E, F and L to the financial statements in Item 8.
(c) Reflects a $2,165 million increase in net plant and a $265 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E, F and L to the financial statements in Item 8.
(d) Reflects a $2,040 million increase in net plant and a $292 million increase in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E, F and L to the financial statements in Item 8.
(e) Excludes the non-service components of pension and other postretirement benefits. See Notes E and F to the financial statements in Item 8.

### Significant Developments and Outlook

- Con Edison reported 2019 net income of $1,343 million or $4.09 a share compared with $1,382 million or $4.43 a share in 2018. Adjusted earnings were $1,438 million or $4.38 a share in 2019 compared with $1,349 million or $4.33 a share in 2018. See "Results of Operations" in Item 7 and "Non-GAAP Financial Measure" below.

- In 2019, the Utilities invested $3,223 million to upgrade and reinforce their energy delivery systems, Con Edison Transmission invested $205 million in electric transmission and gas pipeline and storage businesses and the Clean Energy Businesses invested $248 million primarily in renewable electric production projects. For 2020, 2021 and 2022, the Utilities expect to invest $3,533 million, $3,513 million and $3,316 million, respectively, for their energy delivery systems, Con Edison Transmission expects to invest $11 million, $24 million and $76 million, respectively, primarily in the electric transmission business and the Clean Energy Businesses expect to invest $400 million, $400 million and $400 million, respectively, in renewable electric production projects. See "Capital Requirements and Resources - Capital Requirements" in Item 1.

- Con Edison plans to meet its capital requirements for 2020 through 2022, including for maturing securities, through internally-generated funds and the issuance of long-term debt and common equity. See "Capital Requirements and Resources - Capital Requirements" in Item 1. The company's plans include the issuance of between $1,500 million and $2,000 million of long-term debt, primarily at the Utilities, in 2020 and approximately $1,800 million in aggregate of long-term debt at the Utilities during 2021 and 2022. The planned debt issuance is in addition to the issuance of long-term debt to refinance maturities at the Utilities and debt secured by the Clean Energy Businesses' renewable electric production projects and by Con Edison Transmission's investments. The company's plans also include the issuance of up to $600 million of common equity in 2020 and approximately $1,100 million in aggregate of common equity during 2021 and 2022, in addition to equity under its dividend reinvestment, employee stock purchase and long-term incentive plans. The planned equity issuance is in addition to $88 million of equity issued in January 2020 to settle the remainder of a May 2019 equity forward transaction.

- CECONY forecasts average annual growth in peak demand in its service area at design conditions over the next five years for gas to be approximately 1.5 percent, and an average annual decrease in electricity and steam peak demand in its service area at design conditions over the next five years to be approximately 0.1 percent and 0.4 percent, respectively. In March 2019, due to gas supply constraints, CECONY established a temporary moratorium on new applications for firm gas service in most of Westchester County. O&R forecasts average annual decrease in electric peak demand in its service area at design conditions over the next five years to be approximately 0.2 percent and average annual growth in gas peak demand in its service area over the next five years at design conditions to be approximately 0.7 percent. See “The Utilities” in Item 1.
- In January 2020, the New York State Public Service Commission (NYSPSC) approved an October 2019 Joint Proposal among CECONY, the NYSPSC staff and other parties for CECONY electric and gas rate plans for the three-year period January 2020 through December 2022. See “Rate Plans” in Note B to the financial statements in Item 8.
- In 2019, the NYSPSC continued its Reforming the Energy Vision (REV) and related proceedings. See “Utility Regulation - State Utility Regulation - Reforming the Energy Vision” in Item 1. The NYSPSC also continued its proceedings related to the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA); income tax accounting; investigations into the Utilities' preparation and response to the March 2018 Winter Storms Riley and Quinn and a July 2018 CECONY steam main rupture. In addition, the NYSPSC commenced an investigation of CECONY's July 2019 power outages. See "Other Regulatory Matters" in Note B, Note H and Note L to the financial statements in Item 8.
- In January 2019, Pacific Gas and Electric Company (PG&E) filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of certain of the Clean Energy Businesses' renewable electric production projects with an aggregate of 680 MW (AC) of generating capacity (PG&E Projects) is sold to PG&E under long-term power purchase agreements (PG&E PPAs). At December 31, 2019, Con Edison’s consolidated balance sheet included $819 million of net non-utility plant relating to the PG&E Projects, $1,057 million of intangible assets relating to the PG&E PPAs, $282 million of net non-utility plant of additional projects that secure the related project debt, and $1,001 million of non-recourse related project debt. The PG&E bankruptcy is an event of default under the PG&E PPAs. If, in the future, one or more of the PG&E PPAs is rejected or any such rejection becomes likely, there will be an impairment of the related intangible assets and could be an impairment of the related non-utility plant. During the pendency of the PG&E bankruptcy, unless the lenders for the related project debt otherwise agree, cash may not be distributed from the related projects to the Clean Energy Businesses. As a result of the PG&E bankruptcy, the lenders may, upon written notice, declare principal and interest on the related project debt to be due and payable immediately and, if such amounts are not timely paid, foreclose on the related projects. See “Clean Energy Businesses - Renewable Electric Production” in Item 1 and “Long-Lived and Intangible Assets” in Note A and "Long-term Debt" in Note C to the financial statements in Item 8.

## Available Information

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

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

The "About Us - Corporate Governance" section of Con Edison’s website includes the company’s Standards of Business Conduct (its code of ethics) and amendments or waivers of the standards for executive officers or directors, corporate governance guidelines and the charters of the following committees of the company’s Board of Directors: Audit Committee, Management Development and Compensation Committee, and Corporate Governance and Nominating Committee. This information is available in print to any shareholder who requests it. Requests should be directed to: Corporate Secretary, Consolidated Edison, Inc., 4 Irving Place, New York, NY 10003.

The "About Us - Sustainability Report” section of Con Edison’s website includes “Our Sustainable Future,” the company’s 2018 sustainability report.

Information on the Companies’ websites is not incorporated herein.

## Forward-Looking Statements

This report contains forward-looking statements that are intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectations and not facts. Words such as "forecasts," "expects," "estimates," "anticipates," "intends," "believes," "plans," "will" and similar expressions identify forward-looking statements. The forward-looking statements reflect information available and assumptions at the time the statements are made, and speak only as of that time. Actual results or developments might differ materially from those included in the forward-looking statements because of various factors including, but not limited to, those discussed under "Risk Factors," in Item 1A.

## Non-GAAP Financial Measure

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

| *(Millions of Dollars, except per share amounts)* | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Reported net income for common stock – GAAP basis | $1,193 | $1,245 | $1,525 | $1,382 | **$1,343** |
| Income tax effect of the Tax Cuts and Jobs Act (a) | — | — | (259) | 42 | **—** |
| Gain on sale of solar electric production projects (pre-tax) | — | — | (2) | — | **—** |
| Income taxes (b) | — | — | 1 | — | **—** |
| Gain on sale of solar electric production projects (net of tax) | — | — | (1) | — | **—** |
| Impairment of assets held for sale (pre-tax) | 5 | — | — | — | **—** |
| Income taxes (b) | (2) | — | — | — | **—** |
| Impairment of assets held for sale (net of tax) | 3 | — | — | — | **—** |
| Gain on sale of the Clean Energy Businesses' retail electric supply business (pre-tax) | — | (104) | — | — | **—** |
| Income taxes (b) | — | 48 | — | — | **—** |
| Gain on sale of the Clean Energy Businesses' retail electric supply business (net of tax) | — | (56) | — | — | **—** |
| Goodwill impairment related to the Clean Energy Businesses' energy service business (pre-tax) | — | 15 | — | — | **—** |
| Income taxes (b) | — | (3) | — | — | **—** |
| Goodwill impairment related to the Clean Energy Businesses' energy service business (net of tax) | — | 12 | — | — | **—** |
| Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (pre-tax) (c) | — | — | — | (114) | **—** |
| Income taxes (b) | — | — | — | 33 | **—** |
| Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (net of tax) (c) | — | — | — | (81) | **—** |
| HLBV effects of the Clean Energy Businesses (pre-tax) (d) | — | — | — | — | **98** |
| Income taxes (b) | — | — | — | — | **(24)** |
| HLBV effects of the Clean Energy Businesses (net of tax) (d) | — | — | — | — | **74** |
| Net mark-to-market effects of the Clean Energy Businesses (pre-tax) | — | (5) | (1) | 8 | **27** |
| Income taxes (b) | — | 2 | — | (2) | **(6)** |
| Net mark-to-market effects of the Clean Energy Businesses (net of tax) | — | (3) | (1) | 6 | **21** |
| Adjusted earnings | $1,196 | $1,198 | $1,264 | $1,349 | **$1,438** |
| | | | | | |
| Reported earnings per share – GAAP basis (basic) | $4.07 | $4.15 | $4.97 | $4.43 | **$4.09** |
| Income tax effect of the Tax Cuts and Jobs Act (a) | — | — | (0.85) | 0.14 | **—** |
| Gain on sale of solar electric production projects (pre-tax) | — | — | — | — | **—** |
| Income taxes (b) | — | — | — | — | **—** |
| Gain on sale of solar electric production projects (net of tax) | — | — | — | — | **—** |

| | | | | | |
|---|---|---|---|---|---|
| Impairment of assets held for sale (pre-tax) | 0.02 | — | — | — | **—** |
| Income taxes (b) | (0.01) | — | — | — | **—** |
| Impairment of assets held for sale (net of tax) | 0.01 | — | — | — | **—** |
| Gain on sale of the Clean Energy Businesses' retail electric supply business (pre-tax) | — | (0.35) | — | — | **—** |
| Income taxes (b) | — | 0.16 | — | — | **—** |
| Gain on sale of the Clean Energy Businesses' retail electric supply business (net of tax) | — | (0.19) | — | — | **—** |
| Goodwill impairment related to the Clean Energy Businesses' energy service business (pre-tax) | — | 0.07 | — | — | **—** |
| Income taxes (b) | — | (0.03) | — | — | **—** |
| Goodwill impairment related to the Clean Energy Businesses' energy service business (net of tax) | — | 0.04 | — | — | **—** |
| Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (pre-tax) (c) | — | — | — | (0.36) | **—** |
| Income taxes (b) | — | — | — | 0.10 | **—** |
| Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs (net of tax) (c) | — | — | — | (0.26) | — |
| HLBV effects of the Clean Energy Businesses (pre-tax) (d) | — | — | — | — | **0.31** |
| Income taxes (b) | — | — | — | — | **(0.09)** |
| HLBV effects of the Clean Energy Businesses (net of tax) (d) | — | — | — | — | **0.22** |
| Net mark-to-market effects of the Clean Energy Businesses (pre-tax) | — | (0.02) | — | 0.03 | **0.10** |
| Income taxes (b) | — | (0.01) | — | (0.01) | **(0.03)** |
| Net mark-to-market effects of the Clean Energy Businesses | — | (0.01) | — | 0.02 | **0.07** |
| Adjusted earnings per share | $4.08 | $3.99 | $4.12 | $4.33 | **$4.38** |

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

(b) The amount of income taxes was calculated using a combined federal and state income tax rate between 22-24% for the year ended December 31, 2019, a combined federal and state income tax rate of 28% for the year ended December 31, 2018 and a combined federal and state income tax rate of 40% for the years ended December 31, 2015-2017.

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

(d) Income attributable to the non-controlling interest of a tax-equity investor in renewable electric production projects accounted for under the hypothetical liquidation at book value (HLBV) method of accounting. See Note Q to the financial statements in Item 8.

## Item 1: Business

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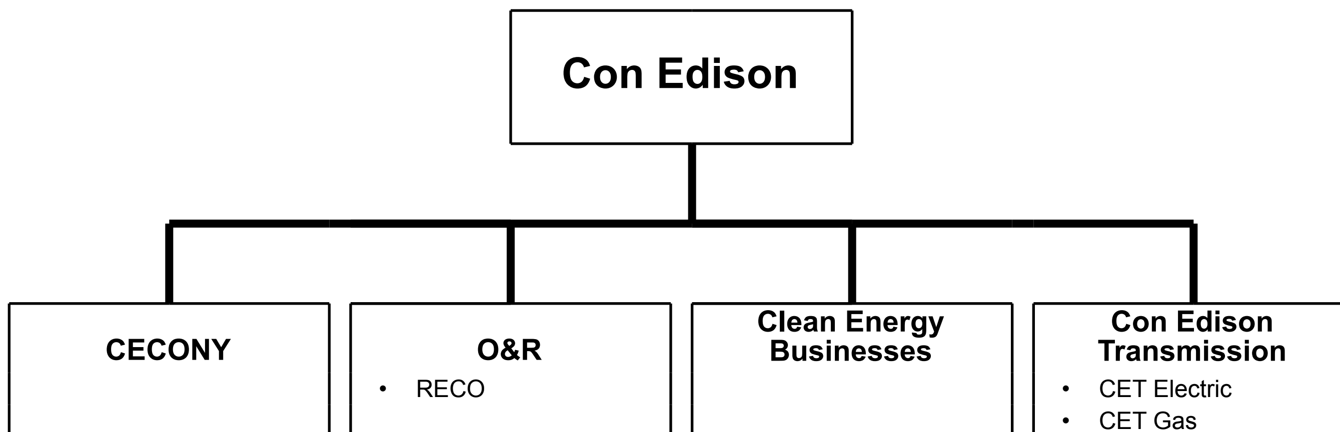
## Incorporation By Reference

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

# PART I

## Item 1: Business

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




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

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

**CECONY**

***Electric***

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

***Gas***

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

***Steam***

CECONY operates the largest steam distribution system in the United States by producing and delivering approximately 19,796 MMlb of steam annually to approximately 1,589 customers in parts of Manhattan.

## O&R

### *Electric*

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

### *Gas*

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

## Clean Energy Businesses

Con Edison Clean Energy Businesses, Inc., together with its subsidiaries, are referred to in this report as the Clean Energy Businesses. The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers. In December 2018, the Clean Energy Businesses acquired Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

## Con Edison Transmission

Con Edison Transmission, Inc. invests in electric and gas transmission projects through its wholly-owned subsidiaries, Consolidated Edison Transmission, LLC (CET Electric) and Con Edison Gas Pipeline and Storage, LLC (CET Gas). CET Electric owns a 45.7 percent interest in New York Transco LLC, which owns and has been selected 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 and operates an existing gas pipeline and storage business located in northern Pennsylvania and southern New York. Also, CET Gas and CECONY own 71.2 percent and 28.8 percent interests, respectively, in Honeoye Storage Corporation, which operates a gas storage facility in upstate New York. In addition, CET Gas owns a 12.5 percent interest (that is expected to be reduced to approximately 10 percent based on the current project cost estimate) in Mountain Valley Pipeline LLC, a joint venture developing a proposed 300-mile gas transmission project in West Virginia and Virginia (Mountain Valley Pipeline). See “Con Edison Transmission,” below. Con Edison Transmission, Inc., together with CET Electric and CET Gas, are referred to in this report as Con Edison Transmission.

## Utility Regulation

## State Utility Regulation

### *Regulators*

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

## *New York Utility Industry*

### *Restructuring in the 1990s*

In the 1990s, the NYSPSC restructured the electric utility industry in the state. In accordance with NYSPSC orders, the Utilities sold all of their electric generating facilities other than those that also produce steam for CECONY's steam business (see "Electric Operations – Electric Facilities," below) and provided all of their customers the choice to buy electricity or gas from the Utilities or other suppliers (see "Electric Operations – Electric Sales and Deliveries" and "Gas Operations – Gas Sales and Deliveries," below). In 2019, 63 percent of the electricity and 35 percent of the gas CECONY delivered to its customers, and 56 percent of the electricity and 36 percent of the gas O&R delivered to its customers, was purchased by the customers from other suppliers. In addition, the Utilities no longer control and operate their bulk power electric transmission facilities. See "New York Independent System Operator (NYISO)," below.

Following industry restructuring, there were several utility mergers as a result of which substantially all of the electric and gas delivery service in New York State is now provided by one of five investor-owned utility companies – Con Edison, National Grid plc, Avangrid, Inc. (an affiliate of Iberdrola, S.A.), National Fuel Gas Company or CH Energy Group, Inc. (a subsidiary of Fortis Inc.) – or one of two state authorities – New York Power Authority (NYPA) or Long Island Power Authority.

## *Reforming the Energy Vision*

In April 2014, the NYSPSC began a multi-year process --Reform the Energy Vision (REV)-- to improve electric system efficiency and reliability, encourage renewable energy resources, support distributed energy resources (DER), and enable more customer choice. DER includes distributed generation (such as solar electric production facilities, fuel cells and micro-turbines), energy storage, demand reduction and energy efficiency programs. Following early REV proceedings, implementation of REV has shifted to separate related proceedings generally focused on three tracks.

**Track 1 - Integrate DER into the Electric System**

The NYSPSC is addressing development by New York electric utilities of a distributed system platform to manage and coordinate DER in their service areas, under NYSPSC regulation, and to provide customers, together with third parties, with data and tools to better manage their energy use. The NYSPSC has required the utilities to file distributed system implementation plans and energy efficiency plans (see "Environmental Matters - Climate Change," below). The NYSPSC has limited the circumstances under which utilities would be allowed to own DER and made utility affiliate ownership of DER within the utility's service territory subject to market power protections. The NYSPSC also ordered the utilities to develop demonstration projects to inform distributed system platform business models and to measure customer response to REV markets, and approved cost recovery mechanisms for these projects. Through December 2019, the NYSPSC staff has approved nine CECONY, three O&R, and one joint CECONY-O&R demonstration projects.

The NYSPSC approved CECONY's advanced metering infrastructure (AMI) plan for its electric and gas delivery businesses, subject to a cap on capital expenditures of $1,285 million. AMI components including smart meters, a communication network, information technology systems and business applications will facilitate REV initiatives. The plan provides for full deployment of AMI to CECONY's customers by 2022. The NYSPSC has also authorized O&R to expend $98 million to deploy AMI for all of its New York customers.

**Track 2 - Modify Ratemaking Design to Promote REV Objectives**

The NYSPSC adopted a ratemaking and utility revenue framework with four ways for utilities to achieve earnings: traditional cost-of-service earnings; earnings tied to non-traditional alternatives that reduce utility capital spending and provide consumer benefit as defined by the NYSPSC; earnings from outcome-based performance measures; and, to a lesser extent, earnings from market-facing platform development activities. The NYSPSC has indicated that existing measures for negative revenue adjustments for utility failure to meet basic service standards should generally be retained and net utility plant reconciliations should be modified to encourage cost-effective DER as an alternative to traditional utility capital investment. The Utilities' current New York rate plans include earnings adjustments, negative revenue adjustments and net utility plant reconciliation mechanisms. See "Rate Plans" in Note B to the financial statements in Item 8.

The NYSPSC established a benefit-cost analysis framework for, among other things, utility proposals to meet system needs through non-traditional DER alternatives that meet distribution system needs. The framework's primary measure is a societal cost test that, in addition to addressing avoided utility costs, quantifies certain environmental externalities and, where appropriate, other externalities. At the NYSPSC's direction, CECONY and

O&R, and the other electric utilities, have developed and filed benefit-cost analysis handbooks with their distributed system implementation plans to guide DER providers in structuring their projects and proposals.

The NYSPSC began to change compensation for DER and phase out net energy metering in 2015. In New York, net energy metering compensates kilowatt-hours exported to the electric distribution system at the full service rate (that is production plus delivery plus taxes and fees). The NYSPSC allowed all existing resources to keep their current rate treatment and delayed making significant changes to policies affecting new residential and small commercial private rooftop solar until 2021. Larger installations, including new commercial and industrial projects and new community solar projects, will be paid for the value of their exports to the electricity distribution system. The new policy is intended to limit bill increases to two percent, reducing the impact of this policy on non-participating residential customers that would have occurred under net energy metering but the NYSPSC has permitted exceptions to this policy. In 2019, the NYSPSC changed the components of DER compensation. Most recently, the NYSPSC modified the rules applicable to fuel cells to avoid excessive cost-shifting to non-DER customers.

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

**Track 3 - Support State Energy Plan Clean Energy Goals**

In August 2016, the NYSPSC established a clean energy standard to achieve the State Energy Plan's goals to provide 50 percent of the State's electricity from renewable resources, to reduce carbon emissions by 40 percent by 2030 and to support the continued operation of upstate nuclear plants. In 2019, New York State enacted a climate law (the Climate Leadership and Community Protection Act or CLCPA) that establishes a goal of 70 percent of the electricity procured by load serving entities regulated by the NYSPSC to be produced by renewable energy systems by 2030 and requires the statewide electrical demand system to have zero emissions by 2040. See "Environmental Matters - Climate Change," below.

Since 2017, load serving entities, including CECONY and O&R for their full-service customers, are required to obtain renewable energy credits (RECs) and zero-emissions credits (ZECs) in amounts determined by the NYSPSC. Load serving entities may satisfy their REC obligation by either purchasing RECs acquired through central procurement by the New York State Energy Research and Development Authority (NYSERDA), by self-supply through direct purchase of tradable RECs, or by making alternative compliance payments. The NYSPSC has not authorized New York utilities to own renewable electric production projects (except in limited circumstances, such as CECONY's shared solar pilot program for low-income customers) or required utilities to sign power purchase agreements with owners of such projects. Load serving entities purchase ZECs from NYSERDA at prices determined by the NYSPSC.

In July 2018, the NYSPSC established an offshore wind renewable energy standard, authorizing NYSERDA to implement Phase 1 of New York State's offshore wind program by procuring offshore wind renewable energy credits (ORECs) associated with 800 MW or more of offshore wind installed capacity. Load-serving entities, such as CECONY and O&R, will be required to purchase ORECs from NYSERDA beginning in 2025 when projects are expected to begin operation. In October 2019, NYSERDA entered into a 25-year power purchase agreement (PPA) with Equinor Wind US LLC for its 816 MW Empire Wind Project, and a 25-year PPA with Sunrise Wind LLC for its 880 MW Sunrise Wind Project.

In May 2018, the NYSPSC initiated a proceeding on the role of electric utilities in providing needed infrastructure and rate options to advance adoption of electric vehicles. The NYSPSC has approved CECONY's Smart Charge incentive program for off-peak charging. In addition, the NYSPSC approved an incentive program for direct current fast charging stations to assist publicly-accessible station owners with the costs necessary to become operational. CECONY's current rate plan includes additional electric vehicle programs. In January 2020, the NYSPSC released a staff whitepaper that, among other things, recommends additional incentives for electric vehicle charging stations.

In December 2018, the NYSPSC issued an order establishing an energy storage goal of up to 3,000 MW of energy storage by 2030 with an interim objective of 1,500 MW by 2025. In December 2018, the NYSPSC issued an order requiring CECONY to file an implementation plan for a competitive procurement process to deploy 300 MW of energy storage while O&R and the other electric utilities must plan to deploy 10 MW each. CECONY and O&R filed their implementation plans in February 2019.

Also in December 2018, the NYSPSC issued an energy efficiency order intended to double utility energy efficiency programs between 2019 and 2025 to achieve a statewide reduction of 185 TBtu (trillion British thermal units) of

energy by 2025 with utilities to achieve a statewide energy reduction of 31 TBtu by 2025. The NYSPSC also required a separate target of at least five TBtu reduction through development of a targeted heat pump program to be developed by the utilities. In January 2020, the NYSPSC issued an order directing energy efficiency targets and budgets for New York utilities. See “Environmental Matters – Climate Change,” below.

In August 2019, following the enactment of the CLCPA (see “Environmental Matters – Climate Change,” below), the NYSPSC initiated a proceeding to “reconcile resource adequacy programs with New York State’s renewable energy and environmental emission reduction goals.” See “New York Independent System Operation (NYISO),” below.

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

### *Rate Plans*

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

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

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

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

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

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

### *Liability for Service Interruptions*

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

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

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

The NYSPSC has approved a scorecard for use as a guide to assess electric utility performance in restoring electric service during outages that result from a major storm. The scorecard could also be applied by the NYSPSC for other outages or actions. The scorecard includes performance metrics in categories for preparation, operations response and communications.

Each New York electric utility is required to submit to the NYSPSC annually an emergency response plan for the reasonably prompt restoration of service in the case of widespread outages in the utility's service territory due to storms or other events beyond the control of the utility. If, after evidentiary hearings or other investigatory proceedings, the NYSPSC finds that the utility failed to implement its plan reasonably, the NYSPSC may deny recovery of any part of the service restoration costs caused by such failure. In July 2019, the NYSPSC approved emergency response plans for CECONY and O&R. In December 2019, CECONY and O&R each submitted updated plans for 2020.

### *Generic Proceedings*

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

## Federal Utility Regulation

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

## New York Independent System Operator (NYISO)

The NYISO is a not-for-profit organization that controls and directs the operation of most of the electric transmission facilities in New York State, including those of the Utilities, as an integrated system. It also administers wholesale markets for electricity in New York State and facilitates the construction of new transmission it considers necessary to meet identified reliability, economic or public policy needs. The New York State Reliability Council (NYSRC) promulgates reliability standards subject to FERC oversight, and the NYISO has agreed to comply with those standards. Pursuant to a requirement that is set annually by the NYSRC, the NYISO requires that entities supplying

electricity to customers in New York State have generating capacity (owned, procured through the NYISO capacity markets or contracted for) in an amount equal to the peak demand of their customers plus the applicable reserve margin. In addition, the NYISO has determined that entities that serve customers in New York City must procure sufficient capacity from resources that are electrically located in New York City to cover a substantial percentage of the peak demands of their New York City customers. The NYISO also requires entities that serve customers in the Lower Hudson Valley and New York City customers that are served through the Lower Hudson Valley to procure sufficient capacity from resources electrically located in the Lower Hudson Valley. These requirements apply both to regulated utilities such as CECONY and O&R for the customers they supply under regulated tariffs and to other load serving entities that supply customers on market terms. RECO, O&R's New Jersey subsidiary, provides electric service in a portion of its service territory that has a different independent system operator – PJM Interconnection LLC (PJM). See "CECONY – Electric Operations – Electric Supply" and "O&R – Electric Operations – Electric Supply," below.

## Competition

The subset of DERs that produce electricity are collectively referred to as distributed generation (DG). DG includes solar energy production facilities, fuel cells, battery energy storage and micro-turbines, and provide an alternative source of electricity for the Utilities' electric delivery customers. Typically, customers with DG remain connected to the utility's delivery system and pay a different rate. Gas delivery customers have electricity, oil and propane as alternatives, and steam customers have electricity and natural gas as alternative sources for heating and cooling their buildings. Micro-grids and community-based micro-grids enable distributed generation to serve multiple locations and multiple customers. Other DERs, such as demand reduction and energy efficiency investments, provide ways for the energy consumers within the Utilities' service areas to manage their energy usage. The Companies expect DERs and electric alternatives to gas heating, to increase as the CLCPA enacted by New York State and the Climate Mobilization Act enacted by New York City in 2019 are implemented. See "Environmental Matters - Climate Change," below.  CECONY's smart solutions for gas customers include energy efficiency and heating electrification programs.  See "CECONY- Gas Operations - Gas Peak Demand," below. The following table shows the aggregate capacities of the DG projects connected to the Utilities' distribution systems at the end of the last five years:

| Technology | CECONY | | | | | O&R | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Total MW, except project number*** | **2015** | **2016** | **2017** | **2018** | **2019** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Internal-combustion engines | 103 | 104 | 108 | 110 | 114 | 1 | 2 | 2 | 2 | 3 |
| Photovoltaic solar | 95 | 135 | 178 | 226 | 276 | 46 | 63 | 75 | 96 | 121 |
| Battery energy storage | — | — | — | — | 8 | — | — | — | — | 1 |
| Gas turbines | 40 | 40 | 48 | 48 | 48 | 20 | 20 | 20 | 20 | 20 |
| Micro turbines | 10 | 10 | 14 | 17 | 18 | 1 | 1 | 1 | 1 | 1 |
| Fuel cells | 8 | 9 | 12 | 13 | 20 | — | — | — | — | — |
| Steam turbines | 3 | 4 | 6 | 6 | 6 | — | — | — | — | — |
| Landfill | — | — | — | — | — | 2 | 2 | 2 | 2 | 2 |
| **Total distribution-level DG** | 259 | 302 | 366 | 420 | 490 | 70 | 88 | 100 | 121 | 148 |
| **Number of DG projects** | 7,451 | 12,928 | 18,090 | 23,942 | 30,539 | 3,718 | 5,409 | 6,537 | 7,566 | 8,687 |

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

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

## The Utilities

### CECONY

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

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

### *Electric Operations*

#### *Electric Facilities*

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $19,602 million and $18,716 million at December 31, 2019 and 2018, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $3,380 million and $3,106 million at December 31, 2019 and 2018, respectively, and for its portion of the steam-electric generation facilities, the costs for utility plant, net of accumulated depreciation, were $591 million and $592 million, at December 31, 2019 and 2018, respectively. See "CECONY – Steam Operations – Steam Facilities," below.

Distribution Facilities

CECONY owns 62 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2019, the company's distribution system had a transformer capacity of 32,812 MVA, with 37,059 miles of overhead distribution lines and 97,844 miles of underground distribution lines. The underground distribution lines represent the single longest underground electric delivery system in the United States.

Transmission Facilities

CECONY's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. At December 31, 2019, the company owned or jointly owned 569 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 755 miles of underground circuits operating at 69, 138 and 345 kV. The company's 39 transmission substations and 62 area stations are supplied by circuits operated at 69 kV and above. For information about transmission projects to address, among other things, reliability concerns associated with the scheduled closure of the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) see "CECONY – Electric Operations – Electric Supply" and "Con Edison Transmission," below. CECONY's transmission facilities interconnect with those of National Grid, Central Hudson Gas & Electric Corporation, O&R, New York State Electric & Gas, Connecticut Light & Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

Generating Facilities

CECONY's electric generating facilities consist of plants located in Manhattan whose primary purpose is to produce steam for the company's steam business. The facilities have an aggregate capacity of 705 MW. The company expects to have sufficient amounts of gas and fuel oil available in 2020 for use in these facilities.

#### *Electric Sales and Deliveries*

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

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Electric Energy Delivered *(millions of kWh)*** | | | | | |
| CECONY full service customers | 20,206 | 19,886 | 19,227 | 20,452 | **20,579** |
| Delivery service for retail choice customers | 26,662 | 26,813 | 26,136 | 26,266 | **24,754** |
| Delivery service to NYPA customers and others | 10,147 | 10,046 | 9,955 | 10,119 | **9,821** |
| **Total Deliveries in Franchise Area** | 57,015 | 56,745 | 55,318 | 56,837 | **55,154** |
| **Electric Energy Delivered *($ in millions)*** | | | | | |
| CECONY full service customers | $4,757 | $4,404 | $4,348 | $4,706 | **$4,535** |
| Delivery service for retail choice customers | 2,714 | 2,768 | 2,712 | 2,624 | **2,470** |
| Delivery service to NYPA customers and others | 600 | 610 | 623 | 652 | **644** |
| Other operating revenues | 101 | 324 | 289 | (11) | **413** |
| **Total Deliveries in Franchise Area** | $8,172 | $8,106 | $7,972 | $7,971 | **$8,062** |
| **Average Revenue per kWh Sold *(Cents)*** | | | | | |
| Residential | 26.3 | 24.9 | 25.3 | 26.4 | **25.3** |
| Commercial and industrial | 20.6 | 19.1 | 19.7 | 19.3 | **18.6** |

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

### *Electric Peak Demand*

The electric peak demand in CECONY's service area occurs during the summer air conditioning season. The weather during the summer of 2019 was cooler than design weather conditions. CECONY's 2019 service area actual hourly peak demand was 12,389 MW, which occurred on July 17, 2019. "Design weather conditions" for the electric system is a standard to which the actual hourly peak demand is adjusted for evaluation and planning purposes. Since NYISO-invoked demand reduction programs can only be called upon under specific circumstances, design weather conditions do not include these programs' potential impact. However, the CECONY forecasted hourly peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2020 service area hourly peak demand will be 13,220 MW. As of January 2020, the company forecasts an average annual decrease in hourly electric peak demand in its service area at design weather conditions over the next five years to be approximately 0.1 percent per year, including the effect of certain electric energy efficiency programs. The five-year forecast in peak demand is used by the company for electric supply planning purposes.

### *Electric Supply*

Most of the electricity sold by CECONY to its full-service customers in 2019 was purchased under firm power contracts or through the wholesale electricity market administered by the NYISO. The company expects that these resources will again be adequate to meet the requirements of its customers in 2020. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts, purchased through the NYISO's wholesale electricity market, or generated from its electricity generating facilities. For information about the company's contracts for electric generating capacity, see Notes I and O to the financial statements in Item 8. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases under these contracts and through the NYISO's wholesale electricity market.

CECONY owns generating stations in New York City associated primarily with its steam system. As of December 31, 2019, the generating stations had a combined electric capacity of approximately 705 MW, based on 2019 summer test ratings. For information about electric generating capacity owned by the company, see "Electric Operations – Electric Facilities – Generating Facilities," above.

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

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

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

In December 2018, in anticipation of the New York State Department of Environmental Conservation (NYSDEC) emissions regulations that were issued in December 2019, the NYSPSC indicated its intention to order CECONY to develop a contingency plan to address reliability concerns associated with the potential retirement of fossil-fueled electric generating units owned by CECONY and others that will be affected by the new NYSDEC rule. The NYSDEC rule limits nitrous oxides (NOx) emissions during the ozone season from May through September and is expected to impact older peaking units that are generally located downstate and needed during periods of high electric demand or for local reliability purposes. Compliance with the rule will require impacted units (up to 3,400 MW in New York City and Long Island) to cease operation during the ozone season, install emission controls, repower, or retire by 2023 or 2025. CECONY will submit a contingency plan to address any potential reliability concerns once ordered to do so by the NYSPSC.

### *Gas Operations*

#### *Gas Facilities*

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for gas facilities, which are primarily distribution facilities, were $7,961 million and $7,107 million at December 31, 2019 and 2018, respectively.

Natural gas is delivered by pipeline to CECONY at various points in or near its service territory and is distributed to customers by the company through an estimated 4,318 miles of mains and 376,306 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store 1,062 MDt of which a maximum of about 240 MDt can be withdrawn per day. The company has about 1,226 MDt of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 71.2 percent owned by CET Gas and 28.8 percent owned by CECONY.

#### *Gas Sales and Deliveries*

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Gas Delivered *(MDt)*** | | | | | |
| Firm sales | | | | | |
| Full service | 77,197 | 75,892 | 83,005 | 92,305 | **87,637** |
| Firm transportation of customer-owned gas | 72,864 | 68,442 | 71,353 | 82,472 | **81,710** |
| **Total Firm Sales** | 150,061 | 144,334 | 154,358 | 174,777 | **169,347** |
| Interruptible sales (a) | 6,332 | 8,957 | 7,553 | 7,351 | **9,903** |
| **Total Gas Delivered to CECONY Customers** | 156,393 | 153,291 | 161,911 | 182,128 | **179,250** |
| Transportation of customer-owned gas | | | | | |
| NYPA | 44,038 | 43,101 | 37,033 | 34,079 | **39,643** |
| Other (mainly generating plants and interruptible transportation) | 104,857 | 109,000 | 83,117 | 93,346 | **72,712** |
| Off-system sales | 389 | — | 55 | 195 | **12** |
| **Total Sales** | 305,677 | 305,392 | 282,116 | 309,748 | 291,617 |
| **Gas Delivered *($ in millions)*** | | | | | |
| Firm sales | | | | | |
| Full service | $956 | $933 | $1,136 | $1,356 | **$1,327** |
| Firm transportation of customer-owned gas | 458 | 426 | 524 | 595 | **593** |
| **Total Firm Sales** | 1,414 | 1,359 | 1,660 | 1,951 | **1,920** |
| Interruptible sales | 46 | 34 | 35 | 40 | **42** |
| **Total Gas Delivered to CECONY Customers** | 1,460 | 1,393 | 1,695 | 1,991 | **1,962** |
| Transportation of customer-owned gas | | | | | |
| NYPA | 2 | 2 | 2 | 2 | **2** |
| Other (mainly generating plants and interruptible transportation) | 54 | 57 | 56 | 57 | **54** |
| Off-system sales | 1 | — | — | — | **—** |
| Other operating revenues (mainly regulatory amortizations) | 11 | 56 | 148 | 28 | **114** |
| **Total Sales** | $1,528 | $1,508 | $1,901 | $2,078 | **$2,132** |
| **Average Revenue per Dt Sold** | | | | | |
| Residential | $13.91 | $13.96 | $15.35 | $16.71 | **$17.33** |
| General | $9.73 | $9.47 | $10.86 | $11.31 | **$11.55** |

(a) Includes 1,229, 4,708, 3,816, 3,326 and 5,484 MDt for 2015, 2016, 2017, 2018 and 2019, respectively, which are also reflected in firm transportation and other.

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

***Gas Peak Demand***

The gas actual peak day demand for firm sales customers in CECONY's service area occurs during the winter heating season and during the winter of 2019/2020 (through January 31, 2020) occurred on December 19, 2019 when the firm sales customers' demand reached approximately 1,284 MDt. "Design weather conditions" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2020/2021 service area peak day demand for firm sales customers will be 1,698 MDt. The forecasted peak day demand for firm sales customers at design conditions does not include gas used by interruptible gas customers including electric and steam generating stations. As of January 2020, the company forecasts an average annual growth of the gas peak day demand for firm sales customers over the next five years at design conditions to be approximately 1.5 percent in its service area, including the effect of certain gas energy efficiency programs and the temporary moratorium described below. The five-year forecast in peak demand is used by the company for gas supply planning purposes.

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

### *Gas Supply*

CECONY and O&R have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services are provided by, CECONY (for itself and as agent for O&R) and costs are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note S to the financial statements in Item 8.

Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation from upstream points where gas has been purchased to the Utilities' distribution systems, and for upstream storage services. Charges under these transportation and storage contracts are approved by the FERC. The Utilities are required to pay certain fixed charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately $315 million in 2019, including $278 million for CECONY. See "Contractual Obligations," below. At December 31, 2019, the contracts were for various terms extending to 2020 for supply and 2039 for transportation and storage. During 2019, CECONY entered into one new transportation contract. In addition, the Utilities purchase gas on the spot market and contract for interruptible gas transportation. See "Recoverable Energy Costs" in Note A, Note P and Note S to the financial statements in Item 8.

## *Steam Operations*

### *Steam Facilities*

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for steam facilities, including steam's portion of the steam-electric generation facilities, were $1,813 million and $1,830 million at December 31, 2019 and 2018, respectively. See "CECONY – Electric Operations – Electric Facilities," above.

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

### *Steam Sales and Deliveries*

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Steam Sold *(MMlb)*** | | | | | |
| General | 538 | 465 | 490 | 593 | **536** |
| Apartment house | 6,272 | 5,792 | 5,754 | 6,358 | **5,919** |
| Annual power | 15,109 | 13,722 | 13,166 | 14,811 | **13,340** |
| **Total Steam Delivered to CECONY Customers** | 21,919 | 19,979 | 19,410 | 21,762 | **19,795** |
| **Steam Sold *($ in millions)*** | | | | | |
| General | $29 | $23 | $26 | $30 | **$27** |
| Apartment house | 176 | 148 | 158 | 174 | **160** |
| Annual power | 453 | 378 | 392 | 441 | **395** |
| Other operating revenues | (29) | 2 | 19 | (14) | **45** |
| **Total Steam Delivered to CECONY Customers** | $629 | $551 | $595 | $631 | **$627** |
| **Average Revenue per Mlb Sold** | $30.02 | $27.48 | $29.68 | $29.64 | **$29.40** |

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

### *Steam Peak Demand and Capacity*

The steam actual hourly peak demand in CECONY's service area occurs during the winter heating season and during the winter of 2019/2020 (through January 31, 2020) occurred on December 19, 2019 when the actual hourly demand reached approximately 7.1 MMlb per hour. "Design weather conditions" for the steam system is a standard to which the actual hourly peak demand is adjusted for evaluation and planning purposes. The company's estimate for the winter of 2020/2021 hourly peak demand of its steam customers is about 8.4 MMlb per hour under design weather conditions. As of January 2020, the company forecasts an average annual decrease in steam hourly peak demand in its service area at design weather conditions over the next five years to be approximately 0.4 percent. The five year forecast in peak demand is used by the company for steam asset management purposes.

On December 31, 2019, the steam system was capable of delivering approximately 11.4 MMlb of steam per hour, and CECONY estimates that the system will have the same capability in the 2020/2021 winter.

### *Steam Supply*

38 percent of the steam produced by CECONY in 2019 was supplied by the company's steam-only generating assets; 44 percent was produced by the company's steam-electric generating assets, where steam and electricity are primarily cogenerated; and 18 percent was purchased under an agreement with Brooklyn Navy Yard Cogeneration Partners L.P.

## O&R

### *Electric Operations*

### *Electric Facilities*

O&R's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $1,074 million and $1,034 million at December 31, 2019 and 2018, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $254 million and $227 million at December 31, 2019 and 2018, respectively.

O&R and RECO own, in whole or in part, transmission and distribution facilities which include 543 circuit miles of transmission lines, 15 transmission substations, 64 distribution substations, 89,395 in-service line transformers, 3,745 pole miles of overhead distribution lines and 2,200 miles of underground distribution lines. O&R's transmission system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by PJM.

### *Electric Sales and Deliveries*

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

The company charges all customers in its service area for the delivery of electricity. O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. O&R's New York electric revenues (which accounted for 76 percent of O&R's electric revenues in 2019) are subject to a revenue decoupling mechanism. As a result, O&R's New York electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism. O&R's electric sales and deliveries for the last five years were:

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** |
| **Electric Energy Delivered *(millions of kWh)*** | | | | | |
| Total deliveries to O&R full service customers | 2,499 | 2,555 | 2,435 | 2,643 | **2,617** |
| Delivery service for retail choice customers | 3,237 | 3,180 | 2,976 | 2,974 | **2,885** |
| **Total Deliveries In Franchise Area** | 5,736 | 5,735 | 5,411 | 5,617 | **5,502** |
| **Electric Energy Delivered *($ in millions)*** | | | | | |
| Total deliveries to O&R full service customers | $441 | $426 | $433 | $453 | **$429** |
| Delivery service for retail choice customers | 213 | 213 | 201 | 201 | **191** |
| Other operating revenues | 9 | (2) | 8 | (12) | **14** |
| **Total Deliveries In Franchise Area** | $663 | $637 | $642 | $642 | **$634** |
| **Average Revenue Per kWh Sold *(Cents)*** | | | | | |
| Residential | 19.2 | 18.4 | 19.8 | 19.1 | **18.2** |
| Commercial and Industrial | 15.4 | 14.3 | 15.0 | 14.4 | **13.9** |

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

### *Electric Peak Demand*

The electric peak demand in O&R's service area occurs during the summer air conditioning season. The weather during the summer of 2019 was cooler than design conditions. O&R's 2019 service area actual hourly peak demand was 1,446 MW, which occurred on July 21, 2019. "Design weather" for the electric system is a standard to which the actual hourly peak demand is adjusted for evaluation and planning purposes. Since NYISO-invoked demand reduction programs can only be called upon under specific circumstances, design weather conditions do not include these programs' potential impact. However, the O&R forecasted hourly peak demand at design conditions does

include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2020 service area peak demand will be 1,555 MW. The company forecasts an average annual decrease in hourly electric peak demand in its service area at design conditions over the next five years to be approximately 0.2 percent, including the effect of certain electric energy efficiency programs. The five-year forecast in peak demand is used by the company for electric supply planning purposes.

### *Electric Supply*

The electricity O&R sold to its full-service customers in 2019 was purchased under firm power contracts or through the wholesale electricity market. The company expects that these resources will again be adequate to meet the requirements of its customers in 2020. O&R does not own any electric generating capacity. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts or purchased through the wholesale electricity market. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases. For information about the company's contracts, see Note O to the financial statements in Item 8.

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

## *Gas Operations*

### *Gas Facilities*

O&R's capitalized costs for utility plant, net of accumulated depreciation for gas facilities, which are primarily distribution facilities, were $656 million and $607 million at December 31, 2019 and 2018, respectively. Natural gas is delivered by pipeline to O&R at various points in or near its service territory and is distributed to customers by the company through an estimated 1,876 miles of mains and 105,894 service lines.

### *Gas Sales and Deliveries*

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Gas Delivered *(MDt)*** | | | | | |
| Firm sales | | | | | |
| Full service | 9,348 | 9,723 | 10,480 | 12,050 | **12,537** |
| Firm transportation | 11,752 | 10,381 | 9,873 | 9,950 | **9,459** |
| **Total Firm Sales** | 21,100 | 20,104 | 20,353 | 22,000 | **21,996** |
| Interruptible sales | 4,205 | 3,853 | 3,771 | 3,746 | **3,668** |
| **Total Gas Delivered to O&R Customers** | 25,305 | 23,957 | 24,124 | 25,746 | **25,664** |
| Transportation of customer-owned gas | | | | | |
| Sales for resale | 906 | 867 | 896 | 959 | **914** |
| Sales to electric generating stations | 25 | 18 | 9 | 1 | **4** |
| Off-system sales | 62 | 16 | 6 | 15 | **1** |
| **Total Sales** | **26,298** | **24,858** | **25,035** | **26,721** | **26,583** |

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Gas Delivered *($ in millions)*** | | | | | |
| Firm sales | | | | | |
| Full service | $91 | $99 | $139 | $166 | **$161** |
| Firm transportation | 68 | 70 | 74 | 78 | **63** |
| **Total Firm Sales** | 159 | 169 | 213 | 244 | **224** |
| Interruptible Sales | 3 | 3 | 7 | 6 | **6** |
| **Total Gas Delivered to O&R Customers** | 162 | 172 | 220 | 250 | **230** |
| Transportation of customer-owned gas | | | | | |
| Sales to electric generating stations | — | — | — | — | **—** |
| Other operating revenues | 20 | 12 | 12 | (1) | **29** |
| **Total Sales** | $182 | $184 | $232 | $249 | **$259** |
| **Average Revenue Per Dt Sold** | | | | | |
| Residential | $10.11 | $10.71 | $13.86 | $14.22 | **$13.32** |
| General | $8.24 | $8.17 | $11.08 | $11.80 | **$10.68** |

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

### *Gas Peak Demand*

The gas actual peak day demand for firm sales customers in O&R's service area occurs during the winter heating season and during the winter of 2019/2020 (through January 31, 2020) occurred on December 19, 2019 when the firm sales customers' demand reached approximately 185 MDt. "Design Weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2020/2021 service area peak day demand for firm sales customers will be 230 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric generating stations. The company forecasts an average annual growth of the gas peak day demand for firm sales customers over the next five years at design conditions to be approximately 0.7 percent in its service area, including the effect of certain gas energy efficiency programs. The five-year forecast in peak demand is used by the company for gas supply planning purposes.

### *Gas Supply*

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

## Clean Energy Businesses

The following table provides information about the Clean Energy Businesses' renewable electric production projects that are in operation and/or in construction at December 31, 2019:

| Project Name | Generating Capacity (MW AC) | Power Purchase Agreement (PPA) Term (In Years) (a) | Actual/ Expected In-Service Date (b) | State | PPA Counterparty (c) |
|---|---|---|---|---|---|
| **Utility Scale** | | | | | |
| ***Solar*** | | | | | |
| PJM assets | 54 | (d) | 2011/2013 | New Jersey/ Pennsylvania | Various |
| New England assets | 24 | Various | 2011/2017 | Massachusetts/ Rhode Island | Various |
| California Solar (e) | 110 | 25 | 2012/2013 | California | PG&E |
| Mesquite Solar 1 (e) | 165 | 20 | 2013 | Arizona | PG&E |
| Copper Mountain Solar 2 (e) | 150 | 25 | 2013/2015 | Nevada | PG&E |
| Copper Mountain Solar 3 (e) | 255 | 20 | 2014/2015 | Nevada | SCPPA |
| California Solar 2 (e) | 80 | 20 | 2014/2016 | California | SCE/PG&E |
| Texas Solar 4 (e) | 40 | 25 | 2014 | Texas | City of San Antonio |
| Texas Solar 5 (e) | 100 | 25 | 2015 | Texas | City of San Antonio |
| Texas Solar 7 (e) | 112 | 25 | 2016 | Texas | City of San Antonio |
| California Solar 3 (e) | 110 | 20 | 2016/2017 | California | SCE/PG&E |
| Upton Solar (e) | 158 | 25 | 2017 | Texas | City of Austin |
| California Solar 4 (e) | 240 | 20 | 2017/2018 | California | SCE |
| Copper Mountain Solar 1 (e) | 58 | 12 | 2018 | Nevada | PG&E |
| Copper Mountain Solar 4 (f) (e) | 94 | 20 | 2018 | Nevada | SCE |
| Mesquite Solar 2 (f) (e) | 100 | 18 | 2018 | Arizona | SCE |
| Mesquite Solar 3 (f) (e) | 150 | 23 | 2018 | Arizona | WAPA (U.S. Navy) |
| Great Valley Solar (f) (e) | 200 | 17 | 2018 | California | MCE/SMUD/PG&E/SCE |
| Other | 26 | Various | Various | Various | Various |
| ***Total Solar*** | **2,226** | | | | |
| ***Wind*** | | | | | |
| Broken Bow II (e) | 75 | 25 | 2014 | Nebraska | NPPD |
| Wind Holdings (e) | 180 | Various | Various | South Dakota/ Montana | NWE/Basin Electric |
| Adams Rose Wind (e) | 23 | 7 | 2016 | Minnesota | Dairyland |
| Coram Wind (e) | 102 | 16 | 2016 | California | PG&E |
| Other | 22 | Various | Various | Various | Various |
| ***Total Wind*** | **402** | | | | |
| **Total MW (AC) in Operation** | **2,628** | | | | |
| **Total MW (AC) in Construction** | **417** | | | | |
| **Total MW (AC) Utility Scale** | **3,045** | | | | |
| **Behind the Meter** | | | | | |
| **Total MW (AC) in Operation** | **54** | | | | |
| **Total MW (AC) in Construction** | **2** | | | | |
| **Total MW Behind the Meter** | **56** | | | | |

(a) Represents PPA contractual term or remaining term from the date of acquisition.
(b) Represents Actual/Expected In-Service Date or date of acquisition.
(c) PPA Counterparties include: Pacific Gas and Electric Company (PG&E), Southern California Public Power Authority (SCPPA), Southern California Edison Company (SCE), Western Area Power Administration (WAPA), Marin Clean Energy (MCE), Sacramento Municipal Utility District (SMUD), Nebraska Public Power District (NPPD) and NorthWestern Energy (NWE). For information about PG&E's bankruptcy, see "Long-Lived and Intangible Assets" in Note A to the financial statements in Item 8.
(d) Solar renewable energy credit hedges are in place, in lieu of PPAs, through 2023.
(e) Project has been pledged as security for project debt financing. See Con Edison's Consolidated Statement of Capitalization in Item 8.
(f) Projects are financed with tax equity. See Note Q to the financial statements in Item 8.

### Renewable Electric Generation

The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects. In December 2018, the Clean Energy Businesses acquired Sempra Solar Holdings, LLC to expand the company's renewable energy asset portfolio. See Note U to the financial statements in Item 8. The Clean Energy Businesses focus their efforts on utility scale renewable electric production projects. The output of most of the projects is sold under long-term power purchase agreements (PPA) with utilities and municipalities. The following table shows the generating capacity (MW AC) of the Clean Energy Businesses' utility scale renewable electric production projects in operation at the end of the last five years:

| Generating Capacity (MW AC) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Renewable electric production projects | 748 | 1,098 | 1,358 | 2,588 | 2,628 |

In January 2019, PG&E filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of certain of the Clean Energy Businesses' renewable electric production projects with an aggregate of 680 MW (AC) of generating capacity (PG&E Projects) is sold to PG&E under long-term power purchase agreements (PG&E PPAs). At December 31, 2019, Con Edison's consolidated balance sheet included $819 million of net non-utility plant relating to the PG&E Projects and $282 million of additional projects that secure the PG&E-related project debt, $1,057 million of intangible assets relating to the PG&E PPAs and $1,001 million of non-recourse related project debt. See "Application of Critical Accounting Policies - Accounting for Long-Lived and Intangible Assets" in Item 7 and “Long-Lived and Intangible Assets” in Note A and "Long-term Debt" in Note C to the financial statements in Item 8.

Renewable electric production volumes generated by utility scale assets for the years ended December 31, 2016, 2017, 2018, and 2019 were:

| | Millions of kWh Generated | | | |
|---|---|---|---|---|
| | For the Years Ended December 31, | | | |
| Description | 2016 | 2017 | 2018 | 2019 |
| Renewable electric production projects | | | | |
| Solar | 1,565 | 2,158 | 2,680 | 5,506 |
| Wind | 651 | 988 | 1,074 | 1,333 |
| Total | 2,216 | 3,146 | 3,754 | 6,839 |

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

### Energy-Related Products and Services

The Clean Energy Businesses provide services to manage the dispatch, fuel requirements and risk management activities for 8,636 MW of generating plants and merchant transmission in the northeastern United States owned by unrelated parties, manage energy supply assets leased from others and provide wholesale hedging and risk management services to renewable electric production projects owned by their subsidiaries.

The Clean Energy Businesses also provide energy-efficiency services to government and commercial customers. The services include the design and installation of lighting retrofits, high-efficiency heating, ventilating and air conditioning equipment and other energy saving technologies.

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

## Con Edison Transmission

### CET Electric

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

NY Transco's Transmission Owner Transmission Solutions (TOTS) projects were approved by the NYSPSC in October 2013 in its proceeding to address potential needs that could arise should the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) no longer operate. See “CECONY - Electric Operations - Electric Supply,” above.

In April 2015, FERC issued an order granting certain transmission incentives for the NY Transco TOTS projects. In March 2016, the FERC approved a November 2015 settlement agreement that provides, in relation to the TOTS projects described above, a 10 percent return on common equity (which is comprised of 9.5 percent base return on equity plus an additional 50 basis points) and a maximum actual common equity ratio of 53 percent. The revenues for these TOTS projects costs are collected by the NYISO and allocated across New York State, with 63 percent allocated to load serving entities in the CECONY and O&R service areas.

In December 2015, the NYSPSC issued an order in its competitive proceeding to select AC transmission projects that would relieve transmission congestion between upstate and downstate. The NYSPSC determined that there was a public policy need for new transmission to address congestion and directed the NYISO, under its FERC-approved public policy planning process, to request developers to submit transmission project proposals for two segments of the transmission system. In April 2019, the New York Independent System Operator (NYISO) selected a project that was jointly proposed by National Grid and NY Transco ($600 million estimated cost, excluding certain interconnection costs that are not yet determined) that would increase transmission capacity by 1,850 MW between upstate and downstate when combined with another developer’s project that was also selected by the NYISO. The siting, construction and operation of the projects will require approvals and permits from appropriate governmental agencies and authorities, including the NYSPSC. The NYISO and National Grid/NY Transco entered into an agreement for the development and operation of the project, referred to as the New York Energy Solution (NYES) project, that is scheduled for entry into service by December 2023. In November 2017, FERC approved a settlement agreement with respect to the National Grid/NY Transco project that provides for 10.65 percent return on common equity (which is comprised of a 9.65 percent base ROE, with 100 basis points added for congestion reduction and a cost containment mechanism applicable to certain capital costs) and a maximum actual common equity ratio of 53 percent. Revenues for the NYES project are collected by the NYISO including 100 percent of construction work in progress, and allocated across New York State with 84 percent allocated to load serving entities in the CECONY and O&R service areas.

**CET Gas**
CET Gas, through its subsidiaries, owns a 50 percent interest in Stagecoach Gas Services LLC (Stagecoach), a 71.2 percent interest in Honeoye Storage Corporation (Honeoye) and an interest, described below, in Mountain Valley Pipeline LLC (MVP). Stagecoach is a joint venture with a subsidiary of Crestwood Equity Partners LP (Crestwood) to own, operate and further develop a gas pipeline and storage business located in northern Pennsylvania and southern New York. Stagecoach provides services to its customers (including CECONY, see Note S to the financial statements in Item 8) through its 181 miles of pipe and 41 Bcf of storage capacity. Honeoye, in which CECONY owns the remaining interest, operates a gas storage facility in upstate New York. MVP is a joint venture with four other partners to construct and operate a proposed 300-mile gas transmission project in West Virginia and Virginia. In October 2017, FERC issued a Certificate of Public Convenience and Necessity for the Mountain Valley Pipeline. Environmental groups filed a rehearing request with FERC and petitioned the U.S. Court of Appeals for the District of Columbia for review of the FERC's order issuing the certificate. In June 2018, FERC denied the environmental groups' requests for rehearing. In February 2019, the court issued an order rejecting the arguments raised by the various parties challenging the FERC certificate order and finding that FERC’s approval of the project was reasonable. In October 2019, the operator of the Mountain Valley pipeline indicated that it expects a late 2020 full in-service date for the project at an overall project cost of $5,300 million to $5,500 million, excluding allowance for funds used during construction. CET Gas, as it was permitted to do under the joint venture agreement, has limited its cash contributions to the joint venture to approximately $530 million and, as a result, expects that its ownership interest in the joint venture will be reduced from 12.5 percent to approximately 10 percent based on the current project cost estimate. At December 31, 2019, CET Gas' cash contributions to the joint venture amounted to $530 million. MVP is currently defending certain agency actions and judicial challenges that must be resolved favorably before the pipeline can be completed. There are other proceedings that may affect MVP, including an investigation of potential criminal and/or civil violations of the Clean Water Act and other federal statutes as they relate to the construction of the pipeline. See Note S and Note U to the financial statements in Item 8.

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

## Capital Requirements and Resources

### Capital Requirements

The following table contains the Companies' capital requirements for the years 2017 through 2019 and their current estimate of amounts for 2020 through 2022:

| | Actual | | | Estimate | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| CECONY (a)(b) | | | | | | |
| Electric | $1,905 | $1,861 | $1,851 | $2,150 | $2,162 | $2,019 |
| Gas | 909 | 1,050 | 1,078 | 1,086 | 1,060 | 993 |
| Steam | 90 | 94 | 91 | 92 | 85 | 87 |
| Sub-total | 2,904 | 3,005 | 3,020 | 3,328 | 3,307 | 3,099 |
| O&R | | | | | | |
| Electric | 128 | 138 | 142 | 153 | 155 | 163 |
| Gas | 61 | 67 | 61 | 52 | 51 | 54 |
| Sub-total | 189 | 205 | 203 | 205 | 206 | 217 |
| Con Edison Transmission | | | | | | |
| CET Electric | — | — | 8 | 10 | 24 | 76 |
| CET Gas | 66 | 248 | 197 | 1 | — | — |
| Sub-total | 66 | 248 | 205 | 11 | 24 | 76 |
| Clean Energy Businesses | 447 | 1,791 | 248 | 400 | 400 | 400 |
| Total capital expenditures | 3,606 | 5,249 | 3,676 | 3,944 | 3,937 | 3,792 |
| Retirement of long-term securities | | | | | | |
| Con Edison – parent company | 402 | 2 | 553 | 3 | 1,178 | 293 |
| CECONY | — | 1,836 | 475 | 350 | 640 | — |
| O&R | 4 | 55 | 62 | — | — | — |
| Clean Energy Businesses (c) | 28 | 45 | 105 | 165 | 149 | 144 |
| Total retirement of long-term securities | 434 | 1,938 | 1,195 | 518 | 1,967 | 437 |
| Total capital requirements | $4,040 | $7,187 | $4,871 | $4,462 | $5,904 | $4,229 |

(a) CECONY's capital expenditures for environmental protection facilities and related studies were $381 million, $490 million and $507 million in 2017, 2018 and 2019, respectively, and are estimated to be $526 million in 2020.

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

(c) Amount shown includes $73 million of PG&E-related project debt that is amortizing and scheduled to be repaid in 2020. Amount shown does not include $928 million of PG&E-related project debt that, as a result of the PG&E bankruptcy, was reclassified during the first quarter of 2019 on Con Edison's consolidated balance sheet from long-term debt to long-term debt due within one year. See "Long-Lived and Intangible Assets" in Note A.

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

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

### Contractual Obligations

The following table summarizes the Companies' material obligations at December 31, 2019 to make payments pursuant to contracts. Long-term debt, capital lease obligations and other noncurrent liabilities are included on their balance sheets. Operating leases and electricity purchase agreements (for which undiscounted future annual payments are shown) are described in the notes to the financial statements.

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| *(Millions of Dollars)* | Total | 1 year or less | Years 2 & 3 | Years 4 & 5 | After 5 years |
| Long-term debt (Statement of Capitalization) | | | | | |
| CECONY | $15,115 | $350 | $640 | $250 | $13,875 |
| O&R | 825 | — | — | — | 825 |
| Clean Energy Businesses (a) | 2,737 | 165 | 293 | 451 | 1,828 |
| Parent | 1,474 | 3 | 1,471 | — | — |
| Interest on long-term debt (b) | 16,582 | 851 | 1,566 | 1,489 | 12,676 |
| Total long-term debt, including interest | 36,733 | 1,369 | 3,970 | 2,190 | 29,204 |
| Finance lease obligations (Note J) | | | | | |
| O&R | 1 | — | — | — | 1 |
| Total capital lease obligations | 1 | — | — | — | 1 |
| Operating leases (Notes J) | | | | | |
| CECONY | 782 | 60 | 112 | 109 | 501 |
| O&R | 3 | 1 | 2 | — | — |
| Clean Energy Businesses | 577 | 17 | 34 | 35 | 491 |
| Total operating leases | 1,362 | 78 | 148 | 144 | 992 |
| Purchase obligations | | | | | |
| Electricity power purchase agreements – Utilities (Note I) | | | | | |
| CECONY | | | | | |
| Energy | 1,724 | 87 | 181 | 186 | 1,270 |
| Capacity (c) | 988 | 169 | 161 | 112 | 546 |
| Total CECONY | 2,712 | 256 | 342 | 298 | 1,816 |
| O&R | | | | | |
| Energy and Capacity (c) | 86 | 54 | 32 | — | — |
| Total electricity and power purchase agreements – Utilities | 2,798 | 310 | 374 | 298 | 1,816 |
| Natural gas supply, transportation, and storage contracts – Utilities (d) | | | | | |
| CECONY | | | | | |
| Natural gas supply | 297 | 183 | 102 | 12 | — |
| Transportation and storage | 3,607 | 289 | 686 | 457 | 2,175 |
| Total CECONY | 3,904 | 472 | 788 | 469 | 2,175 |
| O&R | | | | | |
| Natural gas supply | 45 | 27 | 16 | 2 | — |
| Transportation and storage | 548 | 44 | 104 | 69 | 331 |
| Total O&R | 593 | 71 | 120 | 71 | 331 |
| Total natural gas supply, transportation and storage contracts | 4,497 | 543 | 908 | 540 | 2,506 |
| Other purchase obligations | | | | | |
| CECONY (e) | 8,129 | 1,382 | 3,052 | 1,876 | 1,819 |
| O&R (e) | 458 | 97 | 96 | 262 | 3 |
| Clean Energy Businesses (f) | 166 | 113 | 19 | 16 | 18 |
| Total other purchase obligations | 8,753 | 1,592 | 3,167 | 2,154 | 1,840 |
| Total | 54,144 | 3,892 | 8,567 | 5,326 | 36,359 |

(a) Amount shown includes $73 million of PG&E-related project debt that is scheduled to mature in 2020. Amount shown does not include $928 million of PG&E-related project debt that, as a result of the PG&E bankruptcy, was reclassified during the first quarter of 2019 on Con Edison's consolidated balance sheet from long-term debt to long-term debt due within one year. See "Long-Lived and Intangible Assets" in Note A.

(b) Includes interest on variable rate debt calculated at rates in effect at December 31, 2019.

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

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

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

(f) Amounts represent commitments by the Clean Energy Businesses to purchase minimum quantities of electric energy and capacity, renewable energy certificates, natural gas, natural gas pipeline capacity, energy efficiency services and construction services. The Clean Energy Businesses have also entered into power purchase agreements for the sale of power from their renewable electric production projects, provisions of which provide for penalties to be paid by the Clean Energy Businesses in the event certain minimum production quantities are not met. The future minimum production quantities and the amount of the penalties, if any, are not estimable and are not included in the amounts shown on the table.

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

**Capital Resources**

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

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

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

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

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

Con Edison plans to meet its capital requirements for 2020 through 2022, including for maturing securities, through internally-generated funds and the issuance of long-term debt and common equity. See "Capital Requirements," above in Item 1. The company's plans include the issuance of between $1,500 million and $2,000 million of long-term debt, primarily at the Utilities, in 2020 and approximately $1,800 million in aggregate of long-term debt at the Utilities during 2021 and 2022. The planned debt issuance is in addition to the issuance of long-term debt to refinance maturities at the Utilities and debt secured by the Clean Energy Businesses' renewable electric production projects and by Con Edison Transmission's investments. The company's plans also include the issuance of up to $600 million of common equity in 2020 and approximately $1,100 million in aggregate of common equity during 2021 and 2022, in addition to equity under its dividend reinvestment, employee stock purchase and long-term incentive plans. The planned equity issuance is in addition to $88 million of equity issued in January 2020 to settle the remainder of a May 2019 equity forward transaction.

In 2019, the NYSPSC authorized CECONY, through 2022, to issue up to $5,600 million of debt securities ($1,300 million of which the company had issued as of December 31, 2019). In 2017, the NYSPSC authorized O&R, through 2021, to issue up to $310 million of debt securities ($275 million of which the company had issued as of December 31, 2019). The NYSPSC also authorized CECONY and O&R for such periods to issue debt securities to refund existing debt securities of up to $2,500 million and $150 million, respectively. As of December 31, 2019, the

Utilities had not refunded any securities pursuant to these authorizations. In December 2019, O&R filed a petition with the NYSPSC for authorization to issue up to $165 million of debt securities prior to December 31, 2023.

The Clean Energy Businesses have financed their operations and capital requirements primarily with capital contributions and borrowings from Con Edison, internally-generated funds and external borrowings. See "Long-term Debt" in Note C to the financial statements in Item 8. Con Edison Transmission has financed its operations and capital requirements primarily with capital contributions and borrowings from Con Edison and internally-generated funds. See "Liquidity and Capital Resources" in Item 7.

For each of the Companies, the common equity ratio for the last five years was:

| | Common Equity Ratio (Percent of total capitalization) | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Con Edison | 52.1 | 49.3 | 51.1 | 49.0 | 49.6 |
| CECONY | 51.4 | 49.5 | 50.8 | 48.6 | 49.2 |

At December 31, 2019, the credit ratings assigned by Moody's, S&P and Fitch to the senior unsecured debt and commercial paper of Con Edison, CECONY and O&R were as follows:

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

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

The United Kingdom's Financial Conduct Authority has announced that it intends to stop persuading or compelling banks to submit London Interbank Offered Rates (LIBOR) after 2021. The Companies have been and are continuing to monitor LIBOR-related market, regulatory and accounting developments. The Companies' material contracts that reference LIBOR and currently extend beyond 2021 include their $2,250 million credit agreement (see Note D to the financial statements in Item 8). Pursuant to the credit agreement, the Companies may borrow at interest rates determined with reference to a prime rate, the federal funds rate or LIBOR. The credit agreement may be amended by the Companies and the administrative agent to provide for a LIBOR successor rate unless a majority of the lenders do not accept the amendment. In addition, the Clean Energy Businesses have $1,086 million of variable rate project debt that reference LIBOR and allow for an alternate reference rate and associated interest rate swaps with notional amount of $919 million (see Note O to the financial statements in Item 8). Con Edison expects that, prior to the discontinuation of LIBOR, the Clean Energy Businesses will be able to agree with project lenders and swap counterparties on the use of an alternate reference rate as needed. The Companies do not expect that a discontinuation of LIBOR would have a material impact on their financial position, results of operations or liquidity.

## Environmental Matters

### Climate Change

As indicated by the Intergovernmental Panel on Climate Change, emissions of greenhouse gases (GHG), including carbon dioxide, are very likely changing the world's climate.

Climate change could affect customer demand for the Companies' energy services. It might also cause physical damage to the Companies' facilities and disruption of their operations due to more frequent and more extreme weather-related events. In late October 2012, Superstorm Sandy caused extensive damage to the Utilities' electric distribution system. Superstorm Sandy interrupted service to approximately 1.4 million of the Utilities' customers – more than four times the number of customers impacted by the Utilities' second worst storm event (Hurricane Irene in 2011) and resulted in the Utilities incurring substantial response and restoration costs. CECONY invested $1,000 million in its infrastructure in order to improve its resilience against storms like Superstorm Sandy.

In December 2019, CECONY completed a study of climate change vulnerability. The study evaluated present-day infrastructure, design specifications and procedures under a range of potential climate futures. The study identified sea level rise, coastal storm surge, inland flooding from intense rainfall, hurricane-strength winds and extreme heat to be the company's most significant climate-driven risks to its electric, gas and steam systems. The study estimates that the company might need to invest between $1,800 million and $5,200 million by 2050 on targeted programs to adapt to potential impacts from climate change. The company will further evaluate its future climate change adaptation strategies and associated costs to develop a climate change implementation plan by the end of 2020.

Based on the most recent data (2018) published by the U.S. Environmental Protection Agency (EPA), Con Edison estimates that its direct GHG emissions constitute less than 0.1 percent of the nation's GHG emissions. Transportation is the largest source of GHG emissions in New York State.  Con Edison's estimated emissions of GHG during the past five years were:

| **(Metric tons, *in millions* (a))** | **2015** | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|---|
| CO2 equivalent emissions | 3.2 | 3.1 | 3.0 | 3.1 | 2.9 |

(a) Estimated emissions for 2019 are based on preliminary data and are subject to third-party verification.

Con Edison's more than 50 percent decrease in direct GHG emissions (carbon dioxide, methane and sulfur hexafluoride) from the 2005 baseline (6.0 million metric tons) reflects the emission reductions resulting from equipment and repair projects, reduced steam demand, the increased use of natural gas in lieu of fuel oil at CECONY's steam production facilities as well as projects to reduce sulfur hexafluoride emissions and to replace gas distribution pipes.

CECONY has participated for several years in voluntary initiatives with the EPA to reduce its methane and sulfur hexafluoride emissions. The Utilities reduce methane emissions from the operation of their gas distribution systems through pipe maintenance and replacement programs and by introducing new technologies to reduce fugitive emissions from leaks or when work is performed on operating assets. The Utilities reduce emissions of sulfur hexafluoride, which is used for arc suppression in substation circuit breakers and switches, by using improved technologies to locate and repair leaks and by replacing older equipment. The Utilities also actively promote energy efficiency and the use of renewable generation to help their customers reduce their GHG emissions.

New York utilities have implemented Energy Efficiency Transition Implementation Plans (ETIPs) and are responsible for designing and managing their energy efficiency programs consistent with utility-specific program budgets and metrics approved by the NYSPSC. CECONY has recovered the costs of its ETIP program from its customers primarily through energy efficiency tracker surcharge mechanisms approved by the NYSPSC. CECONY billed customers approximately $100 million annually between 2016 and 2019, through these mechanisms. Pursuant to CECONY's previous electric rate plan, the company supplemented its ETIP programs with new energy efficiency, electric vehicle and system peak reduction programs, at a total cost of $146 million from 2017 through 2019, that has been reflected in base rates. See Note B to the financial statements in Item 8.

In January 2020, the NYSPSC issued an order directing energy efficiency targets and budgets for New York utilities. The order approved $2,000 million statewide for electric and gas energy efficiency programs and heat pump budgets, and associated targets, for the years 2021 through 2025 to meet the NYSPSC's goal of reducing electric use by 3 percent and gas use by 1.3 percent annually by 2025. The order authorized budgets for the years 2021 through 2025 for: electric energy efficiency programs of $593 million and $13 million for CECONY and O&R, respectively; gas energy efficiency programs of $235 million and $12 million for CECONY and O&R, respectively; and heat pump programs of $227 million and $15 million for CECONY and O&R, respectively. See Note B to the financial statements in Item 8.

Emissions are also avoided by renewable electric production facilities replacing fossil-fueled electric production facilities and the continued operation of upstate nuclear power plants. See "Utility Regulation - State Utility Regulation - Reforming the Energy Vision," above. NYSERDA has been responsible for implementing the renewable portfolio standard (RPS) and Clean Energy Standard (CES) established by the NYSPSC. NYSERDA has entered into agreements with developers of large renewable electric production facilities and the owners of upstate nuclear power plants and pays them premiums based on the facilities' electric output. These facilities sell their energy output in the wholesale energy and capacity markets administered by the NYISO. As a result of the Utilities' participation in the NYISO wholesale markets, a portion of the Utilities' NYISO energy purchases are sourced from renewable electric production facilities. NYSERDA also has provided rebates to customers who installed eligible renewable electric production technologies. The electricity produced by such customer-sited renewables generation offsets the energy that the Utilities would otherwise have procured, thereby reducing the amount of electricity produced by non-renewable production facilities.

In 2019, NYSERDA and the New York State Department of Environmental Conservation (NYSDEC) published the New York State Greenhouse Gas Inventory, which reported that emissions from electricity generated in-state decreased 56 percent between 1990 and 2016 due, in part, to the decrease in the burning of coal and petroleum products in the electricity generation sector in New York and the increase in renewables generation in New York.

In January 2016, the NYSPSC approved a 10-year $5,300 million clean energy fund to be managed by NYSERDA under the NYSPSC's supervision. The clean energy fund has four portfolios: market development; innovation and research; NY Green Bank and NY Sun. The Utilities collect all clean energy fund surcharges through the system benefit charge (including previously authorized RPS, EEPS, Technology and Market Development collections and incremental clean energy fund collections to be collected from electric customers only). The Utilities billed customers clean energy fund surcharges of $305 million, $311 million and $298 million in 2019, 2018, and 2017 respectively. For information about NYSPSC proceedings considering renewable generation see "Utility Regulation - State Utility Regulation - New York Utility Industry - Reforming the Energy Vision," above.

In June 2015, the New York State Energy Planning Board released its 2015 State Energy Plan. Under New York State law, any energy-related action or decision of State agencies must be reasonably consistent with the plan. The plan reflects clean energy initiatives, including the REV proceeding, NYSERDA's clean energy fund and the following goals for New York State to meet by 2030: a 40 percent reduction in greenhouse gas emissions from 1990 levels; 50 percent of electric generation from renewable energy sources; and a 23 percent decrease in energy consumption in buildings from 2012 levels. For information about the NYSPSC's adoption of a clean energy standard to mandate achievement of the State Energy Plan's goals, see "Utility Regulation - State Utility Regulation - New York Utility Industry - Reforming the Energy Vision," above.

In July 2019, New York State enacted the Climate Leadership and Community Protection Act, which establishes a program requiring 70 percent of the electricity procured by load serving entities regulated by the NYSPSC to be produced by renewable energy systems by 2030 and requires the statewide electrical demand system to have zero emissions by 2040. The law also codifies state targets for energy efficiency (end-use energy savings of 185 trillion British thermal units below 2025 energy-use forecast), offshore wind (9,000 megawatts (MW) by 2035), solar (6,000 MW by 2025) and energy storage (3,000 MW by 2030). In addition, the law establishes a climate action council to recommend measures to attain the law's GHG limits, including measures to reduce emissions by displacing fossil-fuel fired electricity with renewable electricity or energy efficiency. The law requires the NYSDEC to issue regulations establishing statewide GHG emissions limits that are 60 percent of 1990 emissions levels by 2030 and 15 percent of 1990 emissions by 2050. The Utilities are unable to predict the impact on them of the implementation of this law.

Also, New York City announced a goal to reduce GHG emissions 80 percent below 2005 levels by 2050. In May 2019, New York City enacted a package of legislation known as the Climate Mobilization Act, which includes provisions intended to reduce GHG emissions from large buildings by 40 percent from 2005 levels by 2030. Building owners may achieve compliance through operational changes, building retrofits, the purchase of greenhouse gas offsets, the purchase of renewable energy credits and the use of clean distributed energy resources. CECONY is unable to predict the impact on it of the implementation of this law.

In 2015, the United States Environmental Protection Agency (EPA) issued its Clean Power Plan which was repealed by the EPA in June 2019, and would have required states to reduce carbon dioxide emissions from existing power plants 32 percent from 2005 levels by 2030. Under the Clean Power Plan, each state would have been required to submit for EPA approval a plan to reduce its emissions to specified rate-based or equivalent mass-based target levels (as determined in accordance with the Clean Power Plan) applicable to the state. For New York State, the emissions rate-based target level for 2030 would have been approximately 20 percent below its 2012 emissions

rate. State plans may, among other things, include participation in regional cap-and-trade programs. In June 2019, the EPA issued its Affordable Clean Energy (ACE) rule. The ACE rule establishes guidelines for states to use when developing plans to limit carbon dioxide emissions at coal-fired power plants and includes implementing regulations for future existing-source rules under the Clean Air Act. In September 2019, Con Edison, as part of a coalition of public and private electric utilities, filed a petition in the United States Court of Appeals for the District of Columbia Circuit to challenge the ACE rule and the repeal of the Clean Power Plan. The ACE rule could have potential cost implications for utilities because it has the effect of limiting flexibility to use measures such as emissions trading and averaging to cost-effectively meet emissions limits. The ACE rule could also adversely impact initiatives to develop renewable energy sources and promote the use of electric vehicles.

CECONY is subject to carbon dioxide emissions regulations established by New York State under the Regional Greenhouse Gas Initiative (RGGI). The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, established a decreasing cap on carbon dioxide emissions resulting from the generation of electricity. Under RGGI, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market. CECONY has purchased allowances for 4.99 million short tons to meet its requirements for the most recent RGGI compliance period (2018-2020). For 2019, CECONY held sufficient allowances to meet its interim compliance period obligation and will purchase additional RGGI allowances during 2020 based on anticipated emissions, which are expected to be similar to past compliance periods.

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

**Environmental Sustainability**

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

**CECONY**

***Superfund***

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation costs, remediation costs and environmental damages. The sites as to which CECONY has been asserted to have liability under Superfund include its and its predecessor companies' former manufactured gas sites, its multi-purpose Astoria site, the Gowanus Canal site, the Newtown Creek site and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that the company has liability. For a further discussion of claims and possible claims against the company under Superfund, estimated liability accrued for Superfund claims and recovery from customers of site investigation and remediation costs, see Note G to the financial statements in Item 8.

***Manufactured Gas Sites***

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

CECONY has started remedial investigations at all 51 MGP Sites. After investigations, no MGP impacts have been detected at all or portions of 15 sites, and the NYSDEC has issued No Further Action (NFA) letters for these sites.

Coal tar or other MGP-related contaminants have been detected at the remaining 36 sites. Remedial actions have been completed at all or portions of 14 sites and the NYSDEC has issued NFA letters for these sites. In addition, remedial actions have been completed by property owners at all or portions of four sites under the NYS Brownfield Cleanup Program and Certificates of Completion have been issued by the NYSDEC for these sites. Remedial design is ongoing for the remaining sites or portions of sites, however, the information as to the extent of contamination and scope of the remediation likely to be required for many of these sites is incomplete. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of

the known contamination on MGP sites (other than the Astoria site which is discussed below) could range from $466 million to $2,208 million.

### *Astoria Site*

CECONY is permitted by the NYSDEC to operate a hazardous waste storage facility on property owned by it in the Astoria section of Queens, New York. Portions of the property were formerly the location of a manufactured gas plant and also have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas and the maintenance and storage of electric equipment. As a condition of its NYSDEC permit, the company is required to investigate the property and, where environmental contamination is found and action is necessary, to remediate the contamination. The company's investigations are ongoing. The company has submitted to the NYSDEC and the New York State Department of Health reports and in the future will be submitting additional reports identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on the property could range from $172 million to $517 million.

### *Gowanus Canal*

In August 2009, CECONY received a notice of potential liability and request for information from the EPA about the operations of the company and its predecessors at sites adjacent to or near the 1.8 mile Gowanus Canal in Brooklyn, New York. In March 2010, the EPA added the Gowanus Canal to its National Priorities List of Superfund sites. The canal's adjacent waterfront is primarily commercial and industrial, currently consisting of concrete plants, warehouses and parking lots. The canal is near several residential neighborhoods. In September 2013, the EPA issued its record of decision for the site. The EPA concluded that there was significant contamination at the site, including polycyclic aromatic hydrocarbons, polychlorinated biphenyls (PCBs), pesticides, metals and volatile organic compounds. The EPA selected a remedy for the site that includes dredging and disposal of some contaminated sediments and stabilization and capping of contamination that will not be removed. The EPA estimated the cost of the selected remedy to be $506 million (and indicated the actual cost could be significantly higher or lower). The EPA has identified 39 potentially responsible parties (PRPs) with respect to the site, including CECONY (which the EPA indicated has facilities that may be a source of PCBs at the site). The EPA has ordered the PRPs, including CECONY, to coordinate and cooperate with each other to perform and/or fund the remedial design for the selected remedy, which current estimates indicate could cost approximately $103 million. CECONY is funding its allocated share of the remedial design costs along with the other PRPs. In April 2019, the EPA issued an order that requires the PRPs, including CECONY, to: (1) design and perform bulkhead structural support work, including associated access dredging, along certain portions of the upper reaches of the canal, and (2) complete the design work for bulkhead structural support along certain portions of the middle part of the canal. The PRPs and CECONY are coordinating with respect to the implementation of this new order. In January 2020, the EPA issued an order that requires six PRPs, including CECONY, to initiate the remedial action work in the upper reaches of the canal following the completion of the bulkhead upgrades. The EPA currently estimates that this work would cost approximately $125 million and require about 30 months to complete. Cleanup in other areas of the canal is not addressed by this order. In addition, other Federal agencies and the NYSDEC have previously notified the PRPs of their intent to perform a natural resource damage assessment for the site. CECONY is unable to estimate its exposure to liability for the Gowanus Canal site.

### *Newtown Creek*

In June 2017, CECONY received a notice of potential liability from the EPA with respect to the Newtown Creek site that was listed in 2010 on the EPA's National Priorities List of Superfund sites. The EPA has identified 17 potentially responsible parties (PRPs) with respect to the site, including CECONY, and has indicated that it will notify the company as additional PRPs are identified and notified by the EPA. Newtown Creek and its tributaries (collectively, Newtown Creek) form a 3.8 mile border between Brooklyn and Queens, New York. Currently, the predominant land use around Newtown Creek includes industrial, petroleum, recycling, manufacturing and distribution facilities and warehouses. Other uses include trucking, concrete manufacture, transportation infrastructure and a wastewater treatment plant. Newtown Creek is near several residential neighborhoods. Six PRPs, not including CECONY, pursuant to an administrative settlement agreement and order on consent the EPA issued to them in 2011, have been performing a remedial investigation of the site. The EPA indicated that sampling events have shown the sediments in Newtown Creek to be contaminated with a wide variety of hazardous substances including PCBs, metals, pesticides, polycyclic aromatic hydrocarbons and volatile organic compounds. The EPA also indicated that it has reason to believe that hazardous substances have come to be released from CECONY facilities into Newtown Creek. The current schedule anticipates completion of a feasibility study for the site during 2022 and issuance of the EPA's record of decision selecting a remedy for the site shortly thereafter. CECONY is unable to estimate its exposure to liability for the Newtown Creek site.

### *Other Superfund Sites*

In 2016, CECONY and another utility responded to a reported dielectric fluid leak at a New Jersey marina on the Hudson River associated with one or two underwater transmission lines, the New Jersey portion of which is owned and operated by the other utility and the New York portion of which is owned and operated by CECONY. In 2017, after the marina owner had cleared substantial debris from its collapsed pier and rip rap material that it had previously placed over and in the vicinity of the underwater transmission lines in an attempt to shore up its failing pier, a dielectric fluid leak was found and repaired on one of the underwater transmission lines. In August 2018, the EPA declared the leak response complete. CECONY and the other utility are disputing whether to return the transmission lines to operation. CECONY, the other utility and the marina owner are involved in litigation in federal court regarding response and repair costs, related damages, and the future of the lines. In September 2018, FERC dismissed a complaint filed by the other utility in which it had requested that FERC order CECONY to cooperate with the other utility to remove all of the dielectric fluid from the transmission lines and remove the lines. In September 2019, FERC denied a request from the other utility for a rehearing with respect to its decision to dismiss the complaint. CECONY expects that, consistent with the cost allocation provisions of its prior arrangements with the other utility for the transmission lines, the response and repair costs incurred by CECONY, the other utility and government agencies, net of any recovery from the marina owner, will be shared by CECONY and the other utility and that CECONY's share is not reasonably likely to have a material adverse effect on its financial position, results of operations or liquidity.

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

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

| Site | Location | Start | Court or Agency | % of Total Liability |
|---|---|---|---|---|
| Cortese Landfill | Narrowsburg, NY | 1987 | EPA | 6.0% |
| Curcio Scrap Metal | Saddle Brook, NJ | 1987 | EPA | 100.0% |
| Metal Bank of America | Philadelphia, PA | 1987 | EPA | 1.0% |
| Global Landfill | Old Bridge, NJ | 1988 | EPA | 0.4% |
| Borne Chemical | Elizabeth, NJ | 1997 | NJDEP | 0.7% |
| Pure Earth | Vineland, NJ | 2018 | EPA | to be determined |

**O&R**

***Superfund***

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

***Manufactured Gas Sites***

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

O&R has completed remedial investigations at all seven of its MGP sites and has received the NYSDEC’s decision regarding the remedial work to be performed at six of the sites. Of the six sites, O&R has completed remediation at

four sites. Remedial construction was conducted on a portion of one of the remaining sites in 2019 and remedial design is ongoing for the other remaining sites. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites could range from $80 million to $136 million.

### *Superfund Sites*

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

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

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

## Other Federal, State and Local Environmental Provisions

### *Toxic Substances Control Act*

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

### *Water Quality*

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

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

### *Air Quality*

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

The EPA's Transport Rule (also referred to as the Cross-State Air Pollution Rule), which was implemented in January 2015, established a new cap-and-trade program requiring further reductions in air emissions than the Clean Air Intrastate Rule (CAIR) that it replaced. Under the Transport Rule, utilities are to be allocated emissions allowances and may sell the allowances or buy additional allowances. CECONY requested and received NYSPSC approval to change the provisions under which the company recovers its purchased power costs to provide for costs incurred to purchase emissions allowances and revenues received from the sale of allowances. CECONY complied with the Transport Rule in 2019 and expects to comply with the rule in 2020. If changes to the Transport

Rule that have been proposed are adopted, the number of allowances allocated to CECONY would decrease and the company would be required to purchase allowances to offset the decreased allocation.

### State Anti-Takeover Law

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

### Employees

At December 31, 2019, Con Edison had no employees other than those of CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission (which had 13,236, 1,187, 458 and 9 employees, respectively). Of the CECONY and O&R employees, 7,645 and 613 employees, respectively, were represented by a collective bargaining unit. The collective bargaining agreement covering most of these CECONY employees expires in June 2020. Agreements covering other CECONY employees and O&R employees expire in June 2021 and May 2023, respectively.

### Available Information

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

### Item 1A: Risk Factors

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

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

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

**Regulatory/Compliance Risks:**

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

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

Regulatory Matters" in Note B to the financial statements in Item 8). The Utilities have from time to time entered into settlement agreements to resolve various prudence proceedings.

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

**Operations Risks:**

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

**A Cyber Attack Could Adversely Affect the Companies.** The Companies and other operators of critical energy infrastructure and energy market participants face a heightened risk of cyber attack. Cyber attacks may include hacking, viruses, malware, denial of service attacks, ransomware or other data security breaches. The U.S. Department of Energy's Quadrennial Energy Review, issued in January 2017, indicated that cyber threats to the electricity system are increasing in sophistication, magnitude and frequency. The Companies' businesses require the continued operation of information systems and network infrastructure. See Item 1 for a description of the businesses of the Utilities, the Clean Energy Businesses and Con Edison Transmission. Interconnectivity with customers through advanced metering infrastructure, independent system operators, energy traders and other energy market participants, suppliers, contractors and others exposes the Companies' information systems and network infrastructure to an increased risk of cyber attack and increases the risk that a cyber attack on the Companies could affect others. In 2019, the NYSPSC issued an order requiring third parties that access customer and utility system data to meet the utilities' minimum cyber requirements and to protect customer information. In the event of a cyber attack that the Companies were unable to defend against or mitigate, the Companies could have their operations and the operations of their customers and others disrupted. The Companies could also have their financial and other information systems and network infrastructure impaired, property damaged and customer and employee information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation, penalties and damage to their reputation. The Companies have experienced cyber attacks, although none of the attacks had a material impact.

**The Failure of Processes and Systems and the Performance of Employees and Contractors Could Adversely Affect the Companies.** The Companies have developed business processes and use information and communication systems for operations, customer service, legal compliance, personnel, accounting, planning and other matters. The Companies have commenced a multi-year, phased transition of information technology services, including application maintenance and support and infrastructure and operations services, to a contractor. The failure of the Companies' or its contractors' business processes or information and communication systems or the failure by the Companies' employees or contractors to follow procedures, their unsafe actions, errors or intentional misconduct, or work stoppages could adversely affect the Companies' operations and liquidity and result in substantial liability, higher costs and increased regulatory requirements. The violation of laws or regulations by employees or contractors for personal gain may result from contract and procurement fraud, extortion, bribe acceptance, fraudulent related-party transactions and serious breaches of corporate policy or standards of business conduct. See "Employees" in Item 1.

**Environmental Risks:**

**The Companies Are Exposed to Risks From The Environmental Consequences Of Their Operations.** The Companies are exposed to risks relating to climate change and related matters. In 2019, CECONY completed a climate change vulnerability study. New York State enacted the Climate Leadership and Community Protection Act and New York City enacted the Climate Mobilization Act. See “Environmental Matters – Climate Change” in Item 1. CECONY may also be impacted by regulations requiring reductions in air emissions. See “Environmental Matters – Other Federal, State and Local Environmental Provisions – Air Quality” in Item 1. In addition, the Utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the Utilities’ operations and are present on properties or in facilities and equipment currently or previously owned by them. See “Environmental Matters” in Item 1 and Note G to the financial statements in Item 8. The Companies could be adversely affected if a causal relationship between electric and magnetic fields and adverse health effects were to be established.

**Financial and Market Risks:**

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

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

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

**The Companies Require Access To Capital Markets To Satisfy Funding Requirements.** The Utilities estimate that their construction expenditures will exceed $10,300 million over the next three years. The Utilities use internally-generated funds, equity contributions from Con Edison, if any, and external borrowings to fund the construction expenditures. The Clean Energy Businesses are investing in renewable generation and energy infrastructure projects that require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds, the sale of its common shares or external borrowings. Changes in financial market conditions or in the Companies’ credit ratings could adversely affect their ability to raise new capital and the cost thereof. See “Capital Requirements and Resources” in Item 1.

**Changes To Tax Laws Could Adversely Affect the Companies.** Changes to tax laws, regulations or interpretations thereof could have a material adverse impact on the Companies. Depending on the extent of these changes, the changes could also adversely impact the Companies’ credit ratings. The reduction in the federal corporate income tax rate to 21 percent under the TCJA has resulted in decreased cash flows from operating activities, and requires increased cash flows from financing activities, for the Utilities. See “Capital Requirements and Resources – Capital Resources” in Item 1, “Liquidity and Capital Resources – Cash Flows from Operating

Activities” in Item 7, "Rate Plans" and "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

**Other Risks:**

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

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

## Item 1B: Unresolved Staff Comments

### Con Edison

Con Edison has no unresolved comments from the SEC staff.

### CECONY

CECONY has no unresolved comments from the SEC staff.

## Item 2: Properties

### Con Edison

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

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

### CECONY

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

### O&R

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

### Clean Energy Businesses

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

### Con Edison Transmission

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

## Item 3: Legal Proceedings

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

## Item 4: Mine Safety Disclosures

Not applicable.

## Information about our Executive Officers

The following table sets forth certain information about the executive officers of Con Edison as of February 20, 2020. The term of office of each officer, is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company.

| Name | Age | Offices and Positions During Past Five Years |
|---|---|---|
| John McAvoy | 59 | 5/14 to present – Chairman of the Board, President and Chief Executive Officer and Director of Con Edison and Chairman, Chief Executive Officer and Trustee of CECONY |
| Robert Hoglund | 58 | 9/05 to present – Senior Vice President and Chief Financial Officer of Con Edison and CECONY |
| Timothy P. Cawley | 55 | 1/18 to present – President of CECONY |
| | | 12/13 to 12/17 – President and Chief Executive Officer of O&R |
| Robert Sanchez | 54 | 12/17 to present – President and Chief Executive Officer of O&R |
| | | 11/17 – Senior Vice President of CECONY |
| | | 9/16 to 10/17 – Senior Vice President – Corporate Shared Services of CECONY |
| | | 9/14 to 8/16 – Vice President – Brooklyn & Queens Electric Operations of CECONY |
| Mark Noyes | 55 | 12/16 to present – President and Chief Executive Officer of Con Edison Clean Energy Businesses, Inc. |
| | | 5/16 to present – President and Chief Executive Officer of Consolidated Edison Solutions, Inc. |
| | | 10/15 to present – President and Chief Executive Officer of Consolidated Edison Development, Inc. and Consolidated Edison Energy, Inc. |
| | | 10/14 to 9/15 – Senior Vice President and Chief Operating Officer of Consolidated Edison Development, Inc. and Consolidated Edison Energy, Inc. |
| Stuart Nachmias | 55 | 1/20 to present – President and Chief Executive Officer of Con Edison Transmission, Inc. |
| | | 05/08 to 12/19 – Vice President of Energy Policy and Regulatory Affairs |
| Deneen L. Donnley | 55 | 1/20 to present – Senior Vice President and General Counsel of Con Edison and CECONY |
| | | 10/19 to 12/19 – Senior Vice President of Con Edison and CECONY |
| | | 9/15 to 10/19 – Executive Vice President, Chief Legal Officer and Corporate Secretary – USAA |
| Frances A. Resheske | 59 | 2/02 to present – Senior Vice President – Corporate Affairs (formerly known as Public Affairs) of CECONY |
| Mary E. Kelly | 51 | 11/17 to present – Senior Vice President – Corporate Shared Services of CECONY |
| | | 1/16 to 10/17 – Vice President – Gas Engineering |
| | | 1/14 to 12/15 – Vice President – Construction |
| Lore de la Bastide | 58 | 7/19 to present – Senior Vice President – Utility Shared Services of CECONY |
| | | 6/19 – Senior Vice President of CECONY |
| | | 11/14 to 5/19 – Vice President and General Auditor |
| Robert Muccilo | 63 | 7/09 to present – Vice President and Controller of Con Edison and CECONY |
| | | 11/09 to present – Chief Financial Officer and Controller of O&R |
| Yukari Saegusa | 52 | 9/16 to present – Treasurer of Con Edison and CECONY |
| | | 8/16 to present – Vice President of Con Edison and CECONY |
| | | 8/13 to present – Treasurer of O&R |
| | | 3/13 to 7/16 – Director of Corporate Finance of CECONY |
| Gurudatta Nadkarni | 54 | 1/08 to present – Vice President of Strategic Planning of CECONY |

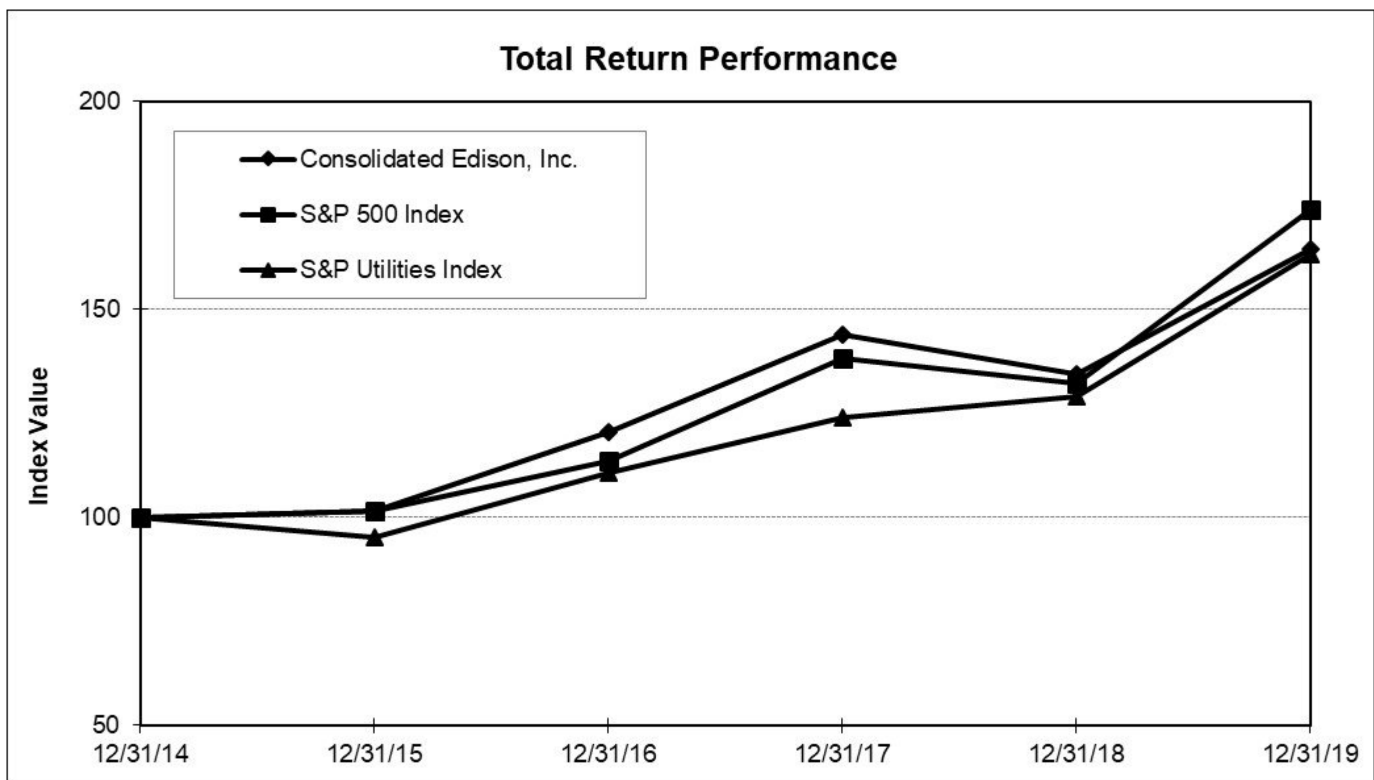
# Part II

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

### Con Edison

Con Edison's Common Shares ($.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange under the trading symbol "ED." As of January 31, 2020, there were 41,282 holders of record of Con Edison's Common Shares. Con Edison paid quarterly dividends of 71.5 cents per Common Share in 2018 and quarterly dividends of 74 cents per Common Share in 2019. On January 16, 2020, Con Edison declared a quarterly dividend of 76.5 cents per Common Share that is payable on March 16, 2020. Con Edison expects to pay dividends to its shareholders primarily from dividends and other distributions it receives from its subsidiaries. The payment of future dividends is subject to approval and declaration by Con Edison's Board of Directors and will depend on a variety of factors including business, financial and regulatory considerations. For additional information about the payment of dividends by the Utilities to Con Edison, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

During 2019, the market price of Con Edison's Common Shares increased by 18.3 percent (from $76.46 at year-end 2018 to $90.47 at year-end 2019). By comparison, the S&P 500 Index increased 28.9 percent and the S&P 500 Utilities Index increased 22.2 percent. The total return to Con Edison's common shareholders during 2019, including both price appreciation and investment of dividends, was 22.5 percent. By comparison, the total returns for the S&P 500 Index and the S&P 500 Utilities Index were 31.5 percent and 26.3 percent, respectively. For the five-year period 2015 through 2019 inclusive, Con Edison's shareholders' total return was 64.6 percent, compared with total returns for the S&P 500 Index and the S&P 500 Utilities Index of 73.9 percent and 63.2 percent, respectively.




| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| **Company / Index** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Consolidated Edison, Inc. | 100.00 | 101.42 | 120.59 | 143.86 | 134.34 | 164.62 |
| S&P 500 Index | 100.00 | 101.38 | 113.51 | 138.29 | 132.23 | 173.86 |
| S&P Utilities | 100.00 | 95.15 | 110.65 | 124.05 | 129.14 | 163.17 |

Based on $100 invested at December 31, 2014, reinvestment of all dividends in equivalent shares of stock and market price changes on all such shares.

### CECONY

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

The dividends declared by CECONY in 2018 and 2019 are shown in its Consolidated Statement of Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by CECONY, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

## Item 6: Selected Financial Data

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

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

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

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

### Corporate Overview

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

| | For the Year Ended December 31, 2019 | | | | At December 31, 2019 | |
|---|---|---|---|---|---|---|
| ***(Millions of Dollars, except percentages)*** | **Operating Revenues** | | **Net Income for Common Stock** | | **Assets** | |
| CECONY | $10,821 | 86% | $1,250 | 93% | $46,557 | 80% |
| O&R | 893 | 7% | 70 | 5% | 3,006 | 5% |
| Total Utilities | 11,714 | 93% | 1,320 | 98% | 49,563 | 85% |
| Clean Energy Businesses (a) | 857 | 7% | (18) | (1)% | 6,528 | 11% |
| Con Edison Transmission | 4 | —% | 52 | 4% | 1,618 | 3% |
| Other (b) | (1) | —% | (11) | (1)% | 370 | 1% |
| **Total Con Edison** | **$12,574** | **100%** | **$1,343** | **100%** | **$58,079** | **100%** |

(a) Net income for common stock from the Clean Energy Businesses for the year ended December 31, 2019 includes $(21) million of net after-tax mark-to-market losses and reflects $74 million (after-tax) of income attributable to the non-controlling interest of a tax equity investor in renewable electric production projects accounted for under the HLBV method of accounting. See Note Q to the financial statements in Item 8.

(b) Other includes parent company and consolidation adjustments.

### Results of Operations

Net income for common stock and earnings per share for the years ended December 31, 2019, 2018 and 2017 were as follows:

| ***(Millions of Dollars, except per share amounts)*** | **Net Income for Common Stock** | | | **Earnings per Share** | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2019** | **2018** | **2017** |
| CECONY | $1,250 | $1,196 | $1,104 | $3.80 | $3.84 | $3.59 |
| O&R | 70 | 59 | 64 | 0.21 | 0.19 | 0.21 |
| Clean Energy Businesses (a)(b)(c) | (18) | 145 | 332 | (0.06) | 0.46 | 1.08 |
| Con Edison Transmission (c) | 52 | 47 | 44 | 0.16 | 0.15 | 0.15 |
| Other (c)(d) | (11) | (65) | (19) | (0.02) | (0.21) | (0.06) |
| **Con Edison (e)** | **$1,343** | **$1,382** | **$1,525** | **$4.09** | **$4.43** | **$4.97** |

(a) Net income for common stock from the Clean Energy Businesses for the year ended December 31, 2019 reflects $74 million or $0.22 a share (after-tax) of income attributable to the non-controlling interest of a tax equity investor in renewable electric production projects accounted for under the HLBV method of accounting. See Note Q to the financial statements in Item 8. Net income for common stock from the Clean Energy Businesses for the year ended December 31, 2017 includes $1 million or $0.00 a share of net after-tax gain on the sale of a solar electric production project in 2017. See Note U to the financial statements in Item 8. Net income for common stock from the Clean Energy Businesses also includes $(21) million or $(0.07) a share, $(6) million or $(0.02) a share and $1 million or $0.00 a share of net after-tax mark-to-market gains/(losses) in 2019, 2018 and 2017, respectively.

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

(c) Upon enactment of the TCJA in December 2017, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, the Clean Energy Businesses, Con Edison Transmission and the parent company recognized in net income for common stock for the year ended December 31, 2017 $269 million, $11 million and $(21) million, respectively. See Note L to the financial statements in Item 8.

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

(e) Earnings per share on a diluted basis were $4.08 a share, $4.42 a share and $4.94 a share in 2019, 2018 and 2017, respectively. See "Earnings Per Common Share" in Note A to the financial statements in Item 8.

The following tables present the estimated effect of major factors on earnings per share and net income for common stock for the years ended December 31, 2019 as compared with 2018, and 2018 as compared with 2017.

| Variation for the Years Ended December 31, 2019 vs. 2018 | Earnings per Share | Net Income for Common Stock (Millions of Dollars) | |
|---|---|---|---|
| CECONY (a) | | | |
| Changes in rate plans | $0.76 | $240 | Reflects higher electric and gas net base revenues of $0.53 a share and $0.16 a share, respectively, due primarily to electric and gas base rate increases in January 2019 under the company's rate plans, higher incentives earned under the electric earnings adjustment mechanisms and positive incentives of $0.06 a share, and growth in the number of gas customers of $0.03 a share, offset, in part, by electric negative revenue adjustments of $(0.03) a share. |
| Weather impact on steam revenues | (0.06) | (19) | Reflects the impact of warmer winter weather in 2019. |
| Operations and maintenance expenses | (0.19) | (58) | Reflects higher costs for pension and other postretirement benefits of $(0.15) a share, which are recoverable under the rate plans, and higher stock-based compensation of $(0.07) a share, offset, in part, by lower consultant costs of $0.04 a share. |
| Depreciation, property taxes and other tax matters | (0.54) | (168) | Reflects higher property taxes of $(0.26) a share and higher depreciation and amortization expense of $(0.23) a share, both of which are recoverable under the rate plans, and the absence of New York State sales and use tax refunds received in 2018 of $(0.07) a share, offset, in part, by lower sales and use tax of $0.02 a share, upon conclusion of the audit assessment. |
| Other | (0.01) | 59 | Reflects the dilutive effect of Con Edison's stock issuances of $(0.21) a share, offset, in part, by lower costs associated with components of pension and other postretirement benefits other than service cost of $0.19 a share. |
| Total CECONY | (0.04) | 54 | |
| O&R (a) | | | |
| Changes in rate plans | 0.08 | 24 | Reflects an electric base rate increase, offset, in part, by a gas base rate decrease under the company's rate plans, effective January 1, 2019. |
| Operations and maintenance expenses | (0.01) | (3) | Reflects higher stock-based compensation. |
| Depreciation, property taxes and other tax matters | (0.02) | (6) | Reflects higher depreciation and amortization expense. |
| Other | (0.03) | (4) | Includes the dilutive effect of Con Edison's stock issuances of $(0.01) a share. |
| Total O&R | 0.02 | 11 | |
| Clean Energy Businesses | | | |
| Operating revenues less energy costs | 0.53 | 167 | Reflects higher revenues from renewable electric production projects resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC, including the consolidation of certain jointly-owned projects that were previously accounted for as equity investments of $0.81 a share, offset, in part, by lower engineering, procurement and construction services revenues of $(0.34) a share. |
| Operations and maintenance expenses | 0.15 | 47 | Reflects lower engineering, procurement and construction costs of $0.19 a share and lower energy services costs of $0.04 a share, offset, in part, by higher costs associated with additional renewable electric production projects in operation resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC. of $(0.06) a share. |
| Depreciation and amortization | (0.34) | (105) | Reflects an increase in renewable electric production projects resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC. |
| Net interest expense | (0.29) | (90) | Reflects an increase in debt resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC. |
| HLBV effects | (0.22) | (74) | |
| Gain on acquisition of Sempra Solar Holdings, LLC, net of transaction costs in 2018 | (0.28) | (89) | |
| Other | (0.07) | (19) | Reflects the absence in 2019 of equity income from certain jointly-owned projects that were accounted for as equity investments in 2018 but consolidated after the December 2018 acquisition of Sempra Solar Holdings, LLC. |
| Total Clean Energy Businesses | (0.52) | (163) | |
| Con Edison Transmission | 0.01 | 5 | Reflects higher allowance for funds used during construction from the Mountain Valley Pipeline project. |
| Other, including parent company expenses | 0.19 | 54 | Reflects lower New York State capital tax of $0.02 a share. Also reflects 2018 TCJA re-measurement of $0.14 a share and transaction costs related to the acquisition of Sempra Solar Holdings, LLC of $0.02 a share. |
| Total Reported (GAAP basis) | $(0.34) | $(39) | |

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

| Variation for the Years Ended December 31, 2018 vs. 2017 | Earnings per Share | Net Income for Common Stock (Millions of Dollars) | |
|---|---|---|---|
| CECONY (a) | | | |
| Changes in rate plans | $0.84 | $258 | Reflects primarily higher electric and gas net base revenues of $0.59 a share and $0.16 a share, respectively, and growth in the number of gas customers of $0.06 a share. Electric and gas base rates increased in January 2018 in accordance with the company's rate plans. |
| Weather impact on steam revenues | 0.10 | 31 | Steam revenues were $0.06 a share higher in 2018 due to the estimated impact of colder winter weather in 2018. Steam revenues were $(0.05) a share lower in 2017 due to the estimated impact of warmer than normal winter weather. |
| Operations and maintenance expenses | (0.08) | (25) | Reflects primarily higher consultant costs of $(0.05) a share and storm-related costs of $(0.04) a share. |
| Depreciation, property taxes and other tax matters | (0.37) | (115) | Reflects higher net property taxes of $(0.25) a share and depreciation and amortization expense of $(0.19) a share, offset, in part, by New York State sales and use tax refunds of $0.07 a share. |
| Other | (0.24) | (57) | Reflects primarily higher interest expense on long-term debt of $(0.16) a share, regulatory reserve related to steam earnings sharing of $(0.05) a share, and the dilutive effect of Con Edison's stock issuances of $(0.06) a share. |
| Total CECONY | 0.25 | 92 | |
| O&R (a) | | | |
| Changes in rate plans | 0.02 | 6 | Reflects primarily higher gas net base revenues. Gas base rates increased in November 2017 in accordance with the company's gas rate plan. |
| Operations and maintenance expenses | (0.02) | (6) | Reflects primarily reduction of a regulatory asset associated with certain site investigation and environmental remediation costs. |
| Depreciation, property taxes and other tax matters | (0.01) | (4) | Reflects higher depreciation and amortization expense. |
| Other | (0.01) | (1) | |
| Total O&R | (0.02) | (5) | |
| Clean Energy Businesses | | | |
| Operating revenues less energy costs | (0.05) | (16) | Reflects primarily lower renewable revenues, including engineering, procurement and construction services, offset, in part, by an increase in renewable electric production projects in operation and an increase in energy services revenue. |
| Operations and maintenance expenses | 0.06 | 19 | Reflects primarily lower engineering, procurement and construction costs. |
| Depreciation | (0.03) | (9) | |
| Net interest expense | (0.05) | (15) | |
| Gain on sale of solar electric production project | — | (1) | |
| Income tax effect of the TCJA | (0.88) | (269) | |
| Gain on acquisition of Sempra Solar Holdings, LLC | 0.42 | 131 | |
| Other | (0.09) | (27) | |
| Total Clean Energy Businesses | (0.62) | (187) | |
| Con Edison Transmission | — | 3 | Includes the effect of the TCJA of $0.04 a share in December 2017. Reflects income from equity investments. |
| Other, including parent company expenses | (0.15) | (46) | Includes TCJA re-measurement of $(0.14) a share, New York State capital tax of $(0.03) a share and transaction costs related to acquisition of Sempra Solar Holdings, LLC of $(0.02) a share. Also includes the effect of the TCJA of $(0.07) a share in December 2017. |
| Total Reported (GAAP basis) | $(0.54) | $(143) | |

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

The Companies' other operations and maintenance expenses for the years ended December 31, 2019, 2018 and 2017 were as follows:

| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| CECONY | | | |
| Operations | $1,563 | $1,553 | $1,528 |
| Pensions and other postretirement benefits | 134 | 71 | 58 |
| Health care and other benefits | 170 | 166 | 170 |
| Regulatory fees and assessments (a) | 464 | 444 | 476 |
| Other | 304 | 321 | 294 |
| Total CECONY | 2,635 | 2,555 | 2,526 |
| O&R | 308 | 305 | 296 |
| Clean Energy Businesses (b) | 223 | 287 | 313 |
| Con Edison Transmission | 9 | 10 | 9 |
| Other (c) | — | (5) | (5) |
| **Total other operations and maintenance expenses** | **$3,175** | **$3,152** | **$3,139** |

(a) Includes Demand Side Management, System Benefit Charges and Public Service Law 18A assessments which are collected in revenues.
(b) The decrease in other operations and maintenance expenses for the year ended December 31, 2019 compared with the 2018 and 2017 periods is due primarily to lower engineering, procurement and construction costs.
(c) Includes parent company and consolidation adjustments.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business segments are its regulated electric, gas and steam utility activities. A discussion of the results of operations by principal business segment for the years ended December 31, 2019, 2018 and 2017 follows. For additional business segment financial information, see Note N to the financial statements in Item 8.

The Companies' results of operations for the years ended December 31, 2019, 2018 and 2017 were:

| | CECONY | | | O&R | | | Clean Energy Businesses | | | Con Edison Transmission | | | Other (a) | | | Con Edison (b) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Operating revenues | $10,821 | $10,680 | $10,468 | $893 | $891 | $874 | $857 | $763 | $694 | $4 | $4 | $2 | $(1) | $(1) | $(5) | $12,574 | $12,337 | $12,033 |
| Purchased power | 1,357 | 1,433 | 1,415 | 188 | 208 | 191 | — | 2 | (3) | — | — | — | 1 | 1 | (2) | 1,546 | 1,644 | 1,601 |
| Fuel | 207 | 263 | 216 | — | — | — | — | — | — | — | — | — | — | — | — | 207 | 263 | 216 |
| Gas purchased for resale | 606 | 643 | 510 | 90 | 86 | 73 | 185 | 313 | 226 | — | — | — | (1) | (1) | (1) | 880 | 1,041 | 808 |
| Other operations and maintenance | 2,635 | 2,555 | 2,526 | 308 | 305 | 296 | 223 | 287 | 313 | 9 | 10 | 9 | — | (5) | (5) | 3,175 | 3,152 | 3,139 |
| Depreciation and amortization | 1,373 | 1,276 | 1,195 | 84 | 77 | 71 | 226 | 85 | 74 | 1 | 1 | 1 | — | (1) | — | 1,684 | 1,438 | 1,341 |
| Taxes, other than income taxes | 2,295 | 2,156 | 2,057 | 84 | 83 | 82 | 21 | 13 | 16 | — | — | — | 6 | 14 | — | 2,406 | 2,266 | 2,155 |
| Gain on sale of solar electric production project (c) | — | — | — | — | — | — | — | — | 1 | — | — | — | — | — | — | — | — | 1 |
| Gain on acquisition of Sempra Solar Holdings, LLC (c) | — | — | — | — | — | — | — | 131 | — | — | — | — | — | — | — | — | 131 | — |
| Operating income | 2,348 | 2,354 | 2,549 | 139 | 132 | 161 | 202 | 194 | 69 | (6) | (7) | (8) | (7) | (9) | 3 | 2,676 | 2,664 | 2,774 |
| Other income less deductions | (35) | (143) | (137) | (11) | (19) | (19) | 5 | 33 | 33 | 104 | 91 | 80 | (12) | (24) | (5) | 51 | (62) | (48) |
| Net interest expense | 728 | 689 | 623 | 41 | 39 | 36 | 186 | 63 | 43 | 25 | 20 | 16 | 11 | 8 | 11 | 991 | 819 | 729 |
| Income before income tax expense | 1,585 | 1,522 | 1,789 | 87 | 74 | 106 | 21 | 164 | 59 | 73 | 64 | 56 | (30) | (41) | (13) | 1,736 | 1,783 | 1,997 |
| Income tax expense | 335 | 326 | 685 | 17 | 15 | 42 | (58) | 19 | (273) | 21 | 17 | 12 | (19) | 24 | 6 | 296 | 401 | 472 |
| **Net income** | **$1,250** | **$1,196** | **$1,104** | **$70** | **$59** | **$64** | **$79** | **$145** | **$332** | **$52** | **$47** | **$44** | **$(11)** | **$(65)** | **$(19)** | **$1,440** | **$1,382** | **$1,525** |
| Income attributable to non-controlling interest | — | — | — | — | — | — | 97 | — | — | — | — | — | — | — | — | 97 | — | — |
| **Net income from common stock** | **$1,250** | **$1,196** | **$1,104** | **$70** | **$59** | **$64** | **$(18)** | **$145** | **$332** | **$52** | **$47** | **$44** | **$(11)** | **$(65)** | **$(19)** | **$1,343** | **$1,382** | **$1,525** |

(a) Includes parent company and consolidation adjustments.
(b) Represents the consolidated results of operations of Con Edison and its businesses.
(c) See Note U to the financial statements in Item 8.

## Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

### CECONY

| *(Millions of Dollars)* | For the Year Ended December 31, 2019 Electric | Gas | Steam | 2019 Total | For the Year Ended December 31, 2018 Electric | Gas | Steam | 2018 Total | 2019-2018 Variation |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenues | $8,062 | $2,132 | $627 | $10,821 | $7,971 | $2,078 | $631 | $10,680 | $141 |
| Purchased power | 1,324 | — | 33 | 1,357 | 1,393 | — | 40 | 1,433 | (76) |
| Fuel | 99 | — | 108 | 207 | 158 | — | 105 | 263 | (56) |
| Gas purchased for resale | — | 606 | — | 606 | — | 643 | — | 643 | (37) |
| Other operations and maintenance | 2,059 | 399 | 177 | 2,635 | 1,961 | 420 | 174 | 2,555 | 80 |
| Depreciation and amortization | 1,053 | 231 | 89 | 1,373 | 984 | 205 | 87 | 1,276 | 97 |
| Taxes, other than income taxes | 1,769 | 368 | 158 | 2,295 | 1,676 | 332 | 148 | 2,156 | 139 |
| **Operating income** | **$1,758** | **$528** | **$62** | **$2,348** | **$1,799** | **$478** | **$77** | **$2,354** | **$(6)** |

### Electric

CECONY's results of electric operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 were as follows:

| *(Millions of Dollars)* | For the Years Ended December 31, 2019 | 2018 | Variation |
|---|---|---|---|
| Operating revenues | $8,062 | $7,971 | $91 |
| Purchased power | 1,324 | 1,393 | (69) |
| Fuel | 99 | 158 | (59) |
| Other operations and maintenance | 2,059 | 1,961 | 98 |
| Depreciation and amortization | 1,053 | 984 | 69 |
| Taxes, other than income taxes | 1,769 | 1,676 | 93 |
| **Electric operating income** | **$1,758** | **$1,799** | **$(41)** |

CECONY's electric sales and deliveries in 2019 compared with 2018 were:

| | Millions of kWh Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Years Ended | | | | For the Years Ended | | | |
| **Description** | December 31, 2019 | December 31, 2018 | Variation | Percent Variation | December 31, 2019 | December 31, 2018 | Variation | Percent Variation |
| Residential/Religious (b) | 10,560 | 10,797 | (237) | (2.2)% | $2,671 | $2,846 | $(175) | (6.1)% |
| Commercial/Industrial | 9,908 | 9,588 | 320 | 3.3 | 1,845 | 1,850 | (5) | (0.3) |
| Retail choice customers | 24,754 | 26,266 | (1,512) | (5.8) | 2,470 | 2,624 | (154) | (5.9) |
| NYPA, Municipal Agency and other sales | 9,932 | 10,186 | (254) | (2.5) | 663 | 662 | 1 | 0.2 |
| Other operating revenues (c) | — | — | — | — | 413 | (11) | 424 | Large |
| **Total** | **55,154** | **56,837** | **(1,683)** | **(3.0)% (d)** | **$8,062** | **$7,971** | **$91** | **1.1%** |

(a) Revenues from electric sales 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.
(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 the revenue decoupling mechanism current asset or regulatory liability and changes in regulatory assets and liabilities in accordance with other provisions of the company's rate plan.
(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in the company's service area decreased 1.1 percent in 2019 compared with 2018.

*Operating revenues* increased $91 million in 2019 compared with 2018 due primarily to an increase in revenues from the rate plan ($215 million), including earnings adjustment mechanism incentives for energy efficiency ($22 million), offset, in part, by lower purchased power expenses ($69 million) and fuel expenses ($59 million).

*Purchased power* expenses decreased $69 million in 2019 compared with 2018 due to lower unit costs ($199 million), offset, in part, by higher purchased volumes ($130 million).

*Fuel* expenses decreased $59 million in 2019 compared with 2018 due to lower unit costs ($54 million) and purchased volumes from the company's electric generating facilities ($5 million).

*Other operations and maintenance* expenses increased $98 million in 2019 compared with 2018 due primarily to higher costs for pension and other postretirement benefits ($91 million), surcharges for assessments and fees that are collected in revenues from customers ($40 million) and higher stock-based compensation ($23 million), offset, in part, by lower other employee benefits ($41 million) and municipal infrastructure support costs ($12 million).

*Depreciation and amortization* increased $69 million in 2019 compared with 2018 due primarily to higher electric utility plant balances.

*Taxes, other than income taxes* increased $93 million in 2019 compared with 2018 due primarily to higher property taxes ($86 million) and the absence of a New York State sales and use tax refund received in 2018 ($26 million), offset, in part, by higher deferral of under-collected property taxes ($11 million), the reduction in the sales and use tax reserve upon conclusion of an audit assessment ($6 million) and lower state and local taxes ($2 million).

**Gas**

CECONY's results of gas operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **2019** | **2018** | **Variation** |
| Operating revenues | $2,132 | $2,078 | $54 |
| Gas purchased for resale | 606 | 643 | (37) |
| Other operations and maintenance | 399 | 420 | (21) |
| Depreciation and amortization | 231 | 205 | 26 |
| Taxes, other than income taxes | 368 | 332 | 36 |
| **Gas operating income** | **$528** | **$478** | **$50** |

CECONY's gas sales and deliveries, excluding off-system sales, in 2019 compared with 2018 were:

| | Thousands of Dt Delivered | | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended | | | | | For the Years Ended | | | |
| **Description** | **December 31, 2019** | **December 31, 2018** | **Variation** | **Percent Variation** | | **December 31, 2019** | **December 31, 2018** | **Variation** | **Percent Variation** |
| Residential | 54,402 | 57,815 | (3,413) | (5.9)% | | $943 | $966 | $(23) | (2.4)% |
| General | 33,235 | 34,490 | (1,255) | (3.6) | | 384 | 390 | (6) | (1.5) |
| Firm transportation | 81,710 | 82,472 | (762) | (0.9) | | 593 | 595 | (2) | (0.3) |
| **Total firm sales and transportation** | **169,347** | **174,777** | **(5,430)** | **(3.1)** | **(b)** | **1,920** | **1,951** | **(31)** | **(1.6)** |
| Interruptible sales (c) | 9,903 | 7,351 | 2,552 | 34.7 | | 42 | 40 | 2 | 5.0 |
| NYPA | 39,643 | 34,079 | 5,564 | 16.3 | | 2 | 2 | — | — |
| Generation plants | 52,011 | 72,524 | (20,513) | (28.3) | | 23 | 26 | (3) | (11.5) |
| Other | 20,701 | 20,822 | (121) | (0.6) | | 31 | 31 | — | — |
| Other operating revenues (d) | — | — | — | — | | 114 | 28 | 86 | Large |
| **Total** | **291,605** | **309,553** | **(17,948)** | **(5.8)%** | | **$2,132** | **$2,078** | **$54** | **2.6%** |

(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 1.8 percent in 2019 compared with 2018, reflecting primarily increased volumes attributable to the growth in the number of gas customers.

(c) Includes 5,484 thousands and 3,326 thousands of Dt for 2019 and 2018, respectively, which are also reflected in firm transportation and other.

(d) Other gas operating revenues generally reflect changes in the revenue decoupling mechanism and weather normalization clause current asset or regulatory liability and changes in regulatory assets and liabilities in accordance with other provisions of the company's rate plans. See Note B to the financial statements in Item 8.

*Operating revenues* increased $54 million in 2019 compared with 2018 due primarily to an increase in revenues from the rate plan ($99 million), offset, in part, by lower gas purchased for resale expense ($37 million).

*Gas purchased for resale* decreased $37 million in 2019 compared with 2018 due to lower unit costs ($34 million) and purchased volumes ($3 million).

*Other operations and maintenance* expenses decreased $21 million in 2019 compared with 2018 due primarily to lower surcharges for assessments and fees that are collected in revenues from customers.

*Depreciation and amortization* increased $26 million in 2019 compared with 2018 due primarily to higher gas utility plant balances.

*Taxes, other than income taxes* increased $36 million in 2019 compared with 2018 due primarily to higher property taxes ($37 million), the absence of a New York State sales and use tax refund received in 2018 ($3 million) and higher state and local taxes ($2 million), offset, in part, by higher deferral of under-collected property taxes ($4 million) and the reduction in the sales and use tax reserve upon conclusion of an audit assessment ($1 million).

**Steam**

CECONY's results of steam operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| ***(Millions of Dollars)*** | **2019** | **2018** | **Variation** |
| Operating revenues | $627 | $631 | $(4) |
| Purchased power | 33 | 40 | (7) |
| Fuel | 108 | 105 | 3 |
| Other operations and maintenance | 177 | 174 | 3 |
| Depreciation and amortization | 89 | 87 | 2 |
| Taxes, other than income taxes | 158 | 148 | 10 |
| **Steam operating income** | **$62** | **$77** | **$(15)** |

CECONY's steam sales and deliveries in 2019 compared with 2018 were:

| | Millions of Pounds Delivered | | | | Revenues in Millions | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Years Ended | | | | For the Years Ended | | | |
| **Description** | **December 31, 2019** | **December 31, 2018** | **Variation** | **Percent Variation** | **December 31, 2019** | **December 31, 2018** | **Variation** | **Percent Variation** |
| General | 536 | 593 | (57) | (9.6)% | $27 | $30 | $(3) | (10.0)% |
| Apartment house | 5,919 | 6,358 | (439) | (6.9) | 160 | 174 | (14) | (8.0) |
| Annual power | 13,340 | 14,811 | (1,471) | (9.9) | 395 | 441 | (46) | (10.4) |
| Other operating revenues (a) | — | — | — | — | 45 | (14) | 59 | Large |
| **Total** | **19,795** | **21,762** | **(1,967)** | **(9.0)% (b)** | **$627** | **$631** | **$(4)** | **(0.6)%** |

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

(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries in the company's service area decreased 4.4 percent in 2019 compared with 2018.

*Operating revenues* decreased $4 million in 2019 compared with 2018 due primarily to the impact of warmer winter weather ($26 million) and lower purchased power expenses ($7 million), offset by certain rate plan reconciliations ($16 million), lower reserve related to steam earnings sharing ($14 million) and higher fuel expenses ($3 million).

*Purchased power* expenses decreased $7 million in 2019 compared with 2018 due to lower unit costs ($6 million) and purchased volumes ($1 million).

*Fuel* expenses increased $3 million in 2019 compared with 2018 due to higher unit costs ($7 million), offset, in part, by lower purchased volumes from the company's steam generating facilities ($4 million).

*Other operations and maintenance* expenses increased $3 million in 2019 compared with 2018 due primarily to higher municipal infrastructure support costs ($7 million), higher costs for pension and other postretirement benefits ($8 million) and stock-based compensation ($2 million), offset, in part, by the absence in 2019 of property damage, clean-up and other response costs related to a steam main rupture in 2018 ($11 million).

*Depreciation and amortization* increased $2 million in 2019 compared with 2018 due primarily to higher steam utility plant balances.

*Taxes, other than income taxes* increased $10 million in 2019 compared with 2018 due primarily to higher property taxes ($12 million) and the absence of a New York State sales and use tax refund received in 2018 ($1 million), offset, in part, by lower state and local taxes ($1 million), higher deferral of under-collected property taxes ($1 million) and the reduction in the sales and use tax reserve upon conclusion of an audit assessment ($1 million).

### Taxes, Other Than Income Taxes

At $2,295 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **Variation** |
| Property taxes | $1,979 | $1,845 | $134 |
| State and local taxes related to revenue receipts | 328 | 330 | (2) |
| Payroll taxes | 69 | 69 | — |
| Other taxes | (81) | (88) | 7 |
| **Total** | **$2,295 (a)** | **$2,156 (a)** | **$139** |

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2019 and 2018 were $2,807 and $2,628 million, respectively.

### Other Income (Deductions)

Other income (deductions) increased $108 million in 2019 compared with 2018 due primarily to lower costs associated with components of pension and other postretirement benefits other than service cost.

### Net Interest Expense

Net interest expense increased $39 million in 2019 compared with 2018 due primarily to higher interest expense for long-term ($10 million) and short-term ($6 million) debt, an increase in interest accrued on the TCJA related regulatory liability ($9 million) and interest accrued on the system benefit charge liability ($8 million).

### Income Tax Expense

Income taxes increased $9 million in 2019 compared with 2018 due primarily to higher income before income tax expense ($13 million) and lower tax benefits in 2019 for plant-related flow through items ($7 million), offset, in part, by an increase in the amortization of excess deferred federal income taxes due to the TCJA ($11 million).

## O&R

| | For the Year Ended December 31, 2019 | | | For the Year Ended December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | **Electric** | **Gas** | **2019 Total** | **Electric** | **Gas** | **2018 Total** | **2019-2018 Variation** |
| Operating revenues | $634 | $259 | $893 | $642 | $249 | $891 | $2 |
| Purchased power | 188 | — | 188 | 208 | — | 208 | (20) |
| Gas purchased for resale | — | 90 | 90 | — | 86 | 86 | 4 |
| Other operations and maintenance | 235 | 73 | 308 | 233 | 72 | 305 | 3 |
| Depreciation and amortization | 60 | 24 | 84 | 56 | 21 | 77 | 7 |
| Taxes, other than income taxes | 53 | 31 | 84 | 52 | 31 | 83 | 1 |
| **Operating income** | **$98** | **$41** | **$139** | **$93** | **$39** | **$132** | **$7** |

## Electric

O&R's results of electric operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | Variation |
| Operating revenues | $634 | $642 | $(8) |
| Purchased power | 188 | 208 | (20) |
| Other operations and maintenance | 235 | 233 | 2 |
| Depreciation and amortization | 60 | 56 | 4 |
| Taxes, other than income taxes | 53 | 52 | 1 |
| **Electric operating income** | **$98** | **$93** | **$5** |

O&R's electric sales and deliveries in 2019 compared with 2018 were:

| | Millions of kWh Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Years Ended | | | | For the Years Ended | | | |
| Description | December 31, 2019 | December 31, 2018 | Variation | Percent Variation | December 31, 2019 | December 31, 2018 | Variation | Percent Variation |
| Residential/Religious (b) | 1,703 | 1,713 | (10) | (0.6)% | $309 | $326 | $(17) | (5.2)% |
| Commercial/Industrial | 808 | 799 | 9 | 1.1 | 112 | 115 | (3) | (2.6) |
| Retail choice customers | 2,885 | 2,974 | (89) | (3.0) | 191 | 201 | (10) | (5.0) |
| Public authorities | 106 | 131 | (25) | (19.1) | 8 | 12 | (4) | (33.3) |
| Other operating revenues (c) | — | — | — | — | 14 | (12) | 26 | Large |
| **Total** | **5,502** | **5,617** | **(115)** | **(2.0)% (d)** | **$634** | **$642** | **$(8)** | **(1.2)%** |

(a) Revenues from New York electric delivery sales 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 the revenue decoupling mechanism current asset or regulatory liability in accordance with the company's New York electric rate plan and changes in regulatory assets and liabilities in accordance with the company's electric rate plans. See Note B to the financial statements in Item 8.

(d) After adjusting for weather and other variations, electric delivery volumes in company's service area decreased 1.1 percent in 2019 compared with 2018.

*Operating revenues* decreased $8 million in 2019 compared with 2018 due primarily to lower purchased power expenses.

*Purchased power* expenses decreased $20 million in 2019 compared with 2018 due to lower unit costs ($21 million), offset, in part, by higher purchased volumes ($1 million).

*Other operations and maintenance* expenses increased $2 million in 2019 compared with 2018 due primarily to a regulatory change in accounting for manufactured gas plant spending ($5 million) and higher stock-based compensation ($2 million), offset, in part, by the reduction of a regulatory asset associated with certain site investigation and remediation costs in 2018 ($6 million).

*Depreciation and amortization* increased $4 million in 2019 compared with 2018 due primarily to higher electric utility plant balances.

*Taxes, other than income taxes* increased $1 million in 2019 compared with 2018 due primarily to higher property taxes.

## Gas

O&R's results of gas operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | Variation |
| Operating revenues | $259 | $249 | $10 |
| Gas purchased for resale | 90 | 86 | 4 |
| Other operations and maintenance | 73 | 72 | 1 |
| Depreciation and amortization | 24 | 21 | 3 |
| Taxes, other than income taxes | 31 | 31 | — |
| **Gas operating income** | **$41** | **$39** | **$2** |

O&R's gas sales and deliveries, excluding off-system sales, in 2019 compared with 2018 were:

| | Thousands of Dt Delivered | | | | Revenues in Millions (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | For the Years Ended | | | | For the Years Ended | | | |
| Description | December 31, 2019 | December 31, 2018 | Variation | Percent Variation | December 31, 2019 | December 31, 2018 | Variation | Percent Variation |
| Residential | 10,209 | 9,860 | 349 | 3.5% | $136 | $140 | $(4) | (2.9)% |
| General | 2,328 | 2,190 | 138 | 6.3 | 25 | 26 | (1) | (3.8) |
| Firm transportation | 9,459 | 9,950 | (491) | (4.9) | 63 | 78 | (15) | (19.2) |
| **Total firm sales and transportation** | **21,996** | **22,000** | **(4)** | **— (b)** | **224** | **244** | **(20)** | **(8.2)** |
| Interruptible sales | 3,668 | 3,746 | (78) | (2.1) | 6 | 6 | — | — |
| Generation plants | 4 | 1 | 3 | Large | — | — | — | — |
| Other | 914 | 959 | (45) | (4.7) | 1 | 1 | — | — |
| Other gas revenues | — | — | — | — | 28 | (2) | 30 | Large |
| **Total** | **26,582** | **26,706** | **(124)** | **(0.5)%** | **$259** | **$249** | **$10** | **4.0%** |

(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, firm sales and transportation volumes in the company's service area increased 0.9 percent in 2019 compared with 2018.

*Operating revenues* increased $10 million in 2019 compared with 2018 due primarily to higher revenues from the New York gas rate plan ($8 million) and an increase in gas purchased for resale ($4 million).

*Gas purchased for resale* increased $4 million in 2019 compared with 2018 due to higher unit costs ($3 million) and purchased volumes ($1 million).

*Other operations and maintenance* expenses increased $1 million in 2019 compared with 2018 due primarily to a regulatory change in accounting for manufactured gas plant spending ($3 million) and higher stock-based compensation ($1 million), offset, in part, by the reduction of a regulatory asset associated with certain site investigation and remediation costs in 2018 ($3 million).

*Depreciation and amortization* increased $3 million in 2019 compared with 2018 due primarily to higher gas utility plant balances.

### Taxes, Other Than Income Taxes

Taxes, other than income taxes, increased $1 million in 2019 compared with 2018. The principal components of taxes, other than income taxes, were:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | Variation |
| Property taxes | $66 | $65 | $1 |
| State and local taxes related to revenue receipts | 10 | 10 | — |
| Payroll taxes | 8 | 8 | — |
| **Total** | **$84 (a)** | **$83 (a)** | **$1** |

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2019 and 2018 were $116 million and $112 million, respectively.

### Other Income (Deductions)
Other income (deductions) increased $8 million in 2019 compared with 2018 due primarily to lower costs associated with components of pension and other postretirement benefits other than service cost.

### Income Tax Expense
Income taxes increased $2 million in 2019 compared with 2018 due primarily to higher income before income tax expense ($3 million), offset, in part, by an increase in amortization of excess deferred federal income taxes due to the TCJA ($1 million).

## Clean Energy Businesses
The Clean Energy Businesses' results of operations for the year ended December 31, 2019 compared with the year ended December 31, 2018 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | Variation |
| Operating revenues | $857 | $763 | $94 |
| Purchased power | — | 2 | (2) |
| Gas purchased for resale | 185 | 313 | (128) |
| Other operations and maintenance | 223 | 287 | (64) |
| Depreciation and amortization | 226 | 85 | 141 |
| Taxes, other than income taxes | 21 | 13 | 8 |
| Gain on acquisition of Sempra Solar Holdings, LLC (a) | — | 131 | (131) |
| **Operating income** | **$202** | **$194** | **$8** |

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

*Operating revenues* increased $94 million in 2019 compared with 2018 due primarily to higher revenues from renewable electric production projects resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC, including the consolidation of certain jointly-owned projects that were previously accounted for as equity investments ($340 million), offset, in part, by lower wholesale revenues ($144 million), lower engineering, procurement and construction services revenues due to the completion in 2018 of a solar electric production project developed for another company ($92 million) and lower energy services revenues ($24 million). Net mark-to-market values increased ($14 million).

*Purchased power* expenses decreased $2 million in 2019 compared with 2018 due primarily to the absence in the 2019 period of the true-ups relating to the retail electric supply business sold in 2016.

*Gas purchased for resale* decreased $128 million in 2019 compared with 2018 due to lower purchased volumes.

*Other operations and maintenance* expenses decreased $64 million in 2019 compared with 2018 due primarily to lower engineering, procurement and construction costs ($82 million) and lower energy services costs ($18 million), offset, in part, by higher costs associated with additional renewable electric production projects in operation resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC ($26 million).

*Depreciation and amortization* increased $141 million in 2019 compared with 2018 due primarily to an increase in renewable electric production projects resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC (including the consolidation of certain jointly-owned projects that the Clean Energy Businesses previously accounted for as equity method investments).

*Taxes, other than income taxes* increased $8 million in 2019 compared with 2018 due primarily to higher property taxes associated with additional renewable electric production projects in operation resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC.

*Gain on acquisition of Sempra Solar Holdings, LLC* decreased $131 million in 2019 compared with 2018 due to the absence in 2019 of the gain recognized in 2018 with respect to jointly-owned renewable energy production projects upon completion of the acquisition of Sempra Solar Holdings, LLC. See Note U to the financial statements in Item 8.

### Other Income (Deductions)
Other income (deductions) decreased $28 million in 2019 compared with 2018 due primarily to the absence in 2019 of equity income from certain jointly-owned projects that were accounted for as equity investments in 2018 but consolidated after the December 2018 acquisition of Sempra Solar Holdings, LLC.

**Net Interest Expense**
Net interest expense increased $123 million in 2019 compared with 2018 due primarily to an increase in debt resulting from the December 2018 acquisition of Sempra Solar Holdings, LLC, including $825 million that was borrowed to fund a portion of the purchase price, $576 million of Sempra Solar Holdings, LLC subsidiaries' project debt that was outstanding at the time of the acquisition and the consolidation of $506 million of project debt of certain jointly-owned projects that the Clean Energy Businesses previously accounted for as equity method investments.

**Income Tax Expense**
Income taxes decreased $77 million in 2019 compared with 2018 due primarily to lower income before income tax expense (excluding income attributable to non-controlling interest) ($50 million), higher renewable energy credits ($7 million), lower state income taxes ($11 million), adjustments for prior period federal income tax returns primarily due to increased research and development credits ($11 million) and lower valuation allowances on state net operating losses ($6 million), offset, in part, by an increase in uncertain tax positions ($9 million).

**Income Attributable to Non-Controlling Interest**
Income attributable to non-controlling interest increased $97 million in 2019 compared with 2018 due primarily to the income attributable in the 2019 period to a tax equity investor in renewable electric production projects accounted for under the HLBV method of accounting. See Note Q to the financial statements in Item 8.

## Con Edison Transmission

**Other Income (Deductions)**
Other income (deductions) increased $13 million in 2019 compared with 2018 due primarily to higher allowance for funds used during construction from the Mountain Valley Pipeline, LLC ($27 million), offset, in part, by lower contract renewal rates at Stagecoach Gas Services ($17 million). See “Con Edison Transmission - CET Gas” in Item 1 and Note U to the financial statements in Item 8.

**Net Interest Expense**
Net interest expense increased $5 million in 2019 compared with 2018 due primarily to funding of increased investment in Mountain Valley Pipeline, LLC.

**Income Tax Expense**
Income taxes increased $4 million in 2019 compared with 2018 due primarily to higher income before income tax expense ($2 million) and a decrease in the amortization of excess deferred federal income taxes due to the TCJA ($1 million).

## Other

**Taxes, Other Than Income Taxes**
Taxes, other than income taxes decreased $8 million in 2019 compared with 2018 due primarily to lower New York State capital tax.

**Other Income (Deductions)**
Other income (deductions) increased $12 million in 2019 compared with 2018 due primarily to the absence in 2019 of transaction costs related to the acquisition of Sempra Solar Holdings, LLC in 2018. See Note U to the financial statements in Item 8.

**Income Tax Expense**
Income taxes decreased $43 million in 2019 compared with 2018 primarily due to the absence of the TCJA re-measurement of deferred tax assets associated with Con Edison’s 2017 net operating loss carryforward into 2018.

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

### CECONY

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

### Electric

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

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

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

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

(a) Revenues from electric sales are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally 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 the revenue decoupling mechanism current asset or regulatory liability and changes in regulatory assets and liabilities in accordance with other provisions of the company's rate plan. See Note B to the financial statements in Item 8.
(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in the company's service area remained flat in 2018 compared with 2017.

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

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

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

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

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

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

### Gas

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

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

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

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

(a) Revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.
(b) After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company's service area increased 5.1 percent in 2018 compared with 2017, reflecting primarily increased volumes attributable to the growth in the number of gas customers.
(c) Includes 3,326 thousands and 3,816 thousands of Dt for 2018 and 2017, respectively, which are also reflected in firm transportation and other.
(d) Other gas operating revenues generally reflect changes in the revenue decoupling mechanism and weather normalization clause current asset or regulatory liability and changes in regulatory assets and liabilities in accordance with other provisions of the company's rate plan. See Note B to the financial statements in Item 8.

*Operating revenues* increased $177 million in 2018 compared with 2017 due primarily to higher revenues from the gas rate plan and growth in the number of customers ($104 million) and increased gas purchased for resale

expense ($133 million), offset in part by the reduction in other operating revenues resulting from the deferral as a regulatory liability of estimated net benefits for the 2018 period under the TCJA ($85 million).

*Gas purchased for resale* increased $133 million in 2018 compared with 2017 due to higher unit costs ($84 million) and purchased volumes ($49 million).

*Other operations and maintenance* expenses increased $7 million in 2018 compared with 2017 due primarily to higher consultant costs.

*Depreciation and amortization* increased $20 million in 2018 compared with 2017 due primarily to higher gas utility plant balances.

*Taxes, other than income taxes* increased $34 million in 2018 compared with 2017 due primarily to higher property taxes ($40 million) and state and local taxes ($6 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 ($10 million) and a sales and use tax refund ($3 million).

**Steam**

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

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

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

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

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

*Operating revenues* increased $36 million in 2018 compared with 2017 due primarily to the weather impact on revenues ($43 million), higher fuel expenses ($16 million) and purchased power ($4 million), offset in part by the reduction in other operating revenues resulting from the deferral as a regulatory liability of estimated net benefits for the 2018 period under the TCJA ($15 million) and higher regulatory reserve related to steam earnings sharing ($13 million).

*Purchased power* expenses increased $4 million in 2018 compared with 2017 due to higher purchased volumes ($6 million), offset by lower unit costs ($2 million).

*Fuel* expenses increased $16 million in 2018 compared with 2017 due to higher unit costs ($12 million) and purchased volumes ($4 million).

*Other operations and maintenance* expenses increased $3 million in 2018 compared with 2017 due primarily to property damage, clean-up and other response costs related to a steam main rupture in July 2018 ($14 million),

offset in part by surcharges for assessments and fees that are collected in revenues from customers ($4 million) and lower municipal infrastructure support costs ($2 million).

*Depreciation and amortization* increased $2 million in 2018 compared with 2017 due primarily to higher steam utility plant balances.

*Taxes, other than income taxes* increased $14 million in 2018 compared with 2017 due primarily to higher property taxes ($13 million) and state and local taxes ($2 million), offset in part by a sales and use tax refund ($1 million).

### Taxes, Other Than Income Taxes

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

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

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

### Other Income (Deductions)

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

### Net Interest Expense

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

### Income Tax Expense

Income taxes decreased $359 million in 2018 compared with 2017 due primarily to lower income before income tax expense ($56 million), a decrease in the corporate federal income tax rate due to the TCJA ($250 million), a decrease in tax benefits for plant-related flow items ($9 million) and an increase in the amortization of excess deferred federal income taxes due to the TCJA ($52 million), offset in part by non-deductible business expenses ($3 million) and a decrease in bad debt write-offs ($4 million).

## O&R

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

## Electric

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

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

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

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

(a) Revenues from New York electric delivery sales 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 the revenue decoupling mechanism current asset or regulatory liability in accordance with the company's New York electric rate plan and changes in regulatory assets and liabilities in accordance with the company's electric rate plans. See Note B to the financial statements in Item 8.

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

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

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

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

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

## Gas

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

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

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

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

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

(b) After adjusting for weather and other variations, firm sales and transportation volumes in the company's service area increased 2.4 percent in 2018 compared with 2017.

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

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

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

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

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

### Taxes, Other Than Income Taxes

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

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

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

### Income Tax Expense

Income taxes decreased $27 million in 2018 compared with 2017 due primarily to lower income before income tax expense ($7 million), a decrease in the corporate federal income tax rate due to the TCJA ($15 million) and an increase in the amortization of excess deferred federal income taxes due to the TCJA ($5 million).

## Clean Energy Businesses

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

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

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

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

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

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

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

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

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

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

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

### Net Interest Expense

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

### Income Tax Expense

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

## Con Edison Transmission

### Net Interest Expense

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

### Other Income (Deductions)

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

### Income Tax Expense

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

## Other

### Taxes, Other Than Income Taxes

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

### Other Income (Deductions)

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

### Income Tax Expense

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

## Liquidity and Capital Resources

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

The principal factors affecting Con Edison's liquidity are its investments in the Utilities, the Clean Energy Businesses and Con Edison Transmission, the dividends it pays to its shareholders and the dividends it receives from the Utilities and cash flows from financing activities discussed below.

The principal factors affecting CECONY's liquidity are its cash flows from operating activities, cash used in investing activities (including construction expenditures), the dividends it pays to Con Edison and cash flows from financing activities discussed below.

The Companies generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Companies repay their short-term borrowings using funds from long-term financings and operating activities. The Utilities' cost of capital, including working capital, is reflected in the rates they charge to their customers.

Each of the Companies believes that it will be able to meet its reasonably likely short-term and long-term cash requirements. See “The Companies Require Access to Capital Markets to Satisfy Funding Requirements,” "Changes To Tax Laws Could Adversely Affect the Companies" and “The Companies Also Face Other Risks That Are Beyond Their Control” in Item 1A, and “Capital Requirements and Resources” in Item 1.

The Companies' cash, temporary cash investments and restricted cash resulting from operating, investing and financing activities for the years ended December 31, 2019, 2018 and 2017 are summarized as follows:

| | CECONY | | | O&R | | | Clean Energy Businesses | | | Con Edison Transmission | | | Other (a) | | | Con Edison (b) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Operating activities | $2,502 | $2,204 | $2,866 | $190 | $172 | $216 | $199 | $220 | $253 | $194 | $87 | $(4) | $49 | $12 | $36 | $3,134 | $2,695 | $3,367 |
| Investing activities | (3,124) | (3,306) | (3,080) | (218) | (198) | (196) | (258) | (1,740) | (410) | (184) | (227) | (23) | 2 | — | (1) | (3,782) | (5,471) | (3,710) |
| Financing activities | 737 | 1,190 | 240 | 8 | 31 | (22) | 184 | 1,590 | 149 | (12) | 140 | 29 | (58) | (13) | (39) | 859 | 2,938 | 357 |
| Net change for the period | 115 | 88 | 26 | (20) | 5 | (2) | 125 | 70 | (8) | (2) | — | 2 | (7) | (1) | (4) | 211 | 162 | 14 |
| Balance at beginning of period | 818 | 730 | 704 | 52 | 47 | 49 | 126 | 56 | 64 | 2 | 2 | — | 8 | 9 | 13 | 1,006 | 844 | 830 |
| Balance at end of period (c) | $933 | $818 | $730 | $32 | $52 | $47 | $251 | $126 | $56 | $— | $2 | $2 | $1 | $8 | $9 | $1,217 | $1,006 | $844 |

(a) Includes parent company and consolidation adjustments.
(b) Represents the consolidated results of operations of Con Edison and its businesses.
(c) See "Reconciliation of Cash, Temporary Cash Investments and Restricted Cash" in Note A to the financial statements in Item 8.

**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. See "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," "Competition" and "Environmental Matters – Climate Change" in Item 1. 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. See "Recoverable Energy Costs" in Note A to the financial statements in Item 8. Pursuant to their rate plans, the Utilities have recovered from customers a portion of the tax liability they will pay in the future as a result of temporary differences between the book and tax basis of assets and liabilities. These temporary differences affect the timing of cash flows, but not net income, as the Companies are required to record deferred tax assets and liabilities at the current corporate tax rate for the temporary differences. For the Utilities, credits to their customers of the net benefits of the TCJA, including the reduction of the corporate tax rate to 21 percent, decrease cash flows from operating activities. See "Changes To Tax Laws Could Adversely Affect the Companies," in Item 1A, "Federal Income Tax" in Note A, "Rate Plans" in Note B, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

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, amortizations of certain regulatory assets and liabilities and accrued unbilled revenue. 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. See "Rate Plans – CECONY– Electric and Gas" and "Rate Plans – O&R New York – Electric and Gas" in Note B to the financial statements in Item 8. For Con Edison, 2018 net income also included a non-cash gain recognized with respect to jointly-owned renewable energy production projects upon completion of the acquisition of Sempra Solar Holdings, LLC at the Clean Energy Businesses ($131 million). See Note U to the financial statements in Item 8.

Net cash flows from operating activities in 2019 for Con Edison and CECONY were $439 million and $298 million higher, respectively, than in 2018. The changes in net cash flows for Con Edison and CECONY reflect primarily lower pension and retiree benefit contributions ($122 million and $115 million, respectively), lower storm restoration costs ($192 million and $132 million, respectively), lower MTA power reliability costs ($160 million and $160 million, respectively), reimbursement received for restoration costs related to the restoration of power in Puerto Rico in the aftermath of the September 2017 hurricanes ($95 million and $89 million, respectively), and for CECONY, lower net payments of income tax to affiliated companies ($122 million), offset, in part, by higher TCJA net benefits provided to customers in the 2019 period ($379 million and $376 million, respectively).

Net cash flows from operating activities in 2018 for Con Edison and CECONY were $672 million and $662 million lower, respectively, than in 2017. The change in net cash flows for Con Edison and CECONY reflects primarily cash payments for MTA power reliability costs ($179 million and $179 million, respectively) and Puerto Rico related restoration costs ($104 million and $98 million, respectively), storm restoration costs ($193 million and $133 million, respectively), higher accounts receivable from customers ($149 million and $168 million, respectively) primarily due to an increase in billed revenues for gas, higher pension and retiree benefit obligations ($89 million and $77 million, respectively), and lower income tax refunds received, net of income taxes paid ($29 million and $87 million, respectively). The change in net cash flows for CECONY also reflects an increase in accounts receivables from affiliated companies ($195 million) primarily related to estimated federal income tax payments for 2018 exceeding the accrued income tax liability at year end and CECONY's ability to use its 2017 net operating loss carryover in 2018. These changes are offset in part by the cash impact of the Utilities' estimated net benefits in the 2018 period under the TCJA ($434 million and $411 million, respectively). See "Assets, Liabilities and Equity," below.

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.

**Cash Flows Used in Investing Activities**

Net cash flows used in investing activities for Con Edison and CECONY were $1,689 million and $182 million lower, respectively, in 2019 than in 2018. The change for Con Edison reflects primarily the acquisition of Sempra Solar Holdings, LLC, net of cash acquired, at the Clean Energy Businesses in 2018 ($1,488 million) (see Note U to the

financial statements in Item 8) and proceeds received in 2019 from the sale of properties formerly used by CECONY in its operations ($187 million).

Net cash flows used in investing activities for Con Edison and CECONY were $1,761 million and $226 million higher, respectively, in 2018 than in 2017. The change for Con Edison reflects primarily the acquisition of Sempra Solar Holdings, LLC, net of cash acquired, at the Clean Energy Businesses ($1,488 million) (see Note U to the financial statements in Item 8), higher new investments in electric and gas transmission projects at Con Edison Transmission ($204 million) and increased utility construction expenditures at CECONY ($211 million) and O&R ($10 million), offset in part by lower non-utility construction expenditures at the Clean Energy Businesses ($169 million).

**Cash Flows From Financing Activities**

Net cash flows from financing activities in 2019 for Con Edison and CECONY were $2,079 million and $453 million lower, respectively, than in 2018. Net cash flows from financing activities in 2018 for Con Edison and CECONY were $2,581 million and $950 million higher, respectively, than in 2017.

Net cash flows from financing activities during the years ended December 31, 2019, 2018 and 2017 reflect the following Con Edison transactions:

**2019**

- Redeemed in advance of maturity $400 million of 2.00 percent 3-year debentures;
- Entered into a forward sale agreement relating to 5,800,000 shares of its common stock. In June 2019, the company issued 4,750,000 shares for $400 million upon physical settlement of shares subject to the forward sale agreement. Con Edison used the proceeds to invest in CECONY for funding of its capital requirements and other general corporate purposes. At December 31, 2019, 1,050,000 shares remained subject to the forward sale agreement. In January 2020, the company issued 1,050,000 shares for $88 million upon physical settlement of the remaining shares subject to the forward sale agreement. See Note C to the financial statements in Item 8;
- Issued 5,649,369 shares of its common stock for $425 million upon physical settlement of the remaining shares subject to its November 2018 forward sale agreements. Con Edison used the proceeds to invest in its subsidiaries for funding of their capital requirements and to repay short-term debt incurred for that purpose; and
- Borrowed $825 million under a two-year variable-rate term loan to fund the repayment of a 6-month variable-rate term loan. In June 2019, Con Edison pre-paid $150 million of the amount borrowed.

**2018**

- Issued 9,324,123 common shares for $705 million pursuant to forward sale agreements and borrowed $825 million under a 6-month variable rate term loan, which amounts, along with $79 million of other company funds, were used to pay the purchase price for the acquisition by the Clean Energy Businesses of Sempra Solar Holdings, LLC. In February 2019, the company repaid the $825 million term loan with borrowings under a two-year term loan agreement. See Notes D and U to the financial statements in Item 8.

**2017**

- Issued 4,100,000 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; and
- 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.

Con Edison's cash flows from financing activities in 2019, 2018 and 2017 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 $101 million, $100 million and $97 million, respectively.

Net cash flows from financing activities during the years ended December 31, 2019, 2018 and 2017 reflect the following CECONY transactions:

**2019**

- Issued $600 million aggregate principal amount of 3.70 percent debentures, due 2059, and $700 million aggregate principal amount of 4.125 percent debentures, due 2049, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes; and
- Redeemed at maturity $475 million of 6.65 percent 10-year debentures.

**2018**

- Issued $500 million aggregate principal amount of 4.00 percent debentures, due 2028, and $600 million aggregate principal amount of 4.65 percent debentures, due 2048, the net proceeds from the sale of which were used to redeem at maturity $600 million of 7.125 percent 10-year debentures and other general corporate purposes, including repayment of short-term debt;
- Issued $640 million aggregate principal amount of debentures, due 2021, at a variable interest rate of 0.40 percent above three-month LIBOR and redeemed $636 million of its tax-exempt debt for which the interest rates were to be determined pursuant to periodic auctions;
- Issued $700 million aggregate principal amount of 4.50 percent debentures, due 2058, and $300 million aggregate principal amount of 3.80 percent debentures, due 2028, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes; and
- Redeemed at maturity $600 million of 5.85 percent 10-year debentures.

**2017**

- Issued $350 million aggregate principal amount of 3.125 percent debentures, due 2027, $350 million aggregate principal amount of 4.00 percent debentures, due 2057, and $500 million aggregate principal amount of 3.875 percent debentures, due 2047, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes.

Net cash flows from financing activities during the years ended December 31, 2019 and 2018 also reflect the following O&R transactions:

**2019**

- Issued $43 million aggregate principal amount of 3.73 percent debentures, due 2049, $44 million aggregate principal amount of 2.94 percent debentures, due 2029, and $38 million aggregate principal amount of 3.46 percent debentures, due 2039, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes; and
- Redeemed at maturity $60 million of 4.96 percent 10-year debentures.

**2018**

- Redeemed at maturity $50 million of 6.15 percent 10-year debentures; and
- Issued $150 million aggregate principal amount of 4.35 percent debentures, due 2048, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes.

O&R had no issuances of long-term debt in 2017.

Net cash flows from financing activities during the years ended December 31, 2019, 2018 and 2017 also reflect the following Clean Energy Businesses transactions:

**2019**

- Issued $303 million aggregate principal amount of 3.82 percent senior notes, due 2038, secured by the company's California Solar 4 renewable electric production projects; and
- Borrowed $464 million at a variable-rate, due 2026, secured by equity interests in solar electric production projects, the net proceeds from the sale of which were used to repay borrowings from Con Edison and for other general corporate purposes. Con Edison used a portion of the repayment to pre-pay $150 million of an $825 million two-year variable-rate term loan and the remainder to repay short-term borrowings and for other general corporate purposes. The company has entered into fixed-rate interest rate swaps in connection with this borrowing. See Note O to the financial statements in Item 8.

**2018**

- Issued $140 million aggregate principal amount of 4.41 percent senior notes, due 2028, secured by the company’s Wind Holdings renewable electric production projects.

**2017**

- Issued $97 million aggregate principal amount of 4.45 percent senior notes, due 2042, secured by the company’s Upton County Solar renewable electric production project.

Cash flows from financing activities of the Companies also reflect commercial paper issuance. The commercial paper amounts outstanding at December 31, 2019, 2018 and 2017 and the average daily balances for 2019, 2018 and 2017 for Con Edison and CECONY were as follows:

| | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars, except Weighted Average Yield)* | Outstanding at December 31 | Daily average | Outstanding at December 31 | Daily average | Outstanding at December 31 | Daily average |
| Con Edison | $1,692 | $1,074 | $1,741 | $889 | $577 | $566 |
| CECONY | $1,137 | $734 | $1,192 | $532 | $150 | $251 |
| Weighted average yield | 2.0% | 2.5% | 3.0% | 2.3% | 1.8% | 1.2% |

Common stock issuances and external borrowings are sources of liquidity that could be affected by changes in credit ratings, financial performance and capital market conditions. For information about the Companies' credit ratings and certain financial ratios, see "Capital Requirements and Resources" in Item 1.

## Capital Requirements and Resources

For information about capital requirements, contractual obligations and capital resources, see "Capital Requirements and Resources" in Item 1.

## Assets, Liabilities and Equity

The Companies' assets, liabilities and equity at December 31, 2019 and 2018 are summarized as follows:

| | CECONY | | O&R | | Clean Energy Businesses | | Con Edison Transmission | | Other (a) | | Con Edison (b) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | | |
| Current assets | $3,543 | $3,357 | $243 | $263 | $511 | $372 | $2 | $32 | $(27) | $(160) | $4,272 | $3,864 |
| Investments | 461 | 385 | 26 | 25 | — | — | 1,585 | 1,362 | (7) | (6) | 2,065 | 1,766 |
| Net plant | 37,414 | 35,374 | 2,336 | 2,210 | 4,121 | 4,148 | 17 | 17 | 1 | — | 43,889 | 41,749 |
| Other noncurrent assets | 5,139 | 3,992 | 401 | 394 | 1,896 | 1,736 | 14 | 14 | 403 | 405 | 7,853 | 6,541 |
| Total Assets | $46,557 | $43,108 | $3,006 | $2,892 | $6,528 | $6,256 | $1,618 | $1,425 | $370 | $239 | $58,079 | $53,920 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | |
| Current liabilities | $4,131 | $4,200 | $311 | $392 | $1,525 | $1,608 | $135 | $5 | $185 | $2 | $6,287 | $6,207 |
| Noncurrent liabilities | 13,665 | 12,322 | 1,115 | 1,094 | 201 | (32) | 88 | 66 | (17) | (71) | 15,052 | 13,379 |
| Long-term debt | 14,614 | 13,676 | 818 | 694 | 2,400 | 2,330 | 500 | 500 | 195 | 295 | 18,527 | 17,495 |
| Equity | 14,147 | 12,910 | 762 | 712 | 2,402 | 2,350 | 895 | 854 | 7 | 13 | 18,213 | 16,839 |
| Total Liabilities and Equity | $46,557 | $43,108 | $3,006 | $2,892 | $6,528 | $6,256 | $1,618 | $1,425 | $370 | $239 | $58,079 | $53,920 |

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

## CECONY

Current assets at December 31, 2019 were $186 million higher than at December 31, 2018. The change in current assets reflects an increase in cash and temporary cash investments ($115 million), accrued unbilled revenue ($85 million) and revenue decoupling mechanism receivable ($76 million), offset, in part, by a decrease in other receivables ($91 million). The decrease in other receivables reflects primarily the receipt of payments related to costs for aid provided by CECONY for the restoration of power in Puerto Rico in the aftermath of the September 2017 hurricanes ($89 million).

Investments at December 31, 2019 were $76 million higher than at December 31, 2018. The change in investments reflects primarily an increase in supplemental retirement income plan assets. See "Investments" in Note A and Note E to the financial statements in Item 8.

Net plant at December 31, 2019 was $2,040 million higher than at December 31, 2018. The change in net plant reflects primarily an increase in electric ($1,394 million) and gas ($934 million) plant balances, offset, in part, by an increase in accumulated depreciation ($502 million).

Other noncurrent assets at December 31, 2019 were $1,147 million higher than at December 31, 2018. The change in other noncurrent assets reflects primarily the adoption of ASU No. 2016-02, “Leases (Topic 842)” ($601 million). See Note J to the financial statements in Item 8. The change also reflects primarily an increase in the regulatory asset for property tax reconciliation ($124 million), deferred derivative losses ($65 million) and MTA power reliability deferral ($19 million) which reflects costs incurred and deferred as a regulatory asset in the 2019 period. See “Regulatory Assets and Liabilities” in Note B to the financial statements in Item 8. It also reflects an increase in the regulatory asset for unrecognized pension and other postretirement costs to reflect the final actuarial valuation, as measured at December 31, 2019, of the pension and other retiree benefit plans in accordance with the accounting rules for retirement benefits ($292 million). See Notes B, E and F to the financial statements in Item 8. The change in the regulatory asset also reflects the year's amortization of accounting costs.

Current liabilities at December 31, 2019 were $69 million lower than at December 31, 2018. The change in current liabilities reflects primarily lower debt due within one year as of December 31, 2019 ($125 million), offset, in part, by an increase in the fair value of derivative liabilities ($56 million).

Noncurrent liabilities at December 31, 2019 were $1,343 million higher than at December 31, 2018. The change in noncurrent liabilities reflects primarily the adoption of ASU No. 2016-02, “Leases (Topic 842)” ($551 million). See Note J to the financial statements in Item 8. The change also reflects an increase in deferred income taxes and unamortized investment tax credits ($261 million), which reflects primarily accelerated tax depreciation and repair deductions. See Note L to the financial statements in Item 8. It also reflects an increase in the liability for pension and retiree benefits ($289 million), which primarily reflects contributions to the pension and other retiree benefit plans made by the Utilities in 2019 and the final actuarial valuation, as measured at December 31, 2019 of the plans in accordance with the accounting rules for retirement benefits. See Notes E and F to the financial statements in Item 8.

Long-term debt at December 31, 2019 was $938 million higher than at December 31, 2018. The change in long-term debt reflects primarily the May 2019 issuance of $700 million and November 2019 issuance of $600 million of debentures offset, in part, by the reclassification of $350 million of long-term debt due June 2020 to long-term debt due within one year. See "Liquidity and Capital Resources - Cash Flows From Financing Activities" above and Note C to the financial statements in Item 8.

Equity at December 31, 2019 was $1,237 million higher than at December 31, 2018. The change in equity reflects net income for the year ($1,250 million) and capital contributions from parent ($900 million) in 2019, offset, in part, by common stock dividends to parent ($912 million) in 2019.

### O&R

Current assets at December 31, 2019 were $20 million lower than at December 31, 2018. The change in current assets reflects primarily a decrease in cash and temporary cash investments ($18 million) and customer accounts receivables, less allowance for uncollectible accounts ($15 million). These decreases are offset, in part, by an increase in accrued unbilled revenue ($8 million).

Net plant at December 31, 2019 was $126 million higher than at December 31, 2018. The change in net plant reflects primarily an increase in electric ($94 million) and gas ($59 million) plant balances, offset, in part, by an increase in accumulated depreciation ($37 million).

Current liabilities at December 31, 2019 were $81 million lower than at December 31, 2018. The change in current liabilities reflects primarily lower debt due within one year as of December 31, 2019.

Long-term debt at December 31, 2019 was $124 million higher than at December 31, 2018. The change in long-term debt reflects primarily the November 2019 issuance of $43 million and December 2019 issuances of $82 million of debentures. See "Liquidity and Capital Resources - Cash Flows From Financing Activities" above.

Equity at December 31, 2019 was $50 million higher than at December 31, 2018. The change in equity reflects net income for the year ($70 million) and a capital contribution from parent ($30 million) in 2019, offset, in part, by common stock dividends to parent ($47 million) in 2019 and a decrease in other comprehensive income ($4 million).

### Clean Energy Businesses

Current assets at December 31, 2019 were $139 million higher than at December 31, 2018. The change in current assets reflects primarily increases in restricted cash.

Net plant at December 31, 2019 was $27 million lower than at December 31, 2018. The change in net plant reflects primarily depreciation for the year ended December 31, 2019, investment tax credits and the reduction in the capitalized asset and related liability for asset retirement obligations for certain property leased by renewable electric production projects, offset, in part, by additional capital expenditures.

Other noncurrent assets at December 31, 2019 were $160 million higher than at December 31, 2018. The change in other noncurrent assets reflects primarily the adoption of ASU No. 2016-02, "Leases (Topic 842)." See Note J to the to the financial statements in Item 8.

Current liabilities at December 31, 2019 were $83 million lower than at December 31, 2018. The change in current liabilities reflects primarily the repayment of a borrowing under a 6-month term loan agreement with the proceeds of a 2-year term loan agreement ($825 million) and a decrease in working capital requirements primarily due to the funding of the California Holdings 4 project debt ($187 million), offset, in part, by the reclassification of the PG&E-related project debt from long-term debt to long-term debt due within one year ($990 million). See "Long-Term Debt" in Note C to the financial statements in Item 8.

Noncurrent liabilities at December 31, 2019 were $233 million higher than at December 31, 2018. The change in noncurrent liabilities reflects primarily the adoption of ASU No. 2016-02 "Leases (Topic 842)" and a decrease in deferred income taxes and unamortized investment tax credits, which reflects primarily accelerated depreciation on renewable energy projects and the utilization of federal net operating loss carryforwards, offset, in part, by the reduction in the capitalized asset and related liability for asset retirement obligations for certain property leased by renewable electric production projects and  See Note J to the financial statements in Item 8.

Long-term debt at December 31, 2019 was $70 million higher than at December 31, 2018. The change in long-term debt primarily reflects a May 2019 borrowing of $464 million, due 2026, secured by equity interests in solar electric production projects, and an October 2019 issuance of $303 million, due 2038, secured by the company's California Solar 4 renewable electric production projects, offset, in part, by the reclassification of the PG&E-related project debt to long-term debt due within one year ($990 million) and the repayment to parent of $450 million of an $825 million borrowing. See "Long-Lived and Intangible Assets" in Note A and "Long-Term Debt" in Note C to the financial statements in Item 8.

Equity at December 31, 2019 was $52 million higher than at December 31, 2018. The change in equity reflects primarily an increase in noncontrolling interest ($78 million), offset, in part, by a net loss for the for the year ($18 million) and common stock dividends to parent ($3 million) in 2019.

### CET

Current assets at December 31, 2019 were $30 million lower than at December 31, 2018. The change in current assets reflects an increased investment in Mountain Valley Pipeline, LLC and a NY Transco electric transmission project. See "Con Edison Transmission - CET Gas" in Item 1.

Investments at December 31, 2019 were $223 million higher than at December 31, 2018. The change in investments reflects primarily increased investment in Mountain Valley Pipeline, LLC and a NY Transco electric transmission project. See "Investments" in Note A and Note U to the financial statements in Item 8.

Current liabilities at December 31, 2019 were $130 million higher than at December 31, 2018. The change in current liabilities reflects primarily an increase in payables to associate companies related to increased investment in Mountain Valley Pipeline, LLC.

Noncurrent liabilities at December 31, 2019 was $22 million higher than at December 31, 2018. The change in noncurrent liabilities reflects primarily an increase in deferred income taxes and unamortized investment tax credits, which reflects primarily accelerated tax depreciation and repair deductions.

Equity at December 31, 2019 was $41 million higher than at December 31, 2018. The change in equity reflects net income for the year ($52 million), offset, in part, by common stock dividends to parent ($12 million) in 2019.

### Off-Balance Sheet Arrangements

In May 2019, Con Edison entered into a forward sale agreement which met the SEC definition of an off-balance sheet arrangement, which the company physically settled by issuing 4,750,000 shares of its common stock in June 2019 and 1,050,000 shares in January 2020. See Note C to the financial statements in Item 8 for more information

on this agreement. None of the Companies' other transactions, agreements or other contractual arrangements meet the SEC definition of off-balance sheet arrangements.

## Regulatory Matters

For information about the Utilities' rate plans and other regulatory matters affecting the Companies, see "Utility Regulation" in Item 1 and Note B to the financial statements in Item 8.

## Risk Factors

The Companies' businesses are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition. See "Risk Factors" in Item 1A.

## Application of Critical Accounting Policies

The Companies' financial statements reflect the application of their accounting policies, which conform to accounting principles generally accepted in the United States of America. The Companies' critical accounting policies include industry-specific accounting applicable to regulated public utilities and accounting for pensions and other postretirement benefits, contingencies, long-lived assets, goodwill and derivative instruments.

### Accounting for Regulated Public Utilities

The Utilities are subject to the accounting rules for regulated operations and the accounting requirements of the FERC and the state public utility regulatory commissions having jurisdiction.

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges, or "regulatory assets," under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits, or "regulatory liabilities," under the accounting rules for regulated operations.

The Utilities' principal regulatory assets and liabilities are listed in Note B to the financial statements in Item 8. The Utilities are receiving or being credited with a return on all of their regulatory assets for which a cash outflow has been made. The Utilities are paying or being charged with a return on all of their regulatory liabilities for which a cash inflow has been received. The Utilities' regulatory assets and liabilities at December 31, 2019 are recoverable from customers, or to be applied for customer benefit, in accordance with rate provisions that have been approved by the applicable public utility regulatory commission.

In the event that regulatory assets of the Utilities were no longer probable of recovery, as required by the accounting rules for regulated operations, these regulatory assets would be charged to earnings. At December 31, 2019, the regulatory assets for Con Edison and CECONY were $4,987 million and $4,600 million, respectively.

### Accounting for Pensions and Other Postretirement Benefits

The Utilities provide pensions and other postretirement benefits to substantially all of their employees and retirees. The Clean Energy Businesses and Con Edison Transmission also provide such benefits to transferred employees who previously worked for the Utilities. The Companies account for these benefits in accordance with the accounting rules for retirement benefits. In addition, the Utilities apply the accounting rules for regulated operations to account for the regulatory treatment of these obligations (which, as described in Note B to the financial statements in Item 8, reconciles the amounts reflected in rates for the costs of the benefit to the costs actually incurred). In applying these accounting policies, the Companies have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, discount rates, health care cost trends and future compensation. See Notes A, E and F to the financial statements in Item 8 for information about the Companies' pension and other postretirement benefits, the actuarial assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2019, 2018 and 2017.

The discount rate for determining the present value of future period benefit payments is determined using a model to match the durations of highly-rated (Aa or higher by either Moody's or S&P) corporate bonds with the projected stream of benefit payments.

In determining the health care cost trend rate, the Companies review actual recent cost trends and projected future trends.

The cost of pension and other postretirement benefits in future periods will depend on actual returns on plan assets, assumptions for future periods, contributions and benefit experience. Con Edison's and CECONY's current estimates for 2020 are increases, compared with 2019, in their pension and other postretirement benefits costs of $160 million and $151 million, respectively.

The following table illustrates the effect on 2020 pension and other postretirement costs of changing the critical actuarial assumptions, while holding all other actuarial assumptions constant:

| Actuarial Assumption | Change in Assumption | Pension | Other Postretirement Benefits | Total |
|---|---|---|---|---|
| | | | *(Millions of Dollars)* | |
| Increase in accounting cost: | | | | |
| Discount rate | | | | |
| Con Edison | (0.25)% | $62 | $3 | $65 |
| CECONY | (0.25)% | $59 | $2 | $61 |
| Expected return on plan assets | | | | |
| Con Edison | (0.25)% | $35 | $2 | $37 |
| CECONY | (0.25)% | $34 | $2 | $36 |
| Health care trend rate | | | | |
| Con Edison | 1.00% | $— | $9 | $9 |
| CECONY | 1.00% | $— | $4 | $4 |
| Increase in projected benefit obligation: | | | | |
| Discount rate | | | | |
| Con Edison | (0.25)% | $666 | $39 | $705 |
| CECONY | (0.25)% | $631 | $31 | $662 |
| Health care trend rate | | | | |
| Con Edison | 1.00% | $— | $61 | $61 |
| CECONY | 1.00% | $— | $34 | $34 |

A 5.0 percentage point variation in the actual annual return in 2020, as compared with the expected annual asset return of 7.00 percent, would change pension and other postretirement benefit costs for Con Edison and CECONY by approximately $27 million and $25 million, respectively, in 2021.

Pension benefits are provided through a pension plan maintained by Con Edison to which CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission make contributions for their participating employees. Pension accounting by the Utilities includes an allocation of plan assets.

The Companies' policy is to fund their pension and other postretirement benefit accounting costs to the extent tax deductible, and for the Utilities, to the extent these costs are recovered under their rate plans. The Companies were not required to make cash contributions to the pension plan in 2019 under funding regulations and tax laws. However, CECONY and O&R made discretionary contributions to the pension plan in 2019 of $318 million and $32 million, respectively. In 2020, CECONY and O&R expect to make contributions to the pension plan of $433 million and $39 million, respectively. See "Expected Contributions" in Notes E and F to the financial statements in Item 8.

**Accounting for Contingencies**

The accounting rules for contingencies apply to an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Known material contingencies, which are described in the notes to the financial statements, include certain regulatory matters (Note B), the Utilities' responsibility for hazardous substances, such as asbestos, PCBs and coal tar that have been used or generated in the course of operations (Note G) and other contingencies (Note H). In accordance with the accounting rules, the Companies have accrued estimates of losses relating to the

contingencies as to which loss is probable and can be reasonably estimated, and no liability has been accrued for contingencies as to which loss is not probable or cannot be reasonably estimated.

The Utilities recover costs for asbestos lawsuits, workers' compensation and environmental remediation pursuant to their current rate plans. Generally, changes during the terms of the rate plans to the amounts accrued for these contingencies would not impact earnings.

**Accounting for Long-Lived and Intangible Assets**

The accounting rules for certain long-lived assets and intangible assets with definite lives require testing for recoverability whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The carrying amount of a long-lived asset or intangible asset with a definite life is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Under the accounting rules, an impairment loss is recognized if the carrying amount is not recoverable from such cash flows, and exceeds its fair value, which approximates market value.

In January 2019, PG&E filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of certain of the Clean Energy Businesses' PG&E Projects is sold under PG&E PPAs. At December 31, 2019, Con Edison's consolidated balance sheet included $819 million of net non-utility plant relating to the PG&E Projects, $1,057 million of intangible assets relating to the PG&E PPAs, $282 million of net non-utility plant of additional projects that secure the related project debt and $1,001 million of related project debt. Con Edison has tested whether its net non-utility plant relating to the PG&E Projects and intangible assets relating to the PG&E PPAs have been impaired. Based on the test, Con Edison has determined that there was no impairment. For other long-lived assets or intangible assets with definite lives, Con Edison recorded $2 million of impairment charges in 2018, and no impairment charges were recorded in 2019 or 2017. See "Clean Energy Businesses - Renewable Electric Production," in Item 1 and "Long-Lived and Intangible Assets" in Note A and "Long-term Debt" in Note C to the financial statements in Item 8.

**Accounting for Goodwill**

In accordance with the accounting rules for goodwill and intangible assets, Con Edison is required to test goodwill for impairment annually or whenever there is a triggering event. The company has an option to first make a qualitative assessment that evaluates relevant events and circumstances, such as industry and market conditions, regulatory environment and financial performance. If, after applying the optional qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company then applies a two-step, quantitative goodwill impairment test. At December 31, 2019, Con Edison's consolidated balance sheet included goodwill of $446 million. No material impairment charges on goodwill were recognized in 2019, 2018 or 2017. See "Goodwill" in Note A and Note K to the financial statements in Item 8.

**Accounting for Derivative Instruments**

The Companies apply the accounting rules for derivatives and hedging to their derivative financial instruments. The Companies use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase and sale of electricity and gas. The Utilities are permitted by their respective regulators to reflect in rates all reasonably incurred gains and losses on these instruments. The Clean Energy Businesses have also hedged interest rate risk on certain debt securities. See "Financial and Commodity Market Risks," below and Note O to the financial statements in Item 8.

Where the Companies are required to make mark-to-market estimates pursuant to the accounting rules, the estimates of gains and losses at a particular period end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of a transaction. Substantially all of the estimated gains or losses are based on prices supplied by external sources such as the fair value of exchange-traded futures and options and the fair value of positions for which price quotations are available through or derived from brokers or other market sources.

## 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 and investment risk.

### Interest Rate Risk

The Companies' interest rate risk relates primarily to new debt financing needed to fund capital requirements, including the construction expenditures of the Utilities and maturing debt securities, and variable-rate debt. Con Edison and its subsidiaries manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. The Clean Energy Businesses also use interest rate swaps. See Note O to the financial statements in Item 8. Con Edison and CECONY estimate that at December 31, 2019, a 10 percent increase in interest rates applicable to its variable rate debt would result in an increase in annual interest expense of $7 million and $4 million, respectively. Under CECONY's current electric, gas and steam rate plans, variations in actual variable rate tax-exempt debt interest expense, including costs associated with the refinancing of the variable-rate tax-exempt debt, 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 O to the financial statements in Item 8.

Con Edison estimates that, as of December 31, 2019, a 10 percent decline in market prices would result in a decline in fair value of $81 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which $76 million is for CECONY and $5 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. See "Recoverable Energy Costs" in Note A to the financial statements in Item 8.

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, 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 years ended December 31, 2019 and 2018, respectively, was as follows:

| 95% Confidence Level, One-Day Holding Period | 2019 | 2018 |
|---|---|---|
| | *(Millions of Dollars)* | |
| Average for the period | $— | $— |
| High | 1 | 1 |
| Low | — | — |

### 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 Con Edison Transmission that are accounted for under the equity method. See "Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits," above and Notes A, E and F to the financial statements in Item 8.

The Companies' current investment policy for pension plan assets includes investment targets of 45 to 55 percent equity securities, 33 to 43 percent debt securities and 10 to 14 percent real estate. At December 31, 2019, the pension plan investments consisted of 51 percent equity securities, 38 percent debt securities and 11 percent real estate.

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. O&R also defers such difference pursuant to its New York rate plans.

### Environmental Matters

For information concerning climate change, environmental sustainability, potential liabilities arising from laws and regulations protecting the environment and other environmental matters, see “Environmental Matters” in Item 1 and Note G to the financial statements in Item 8.

### Impact of Inflation

The Companies are affected by the decline in the purchasing power of the dollar caused by inflation. Regulation permits the Utilities to recover through depreciation only the historical cost of their plant assets even though in an inflationary economy the cost to replace the assets upon their retirement will substantially exceed historical costs. The impact is, however, partially offset by the repayment of the Companies’ long-term debt in dollars of lesser value than the dollars originally borrowed.

### Material Contingencies

For information concerning potential liabilities arising from the Companies’ material contingencies, see “Application of Critical Accounting Policies – Accounting for Contingencies,” above, and Notes B, G and H to the financial statements in Item 8.

## Item 7A: Quantitative and Qualitative Disclosures about Market Risk

### Con Edison

For information about Con Edison’s primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see “Financial and Commodity Market Risks,” in Item 7 (which information is incorporated herein by reference). See also “The Companies Require Access To Capital Markets to Satisfy Funding Requirements,” in Item 1A.

### CECONY

For information about CECONY’s primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see “Financial and Commodity Market Risks” in Item 7 (which information is incorporated herein by reference). See also “The Companies Require Access To Capital Markets to Satisfy Funding Requirements,” in Item 1A.

## Item 8: Financial Statements and Supplementary Data

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All other schedules are omitted because they are not applicable or the required information is shown in financial statements or notes thereto.

## Supplementary Financial Information

### Selected Quarterly Financial Data for the years ended December 31, 2019 and 2018 (Unaudited)

| | 2019 | | | |
|---|---|---|---|---|
| **Con Edison** | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| | *(Millions of Dollars, except per share amounts)* | | | |
| Operating revenues | $3,514 | $2,744 | $3,365 | $2,951 |
| Operating income | 786 | 458 | 867 | 565 |
| Net income | 424 | 152 | 473 | 295 |
| **Basic earnings per share** | $1.31 | $0.46 | $1.42 | $0.89 |
| **Diluted earnings per share** | $1.31 | $0.46 | $1.42 | $0.88 |

.

| | 2018 | | | |
|---|---|---|---|---|
| **Con Edison** | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| | *(Millions of Dollars, except per share amounts)* | | | |
| Operating revenues | $3,364 | $2,696 | $3,328 | $2,949 |
| Operating income | 755 | 426 | 826 | 657 |
| Net income | 428 | 188 | 435 | 331 |
| **Basic earnings per share** | $1.38 | $0.60 | $1.40 | $1.06 |
| **Diluted earnings per share** | $1.37 | $0.60 | $1.39 | $1.05 |

In the opinion of Con Edison, these quarterly amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. The sum of the quarterly financial information may vary from the annual data due to rounding.

| | 2019 | | | |
|---|---|---|---|---|
| **CECONY** | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| | *(Millions of Dollars)* | | | |
| Operating revenues | $3,039 | $2,331 | $2,877 | $2,573 |
| Operating income | 726 | 376 | 723 | 524 |
| Net income | 412 | 152 | 414 | 272 |

| | 2018 | | | |
|---|---|---|---|---|
| **CECONY** | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| | *(Millions of Dollars)* | | | |
| Operating revenues | $2,884 | $2,338 | $2,899 | $2,558 |
| Operating income | 705 | 382 | 764 | 504 |
| Net income | 389 | 149 | 431 | 227 |

In the opinion of CECONY, these quarterly amounts include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. The sum of the quarterly financial information may vary from the annual data due to rounding.

**Report of Management on Internal Control Over Financial Reporting**

Management of Consolidated Edison, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2019, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013). Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

/s/ John McAvoy

John McAvoy
Chairman, President and Chief Executive Officer

/s/ Robert Hoglund

Robert Hoglund
Senior Vice President and Chief Financial Officer

February 20, 2020

**Report of Independent Registered Public Accounting Firm**
To the Board of Directors and Shareholders of Consolidated Edison, Inc.:

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the consolidated financial statements, including the related notes and financial statement schedules, of Consolidated Edison, Inc. and its subsidiaries (the "Company") as listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note J to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Accounting for the Effects of Regulatory Matters*

As described in Notes A and B to the consolidated financial statements, the Company applies the authoritative guidance for regulated operations, which specifies the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. As of December 31, 2019, there were $4,987 million of deferred costs included in regulatory assets and $4,929 million of regulatory liabilities awaiting potential refund or future rate reductions. Under regulatory accounting guidance, if it is probable that costs will be recovered in the future, those costs would be recorded as deferred charges or "regulatory assets." Similarly, if revenues are recorded for costs expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities." The Company's regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable state and federal regulators.

The principal considerations for our determination that performing procedures relating to the accounting for the effects of regulatory matters is a critical audit matter are there was significant auditor judgment and subjectivity in performing procedures and in evaluating audit evidence relating to the computation of regulatory assets and regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of regulatory proceedings, including the implementation of new regulatory orders or changes to existing regulatory balances. These procedures also included, among others, evaluating the reasonableness of management's assessment of impacts arising from correspondence with regulators and changes in laws and regulations; evaluating management's judgments related to the recoverability of regulatory assets and the establishment of regulatory liabilities; and recalculating regulatory assets and liabilities based on provisions and formulas outlined in rate orders and other correspondence with regulators.

*Recoverability of Long-lived and Intangible Assets - Solar Plants with Pacific Gas & Electric ("PG&E") as the Long-Term Power Purchase Agreement Off-taker (hereafter "PG&E Impacted Plants")*

As described in Notes A and C to the consolidated financial statements, on January 29, 2019, PG&E filed for bankruptcy causing an event of default under the PG&E power purchase agreements ("PPAs") and associated project debt agreements. The Company had long-lived assets of $1,101 million and intangible assets of $1,057 million as of December 31, 2019, related to PG&E Impacted Plants. Management tests long-lived and intangible assets for recoverability when events or changes in circumstances indicate that the carrying value of long-lived or intangible assets may not be recoverable ("triggering events assessment"). The carrying amount of a long-lived or intangible asset with a definite life is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. The Company tested the related long-lived and intangible assets for the PG&E Impacted Plants for recoverability. Management's cash flow projections for the recoverability of long-lived and intangible assets for the PG&E Impacted Plants included significant assumptions relating to the likelihood of PG&E's assuming or rejecting the PPAs in bankruptcy.

The principal considerations for our determination that performing procedures relating to the recoverability of long-lived and intangible assets for PG&E Impacted Plants is a critical audit matter are that there was significant judgment by management when developing the undiscounted cash flows, including the assumption related to the PG&E PPAs. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating audit evidence relating to management's cash flow projections and significant assumptions, most notably the likelihood of PG&E's assuming or rejecting the PPAs in bankruptcy.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's triggering events assessment and recoverability tests for the PG&E Impacted Plants' long-lived and intangible assets. These procedures also included, among others, testing management's process for developing the undiscounted cash flows used in the recoverability test. This included evaluating the appropriateness of the undiscounted cash flow model; testing the completeness, accuracy, and relevance of underlying data used in the model; and evaluating the reasonableness of management's significant assumptions, most notably the likelihood of PG&E's assuming or rejecting the PPAs in bankruptcy.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 20, 2020
We have served as the Company's or its predecessors' auditor since 1938.

## Consolidated Edison, Inc.
## Consolidated Income Statement

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars/Except Share Data)* | **2019** | **2018** | **2017** |
| OPERATING REVENUES | | | |
| Electric | $8,694 | $8,612 | $8,612 |
| Gas | 2,391 | 2,327 | 2,133 |
| Steam | 627 | 631 | 595 |
| Non-utility | 862 | 767 | 693 |
| TOTAL OPERATING REVENUES | 12,574 | 12,337 | 12,033 |
| OPERATING EXPENSES | | | |
| Purchased power | 1,546 | 1,644 | 1,601 |
| Fuel | 207 | 263 | 216 |
| Gas purchased for resale | 880 | 1,041 | 808 |
| Other operations and maintenance | 3,175 | 3,152 | 3,139 |
| Depreciation and amortization | 1,684 | 1,438 | 1,341 |
| Taxes, other than income taxes | 2,406 | 2,266 | 2,155 |
| TOTAL OPERATING EXPENSES | 9,898 | 9,804 | 9,260 |
| Gain on sale of solar electric production project in 2017 | — | — | 1 |
| Gain on acquisition of Sempra Solar Holdings, LLC | — | 131 | — |
| OPERATING INCOME | 2,676 | 2,664 | 2,774 |
| OTHER INCOME (DEDUCTIONS) | | | |
| Investment income | 96 | 119 | 111 |
| Other income | 45 | 17 | 15 |
| Allowance for equity funds used during construction | 14 | 12 | 11 |
| Other deductions | (104) | (210) | (185) |
| TOTAL OTHER INCOME (DEDUCTIONS) | 51 | (62) | (48) |
| INCOME BEFORE INTEREST AND INCOME TAX EXPENSE | 2,727 | 2,602 | 2,726 |
| INTEREST EXPENSE | | | |
| Interest on long-term debt | 888 | 780 | 726 |
| Other interest | 116 | 49 | 11 |
| Allowance for borrowed funds used during construction | (13) | (10) | (8) |
| NET INTEREST EXPENSE | 991 | 819 | 729 |
| INCOME BEFORE INCOME TAX EXPENSE | 1,736 | 1,783 | 1,997 |
| INCOME TAX EXPENSE | 296 | 401 | 472 |
| NET INCOME | $1,440 | $1,382 | $1,525 |
| Income attributable to non-controlling interest | $97 | $— | $— |
| NET INCOME FOR COMMON STOCK | $1,343 | $1,382 | $1,525 |
| Net income per common share — basic | $4.09 | $4.43 | $4.97 |
| Net income per common share — diluted | $4.08 | $4.42 | $4.94 |
| AVERAGE NUMBER OF SHARES OUTSTANDING — BASIC (IN MILLIONS) | 328.5 | 311.7 | 307.1 |
| AVERAGE NUMBER OF SHARES OUTSTANDING — DILUTED (IN MILLIONS) | 329.5 | 312.9 | 308.8 |

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

# Consolidated Edison, Inc.

## Consolidated Statement of Comprehensive Income

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** |
| NET INCOME | $1,440 | $1,382 | $1,525 |
| INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST | (97) | — | — |
| OTHER COMPREHENSIVE INCOME, NET OF TAXES | | | |
| Pension and other postretirement benefit plan liability adjustments, net of taxes | (5) | 10 | 1 |
| Other income, net of taxes | 2 | — | — |
| TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES | (3) | 10 | 1 |
| COMPREHENSIVE INCOME | $1,340 | $1,392 | $1,526 |

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

## Consolidated Edison, Inc.

## Consolidated Statement of Cash Flows

| | For the Years Ended December 31 | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** |
| OPERATING ACTIVITIES | | | |
| Net Income | $1,440 | $1,382 | $1,525 |
| PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME | | | |
| Depreciation and amortization | 1,684 | 1,438 | 1,341 |
| Deferred income taxes | 308 | 408 | 485 |
| Rate case amortization and accruals | (116) | (117) | (124) |
| Common equity component of allowance for funds used during construction | (14) | (12) | (11) |
| Net derivative (gains)/losses | 27 | 8 | (4) |
| (Gain) on Sale of Assets | (14) | — | — |
| Unbilled revenue and net unbilled revenue deferrals | (3) | 18 | (113) |
| (Gain) on sale of retail electric supply business and solar electric production projects | — | — | (1) |
| (Gain) on existing project interests due to acquisition of Sempra Solar Holdings, LLC | — | (131) | — |
| Other non-cash items, net | (18) | 115 | 5 |
| CHANGES IN ASSETS AND LIABILITIES | | | |
| Accounts receivable - customers | 23 | (140) | 9 |
| Materials and supplies, including fuel oil and gas in storage | 6 | (20) | 5 |
| Revenue decoupling mechanism receivable | (76) | — | — |
| Other receivables and other current assets | 54 | (62) | — |
| Taxes receivable | 29 | 27 | 15 |
| Prepayments | (73) | (7) | (19) |
| Accounts payable | 10 | (46) | 95 |
| Pensions and retiree benefits obligations, net | 357 | 325 | 414 |
| Pensions and retiree benefits contributions | (357) | (479) | (467) |
| Accrued taxes | 10 | (49) | 44 |
| Accrued interest | 24 | (35) | (7) |
| Superfund and environmental remediation costs, net | (9) | (19) | (14) |
| Distributions from equity investments | 57 | 107 | 108 |
| System benefit charge | 20 | 92 | 101 |
| Deferred charges, noncurrent assets and other regulatory assets | (492) | (393) | 2,376 |
| Deferred credits and other regulatory liabilities | 278 | 436 | (2,524) |
| Other current and noncurrent liabilities | (21) | (151) | 128 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 3,134 | 2,695 | 3,367 |
| INVESTING ACTIVITIES | | | |
| Utility construction expenditures | (3,238) | (3,251) | (3,028) |
| Cost of removal less salvage | (295) | (258) | (248) |
| Non-utility construction expenditures | (248) | (246) | (415) |
| Investments in electric and gas transmission projects | (205) | (248) | (45) |
| Investments in/acquisitions of renewable electric production projects | (10) | (19) | (45) |
| Acquisition of Sempra Solar Holdings, LLC, net of cash acquired | — | (1,488) | — |
| Proceeds from sale of assets | 192 | 5 | 34 |
| Other investing activities | 22 | 34 | 37 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (3,782) | (5,471) | (3,710) |
| FINANCING ACTIVITIES | | | |
| Net (payment)/issuance of short-term debt | (874) | 1,989 | (477) |
| Issuance of long-term debt | 3,017 | 3,030 | 1,697 |
| Retirement of long-term debt | (1,195) | (1,938) | (434) |
| Debt issuance costs | (32) | (61) | (19) |
| Common stock dividends | (924) | (842) | (803) |
| Issuance of common shares - public offering | 825 | 705 | 343 |
| Issuance of common shares for stock plans | 54 | 53 | 51 |
| Distribution to noncontrolling interest | (12) | 2 | (1) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 859 | 2,938 | 357 |
| CASH, TEMPORARY CASH INVESTMENTS AND RESTRICTED CASH: | | | |
| NET CHANGE FOR THE PERIOD | 211 | 162 | 14 |
| BALANCE AT BEGINNING OF PERIOD | 1,006 | 844 | 830 |
| BALANCE AT END OF PERIOD | $1,217 | $1,006 | $844 |
| SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION | | | |
| Cash paid/(received) during the period for: | | | |
| Interest | $876 | $805 | $725 |
| Income taxes | $(26) | — | $(29) |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION | | | |
| Construction expenditures in accounts payable | $336 | $369 | $432 |
| Issuance of common shares for dividend reinvestment | $47 | $47 | $46 |
| Software licenses acquired but unpaid as of end of period | $80 | $100 | $— |
| Equipment acquired but unpaid as of end of period | $33 | — | — |

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

## Consolidated Edison, Inc.
## Consolidated Balance Sheet

| *(Millions of Dollars)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and temporary cash investments | $981 | $895 |
| Accounts receivable — customers, less allowance for uncollectible accounts of $70 and $62 in 2019 and 2018, respectively | 1,236 | 1,267 |
| Other receivables, less allowance for uncollectible accounts of $4 and $5 in 2019 and 2018, respectively | 184 | 285 |
| Taxes receivable | 20 | 49 |
| Accrued unbilled revenue | 599 | 514 |
| Fuel oil, gas in storage, materials and supplies, at average cost | 352 | 358 |
| Prepayments | 260 | 187 |
| Regulatory assets | 128 | 76 |
| Restricted cash | 236 | 111 |
| Revenue decoupling mechanism receivable | 76 | — |
| Other current assets | 200 | 122 |
| TOTAL CURRENT ASSETS | 4,272 | 3,864 |
| INVESTMENTS | 2,065 | 1,766 |
| UTILITY PLANT, AT ORIGINAL COST | | |
| Electric | 31,866 | 30,378 |
| Gas | 10,107 | 9,100 |
| Steam | 2,601 | 2,562 |
| General | 3,562 | 3,331 |
| TOTAL | 48,136 | 45,371 |
| Less: Accumulated depreciation | 10,322 | 9,769 |
| Net | 37,814 | 35,602 |
| Construction work in progress | 1,937 | 1,978 |
| NET UTILITY PLANT | 39,751 | 37,580 |
| NON-UTILITY PLANT | | |
| Non-utility property, less accumulated depreciation of $391 and $275 in 2019 and 2018, respectively | 3,829 | 4,000 |
| Construction work in progress | 309 | 169 |
| NET PLANT | 43,889 | 41,749 |
| OTHER NONCURRENT ASSETS | | |
| Goodwill | 446 | 440 |
| Intangible assets, less accumulated amortization of $126 and $29 in 2019 and 2018, respectively | 1,557 | 1,654 |
| Operating lease right-of-use-asset | 857 | — |
| Regulatory assets | 4,859 | 4,294 |
| Other deferred charges and noncurrent assets | 134 | 153 |
| TOTAL OTHER NONCURRENT ASSETS | 7,853 | 6,541 |
| TOTAL ASSETS | $58,079 | $53,920 |

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

## Consolidated Edison, Inc.
## Consolidated Balance Sheet

| *(Millions of Dollars)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Long-term debt due within one year | $1,446 | $650 |
| Term Loan | — | 825 |
| Notes payable | 1,692 | 1,741 |
| Accounts payable | 1,164 | 1,187 |
| Customer deposits | 346 | 351 |
| Accrued taxes | 76 | 61 |
| Accrued interest | 153 | 129 |
| Accrued wages | 102 | 109 |
| Fair value of derivative liabilities | 123 | 50 |
| Regulatory liabilities | 102 | 114 |
| System benefit charge | 647 | 627 |
| Operating lease liabilities | 65 | — |
| Other current liabilities | 371 | 363 |
| TOTAL CURRENT LIABILITIES | 6,287 | 6,207 |
| NONCURRENT LIABILITIES | | |
| Provision for injuries and damages | 130 | 146 |
| Pensions and retiree benefits | 1,516 | 1,228 |
| Superfund and other environmental costs | 734 | 779 |
| Asset retirement obligations | 425 | 450 |
| Fair value of derivative liabilities | 105 | 16 |
| Deferred income taxes and unamortized investment tax credits | 6,227 | 5,820 |
| Operating lease liabilities | 809 | — |
| Regulatory liabilities | 4,827 | 4,641 |
| Other deferred credits and noncurrent liabilities | 279 | 299 |
| TOTAL NONCURRENT LIABILITIES | 15,052 | 13,379 |
| LONG-TERM DEBT | 18,527 | 17,495 |
| EQUITY | | |
| Common shareholders' equity | 18,022 | 16,726 |
| Noncontrolling interest | 191 | 113 |
| TOTAL EQUITY (See Statement of Equity) | 18,213 | 16,839 |
| TOTAL LIABILITIES AND EQUITY | $58,079 | $53,920 |

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

## Consolidated Edison, Inc.
## Consolidated Statement of Equity

| *(In Millions/Except Share Data)* | Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | | Capital Stock Expense | Accumulated Other Comprehensive Income/(Loss) | Noncontrolling Interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | Shares | Amount | | | | |
| BALANCE AS OF DECEMBER 31, 2016 | 305 | $33 | $5,854 | $9,559 | 23 | $(1,038) | $(83) | $(27) | $8 | $14,306 |
| Net income | | | | 1,525 | | | | | | 1,525 |
| Common stock dividends ($2.76 per share) | | | | (849) | | | | | | (849) |
| Issuance of common shares - public offering | 5 | 1 | 344 | | | | (2) | | | 343 |
| Issuance of common shares for stock plans | | | 100 | | | | | | | 100 |
| Other comprehensive income | | | | | | | | 1 | | 1 |
| Noncontrolling interest | | | | | | | | | (1) | (1) |
| BALANCE AS OF DECEMBER 31, 2017 | 310 | $34 | $6,298 | $10,235 | 23 | $(1,038) | $(85) | $(26) | $7 | $15,425 |
| Net income | | | | 1,382 | | | | | | $1,382 |
| Common stock dividends ($2.86 per share) | | | | (889) | | | | | | (889) |
| Issuance of common shares - public offering | 11 | | 719 | | | | (14) | | | 705 |
| Issuance of common shares for stock plans | | | 100 | | | | | | | 100 |
| Other comprehensive income | | | | | | | | 10 | | 10 |
| Noncontrolling interest | | | | | | | | | 106 | 106 |
| BALANCE AS OF DECEMBER 31, 2018 | 321 | $34 | $7,117 | $10,728 | 23 | $(1,038) | $(99) | $(16) | $113 | $16,839 |
| Net income | | | | 1,343 | | | | | 97 | $1,440 |
| Common stock dividends ($2.96 per share) | | | | (971) | | | | | | (971) |
| Issuance of common shares - public offering | 12 | 1 | 835 | | | | (11) | | | 825 |
| Issuance of common shares for stock plans | | | 102 | | | | | | | 102 |
| Other comprehensive income | | | | | | | | (3) | | (3) |
| Noncontrolling interest | | | | | | | | | (19) | (19) |
| BALANCE AS OF DECEMBER 31, 2019 | 333 | $35 | $8,054 | $11,100 | 23 | $(1,038) | $(110) | $(19) | $191 | $18,213 |

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

## Consolidated Edison, Inc.
## Consolidated Statement of Capitalization

| | Shares outstanding December 31, | | At December 31, | |
|---|---|---|---|---|
| *(In Millions)* | **2019** | **2018** | **2019** | **2018** |
| TOTAL EQUITY BEFORE ACCUMULATED OTHER COMPREHENSIVE LOSS | 333 | 321 | $18,041 | $16,742 |
| Pension plan liability adjustments, net of taxes | | | (17) | (12) |
| Unrealized losses on derivatives qualified as cash flow hedges, less reclassification adjustment for gains/(losses) included in net income and reclassification adjustment for unrealized losses included in regulatory assets, net of taxes | | | (2) | (4) |
| TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAXES | | | (19) | (16) |
| Equity | | | 18,022 | 16,726 |
| Noncontrolling interest | | | 191 | 113 |
| TOTAL EQUITY (See Statement of Equity) | | | $18,213 | $16,839 |

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

## Consolidated Edison, Inc.
### Consolidated Statement of Capitalization

| LONG-TERM DEBT *(Millions of Dollars)* | | | At December 31, | |
|---|---|---|---|---|
| **Maturity** | **Interest Rate** | **Series** | **2019** | **2018** |
| DEBENTURES: | | | | |
| 2019 | 4.96% | 2009A | $— | 60 |
| 2019 | 6.65 | 2009B | — | 475 |
| 2019 | 2.00 | 2017A | — | 400 |
| 2020 | 4.45 | 2010A | 350 | 350 |
| 2021 | 2.00 | 2016A | 500 | 500 |
| 2021 | 2.35 (a) | 2018C | 640 | 640 |
| 2024 | 3.30 | 2014B | 250 | 250 |
| 2026 | 2.90 | 2016B | 250 | 250 |
| 2027 | 6.50 | 1997F | 80 | 80 |
| 2027 | 3.125 | 2017B | 350 | 350 |
| 2028 | 3.80 | 2018A | 300 | 300 |
| 2028 | 4.00 | 2018D | 500 | 500 |
| 2029 | 2.94 | 2019B | 44 | — |
| 2033 | 5.875 | 2003A | 175 | 175 |
| 2033 | 5.10 | 2003C | 200 | 200 |
| 2034 | 5.70 | 2004B | 200 | 200 |
| 2035 | 5.30 | 2005A | 350 | 350 |
| 2035 | 5.25 | 2005B | 125 | 125 |
| 2036 | 5.85 | 2006A | 400 | 400 |
| 2036 | 6.20 | 2006B | 400 | 400 |
| 2036 | 5.70 | 2006E | 250 | 250 |
| 2037 | 6.30 | 2007A | 525 | 525 |
| 2038 | 6.75 | 2008B | 600 | 600 |
| 2039 | 6.00 | 2009B | 60 | 60 |
| 2039 | 5.50 | 2009C | 600 | 600 |
| 2039 | 3.46 | 2019C | 38 | — |
| 2040 | 5.70 | 2010B | 350 | 350 |
| 2040 | 5.50 | 2010B | 115 | 115 |
| 2042 | 4.20 | 2012A | 400 | 400 |
| 2043 | 3.95 | 2013A | 700 | 700 |
| 2044 | 4.45 | 2014A | 850 | 850 |
| 2045 | 4.50 | 2015A | 650 | 650 |
| 2045 | 4.95 | 2015A | 120 | 120 |
| 2045 | 4.69 | 2015B | 100 | 100 |
| 2046 | 3.85 | 2016A | 550 | 550 |
| 2046 | 3.88 | 2016A | 75 | 75 |
| 2047 | 3.875 | 2017A | 500 | 500 |
| 2048 | 4.65 | 2018E | 600 | 600 |
| 2048 | 4.35 | 2018A | 125 | 125 |
| 2048 | 4.35 | 2018B | 25 | 25 |
| 2049 | 4.125 | 2019A | 700 | — |
| 2049 | 3.73 | 2019A | 43 | — |
| 2054 | 4.625 | 2014C | 750 | 750 |
| 2056 | 4.30 | 2016C | 500 | 500 |
| 2057 | 4.00 | 2017C | 350 | 350 |
| 2058 | 4.50 | 2018B | 700 | 700 |
| 2059 | 3.70 | 2019B | 600 | — |
| TOTAL DEBENTURES | | | 15,990 | 15,500 |

## Consolidated Edison, Inc.
## Consolidated Statement of Capitalization

| LONG-TERM DEBT *(Millions of Dollars)* | | | | At December 31, | |
|---|---|---|---|---|---|
| **Maturity** | **Interest Rate** | | **Series** | **2019** | **2018** |
| TAX-EXEMPT DEBT - Notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds: | | | | | |
| 2036 | 1.63% | (a) | 2010A | 225 | 225 |
| 2039 | 1.63 | (a) | 2004C | 99 | 99 |
| 2039 | 1.59 | (a) | 2005A | 126 | 126 |
| TOTAL TAX-EXEMPT DEBT | | | | 450 | 450 |
| PROJECT DEBT: | | | | | |
| 2023 | 4.52 | (b) | Copper Mountain Solar 2 | 224 | 230 |
| 2024-2032 | 5.96 - 4.52 | (b) | Coram | 150 | 160 |
| 2025 | 4.61 | (b) | Copper Mountain Solar 3 | 289 | 298 |
| 2026 | 3.72 | (b) | CED Southwest | 456 | — |
| 2028 | 4.41 | | Wind Holdings | 123 | 137 |
| 2028 | 3.81 | (b) | Copper Mountain Solar 1 | 67 | 70 |
| 2031 | 2.24 - 3.03 | | Mesquite Solar 1 | 193 | 208 |
| 2031-2038 | 5.25 - 4.95 | | Texas Solar 4 | 56 | 58 |
| 2036 | 3.94 | | California Solar 2 | 98 | 103 |
| 2036 | 4.07 | | California Solar 3 | 86 | 89 |
| 2037 | 4.78 | | California Solar | 184 | 190 |
| 2038 | 3.82 | | California Solar 4 | 297 | — |
| 2039 | 4.82 | | Broken Bow II | 68 | 69 |
| 2040 | 4.53 | | Texas Solar 5 | 145 | 150 |
| 2041 | 4.21 | | Texas Solar 7 | 199 | 206 |
| 2042 | 4.45 | | Upton County Solar | 90 | 94 |
| Other project debt | | | | 12 | 14 |
| TOTAL PROJECT DEBT | | | | 2,737 | 2,076 |
| Other long-term debt | | | | 974 | 304 |
| Unamortized debt expense | | | | (141) | (152) |
| Unamortized debt discount | | | | (37) | (33) |
| TOTAL | | | | 19,973 | 18,145 |
| Less: Long-term debt due within one year | | | | 1,446 | 650 |
| TOTAL LONG-TERM DEBT | | | | 18,527 | 17,495 |
| TOTAL CAPITALIZATION | | | | $36,549 | $34,221 |

(a) Rates reset weekly or quarterly; December 31, 2019 rates shown.
(b) December 31, 2019 effective rates shown, reflecting variable interest rates on the debt that are reset quarterly or semi-annually and the effect of applicable interest rate swaps, if any.

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

**Report of Management on Internal Control Over Financial Reporting**

Management of Consolidated Edison Company of New York, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the effectiveness of controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2019, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* (2013). Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

/s/ John McAvoy

John McAvoy
Chairman and Chief Executive Officer

/s/ Robert Hoglund

Robert Hoglund
Senior Vice President and Chief Financial Officer

February 20, 2020

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholder of Consolidated Edison Company of New York, Inc.:

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the consolidated financial statements, including the related notes and financial statement schedule, of Consolidated Edison Company of New York, Inc. and its subsidiaries (the “Company”) as listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note J to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements, and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 20, 2020
We have served as the Company's auditor since 1938.

## Consolidated Edison Company of New York, Inc.
## Consolidated Income Statement

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** |
| OPERATING REVENUES | | | |
| Electric | $8,062 | $7,971 | $7,972 |
| Gas | 2,132 | 2,078 | 1,901 |
| Steam | 627 | 631 | 595 |
| TOTAL OPERATING REVENUES | 10,821 | 10,680 | 10,468 |
| OPERATING EXPENSES | | | |
| Purchased power | 1,357 | 1,433 | 1,415 |
| Fuel | 207 | 263 | 216 |
| Gas purchased for resale | 606 | 643 | 510 |
| Other operations and maintenance | 2,635 | 2,555 | 2,526 |
| Depreciation and amortization | 1,373 | 1,276 | 1,195 |
| Taxes, other than income taxes | 2,295 | 2,156 | 2,057 |
| TOTAL OPERATING EXPENSES | 8,473 | 8,326 | 7,919 |
| OPERATING INCOME | 2,348 | 2,354 | 2,549 |
| OTHER INCOME (DEDUCTIONS) | | | |
| Investment and other income | 40 | 13 | 14 |
| Allowance for equity funds used during construction | 12 | 11 | 10 |
| Other deductions | (87) | (167) | (161) |
| TOTAL OTHER INCOME (DEDUCTIONS) | (35) | (143) | (137) |
| INCOME BEFORE INTEREST AND INCOME TAX EXPENSE | 2,313 | 2,211 | 2,412 |
| INTEREST EXPENSE | | | |
| Interest on long-term debt | 672 | 662 | 615 |
| Other interest | 67 | 36 | 14 |
| Allowance for borrowed funds used during construction | (11) | (9) | (6) |
| NET INTEREST EXPENSE | 728 | 689 | 623 |
| INCOME BEFORE INCOME TAX EXPENSE | 1,585 | 1,522 | 1,789 |
| INCOME TAX EXPENSE | 335 | 326 | 685 |
| NET INCOME | $1,250 | $1,196 | $1,104 |

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

## Consolidated Edison Company of New York, Inc.

## Consolidated Statement of Comprehensive Income

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** |
| NET INCOME | $1,250 | $1,196 | $1,104 |
| OTHER COMPREHENSIVE INCOME, NET OF TAXES | | | |
| Pension and other postretirement benefit plan liability adjustments, net of taxes | (3) | 1 | 1 |
| Other income, net of taxes | 2 | — | — |
| TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES | (1) | 1 | 1 |
| COMPREHENSIVE INCOME | $1,249 | $1,197 | $1,105 |

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

## Consolidated Edison Company of New York, Inc.
## Consolidated Statement of Cash Flows

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
| OPERATING ACTIVITIES | | | |
| Net income | $1,250 | $1,196 | $1,104 |
| PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME | | | |
| Depreciation and amortization | 1,373 | 1,276 | 1,195 |
| Deferred income taxes | 128 | 354 | 575 |
| Rate case amortization and accruals | (117) | (133) | (142) |
| Common equity component of allowance for funds used during construction | (12) | (11) | (10) |
| (Gain)/Loss on Sale of Assets | (14) | — | — |
| Unbilled revenue and net unbilled revenue deferrals | (3) | (4) | (17) |
| Other non-cash items, net | 7 | 13 | (59) |
| CHANGES IN ASSETS AND LIABILITIES | | | |
| Accounts receivable - customers | 3 | (153) | 15 |
| Materials and supplies, including fuel oil and gas in storage | 11 | (17) | (17) |
| Revenue decoupling mechanism receivable | (76) | — | — |
| Other receivables and other current assets | 54 | (96) | 23 |
| Accounts receivables from affiliated companies | 141 | (150) | 45 |
| Prepayments | (61) | (9) | (8) |
| Accounts payable | (7) | (27) | 125 |
| Accounts payable to affiliated companies | (4) | 7 | — |
| Pensions and retiree benefits obligations, net | 330 | 293 | 370 |
| Pensions and retiree benefits contributions | (325) | (440) | (420) |
| Superfund and environmental remediation costs, net | (12) | (18) | (12) |
| Accrued taxes | 11 | (47) | 52 |
| Accrued taxes to affiliated companies | — | (72) | (47) |
| Accrued interest | 1 | (1) | 2 |
| System benefit charge | 18 | 86 | 85 |
| Deferred charges, noncurrent assets and other regulatory assets | (486) | (314) | 2,212 |
| Deferred credits and other regulatory liabilities | 306 | 549 | (2,242) |
| Other current and noncurrent liabilities | (14) | (78) | 37 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 2,502 | 2,204 | 2,866 |
| INVESTING ACTIVITIES | | | |
| Utility construction expenditures | (3,028) | (3,051) | (2,840) |
| Cost of removal less salvage | (288) | (255) | (240) |
| Proceeds from sale of assets | 192 | — | — |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (3,124) | (3,306) | (3,080) |
| FINANCING ACTIVITIES | | | |
| Net (payment)/issuance of short-term debt | (55) | 1,042 | (450) |
| Issuance of long-term debt | 1,300 | 2,740 | 1,200 |
| Retirement of long-term debt | (475) | (1,836) | — |
| Debt issuance costs | (21) | (30) | (15) |
| Capital contribution by parent | 900 | 120 | 301 |
| Dividend to parent | (912) | (846) | (796) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 737 | 1,190 | 240 |
| CASH, TEMPORARY CASH INVESTMENTS AND RESTRICTED CASH: | | | |
| NET CHANGE FOR THE PERIOD | 115 | 88 | 26 |
| BALANCE AT BEGINNING OF PERIOD | 818 | 730 | 704 |
| BALANCE AT END OF PERIOD | $933 | $818 | $730 |
| SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION | | | |
| Cash paid/(received) during the period for: | | | |
| Interest | $676 | $662 | $602 |
| Income taxes | $73 | $195 | $108 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION | | | |
| Construction expenditures in accounts payable | $285 | $299 | $351 |
| Software licenses acquired but unpaid as of end of period | $76 | $95 | — |
| Equipment acquired but unpaid as of end of period | $33 | — | — |

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

## Consolidated Edison Company of New York, Inc.
## Consolidated Balance Sheet

| *(Millions of Dollars)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and temporary cash investments | $933 | $818 |
| Accounts receivable – customers, less allowance for uncollectible accounts of $65 and $57 in 2019 and 2018, respectively | 1,153 | 1,163 |
| Other receivables, less allowance for uncollectible accounts of $3 in 2019 and 2018, respectively | 120 | 211 |
| Taxes receivable | — | 5 |
| Accrued unbilled revenue | 477 | 392 |
| Accounts receivable from affiliated companies | 73 | 214 |
| Fuel oil, gas in storage, materials and supplies, at average cost | 293 | 304 |
| Prepayments | 178 | 117 |
| Regulatory assets | 113 | 64 |
| Revenue decoupling mechanism receivable | 76 | — |
| Other current assets | 127 | 69 |
| TOTAL CURRENT ASSETS | 3,543 | 3,357 |
| INVESTMENTS | 461 | 385 |
| UTILITY PLANT AT ORIGINAL COST | | |
| Electric | 29,989 | 28,595 |
| Gas | 9,229 | 8,295 |
| Steam | 2,601 | 2,562 |
| General | 3,271 | 3,056 |
| TOTAL | 45,090 | 42,508 |
| Less: Accumulated depreciation | 9,490 | 8,988 |
| Net | 35,600 | 33,520 |
| Construction work in progress | 1,812 | 1,850 |
| NET UTILITY PLANT | 37,412 | 35,370 |
| NON-UTILITY PROPERTY | | |
| Non-utility property, less accumulated depreciation of $25 in 2019 and 2018 | 2 | 4 |
| NET PLANT | 37,414 | 35,374 |
| OTHER NONCURRENT ASSETS | | |
| Regulatory assets | 4,487 | 3,923 |
| Operating lease right-of-use asset | 601 | — |
| Other deferred charges and noncurrent assets | 51 | 69 |
| TOTAL OTHER NONCURRENT ASSETS | 5,139 | 3,992 |
| TOTAL ASSETS | $46,557 | $43,108 |

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

## Consolidated Edison Company of New York, Inc.
## Consolidated Balance Sheet

| *(Millions of Dollars)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Long-term debt due within one year | $350 | $475 |
| Notes payable | 1,137 | 1,192 |
| Accounts payable | 956 | 977 |
| Accounts payable to affiliated companies | 13 | 17 |
| Customer deposits | 334 | 339 |
| Accrued taxes | 71 | 55 |
| Accrued interest | 113 | 112 |
| Accrued wages | 92 | 99 |
| Fair value of derivative liabilities | 81 | 25 |
| Regulatory liabilities | 63 | 73 |
| System benefit charge | 587 | 569 |
| Operating lease liabilities | 54 | — |
| Other current liabilities | 280 | 267 |
| TOTAL CURRENT LIABILITIES | 4,131 | 4,200 |
| NONCURRENT LIABILITIES | | |
| Provision for injuries and damages | 125 | 141 |
| Pensions and retiree benefits | 1,241 | 952 |
| Superfund and other environmental costs | 654 | 693 |
| Asset retirement obligations | 362 | 292 |
| Fair value of derivative liabilities | 65 | 6 |
| Deferred income taxes and unamortized investment tax credits | 6,000 | 5,739 |
| Operating lease liabilities | 551 | — |
| Regulatory liabilities | 4,427 | 4,258 |
| Other deferred credits and noncurrent liabilities | 240 | 241 |
| TOTAL NONCURRENT LIABILITIES | 13,665 | 12,322 |
| LONG-TERM DEBT | 14,614 | 13,676 |
| COMMON SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity) | 14,147 | 12,910 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | $46,557 | $43,108 |

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

## Consolidated Edison Company of New York, Inc.
## Consolidated Statement of Shareholder's Equity

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In Millions)* | Shares | 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, 2016 | 235 | $589 | $4,347 | $7,923 | $(962) | $(61) | $(7) | $11,829 |
| Net income | | | | $1,104 | | | | 1,104 |
| Common stock dividend to parent | | | | (796) | | | | (796) |
| Capital contribution by parent | | | 302 | | | (1) | | 301 |
| Other comprehensive income | | | | | | | 1 | 1 |
| BALANCE AS OF DECEMBER 31, 2017 | 235 | $589 | $4,649 | $8,231 | $(962) | $(62) | $(6) | $12,439 |
| Net income | | | | 1,196 | | | | 1,196 |
| Common stock dividend to parent | | | | (846) | | | | (846) |
| Capital contribution by parent | | | 120 | | | | | 120 |
| Other comprehensive income | | | | | | | 1 | 1 |
| BALANCE AS OF DECEMBER 31, 2018 | 235 | $589 | $4,769 | $8,581 | $(962) | $(62) | $(5) | $12,910 |
| Net income | | | | 1,250 | | | | 1,250 |
| Common stock dividend to parent | | | | (912) | | | | (912) |
| Capital contribution by parent | | | 900 | | | | | 900 |
| Other comprehensive income | | | | | | | (1) | (1) |
| BALANCE AS OF DECEMBER 31, 2019 | 235 | $589 | $5,669 | $8,919 | $(962) | $(62) | $(6) | $14,147 |

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

## Consolidated Edison Company of New York, Inc.
## Consolidated Statement of Capitalization

| | Shares outstanding December 31, | | At December 31, | |
|---|---|---|---|---|
| *(In Millions)* | 2019 | 2018 | 2019 | 2018 |
| TOTAL SHAREHOLDER'S EQUITY BEFORE ACCUMULATED OTHER COMPREHENSIVE LOSS | 235 | 235 | $14,153 | $12,915 |
| Unrealized losses on derivatives qualified as cash flow hedges, less reclassification adjustment for losses included in net income and reclassification adjustment for unrealized losses included in regulatory assets, net of taxes | | | (6) | (5) |
| TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAXES | | | (6) | (5) |
| TOTAL SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity) | | | $14,147 | $12,910 |

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

## Consolidated Edison Company of New York, Inc.

## Consolidated Statement of Capitalization

| LONG-TERM DEBT *(Millions of Dollars)* | | | | At December 31, | |
|---|---|---|---|---|---|
| **Maturity** | **Interest Rate** | | **Series** | **2019** | **2018** |
| DEBENTURES: | | | | | |
| 2019 | 6.65 | | 2009B | — | 475 |
| 2020 | 4.45 | | 2010A | 350 | 350 |
| 2021 | 2.35 | (a) | 2018C | 640 | 640 |
| 2024 | 3.30 | | 2014B | 250 | 250 |
| 2026 | 2.90 | | 2016B | 250 | 250 |
| 2027 | 3.125 | | 2017B | 350 | 350 |
| 2028 | 3.80 | | 2018A | 300 | 300 |
| 2028 | 4.00 | | 2018D | 500 | 500 |
| 2033 | 5.875 | | 2003A | 175 | 175 |
| 2033 | 5.10 | | 2003C | 200 | 200 |
| 2034 | 5.70 | | 2004B | 200 | 200 |
| 2035 | 5.30 | | 2005A | 350 | 350 |
| 2035 | 5.25 | | 2005B | 125 | 125 |
| 2036 | 5.85 | | 2006A | 400 | 400 |
| 2036 | 6.20 | | 2006B | 400 | 400 |
| 2036 | 5.70 | | 2006E | 250 | 250 |
| 2037 | 6.30 | | 2007A | 525 | 525 |
| 2038 | 6.75 | | 2008B | 600 | 600 |
| 2039 | 5.50 | | 2009C | 600 | 600 |
| 2040 | 5.70 | | 2010B | 350 | 350 |
| 2042 | 4.20 | | 2012A | 400 | 400 |
| 2043 | 3.95 | | 2013A | 700 | 700 |
| 2044 | 4.45 | | 2014A | 850 | 850 |
| 2045 | 4.50 | | 2015A | 650 | 650 |
| 2046 | 3.85 | | 2016A | 550 | 550 |
| 2047 | 3.875 | | 2017A | 500 | 500 |
| 2048 | 4.65 | | 2018E | 600 | 600 |
| 2049 | 4.125 | | 2019A | 700 | — |
| 2054 | 4.625 | | 2014C | 750 | 750 |
| 2056 | 4.30 | | 2016C | 500 | 500 |
| 2057 | 4.00 | | 2017C | 350 | 350 |
| 2058 | 4.50 | | 2018B | 700 | 700 |
| 2059 | 3.70 | | 2019B | 600 | — |
| TOTAL DEBENTURES | | | | 14,665 | 13,840 |
| TAX-EXEMPT DEBT – Notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds: | | | | | |
| 2036 | 1.63 | (a) | 2010A | 225 | 225 |
| 2039 | 1.63 | (a) | 2004C | 99 | 99 |
| 2039 | 1.59 | (a) | 2005A | 126 | 126 |
| TOTAL TAX-EXEMPT DEBT | | | | 450 | 450 |
| Unamortized debt expense | | | | (115) | (107) |
| Unamortized debt discount | | | | (36) | (32) |
| TOTAL | | | | 14,964 | 14,151 |
| Less: Long-term debt due within one year | | | | 350 | 475 |
| TOTAL LONG-TERM DEBT | | | | 14,614 | 13,676 |
| TOTAL CAPITALIZATION | | | | $28,761 | $26,586 |

(a) Rates reset weekly or quarterly; December 31, 2019 rates shown.

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

# Notes to the Financial Statements

### 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.

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., which through its subsidiaries develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers. In December 2018, the Clean Energy Businesses acquired Sempra Solar Holdings, LLC. 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). See Note U.

## Note A – Summary of Significant Accounting Policies and Other Matters

### Principles of Consolidation

The Companies' consolidated financial statements include the accounts of their respective majority-owned subsidiaries, and variable interest entities (see Note Q), as required. All intercompany balances and intercompany transactions have been eliminated.

### Accounting Policies

The accounting policies of Con Edison and its subsidiaries conform to generally accepted accounting principles in the United States of America (GAAP). For the Utilities, these accounting principles include the accounting rules for regulated operations and the accounting requirements of the Federal Energy Regulatory Commission (FERC) and the state regulators having jurisdiction.

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or "regulatory assets" under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or "regulatory liabilities" under the accounting rules for regulated operations.

The Utilities' principal regulatory assets and liabilities are detailed in Note B. The Utilities are receiving or being credited with a return on all of their regulatory assets for which a cash outflow has been made, and are paying or being charged with a return on all of their regulatory liabilities for which a cash inflow has been received. The Utilities' regulatory assets and liabilities at December 31, 2019 are recoverable from customers, or to be applied for customer benefit, in accordance with rate provisions that have been approved by state regulators.

Other significant accounting policies of the Companies are referenced below in this Note A and in the notes that follow.

## Revenue Recognition

The following table presents, for the years ended December 31, 2019 and 2018, revenue from contracts with customers as defined in Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers," as well as additional revenue from sources other than contracts with customers, disaggregated by major source. Revenue was recognized for the year ended December 31, 2017 under ASC Topic 605, “Revenue Recognition,” and was materially consistent with revenue that would have been recognized under Topic 606.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | Revenues from contracts with customers | Other revenues (a) | Total operating revenues | Revenues from contracts with customers | Other revenues (a) | Total operating revenues |
| CECONY | | | | | | |
| Electric | $7,913 | $149 | $8,062 | $7,920 | $51 | $7,971 |
| Gas | 2,097 | 35 | 2,132 | 2,052 | 26 | 2,078 |
| Steam | 610 | 17 | 627 | 625 | 6 | 631 |
| Total CECONY | $10,620 | $201 | $10,821 | $10,597 | $83 | $10,680 |
| O&R | | | | | | |
| Electric | 627 | 7 | 634 | 647 | (5) | 642 |
| Gas | 247 | 12 | 259 | 256 | (7) | 249 |
| Total O&R | $874 | $19 | $893 | $903 | $(12) | $891 |
| Clean Energy Businesses | | | | | | |
| Renewables | 575 (b) | — | 575 | 329 (b) | — | 329 |
| Energy services | 71 | — | 71 | 95 | — | 95 |
| Other | — | 211 | 211 | — | 339 | 339 |
| Total Clean Energy Businesses | $646 | $211 | $857 | $424 | $339 | $763 |
| Con Edison Transmission | 4 | — | 4 | 4 | — | 4 |
| Other (c) | — | (1) | (1) | — | (1) | (1) |
| Total Con Edison | $12,144 | $430 | $12,574 | $11,928 | $409 | $12,337 |

(a) For the Utilities, this includes revenue from alternative revenue programs, such as the revenue decoupling mechanisms under their New York electric and gas rate plans. For the Clean Energy Businesses, this includes revenue from wholesale services.
(b) Included within the total for Renewables revenue at the Clean Energy Businesses is $14 million and $103 million for the years ended December 31, 2019 and 2018, respectively, of revenue related to engineering, procurement and construction services.
(c) Parent company and consolidation adjustments.

Revenues are recorded as energy is delivered, generated or services are provided and billed to customers, except for services under percentage-of-completion contracts. Amounts billed are recorded in accounts receivable - customers, with payment generally due the following month. Con Edison’s and the Utilities’ accounts receivable - customers balance also reflects the Utilities’ purchase of receivables from energy service companies to support retail choice programs. Accrued revenues not yet billed to customers are recorded as accrued unbilled revenues.

The Utilities have the obligation to deliver electricity, gas and steam energy to their customers. As the energy is immediately available for use upon delivery to the customer, the energy and its delivery are identifiable as a single performance obligation. The Utilities recognize revenues as this performance obligation is satisfied over time as the Utilities deliver, and the customers simultaneously receive and consume, the energy. The amount of revenues recognized reflects the consideration the Utilities expect to receive in exchange for delivering the energy. Under their tariffs, the transaction price for full-service customers includes the Utilities’ energy cost and for all customers includes delivery charges determined based on customer class and in accordance with established tariffs and guidelines of the New York State Public Service Commission (NYSPSC) or the New Jersey Board of Public Utilities (NJBPU), as applicable. Accordingly, there is no unsatisfied performance obligation associated with these customers. The transaction price is applied to the Utilities’ revenue generating activities through the customer billing process. Because energy is delivered over time, the Utilities use output methods that recognize revenue based on direct measurement of the value transferred, such as units delivered, which provides an accurate measure of value for the energy delivered. The Utilities accrue revenues at the end of each month for estimated energy delivered but not yet billed to customers. The Utilities defer over a 12-month period net interruptible gas revenues, other than those authorized by the NYSPSC to be retained by the Utilities, for refund to firm gas sales and transportation customers.

The Clean Energy Businesses recognize revenue for the sale of energy from renewable electric production projects as energy is generated and billed to counterparties; accrue revenues at the end of each month for energy generated but not yet billed to counterparties; and recognize revenue as energy is delivered and services are provided for managing energy supply assets leased from others and managing the dispatch, fuel requirements and risk management activities for generating plants and merchant transmission in the northeastern United States. The Clean Energy Businesses also recognize revenue for providing energy-efficiency services to government and commercial customers, and recognize revenue for engineering, procurement and construction services, under the percentage-of-completion method of revenue recognition.

Sales and profits on each percentage-of-completion contract are recorded each month based on the ratio of actual cumulative costs incurred to the total estimated costs at completion of the contract, multiplied by the total estimated contract revenue, less cumulative revenues recognized in prior periods (the ‘‘cost-to-cost’’ method). The impact of revisions of contract estimates, which may result from contract modifications, performance or other reasons, are recognized on a cumulative catch-up basis in the period in which the revisions are made.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| *(Millions of Dollars)* | Unbilled contract revenue (a) | Unearned revenue (b) | Unbilled contract revenue (a) | Unearned revenue (b) |
| Beginning balance as of January 1, | $29 | $20 | $58 | $87 |
| Additions (c) | 86 | 1 | 144 | 38 |
| Subtractions (c) | 86 | 4 (d) | 173 | 105 (d) |
| Ending balance as of December 31, | $29 | $17 | $29 | $20 |

(a) Unbilled contract revenue represents accumulated incurred costs and earned profits on contracts (revenue arrangements), which have been recorded as revenue, but have not yet been billed to customers, and which represent contract assets as defined in Topic 606. Substantially all accrued unbilled contract revenue is expected to be collected within one year. Unbilled contract revenue arises from the cost-to-cost method of revenue recognition. Unbilled contract revenue from fixed-price type contracts is converted to billed receivables when amounts are invoiced to customers according to contractual billing terms, which generally occur when deliveries or other performance milestones are completed.

(b) Unearned revenue represents a liability for billings to customers in excess of earned revenue, which are contract liabilities as defined in Topic 606.

(c) Additions for unbilled contract revenue and subtractions for unearned revenue represent additional revenue earned. Additions for unearned revenue and subtractions for unbilled contract revenue represent billings. Activity also includes appropriate balance sheet classification for the period.

(d) Of the subtractions from unearned revenue, $4 million and $50 million was included in the balance as of January 1, 2019 and 2018, respectively.

As of December 31, 2019, the aggregate amount of the remaining fixed performance obligations of the Clean Energy Businesses, under contracts with customers for energy services is $82 million, of which $46 million will be recognized within the next two years, and the remaining $36 million will be recognized pursuant to long-term service and maintenance agreements.

CECONY’s electric and gas rate plans and O&R’s New York electric and gas rate plans each contain a revenue decoupling mechanism under which the company’s actual energy delivery revenues are compared with the authorized delivery revenues and the difference accrued, with interest, for refund to, or recovery from, customers, as applicable. See “Rate Plans” in Note B.

The NYSPSC requires utilities to record gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenue and expense). The recovery of these taxes is generally provided for in the revenue requirement within each of the respective NYSPSC approved rate plans. Total excise taxes (inclusive of gross receipts taxes) recorded in operating revenues were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
| Con Edison | $323 | $330 | $302 |
| CECONY | 312 | 318 | 292 |

**Other Receivables**
Other Receivables includes costs related to aid provided by the Utilities in the restoration of power in Puerto Rico in the aftermath of September 2017 hurricanes. Such costs have fully been billed to the appropriate authorities. As of December 31, 2019, Con Edison and CECONY other receivables' balances related to such costs were $8 million.

**Plant and Depreciation**
**Utility Plant**
Utility plant is stated at original cost. The cost of repairs and maintenance is charged to expense and the cost of betterments is capitalized. The capitalized cost of additions to utility plant includes indirect costs such as engineering, supervision, payroll taxes, pensions, other benefits and an allowance for funds used during construction (AFUDC). The original cost of property is charged to expense over the estimated useful lives of the assets. Upon retirement, the original cost of property is charged to accumulated depreciation. See Note R.

Rates used for AFUDC include the cost of borrowed funds and a reasonable rate of return on the Utilities' own funds when so used, determined in accordance with regulations of the FERC or the state public utility regulatory authority having jurisdiction. The rate is compounded semiannually, and the amounts applicable to borrowed funds are treated as a reduction of interest charges, while the amounts applicable to the Utilities' own funds are credited to other income (deductions). The AFUDC rates for CECONY were 5.1 percent, 5.4 percent and 5.5 percent for 2019, 2018 and 2017, respectively. The AFUDC rates for O&R were 5.3 percent, 2.2 percent and 2.5 percent for 2019, 2018 and 2017, respectively.

The Utilities generally compute annual charges for depreciation using the straight-line method for financial statement purposes, with rates based on average service lives and net salvage factors. The average depreciation rates for CECONY were 3.2 percent for 2019 and 3.1 percent for 2018 and 2017. The average depreciation rates for O&R were 3.0 percent for 2019 and 2.9 percent for 2018 and 2017.

The estimated lives for utility plant for CECONY range from 5 to 95 years for electric, 5 to 90 years for gas, 5 to 80 years for steam and 5 to 55 years for general plant. For O&R, the estimated lives for utility plant range from 5 to 75 years for electric and gas and 5 to 50 years for general plant.

At December 31, 2019 and 2018, the capitalized cost of the Companies' utility plant, net of accumulated depreciation, was as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Electric | | | | |
| Generation | $591 | $593 | $591 | $592 |
| Transmission | 3,634 | 3,333 | 3,380 | 3,106 |
| Distribution | 20,676 | 19,750 | 19,602 | 18,716 |
| General | 43 | — | 43 | — |
| Gas (a) | 8,617 | 7,714 | 7,961 | 7,107 |
| Steam | 1,813 | 1,830 | 1,813 | 1,830 |
| General | 2,365 | 2,306 | 2,143 | 2,102 |
| Held for future use | 75 | 76 | 67 | 67 |
| Construction work in progress | 1,937 | 1,978 | 1,812 | 1,850 |
| Net Utility Plant | $39,751 | $37,580 | $37,412 | $35,370 |

(a) Primarily distribution.

General utility plant of Con Edison and CECONY included $93 million and $88 million, respectively, at December 31, 2019, and $100 million and $95 million, respectively at December 31, 2018, related to a May 2018 acquisition of software licenses. The estimated aggregate annual amortization expense for Con Edison and CECONY is $7 million. The accumulated amortization for Con Edison and CECONY was $10 million at December 31, 2019 and was $3 million at December 31, 2018.

Under the Utilities’ rate plans, the aggregate annual depreciation allowance for the period ended December 31, 2019 was $1,417 million, including $1,332 million under CECONY’s electric, gas and steam rate plans that have been approved by the NYSPSC.

**Non–Utility Plant**

Non-utility plant is stated at original cost. For Con Edison, non-utility plant consists primarily of the Clean Energy Businesses’ renewable electric production projects. For the Utilities, non-utility plant consists of land and conduit for telecommunication use. Depreciation on these assets is computed using the straight-line method for financial statement purposes over their estimated useful lives, which is 10 years.

**Goodwill**

Con Edison tests goodwill for impairment at least annually or whenever there is a triggering event. There is an option to first make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before applying a two-step, quantitative goodwill impairment test. Con Edison has elected to perform the qualitative assessment for substantially all of its goodwill and, if needed, applies the two-step quantitative approach. The first step of the quantitative goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill. In 2019, Con Edison recorded no impairment charge on goodwill. See Note K.

**Long–Lived and Intangible Assets**

The Companies test long-lived and intangible assets for recoverability when events or changes in circumstances indicate that the carrying value of long-lived or intangible assets may not be recoverable. The carrying amount of a long-lived asset or intangible asset with a definite life is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. In the event a test indicates that such cash flows cannot be expected to be sufficient to fully recover the assets, the assets are considered impaired and written down to their estimated fair value.

Con Edison's intangible assets with definite lives consist primarily of power purchase agreements, which were identified as part of purchase price allocations associated with acquisitions made by the Clean Energy Businesses in 2016 and 2018. At December 31, 2019 and 2018, intangible assets arising from power purchase agreements, including the PG&E PPAs (discussed below), were $1,554 million and $1,651 million, net of accumulated amortization of $119 million and $22 million, respectively, and are being amortized over the life of each agreement. Excluding power purchase agreements, Con Edison’s other intangible assets were $3 million, net of accumulated amortization of $7 million, at December 31, 2019 and 2018. CECONY’s other intangible assets were immaterial at December 31, 2019 and 2018. Con Edison recorded amortization expense related to its intangible assets of $99 million in 2019, $14 million in 2018 and $9 million in 2017. Con Edison expects amortization expense to be $100 million per year over the next five years. Con Edison recorded $2 million of impairment charges in 2018. No impairment charges were recorded on Con Edison's long-lived assets or intangible assets with definite lives in 2019 or 2017.

In January 2019, Pacific Gas and Electric Company (PG&E) filed in the United States Bankruptcy Court for the Northern District of California for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The output of certain of the Clean Energy Businesses' renewable electric production projects with an aggregate generating capacity of 680 MW (AC) (PG&E Projects) is sold to PG&E under long-term power purchase agreements (PG&E PPAs). Most of the PG&E PPAs have contract prices that are higher than estimated market prices. PG&E, as a debtor in possession, may assume or reject the PG&E PPAs, subject to review by the bankruptcy court.

In January 2020, PG&E and certain PG&E shareholders submitted a plan of reorganization to the bankruptcy court. The plan includes the assumption by PG&E of all of its power purchase agreements. The plan is subject to, among other things: confirmation by the bankruptcy court by June 30, 2020 (or any extension of the date by which PG&E’s bankruptcy must be resolved for PG&E to participate in the insurance fund described below); approval by the California Public Utilities Commission (CPUC) of PG&E’s implementation of the plan and participation in the insurance fund; PG&E obtaining funding for distributions under the plan; and the continuation in full force and effect of the September 2019 subrogation claims restructuring support agreement, the December 2019 tort claimants restructuring support agreement and the January 2020 noteholder restructuring support agreement. The plan is

supported by the parties to these restructuring support agreements, subject to their terms, and includes the assumption by PG&E of all of its power purchase agreements. A plan of reorganization can be revoked, amended, withdrawn or delayed prior to its confirmation by the bankruptcy court. Bankruptcy court approval is required for a plan of reorganization to be sent to creditors for consideration.

In January and May 2019, FERC issued orders (which PG&E is challenging) affirming its jurisdiction to review and approve the modification or abrogation of wholesale power contracts that are the subject of rejection in bankruptcy. In June 2019, the bankruptcy court ruled that FERC does not have concurrent jurisdiction with it and that FERC's January and May 2019 orders are of no force and effect in the bankruptcy proceeding. FERC and additional parties, including the Clean Energy Businesses, are challenging the bankruptcy court's June 2019 ruling in appeals that are pending in the United States Court of Appeals for the Ninth Circuit.

In July 2019, California enacted a law addressing future California wildfires. The law includes provisions for the establishment of wildfire liquidity and insurance funds and possible limitation of future wildfire liabilities for California utilities. PG&E, Southern California Edison Company and San Diego Gas & Electric Company have agreed to participate in the insurance fund. PG&E's participation will require bankruptcy court approval and is conditioned on, among other things, resolution of PG&E's bankruptcy by June 30, 2020, and a determination by the CPUC that PG&E's bankruptcy reorganization plan is consistent with the state's climate goals as required under the California Renewables Portfolio Standard Program and related procurement requirements of the state.

The PG&E bankruptcy is an event of default under the PG&E PPAs. Unless the lenders for the related project debt otherwise agree, distributions from the related projects to the Clean Energy Businesses will not be made during the pendency of the bankruptcy. See "Reconciliation of Cash, Temporary Cash Investments and Restricted Cash," below.

At December 31, 2019 and 2018, Con Edison's consolidated balance sheet included $819 million and $885 million of net non-utility plant relating to the PG&E Projects, $1,057 million and $1,125 million of intangible assets relating to the PG&E PPAs, $282 million and $292 million of net non-utility plant of additional projects that secure the related project debt and $1,001 million and $1,050 million of non-recourse related project debt, respectively. See "Long-term Debt" in Note C. Con Edison has tested whether its net non-utility plant relating to the PG&E Projects and intangible assets relating to the PG&E PPAs have been impaired. The projected future cash flows used in the test reflected Con Edison's expectation that the PG&E PPAs are not likely to be rejected. Based on the test, Con Edison has determined that there was no impairment. If, in the future, one or more of the PG&E PPAs is rejected or any such rejection becomes likely, there will be an impairment of the related intangible assets and could be an impairment of the related non-utility plant. The amount of any such impairment could be material.

**Recoverable Energy Costs**

The Utilities generally recover all of their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state public utility regulators. If the actual energy supply costs for a given month are more or less than the amounts billed to customers for that month, the difference in most cases is recoverable from or refundable to customers. Differences between actual and billed electric and steam supply costs and costs of its electric demand management programs are generally deferred for charge or refund to customers during the next billing cycle (normally within one or two months). For the Utilities' gas costs, differences between actual and billed gas costs during the 12-month period ending each August are charged or refunded to customers during a subsequent 12-month period.

**New York Independent System Operator (NYISO)**

The Utilities purchase electricity through the wholesale electricity market administered by the NYISO. The difference between purchased power and related costs initially billed to the Utilities by the NYISO and the actual cost of power subsequently calculated by the NYISO is refunded by the NYISO to the Utilities, or paid to the NYISO by the Utilities. The reconciliation payments or receipts are recoverable from or refundable to the Utilities' customers.

Certain other payments to or receipts from the NYISO are also subject to reconciliation, with shortfalls or amounts in excess of specified rate allowances recoverable from or refundable to customers. These include proceeds from the sale through the NYISO of transmission rights on CECONY's transmission system (transmission congestion contracts or TCCs).

### Temporary Cash Investments

Temporary cash investments are short-term, highly-liquid investments that generally have maturities of three months or less at the date of purchase. They are stated at cost, which approximates market. The Companies consider temporary cash investments to be cash equivalents.

### Investments

Investments consist primarily of the investments of Con Edison Transmission that are accounted for under the equity method, and the fair value of the Utilities' supplemental retirement income plan and deferred income plan assets. Equity method investments are subject to the accounting rules which would require the recognition of a decrease in value other than for a temporary decline. The following investment assets are included in the Companies' consolidated balance sheets at December 31, 2019 and 2018:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2019** | **2018** |
| CET Gas investment in Stagecoach Gas Services, LLC | $924 | $948 | $— | $— |
| CET Gas investment in Mountain Valley Pipeline, LLC (a) | 602 | 363 | — | — |
| Supplemental retirement income plan assets (b) | 397 | 326 | 371 | 301 |
| Deferred income plan assets | 81 | 75 | 81 | 75 |
| CET Electric investment in New York Transco, LLC | 59 | 52 | — | — |
| Other | 2 | 2 | 9 | 9 |
| Total investments | $2,065 | $1,766 | $461 | $385 |

(a) See Note U.
(b) See Note E.

### Pension and Other Postretirement Benefits

The accounting rules for retirement benefits require an employer to recognize an asset or liability for the overfunded or underfunded status of its pension and other postretirement benefit plans. For a pension plan, the asset or liability is the difference between the fair value of the plan's assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation. The accounting rules generally require employers to recognize all unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive income/(loss) (OCI), net of tax. Such amounts will be adjusted as they are subsequently recognized as components of total periodic benefit cost or income pursuant to the current recognition and amortization provisions.

For the Utilities' pension and other postretirement benefit plans, regulatory accounting treatment is generally applied in accordance with the accounting rules for regulated operations. Unrecognized prior service costs or credits and unrecognized actuarial gains and losses are recorded to regulatory assets or liabilities, rather than OCI. See Notes E and F.

The total periodic benefit costs are recognized in accordance with the accounting rules for retirement benefits. Investment gains and losses are recognized in expense over a 15-year period and other actuarial gains and losses are recognized in expense over a 10-year period, subject to the deferral provisions in the rate plans.

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 such expenses and the amounts for such expenses reflected in rates. O&R also defers such difference pursuant to its New York rate plans. See Note B.

The Companies calculate the expected return on pension and other postretirement benefit plan assets by multiplying the expected rate of return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. The accounting rules allow the MRV of plan assets to be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. The Companies use a calculated value when determining the MRV of the plan assets that adjusts for 20 percent of the difference

between fair value and expected MRV of plan assets. This calculated value has the effect of stabilizing variability in assets to which the Companies apply the expected return.

### Federal Income Tax

In accordance with accounting rules for income taxes, the Companies have recorded an accumulated deferred federal income tax liability at current tax rates for temporary differences between the book and tax basis of assets and liabilities. In accordance with rate plans, the Utilities have recovered amounts from customers for a portion of the tax liability they will pay in the future as a result of the reversal or “turn-around” of these temporary differences. As to the remaining deferred tax liability, the Utilities had established regulatory assets for the net revenue requirements to be recovered from customers for the related future tax expense pursuant to the NYSPSC's 1993 Policy Statement approving accounting procedures consistent with accounting rules for income taxes and providing assurances that these future increases in taxes will be recoverable in rates.

Upon enactment of the Tax Cuts and Jobs Act of 2017 on December 22, 2017 (the TCJA), the Companies re-measured their deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. The tax effects of changes in tax laws are to be recognized in the period in which the law is enacted and deferred tax assets and liabilities are to be re-measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Utilities, in accordance with their New York rate plans and the accounting rules for regulated operations, the change in deferred taxes was recorded as either an offset to a regulatory asset or a regulatory liability. For Con Edison’s other businesses, the change in deferred taxes was reflected as a decrease in income tax expense, which increased Con Edison's net income. See “Other Regulatory Matters” and “Regulatory Assets and Liabilities” in Note B and Note L.

Accumulated deferred investment tax credits are amortized ratably over the lives of the related properties and applied as a reduction to future federal income tax expense.

Con Edison and its subsidiaries file a consolidated federal income tax return. The consolidated income tax liability is allocated to each member of the consolidated group using the separate return method. Each member pays or receives an amount based on its own taxable income or loss in accordance with a consolidated tax allocation agreement. Tax loss and tax credit carryforwards are allocated among members in accordance with consolidated tax return regulations.

### State Income Tax

Con Edison and its subsidiaries file a combined New York State Corporation Business Franchise Tax Return. Similar to a federal consolidated income tax return, the income of all entities in the combined group is subject to New York State taxation, after adjustments for differences between federal and New York law and apportionment of income among the states in which the company does business. Each member’s share of the New York State tax is based on its own New York State taxable income or loss.

### Research and Development Costs

Research and development costs are charged to operating expenses as incurred. Research and development costs were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
| Con Edison | $24 | $24 | $24 |
| CECONY | 23 | 23 | 23 |

### 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 for common stock” 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 and deferred stock units for which the average market price of the common shares for the period was greater than the exercise price (see Note M) and its common shares that are subject to forward sale agreements (see Note C). Before the issuance of common shares upon settlement of the forward sale agreements, the shares will be reflected in the company's diluted earnings per share calculations using the treasury stock method. Under this method, the number of common shares used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon physical settlement of the forward sale agreements over the number of shares that could be purchased by the company in the market (based on the average market price during the period) using the proceeds due upon physical settlement (based on the adjusted forward sale price at the end of the reporting period).

Basic and diluted EPS for Con Edison are calculated as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| ***(Millions of Dollars, except per share amounts/Shares in Millions)*** | **2019** | **2018** | **2017** |
| Net income for common stock | $1,343 | $1,382 | $1,525 |
| Weighted average common shares outstanding – basic | 328.5 | 311.7 | 307.1 |
| Add: Incremental shares attributable to effect of potentially dilutive securities | 1.0 | 1.2 | 1.7 |
| Adjusted weighted average common shares outstanding – diluted | 329.5 | 312.9 | 308.8 |
| Net Income per common share – basic | $4.09 | $4.43 | $4.97 |
| Net Income per common share – diluted | $4.08 | $4.42 | $4.94 |

The computation of diluted EPS for the years ended December 31, 2019 and 2018 excludes immaterial amounts of performance share awards that were not included because of their anti-dilutive effect.

### Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Changes to accumulated other comprehensive income/(loss) (OCI) for Con Edison and CECONY are as follows:

| ***(Millions of Dollars)*** | **Con Edison** | **CECONY** |
|---|---|---|
| Accumulated OCI, net of taxes, at December 31, 2016 (a) | $(27) | $(7) |
| OCI before reclassifications, net of tax of $3 and $1 for Con Edison and CECONY, respectively | (4) | — |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(3) and $(1) for Con Edison and CECONY, respectively (a)(b) | 5 | 1 |
| Total OCI, net of taxes, at December 31, 2017 | 1 | 1 |
| Accumulated OCI, net of taxes, at December 31, 2017 (a) | $(26) | $(6) |
| OCI before reclassifications, net of tax of $3 for Con Edison | 4 | — |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(2) for Con Edison (a)(b) | 6 | 1 |
| Total OCI, net of taxes, at December 31, 2018 | 10 | 1 |
| Accumulated OCI, net of taxes, at December 31, 2018 (a) | $(16) | $(5) |
| OCI before reclassifications, net of tax of $(6) and $(1) for Con Edison and CECONY, respectively | (10) | (3) |
| Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(2) for Con Edison (a)(b) | 7 | 2 |
| Total OCI, net of taxes, at December 31, 2019 | (3) | (1) |
| Accumulated OCI, net of taxes, at December 31, 2019 (a) | $(19) | $(6) |

(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 and liabilities 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.

### Reconciliation of Cash, Temporary Cash Investments and Restricted Cash

Cash, temporary cash investments and restricted cash are presented on a combined basis in the Companies' consolidated statements of cash flows. At December 31, 2019 and 2018, cash, temporary cash investments and restricted cash for Con Edison and CECONY were as follows:

| | At December 31, | | | |
|---|---|---|---|---|
| | Con Edison | | CECONY | |
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Cash and temporary cash investments | $981 | $895 | $933 | $818 |
| Restricted cash (a) | 236 | 111 | — | — |
| Total cash, temporary cash investments and restricted cash | $1,217 | $1,006 | $933 | $818 |

(a) Restricted cash included cash of the Clean Energy Businesses' renewable electric production project subsidiaries ($236 million and $109 million at December 31, 2019 and 2018, respectively) that, under the related project debt agreements, is either restricted until the various maturity dates of the project debt to being used for normal operating expenses and capital expenditures, debt service, and required reserves or restricted as a result of the PG&E bankruptcy. During the pendency of the PG&E bankruptcy, unless the lenders for the related project debt otherwise agree, cash may not be distributed from the related projects to the Clean Energy Businesses. See "Long-Lived and Intangible Assets," above and "Long-term Debt" in Note C. In addition, restricted cash included O&R's New Jersey utility subsidiary, Rockland Electric Company transition bond charge collections, net of principal, interest, trustee and service fees ($2 million at December 31, 2018).

## Note B – Regulatory Matters

### Rate Plans

The Utilities provide service to New York customers according to the terms of tariffs approved by the NYSPSC. Tariffs for service to customers of Rockland Electric Company (RECO), O&R's New Jersey regulated utility subsidiary, are approved by the NJBPU. The tariffs include schedules of rates for service that limit the rates charged by the Utilities to amounts that recover from their customers costs approved by the regulator, including capital costs, of providing service to customers as defined by the tariff. The tariffs implement rate plans adopted by state utility regulators in rate orders issued at the conclusion of rate proceedings. Pursuant to the Utilities' rate plans, there generally can be no change to the charges to customers during the respective terms of the rate plans other than specified adjustments provided for in the rate plans. The Utilities' rate plans each cover specified periods, but rates determined pursuant to a plan generally continue in effect until a new rate plan is approved by the state utility regulator.

Common provisions of the Utilities' New York rate plans include:

*Recoverable energy costs* that allow the Utilities to recover on a current basis the costs for the energy they supply with no mark-up to their full-service customers.

*Cost reconciliations* that reconcile pension and other postretirement benefit costs, environmental remediation costs, property taxes, variable rate tax-exempt debt and certain other costs to amounts reflected in delivery rates for such costs. In addition, changes in the Utilities' costs not reflected in rates, in excess of certain amounts, resulting from changes in tax or other law, rule, regulation, order, or other requirement or interpretation are deferred as a regulatory asset or regulatory liability to be reflected in the Utilities' next rate plan or in a manner to be determined by the NYSPSC. Also, the Utilities generally retain the right to petition for recovery or accounting deferral of extraordinary and material cost increases and provision is sometimes made for the utility to retain a share of cost reductions, for example, property tax refunds.

*Revenue decoupling mechanisms* that reconcile actual energy delivery revenues to the authorized delivery revenues approved by the NYSPSC. The difference is accrued with interest for refund to, or recovery from customers, as applicable.

*Earnings sharing* that require the Utilities to defer for customer benefit a portion of earnings over specified rates of return on common equity. There is no symmetric mechanism for earnings below specified rates of return on common equity.

*Negative revenue adjustments* for failure to meet certain performance standards relating to service, reliability, safety and other matters.

*Positive revenue adjustments* for achievement of performance standards related to achievement of clean energy goals, safety and other matters.

*Net utility plant reconciliations* that require deferral as a regulatory liability of the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates. There is generally no symmetric mechanism if actual average net utility plant balances are more than amounts reflected in rates.

*Rate base*, as reflected in the rate plans, is, in general, the sum of the Utilities' net plant, working capital and certain regulatory assets less deferred taxes and certain regulatory liabilities. For each rate plan, the NYSPSC uses a forecast of the average rate base for each year that new rates would be in effect ("rate year").

*Weighted average cost of capital* is determined based on the authorized common equity ratio, return on common equity, cost of long-term debt and cost of customer deposits reflected in each rate plan. For each rate plan, the revenues designed to provide the utility a return on invested capital for each rate year are determined by multiplying each utility rate base by its pre–tax weighted average cost of capital. The Utilities' actual return on common equity will reflect their actual operations for each rate year, and may be more or less than the authorized return on equity reflected in their rate plans (and if more, may be subject to earnings sharing).

The following tables contain a summary of the Utilities' rate plans:

**CECONY – Electric**

| Effective period | January 2017 – December 2019 | January 2020 – December 2022 (a) |
|---|---|---|
| Base rate changes | Yr. 1 – $195 million (b)<br>Yr. 2 – $155 million (b)<br>Yr. 3 – $155 million (b) | Yr. 1 – $113 million (c)<br>Yr. 2 – $370 million (c)<br>Yr. 3 – $326 million (c) |
| Amortizations to income of net regulatory (assets) and liabilities | Yr. 1 – $84 million<br>Yr. 2 – $83 million<br>Yr. 3 – $69 million | Yr. 1 – $267 million (d)<br>Yr. 2 – $269 million (d)<br>Yr. 3 – $272 million (d) |
| Other revenue sources | Retention of $75 million of annual transmission congestion revenues.<br><br>Potential earnings adjustment mechanism incentives for energy efficiency and other potential incentives of up to:<br>Yr. 1 – $28 million<br>Yr. 2 – $47 million<br>Yr. 3 – $64 million<br>In 2017, 2018 and 2019, the company recorded $13 million, $25 million and $43 million of earnings adjustment mechanism incentives for energy efficiency, respectively. The company also achieved $5 million of incentives for service terminations in 2017, 2018 and 2019 that, pursuant to the rate plan, is being recorded ratably in earnings from 2018 to 2020. In 2018 and 2019, the company recorded $3 million and $7 million of incentives for service terminations, respectively. | Retention of $75 million of annual transmission congestion revenues.<br><br>Potential earnings adjustment mechanism incentives for energy efficiency and other potential incentives of up to:<br>Yr. 1 - $69 million<br>Yr. 2 - $74 million<br>Yr. 3 - $79 million |
| Revenue decoupling mechanisms | Continuation of reconciliation of actual to authorized electric delivery revenues.<br>In 2017, 2018 and 2019, the company deferred for customer benefit $45 million, $(6) million and $169 million of revenues, respectively. | Continuation of reconciliation of actual to authorized electric delivery revenues. |
| Recoverable energy costs | Continuation of current rate recovery of purchased power and fuel costs. | Continuation of current rate recovery of purchased power and fuel costs. |
| Negative revenue adjustments | Potential charges if certain performance targets relating to service, reliability, safety and other matters are not met:<br>Yr. 1 – $376 million<br>Yr. 2 – $341 million<br>Yr. 3 – $352 million<br>In 2017 and 2018, the company did not record any negative revenue adjustments. In 2019, the company recorded negative revenue adjustments of $15 million. | Potential charges if certain performance targets relating to service, reliability, safety and other matters are not met:<br>Yr. 1 - $450 million<br>Yr. 2 - $461 million<br>Yr. 3 - $476 million |

| | | |
|---|---|---|
| Cost reconciliations | Continuation of reconciliation of expenses for pension and other postretirement benefits, variable-rate tax-exempt debt, major storms, property taxes (e), municipal infrastructure support costs (f), the impact of new laws and environmental site investigation and remediation to amounts reflected in rates (g).<br>In 2017, 2018 and 2019, the company deferred $35 million, $189 million and $10 million of net regulatory assets, respectively. | Continuation of reconciliation of expenses for pension and other postretirement benefits, variable-rate debt, major storms, property taxes (e), municipal infrastructure support costs (f), the impact of new laws and environmental site investigation and remediation to amounts reflected in rates. (g) |
| Net utility plant reconciliations | Target levels reflected in rates:<br>Electric average net plant target excluding advanced metering infrastructure (AMI):<br>Yr. 1 – $21,689 million<br>Yr. 2 – $22,338 million<br>Yr. 3 – $23,002 million<br>AMI:<br>Yr. 1 – $126 million<br>Yr. 2 – $257 million<br>Yr. 3 – $415 million<br>The company deferred $0.4 million as a regulatory asset in 2017. In 2018 and 2019, $0.4 and $11.8 million was deferred as a regulatory liability, respectively. | Target levels reflected in rates:<br>Electric average net plant target excluding advanced metering infrastructure (AMI):<br>Yr. 1 - $24,491 million<br>Yr. 2 - $25,092 million<br>Yr. 3 - $25,708 million<br>AMI:<br>Yr. 1 - $572 million<br>Yr. 2 - $740 million<br>Yr. 3 - $806 million (h) |
| Average rate base | Yr. 1 – $18,902 million<br>Yr. 2 – $19,530 million<br>Yr. 3 – $20,277 million | Yr. 1 - $21,660 million<br>Yr. 2 - $22,783 million<br>Yr. 3 - $23,926 million |
| Weighted average cost of capital (after-tax) | Yr. 1 – 6.82 percent<br>Yr. 2 – 6.80 percent<br>Yr. 3 – 6.73 percent | 6.61 percent |
| Authorized return on common equity | 9.0 percent | 8.80 percent |
| Actual return on common equity (i) | Yr. 1 – 9.30 percent<br>Yr. 2 – 9.36 percent<br>Yr. 3 – 8.82 percent | |
| Earnings sharing | Most earnings above an annual earnings threshold of 9.5 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year.<br><br>In 2017, the company had no earnings above the threshold but recorded a positive adjustment related to 2016 of $5.7 million in earnings.<br><br>In 2018 and 2019, the company had no earnings sharing above the threshold. | Most earnings above an annual earnings threshold of 9.3 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. |
| Cost of long-term debt | Yr. 1 – 4.93 percent<br>Yr. 2 – 4.88 percent<br>Yr. 3 – 4.74 percent | 4.63 percent |
| Common equity ratio | 48 percent | 48 percent |

(a) In January 2020, the NYSPSC approved the October 2019 Joint Proposal for CECONY's electric rate plan for January 2020 through December 2022. If at the end of any semi-annual period ending June 30 and December 31, Con Edison's investments in its non-utility businesses exceed 15 percent of its total consolidated revenues, assets or cash flow, or if the ratio of holding company debt to total consolidated debt rises above 20 percent, CECONY is required to notify the NYSPSC and submit a ring-fencing plan or a demonstration why additional ring-fencing measures (see Note S) are not necessary.

(b) The electric base rate increases were in addition to a $48 million increase resulting from the December 2016 expiration of a temporary credit under the prior rate plan. At the NYSPSC's option, these increases were implemented with increases of $199 million in each rate year. Base rates reflect recovery by the company of certain costs of its energy efficiency, system peak reduction and electric vehicle programs (Yr. 1 - $20.5 million; Yr. 2 - $49 million; and Yr. 3 - $107.5 million) over a 10-year period, including the overall pre-tax rate of return on such costs.

(c) Base rates reflect recovery by the company of certain costs of its energy efficiency, Reforming the Energy Vision demonstration projects, non-wire alternative projects (including the Brooklyn Queens demand management program), and off-peak electric vehicle charging programs (Yr. 1 - $206 million; Yr. 2 - $245 million; and Yr. 3 - $251 million) over a ten-year period, including the overall pre-tax rate of return on such costs.

(d) Amounts reflect amortization of the 2018 tax savings under the federal Tax Cuts and Jobs Act of 2017 (TCJA) allocable to CECONY's electric customers ($377 million) over a three-year period ($126 million annually), the protected portion of the regulatory liability for excess deferred income taxes allocable to CECONY's electric customers ($1,663 million) over the remaining lives of the related assets ($49 million in Yr. 1, $50 million in Yr. 2, and $53 million in Yr. 3) and the unprotected portion of the net regulatory liability ($784 million) over five years ($157 million annually). Amounts also reflect amortization of the regulatory asset for deferred MTA power reliability costs ($238 million) over a five-year period ($48 million annually).

(e) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a maximum number of basis points impact on return on common equity: Yr 1 - 10.0 basis points; Yr 2 - 7.5 basis points; and Yr 3 - 5.0 basis points.

(f) In general, if actual expenses for municipal infrastructure support (other than company labor) are below the amounts reflected in rates the company will defer the difference for credit to customers, and if the actual expenses are above the amount reflected in rates the company will defer for recovery from customers 80 percent of the difference subject to a maximum deferral, subject to certain conditions, of

30 percent of the amount reflected in the January 2017-December 2019 rate plan and 15 percent of the amount reflected in the January 2020-December 2022 rate plan.

(g) In addition, the NYSPSC staff has commenced a focused operations audit to investigate the income tax accounting of CECONY and other New York utilities. Any NYSPSC-ordered adjustment to CECONY's income tax accounting will be refunded to or collected from customers, as determined by the NYSPSC. See "Other Regulatory Matters," below.

(h) Reconciliation of net utility plant for AMI will be done on a combined basis for electric and gas.

(i) Calculated in accordance with the earnings calculation method prescribed in the rate order.

**CECONY – Gas**

| Effective period | January 2017 - December 2019 | January 2020 – December 2022 (a) |
| --- | --- | --- |
| Base rate changes | Yr. 1 – $(5) million (b)<br>Yr. 2 – $92 million<br>Yr. 3 – $90 million | Yr. 1 – $84 million (c)<br>Yr. 2 – $122 million (c)<br>Yr. 3 – $167 million (c) |
| Amortizations to income of net regulatory (assets) and liabilities | Yr. 1 – $39 million<br>Yr. 2 – $37 million<br>Yr. 3 – $36 million | Yr. 1 – $45 million (d)<br>Yr. 2 – $43 million (d)<br>Yr. 3 – $10 million (d) |
| Other revenue sources | Retention of annual revenues from non-firm customers of up to $65 million and 15 percent of any such revenues above $65 million.<br><br>Potential incentives if performance targets related to gas leak backlog, leak prone pipe and service terminations are met:<br>Yr. 1 – $7 million<br>Yr. 2 – $8 million<br>Yr. 3 – $8 million<br>In 2017, 2018 and 2019, the company achieved incentives of $7 million, $6 million and $7 million, respectively, that, pursuant to the rate plan, is being recorded ratably in earnings from 2018 to 2020. In 2018 and 2019, the company recorded incentives of $5 million and $9 million, respectively, for gas leak backlog, leak prone pipe and service terminations. | Retention of annual revenues from non-firm customers of up to $65 million and 15 percent of any such revenues above $65 million.<br><br>Potential earnings adjusted mechanism incentives for energy efficiency and other potential incentives of up to:<br>Yr. 1 - $20 million<br>Yr. 2 - $22 million<br>Yr. 3 - $25 million |
| Revenue decoupling mechanisms | Continuation of reconciliation of actual to authorized gas delivery revenues.<br>In 2017, 2018 and 2019, the company deferred $3 million, $12 million and $10 million of regulatory liabilities, respectively. | Continuation of reconciliation of actual to authorized gas delivery revenues, modified to be calculated based upon revenue per customer class instead of revenue per customer. |
| Recoverable energy costs | Continuation of current rate recovery of purchased gas costs. | Continuation of current rate recovery of purchased gas costs. |
| Negative revenue adjustments | Potential charges if performance targets relating to service, safety and other matters are not met:<br>Yr. 1 – $68 million<br>Yr. 2 – $63 million<br>Yr. 3 – $70 million<br>In 2017 and 2018, the company recorded negative revenue adjustments of $5 million and $4 million, respectively. In 2019, the company did not record any negative revenue adjustments. | Potential charges if performance targets relating to service, safety and other matters are not met:<br>Yr. 1 - $81 million<br>Yr. 2 - $88 million<br>Yr. 3 - $96 million |
| Cost reconciliations | Continuation of reconciliation of expenses for pension and other postretirement benefits, variable-rate tax-exempt debt, major storms, property taxes (e), municipal infrastructure support costs (f), the impact of new laws and environmental site investigation and remediation to amounts reflected in rates. (g)<br>In 2017, 2018 and 2019, the company deferred $2 million of net regulatory liabilities, $44 million of net regulatory assets and $18 million of net regulatory assets, respectively. | Continuation of reconciliation of expenses for pension and other postretirement benefits, variable-rate debt, major storms, property taxes (e), municipal infrastructure support costs (f), the impact of new laws and environmental site investigation and remediation to amounts reflected in rates. (g) |
| Net utility plant reconciliations | Target levels reflected in rates:<br>Gas average net plant target excluding AMI:<br>Yr. 1 – $5,844 million<br>Yr. 2 – $6,512 million<br>Yr. 3 – $7,177 million<br>AMI:<br>Yr. 1 – $27 million<br>Yr. 2 – $57 million<br>Yr. 3 – $100 million<br>In 2017 and 2018 the company deferred $2.2 million as regulatory liabilities. In 2019, the company deferred $1.7 million as a regulatory liability. | Target levels reflected in rates:<br>Gas average net plant target excluding AMI:<br>Yr. 1 - $8,108 million<br>Yr. 2 - $8,808 million<br>Yr. 3 - $9,510 million<br>AMI:<br>Yr. 1 - $142 million<br>Yr. 2 - $183 million<br>Yr. 3 - $211 million (h) |
| Average rate base | Yr. 1 – $4,841 million<br>Yr. 2 – $5,395 million<br>Yr. 3 – $6,005 million | Yr. 1 - $7,171 million<br>Yr. 2 - $7,911 million<br>Yr. 3 - $8,622 million |
| Weighted average cost of capital (after-tax) | Yr. 1 – 6.82 percent<br>Yr. 2 – 6.80 percent<br>Yr. 3 – 6.73 percent | 6.61 percent |
| Authorized return on common equity | 9.0 percent | 8.80 percent |
| Actual return on common equity (i) | Yr. 1 – 9.22 percent<br>Yr. 2 – 9.04 percent<br>Yr. 3 – 8.72 percent | |

| | | |
|---|---|---|
| Earnings sharing | Most earnings above an annual earnings threshold of 9.5 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year.<br><br>In 2017, 2018 and 2019, the company had no earnings above the threshold. | Most earnings above an annual earnings threshold of 9.3 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. |
| Cost of long-term debt | Yr. 1 – 4.93 percent<br>Yr. 2 – 4.88 percent<br>Yr. 3 – 4.74 percent | 4.63 percent |
| Common equity ratio | 48 percent | 48 percent |

(a) In January 2020, the NYSPSC approved the October 2019 Joint Proposal for CECONY's gas rate plan for January 2020 through December 2022. If at the end of any semi-annual period ending June 30 and December 31, Con Edison's investments in its non-utility businesses exceed 15 percent of its total consolidated revenues, assets or cash flow, or if the ratio of holding company debt to total consolidated debt rises above 20 percent, CECONY is required to notify the NYSPSC and submit a ring-fencing plan or a demonstration why additional ring-fencing measures (see Note S) are not necessary.

(b) The gas base rate decrease was offset by a $41 million increase resulting from the December 2016 expiration of a temporary credit under the prior rate plan.

(c) The gas base rate increases shown above will be implemented with increases of $47 million in Yr. 1; $176 million in Yr. 2; and $170 million in Yr. 3 in order to levelize customer bill impacts. Base rates reflect recovery by the company of certain costs of its energy efficiency program (Yr. 1 - $30 million; Yr. 2 - $37 million; and Yr. 3 - $40 million) over a ten-year period, including the overall pre-tax rate of return on such costs.

(d) Amounts reflect amortization of the remaining 2018 TCJA tax savings allocable to CECONY's gas customers ($63 million) over a two year period ($32 annually), the protected portion of the regulatory liability for excess deferred income taxes allocable to CECONY's gas customers ($725 million) over the remaining lives of the related assets ($14 million in Yr. 1, $14 million in Yr. 2, and $12 million in Yr. 3) and the unprotected portion of the net regulatory liability ($107 million) over five years ($21 million annually)

(e)-(i) See footnotes (e) - (i) to the table under "CECONY Electric," above.

**CECONY – Steam**

| | |
|---|---|
| Effective period | January 2014 – December 2016 (a) |
| Base rate changes | Yr. 1 – $(22.4) million (b)<br>Yr. 2 – $19.8 million (b)<br>Yr. 3 – $20.3 million (b)<br>Yr. 4 – None<br>Yr. 5 – None<br>Yr. 6 – None |
| Amortizations to income of net regulatory (assets) and liabilities | $37 million over three years |
| Recoverable energy costs | Current rate recovery of purchased power and fuel costs. |
| Negative revenue adjustments | Potential charges (up to $1 million annually) if certain steam performance targets are not met.<br>In years 2014 through 2019, the company did not record any negative revenue adjustments. |
| Cost reconciliations (c) | In 2014, 2015, 2016, 2017, 2018 and 2019, the company deferred $42 million of net regulatory liabilities, $17 million of net regulatory assets, $8 million and $14 million of net regulatory liabilities, $1 million of net regulatory assets and $8 million of net regulatory liabilities, respectively. |
| Net utility plant reconciliations | Target levels reflected in rates were:<br>Production:<br>Yr. 1 – $1,752 million<br>Yr. 2 – $1,732 million<br>Yr. 3 – $1,720 million<br>Distribution:<br>Yr. 1 – $6 million<br>Yr. 2 – $11 million<br>Yr. 3 – $25 million<br>The company reduced its regulatory liability by $0.1 million in 2014 and immaterial amounts in 2015 and 2016 and no deferrals were recorded in 2017, 2018 and 2019. |
| Average rate base | Yr. 1 – $1,511 million<br>Yr. 2 – $1,547 million<br>Yr. 3 – $1,604 million |
| Weighted average cost of capital (after-tax) | Yr. 1 – 7.10 percent<br>Yr. 2 – 7.13 percent<br>Yr. 3 – 7.21 percent |
| Authorized return on common equity | 9.3 percent |
| Actual return on common equity (d) | Yr. 1 – 9.82 percent<br>Yr. 2 – 10.88 percent<br>Yr. 3 – 10.54 percent<br>Yr. 4 – 9.51 percent<br>Yr. 5 – 11.73 percent<br>Yr. 6 – 10.45 percent |
| Earnings sharing | Weather normalized earnings above an annual earnings threshold of 9.9 percent are to be applied to reduce regulatory assets for environmental remediation and other costs.<br>In 2014, the company had no earnings above the threshold. Actual earnings were $11.5 million and $7.8 million above the threshold in 2015 and 2016, respectively. In 2017, actual earnings were $8.5 million above the threshold, offset in part by a positive adjustment related to 2016 of $4 million. In 2018, actual earnings were $16.5 million above the threshold, and an additional $1.1 million related to 2017 was recorded. In 2019 actual earnings were $5 million above the threshold, offset in part by an adjustment related to 2018 of $2.3 million. |
| Cost of long-term debt | Yr. 1 – 5.17 percent<br>Yr. 2 – 5.23 percent<br>Yr. 3 – 5.39 percent |
| Common equity ratio | 48 percent |

(a) Rates determined pursuant to this rate plan continue in effect until a new rate plan is approved by the NYSPSC.
(b) The impact of these base rate changes was deferred which resulted in an $8 million regulatory liability at December 31, 2016.
(c) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a 10 basis point impact on return on common equity.
(d) Calculated in accordance with the earnings calculation method prescribed in the rate order.

**O&R New York – Electric**

| Effective period | November 2015 - October 2017 (a) | January 2019 – December 2021 (d) |
|---|---|---|
| Base rate changes | Yr. 1 – $9.3 million<br>Yr. 2 – $8.8 million<br>Yr. 3 – None | Yr. 1 – $13.4 million (e)<br>Yr. 2 – $8.0 million (e)<br>Yr. 3 – $5.8 million (e) |
| Amortizations to income of net regulatory (assets) and liabilities | Yr. 1 – $(8.5) million (b)<br>Yr. 2 – $(9.4) million (b)<br>Yr. 3 – None | Yr. 1 – $(1.5) million (f)<br>Yr. 2 – $(1.5) million (f)<br>Yr. 3 – $(1.5) million (f) |
| Other revenue sources | | Potential earnings adjustment mechanism incentives for peak reduction, energy efficiency, Distributed Energy Resources utilization and other potential incentives of up to:<br>Yr. 1 - $3.6 million<br>Yr. 2 - $4.0 million<br>Yr. 3 - $4.2 million<br><br>Potential incentive if performance target related to service terminations is met: $0.5 million annually.<br><br>In 2019, the company recorded $2.6 million of earnings adjustment mechanism incentives for energy efficiency and $0.2 million of incentives for service terminations. |
| Revenue decoupling mechanisms | In 2015, 2016, 2017 and 2018, the company deferred for the customer's benefit an immaterial amount, $6.3 million as regulatory liabilities, $11.2 million as regulatory asset and $0.5 million as regulatory asset, respectively. | Continuation of reconciliation of actual to authorized electric delivery revenues.<br><br>In 2019 the company deferred $0.1 million as a regulatory asset. |
| Recoverable energy costs | Continuation of current rate recovery of purchased power costs. | Continuation of current rate recovery of purchased power costs. |
| Negative revenue adjustments | Potential charges (up to $4 million annually) if certain performance targets are not met. In 2015 the company recorded $1.25 million in negative revenue adjustments. In 2016, 2017 and 2018, the company did not record any negative revenue adjustments. | Potential charges if certain performance targets relating to service, reliability and other matters are not met:<br>Yr. 1 - $4.4 million<br>Yr. 2 - $4.4 million<br>Yr. 3 - $4.5 million<br><br>In 2019, the company did not record any negative revenue adjustments. |
| Cost reconciliations | In 2015, 2016 and 2017, the company deferred $0.3 million, $7.4 million and $3.2 million as net decreases to regulatory assets, respectively. In 2018, the company deferred $5 million as a net regulatory asset. | Reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (g), energy efficiency program (h), major storms, the impact of new laws and certain other costs to amounts reflected in rates.(i)<br><br>In 2019, the company deferred $4.3 million as a net regulatory asset. |
| Net utility plant reconciliations | Target levels reflected in rates are:<br>Yr. 1 – $928 million (c)<br>Yr. 2 – $970 million (c)<br>The company increased/(reduced) its regulatory asset by $2.2 million, $(1.9) million, $(1.9) million and $1.4 million in 2015, 2016, 2017 and 2018, respectively. | Target levels reflected in rates were:<br>Electric average net plant target excluding advanced metering infrastructure (AMI):<br>Yr. 1 - $1,008 million<br>Yr. 2 - $1,032 million<br>Yr. 3 - $1,083 million<br>AMI (j):<br>Yr. 1 - $48 million<br>Yr. 2 - $58 million<br>Yr. 3 - $61 million<br><br>The company increased regulatory asset by an immaterial amount in 2019. |
| Average rate base | Yr. 1 – $763 million<br>Yr. 2 – $805 million<br>Yr. 3 – $805 million | Yr. 1 – $878 million<br>Yr. 2 – $906 million<br>Yr. 3 – $948 million |
| Weighted average cost of capital (after-tax) | Yr. 1 – 7.10 percent<br>Yr. 2 – 7.06 percent<br>Yr. 3 – 7.06 percent | Yr. 1 – 6.97 percent<br>Yr. 2 – 6.96 percent<br>Yr. 3 – 6.96 percent |
| Authorized return on common equity | 9.0 percent | 9.0 percent |
| Actual return on common equity (k) | Yr. 1 – 10.8 percent<br>Yr. 2 – 9.7 percent<br>Yr. 3 – 7.2 percent | Yr. 1 – 9.6 percent |

| | | |
|---|---|---|
| Earnings sharing | Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets. In 2015, earnings did not exceed the earnings threshold. Actual earnings were $6.1 million, $0.3 million above the threshold for 2016 and 2017, respectively. In 2018, earnings did not exceed the earnings threshold. | Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year.<br><br>In 2019, earnings did not exceed the earnings threshold. |
| Cost of long-term debt | Yr. 1 – 5.42 percent<br>Yr. 2 – 5.35 percent<br>Yr. 3 – 5.35 percent | Yr. 1 – 5.17 percent<br>Yr. 2 – 5.14 percent<br>Yr. 3 – 5.14 percent |
| Common equity ratio | 48 percent | 48 percent |

(a) Rates determined pursuant to this rate plan continued in effect until the subsequent rate plan became effective.

(b) $59.3 million of the regulatory asset for deferred storm costs is to be recovered from customers over a 5 year period, including $11.85 million in each of years 1 and 2, $1 million of the regulatory asset for such costs will not be recovered from customers, and all outstanding issues related to Superstorm Sandy and other past major storms prior to November 2014 are resolved. Approximately $4 million of regulatory assets for property tax and interest rate reconciliations will not be recovered from customers. Amounts that will not be recovered from customers were charged-off in June 2015.

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

(d) If at the end of any year, Con Edison’s investments in its non-utility businesses exceed 15 percent of Con Edison’s total consolidated revenues, assets or cash flow, or if the ratio of holding company debt to total consolidated debt rises above 20 percent, O&R is required to notify the NYSPSC and submit a ring-fencing plan or a demonstration why additional ring-fencing measures (see Note S) are not necessary.

(e) The electric base rate increases shown above will be implemented with increases of: Yr. 1 - $8.6 million; Yr. 2 - $12.1 million; and Yr. 3 - $12.2 million.

(f) Reflects amortization of, among other things, the company’s net benefits under the TCJA prior to January 1, 2019, amortization of net regulatory liability for future income taxes and reduction of previously incurred regulatory assets for environmental remediation costs. Also, for electric, reflects amortization over a six year period of previously incurred incremental major storm costs. See "Other Regulatory Matters," below.

(g) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a maximum number of basis points impact on return on common equity: Yr. 1 - 10.0 basis points; Yr. 2 - 7.5 basis points; and Yr. 3 - 5.0 basis points.

(h) Energy efficiency costs are expensed as incurred. Such costs are subject to a downward-only reconciliation over the terms of the electric and gas rate plans. The company will defer for the benefit of customers any cumulative shortfall over the terms of the electric and gas rate plans between actual expenditures and the levels provided in rates.

(i) In addition, amounts reflected in rates relating to income taxes and excess deferred federal income tax liability balances will be reconciled (i.e., refunded to or collected from customers) to any final, non-appealable NYSPSC-ordered findings in its investigation of O&R’s income tax accounting. See “Other Regulatory Matters,” in Note B.

(j) Net plant reconciliation for AMI expenditures will be implemented for a single category of AMI capital expenditures that includes amounts allocated to both electric and gas customers.

(k) Calculated in accordance with the earnings calculation method prescribed in the rate order.

**O&R New York – Gas**

| Effective period | November 2015 – October 2018 (a) | January 2019 – December 2021 (d) |
|---|---|---|
| Base rate changes | Yr. 1 – $16.4 million<br>Yr. 2 – $16.4 million<br>Yr. 3 – $5.8 million<br>Yr. 3 – $10.6 million collected through a surcharge | Yr. 1 – $(7.5) million (e)<br>Yr. 2 – $3.6 million (e)<br>Yr. 3 – $0.7 million (e) |
| Amortization to income of net regulatory (assets) and liabilities | Yr. 1 – $(1.7) million (b)<br>Yr. 2 – $(2.1) million (b)<br>Yr. 3 – $(2.5) million (b) | Yr. 1 – $1.8 million (f)<br>Yr. 2 – $1.8 million (f)<br>Yr. 3 – $1.8 million (f) |
| Other revenue sources | | Continuation of retention of annual revenues from non-firm customers of up to $4.0 million, with variances to be shared 80 percent by customers and 20 percent by company.<br><br>Potential earnings adjustment mechanism incentives of up to $0.3 million annually.<br><br>Potential incentives if performance targets related to gas leak backlog, leak prone pipe, emergency response, damage prevention and service terminations are met: Yr. 1 - $1.2 million; Yr. 2 - $1.3 million; and Yr. 3 - $1.3 million.<br><br>In 2019, the company recorded $0.3 million of earnings adjustment mechanism incentives for energy efficiency and $0.7 million of incentives for gas leak backlog, leak prone pipe and service terminations. |
| Revenue decoupling mechanisms | In 2015, 2016, 2017 and 2018, the company deferred $0.8 million of regulatory assets, $6.2 million of regulatory liabilities, $1.7 million of regulatory liabilities and $6.3 million of regulatory liabilities, respectively. | Continuation of reconciliation of actual to authorized gas delivery revenues.<br><br>In 2019, the company deferred $0.8 million of regulatory assets. |
| Recoverable energy costs | Current rate recovery of purchased gas costs. | Continuation of current rate recovery of purchased gas costs. |
| Negative revenue adjustments | Potential charges (up to $3.7 million in Yr. 1, $4.7 million in Yr. 2 and $4.9 million in Yr. 3) if certain performance targets are not met. In 2015, 2016 and 2017, the company did not record any negative revenue adjustments. In 2018, the company recorded a $0.1 million negative revenue adjustment. | Potential charges if performance targets relating to service, safety and other matters are not met: Yr. 1 - $5.5 million; Yr. 2 - $5.7 million; and Yr. 3 - $6.0 million.<br><br>In 2019, the company recorded a $0.2 million negative revenue adjustment. |
| Cost reconciliations | In 2015 and 2016, the company deferred $4.5 million and $6.6 million as net regulatory liabilities and assets, respectively. In 2017 and 2018, the company deferred $3.5 million and $7.4 million as net regulatory liabilities, respectively. | Reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (g), energy efficiency program (h), the impact of new laws and certain other costs to amounts reflected in rates.(i)<br><br>In 2019, the company deferred $6 million as net regulatory liabilities. |
| Net utility plant reconciliations | Target levels reflected in rates are:<br>Yr. 1 – $492 million (c)<br>Yr. 2 – $518 million (c)<br>Yr. 3 – $546 million (c)<br>No deferral was recorded for 2015 and immaterial amounts were recorded as regulatory liabilities in 2016 and 2017. In 2018, the company deferred $0.4 million as regulatory asset. | Target levels reflected in rates were:<br>Gas average net plant target excluding AMI:<br>Yr. 1 - $593 million<br>Yr. 2 - $611 million<br>Yr. 3 - $632 million<br>AMI (j):<br>Yr. 1 - $20 million<br>Yr. 2 - $24 million<br>Yr. 3 - $25 million<br><br>In 2019, the company deferred an immaterial amount as regulatory asset. |
| Average rate base | Yr. 1 – $366 million<br>Yr. 2 – $391 million<br>Yr. 3 – $417 million | Yr. 1 – $454 million<br>Yr. 2 – $476 million<br>Yr. 3 – $498 million |
| Weighted average cost of capital (after-tax) | Yr. 1 – 7.10 percent<br>Yr. 2 – 7.06 percent<br>Yr. 3 – 7.06 percent | Yr. 1 – 6.97 percent<br>Yr. 2 – 6.96 percent<br>Yr. 3 – 6.96 percent |
| Authorized return on common equity | 9.0 percent | 9.0 percent |
| Actual return on common equity (k) | Yr. 1 – 11.2 percent<br>Yr. 2 – 9.7 percent<br>Yr. 3 – 8.1 percent | Yr. 1 – 8.9 percent |

| | | |
|---|---|---|
| Earnings sharing | Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets. In 2015, earnings did not exceed the earnings threshold. Actual earnings were $4 million, $0.2 million above the threshold for 2016 and 2017, respectively. In 2018, earnings did not exceed the earnings threshold. | Most earnings above an annual earnings threshold of 9.6 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. In 2019, earnings did not exceed the earnings threshold. |
| Cost of long-term debt | Yr. 1 – 5.42 percent<br>Yr. 2 – 5.35 percent<br>Yr. 3 – 5.35 percent | Yr. 1 – 5.17 percent<br>Yr. 2 – 5.14 percent<br>Yr. 3 – 5.14 percent |
| Common equity ratio | 48 percent | 48 percent |

(a) Rates pursuant to this rate plan continued in effect until the subsequent rate plan became effective.

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

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

(d) If at the end of any year, Con Edison's investments in its non-utility businesses exceed 15 percent of Con Edison's total consolidated revenues, assets or cash flow, or if the ratio of holding company debt to total consolidated debt rises above 20 percent, O&R is required to notify the NYSPSC and submit a ring-fencing plan or a demonstration why additional ring-fencing measures (see Note S) are not necessary.

(e) The gas base rate changes shown above will be implemented with changes of: Yr. 1 - $(5.9) million; Yr. 2 - $1.0 million; and Yr. 3 - $1.0 million.

(f)-(k) See footnotes (f) - (k) to the table under "O&R New York - Electric," above.

In January 2020, the NJBPU approved an electric rate increase, effective February 1, 2020, of $12 million for RECO. The following table contains a summary of the terms of the distribution rate plans.

| RECO | | |
|---|---|---|
| Effective period | March 2017 – January 2020 | February 2020 |
| Base rate changes | Yr. 1 – $1.7 million | Yr. 1 – $12 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 which expired on July 31, 2018 (a) | $4.8 million over four years. |
| Recoverable energy costs | Current rate recovery of purchased power costs. | Current rate recovery of purchased power costs. |
| Cost reconciliations | None | None |
| Average rate base | Yr. 1 – $178.7 million | Yr. 1 – $229.9 million |
| Weighted average cost of capital (after-tax) | 7.47 percent | 7.11 percent |
| Authorized return on common equity | 9.6 percent | 9.5 percent |
| Actual return on common equity | Yr. 1 – 7.5 percent<br>Yr. 2 – 5.7 percent | |
| Cost of long-term debt | 5.37 percent | 4.88 percent |
| Common equity ratio | 49.7 percent | 48.32 percent |

(a) 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 November 2017, FERC approved a September 2017 settlement agreement among RECO, the New Jersey Division of Rate Counsel and the NJBPU 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**

In August 2018, the NYSPSC ordered CECONY to begin on January 1, 2019 to credit the company's electric and gas customers, and to begin on October 1, 2018 to credit its steam customers, with the net benefits of the federal Tax Cuts and Jobs Act of 2017 (TCJA) as measured based on amounts reflected in its rate plans prior to the enactment of the TCJA in December 2017. The net benefits include the revenue requirement impact of the reduction in the corporate federal income tax rate to 21 percent, the elimination for utilities of bonus depreciation and the amortization of excess deferred federal income taxes.

CECONY, under its electric rate plan that was approved in January 2020, is amortizing its TCJA net benefits prior to January 1, 2019 allocable to its electric customers ($377 million) over a three-year period, the "protected" portion of its net regulatory liability for future income taxes related to certain accelerated tax depreciation benefits allocable to its electric customers ($1,663 million) over the remaining lives of the related assets and the remainder, or "unprotected" portion of the net regulatory liability allocable to its electric customers ($784 million) over a five-year period. CECONY, under its gas rate plan that was approved in January 2020, is amortizing its remaining TCJA net benefits prior to January 1, 2019 allocable to its gas customers ($63 million) over a two-year period, the protected portion of its net regulatory liability for future income taxes allocable to its gas customers ($725 million) over the remaining lives of the related assets and the unprotected portion of the net regulatory liability allocable to its gas customers ($107 million) over a five-year period. See footnote (d) to the CECONY - Electric and Gas tables under "Rate Plans," above.

CECONY's net benefits prior to October 1, 2018 allocable to the company's steam customers ($15 million) are being amortized over a three-year period. CECONY's net regulatory liability for future income taxes, including both the protected and unprotected portions, allocable to the company's steam customers ($185 million) is being amortized over the remaining lives of the related assets (with the amortization period for the unprotected portion subject to review in its next steam rate proceeding).

O&R, under its current electric and gas rate plans, has reflected its TCJA net benefits in its electric and gas rates beginning as of January 1, 2019. Under the rate plans, O&R is amortizing its net benefits prior to January 1, 2019 ($22 million) over a three-year period, the protected portion of its net regulatory liability for future income taxes ($123 million) over the remaining lives of the related assets and the unprotected portion ($30 million) over a fifteen-year period. See "Rate Plans," above.

In January 2018, the NYSPSC issued an order initiating a focused operations audit of the income tax accounting of certain utilities, including CECONY and O&R. The Utilities are unable to estimate the amount or range of their possible loss related to this matter. At December 31, 2019, the Utilities had not accrued a liability related to this matter.

In March 2018, Winter Storms Riley and Quinn caused damage to the Utilities' electric distribution systems and interrupted service to approximately 209,000 CECONY customers, 93,000 O&R customers and 44,000 RECO customers. At December 31, 2019, CECONY's costs related to March 2018 storms, including Riley and Quinn, amounted to $134 million, including operation and maintenance expenses reflected in its electric rate plan ($15 million), operation and maintenance expenses charged against a storm reserve pursuant to its electric rate plan ($84 million), capital expenditures ($29 million) and removal costs ($6 million). At December 31, 2019, O&R and RECO costs related to 2018 storms amounted to $43 million and $17 million, respectively, most of which were deferred as regulatory assets pursuant to their electric rate plans. In January 2019, O&R began recovering its deferred storm costs over a six-year period in accordance with its New York electric rate plan. The NYSPSC investigated the preparation and response to the storms by CECONY, O&R, and other New York electric utilities, including all aspects of their emergency response plans. In April 2019, following the issuance of a NYSPSC staff report on the investigation, the NYSPSC ordered the utilities to show cause why the NYSPSC should not commence a penalty action against them for violating their emergency response plans. The Utilities are unable to estimate the amount or range of their possible loss related to this matter. At December 31, 2019, the Utilities had not accrued a liability related to this matter.

In July 2018, the NYSPSC commenced an investigation into the rupture of a CECONY steam main located on Fifth Avenue and 21st Street in Manhattan. Debris from the incident included dirt and mud containing asbestos. The response to the incident required the closing of buildings and streets for various periods. The NYSPSC has commenced an investigation. As of December 31, 2019, with respect to the incident, the company incurred operating costs of $17 million for property damage, clean-up and other response costs and invested $9 million in capital and retirement costs. The company is unable to estimate the amount or range of its possible loss related to the incident. At December 31, 2019, the company had not accrued a liability related to the incident.

In March 2019, the NYSPSC ordered CECONY to show cause why the NYSPSC should not commence a penalty action and prudence proceeding against CECONY for alleged violations of gas operator qualification, performance, and inspection requirements. At December 31, 2019, the company had accrued a $10 million liability related to this matter.

On July 13, 2019, electric service was interrupted to approximately 72,000 CECONY customers on the west side of Manhattan. The NYSPSC and the Northeast Power Coordinating Council, a regional reliability entity, are investigating the July 13, 2019 power outage. Pursuant to the major outage reliability performance provisions of its electric rate plan, as a result of the July 13, 2019 power outage, the company recorded a $5 million negative revenue adjustment. The NYSPSC is also investigating other CECONY power outages that occurred in July 2019, primarily in the Flatbush area of Brooklyn. Primarily due to these outages, pursuant to the rate plan's annual non-network outage frequency and non-network outage duration reliability performance provisions, the company recorded a $10 million negative revenue adjustment. The company is unable to estimate the amount or range of its possible additional loss related to these power outages.

### Regulatory Assets and Liabilities

Regulatory assets and liabilities at December 31, 2019 and 2018 were comprised of the following items:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Regulatory assets | | | | |
| Unrecognized pension and other postretirement costs | $2,541 | $2,238 | $2,403 | $2,111 |
| Environmental remediation costs | 732 | 810 | 647 | 716 |
| Revenue taxes | 321 | 291 | 308 | 278 |
| MTA power reliability deferral | 248 | 229 | 248 | 229 |
| Property tax reconciliation | 219 | 101 | 210 | 86 |
| System peak reduction and energy efficiency programs | 131 | 72 | 130 | 70 |
| Deferred derivative losses | 83 | 17 | 76 | 11 |
| Municipal infrastructure support costs | 75 | 67 | 75 | 67 |
| Pension and other postretirement benefits deferrals | 71 | 73 | 47 | 56 |
| Deferred storm costs | 77 | 76 | — | — |
| Brooklyn Queens demand management program | 39 | 39 | 39 | 39 |
| Meadowlands heater odorization project | 35 | 36 | 35 | 36 |
| Unamortized loss on reacquired debt | 28 | 36 | 26 | 34 |
| Preferred stock redemption | 22 | 23 | 22 | 23 |
| Recoverable REV demonstration project costs | 21 | 20 | 19 | 18 |
| Gate station upgrade project | 19 | 17 | 19 | 17 |
| Non-wire alternative projects | 14 | 3 | 14 | 3 |
| Workers' compensation | 3 | 5 | 3 | 5 |
| O&R transition bond charges | — | 2 | — | — |
| Other | 180 | 139 | 166 | 124 |
| Regulatory assets – noncurrent | 4,859 | 4,294 | 4,487 | 3,923 |
| Deferred derivative losses | 128 | 36 | 113 | 29 |
| Recoverable energy costs | — | 40 | — | 35 |
| Regulatory assets – current | 128 | 76 | 113 | 64 |
| Total Regulatory Assets | $4,987 | $4,370 | $4,600 | $3,987 |
| Regulatory liabilities | | | | |
| Future income tax* | $2,426 | $2,515 | $2,275 | $2,363 |
| Allowance for cost of removal less salvage | 989 | 928 | 843 | 790 |
| TCJA net benefits | 471 | 434 | 454 | 411 |
| Net unbilled revenue deferrals | 199 | 117 | 199 | 117 |
| Net proceeds from sale of property | 173 | 6 | 173 | 6 |
| Energy efficiency portfolio standard unencumbered funds | 122 | 127 | 118 | 122 |
| Pension and other postretirement benefit deferrals | 75 | 62 | 46 | 40 |
| System benefit charge carrying charge | 48 | 27 | 44 | 24 |
| Property tax refunds | 45 | 45 | 45 | 45 |
| BQDM and REV Demo reconciliations | 27 | 18 | 26 | 18 |
| Earnings sharing - electric, gas and steam | 22 | 36 | 15 | 27 |
| Settlement of gas proceedings | 10 | 15 | 10 | 15 |
| Unrecognized other postretirement costs | 9 | 7 | — | 7 |
| Settlement of prudence proceeding | 8 | 37 | 8 | 37 |
| Property tax reconciliation | — | 36 | — | 36 |
| Other | 203 | 231 | 171 | 200 |
| Regulatory liabilities – noncurrent | 4,827 | 4,641 | 4,427 | 4,258 |
| Refundable energy costs | 44 | 31 | 12 | 8 |
| Deferred derivative gains | 34 | 30 | 34 | 29 |
| Revenue decoupling mechanism | 24 | 53 | 17 | 36 |
| Regulatory liabilities—current | 102 | 114 | 63 | 73 |
| Total Regulatory Liabilities | $4,929 | $4,755 | $4,490 | $4,331 |

* See "Federal Income Tax" in Note A, "Other Regulatory Matters," above, and Note L.

*Unrecognized pension and other postretirement costs* represent the net regulatory asset associated with the accounting rules for retirement benefits. See Note A.

*Revenue taxes* represent the timing difference between taxes collected and paid by the Utilities to fund mass transportation.

*MTA power reliability deferral* represents CECONY's costs in excess of those reflected in its prior electric rate plan to take certain actions relating to the electrical equipment that serves the Metropolitan Transportation Authority (MTA) subway system. The company is recovering this regulatory asset pursuant to its current electric rate plan. See footnote (d) to the CECONY - Electric table under "Rate Plans," above.

*Deferred storm costs* represent response and restoration costs, other than capital expenditures, in connection with Superstorm Sandy and other major storms that were deferred by the O&R.

*Settlement of prudence proceeding* represents the remaining amount to be credited to customers pursuant to a Joint Proposal, approved by the NYSPSC in April 2016, with respect to the prudence of certain CECONY expenditures and related matters.

*Settlement of gas proceedings* represents the amount to be credited to customers pursuant to a settlement agreement approved by the NYSPSC in February 2017 related to CECONY's practices of qualifying persons to perform plastic fusions on gas facilities and alleged violations of gas safety violations identified by the NYSPSC staff in its investigation of a March 2014 Manhattan explosion and fire (see Note H).

The NYSPSC has authorized CECONY to accrue unbilled electric, gas and steam revenues. CECONY has deferred the net margin on the unbilled revenues for the future benefit of customers by recording a regulatory liability of $199 million and $117 million at December 31, 2019 and 2018, respectively, for the difference between the unbilled revenues and energy cost liabilities.

## Note C – Capitalization

### Common Stock

Con Edison is authorized to issue 500,000,000 shares of its common stock and CECONY is authorized to issue 340,000,000 of its common stock. At December 31, 2019 and 2018, 332,629,597 and 320,960,396 shares, respectively, of Con Edison common stock were outstanding. At December 31, 2019 and 2018, 235,488,094 million shares of CECONY common stock were outstanding, all of which were owned by Con Edison. At December 31, 2019 and 2018, Con Edison had 23,210,700 treasury shares, including 21,976,200 shares of Con Edison stock that CECONY purchased prior to 2001 in connection with Con Edison's stock repurchase plan. CECONY presents in the financial statements the cost of the Con Edison stock it owns as a reduction of common shareholder's equity.

In November 2018, Con Edison entered into forward sale agreements relating to 14,973,492 shares of its common stock. In December 2018, the company issued 9,324,123 shares for $705 million upon physical settlement of shares subject to the forward sale agreements. In March 2019, Con Edison issued 5,649,369 shares of its common stock for $425 million upon physical settlement of the remaining shares subject to the forward sale agreements.

In May 2019, Con Edison entered into a forward sale agreement relating to 5,800,000 shares of its common stock. In June 2019, the company issued 4,750,000 shares for $400 million upon physical settlement of shares subject to the forward sale agreement. At December 31, 2019, 1,050,000 shares remained subject to the forward sale agreement. In January 2020, the company issued 1,050,000 shares for $88 million upon physical settlement of the remaining shares subject to the forward sale agreement.

### Capitalization of Con Edison

Con Edison's capitalization shown on its Consolidated Statement of Capitalization includes its outstanding common stock and long-term debt and the outstanding long-term debt of the Utilities and the Clean Energy Businesses.

### Dividends

In accordance with NYSPSC requirements, the dividends that the Utilities generally pay are limited to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis. See Note S. Excluded from the calculation of "income available for dividends" are non-cash charges to income resulting from accounting changes or charges to income resulting from significant unanticipated events. The restriction also does not apply to dividends paid in order to transfer to Con Edison proceeds from major transactions, such as asset sales, or to dividends reducing each utility subsidiary's equity ratio to a level appropriate to its business risk.

### Long-term Debt

Long-term debt maturing in the period 2020-2024 is as follows:

| *(Millions of Dollars)* | Con Edison | | CECONY |
|---|---|---|---|
| 2020 | $518 | (a) | $350 |
| 2021 | 1,967 | | 640 |
| 2022 | 437 | | — |
| 2023 | 316 | | — |
| 2024 | 385 | | 250 |

(a) Amount shown includes $73 million of PG&E-related project debt that is amortizing and scheduled to be repaid in 2020. Amount shown does not include $928 million of PG&E-related project debt that, as a result of the PG&E bankruptcy, was reclassified during the first quarter of 2019 on Con Edison's consolidated balance sheet from long-term debt to long-term debt due within one year. See "Long-Lived and Intangible Assets" in Note A.

CECONY has issued $450 million of tax–exempt debt through the New York State Energy Research and Development Authority (NYSERDA) that currently bear interest at a rate determined weekly and is subject to tender by bondholders for purchase by the company.

The carrying amounts and fair values of long-term debt at December 31, 2019 and 2018 are:

| *(Millions of Dollars)* | 2019 | | 2018 | |
|---|---|---|---|---|
| **Long-Term Debt (including current portion) (a)** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Con Edison | $19,973 | $22,738 | $18,145 | $18,740 |
| CECONY | $14,964 | $17,505 | $14,151 | $14,685 |

(a) Amounts shown are net of unamortized debt expense and unamortized debt discount of $178 million and $151 million for Con Edison and CECONY, respectively, as of December 31, 2019 and $185 million and $139 million for Con Edison and CECONY, respectively, as of December 31, 2018.

The fair values of the Companies' long-term debt have been estimated primarily using available market information and at December 31, 2019 are classified as Level 2 (see Note P).

At December 31, 2019, and 2018, the Clean Energy Businesses had $2,737 million and $2,076 million, respectively of non-recourse debt secured by the pledge of the applicable renewable energy production projects including $1,001 million and $1,050 million, respectively, of PG&E-related project debt. As a result of the January 2019 PG&E bankruptcy (see "Long-Lived and Intangible Assets" in Note A), the lenders for the PG&E-related project debt may, upon written notice, declare principal and interest on the PG&E-related project debt to be due and payable immediately and, if such amounts are not timely paid, foreclose on the related projects. The company is seeking to negotiate agreements with the PG&E-related project debt lenders pursuant to which the lenders would defer exercising these remedies.

**Significant Debt Covenants**

The significant debt covenants under the financing arrangements for the Companies' debentures and Con Edison's notes and February 2019 $825 million, two-year variable-rate term loan include obligations to pay principal and interest when due and covenants not to consolidate with or merge into any other entity unless certain conditions are met. In addition, the notes include a covenant that the company shall continue its utility business in New York City, the term loan includes a covenant that, subject to certain exceptions, the company and its subsidiaries will not mortgage, lien, pledge or otherwise encumber its assets, and the notes and term loan provide that the company shall not permit its ratio of consolidated debt to consolidated total capital to exceed certain amounts (0.675 to 1 for the notes and 0.65 for the term loan) and include cross default provisions with respect to the failure by the company or any material subsidiary to make one or more payments in respect of material financial obligations (in excess of an aggregate $100 million of debt for the notes and $150 million of debt or derivative obligations for the term loan, excluding non-recourse debt) of the company (or any of its material subsidiaries, in the case of the notes) and the occurrence of an event or condition which results in the acceleration of the maturity of any material debt (in excess of an aggregate $100 million for the notes and $150 million for the term loan, not including non-recourse debt) of the company (or any of its material subsidiaries, in the case of the notes) or enables the holders of such debt to accelerate the maturity thereof. The Companies' debentures have no cross default provisions. The tax–exempt financing arrangements of CECONY are subject to covenants for the debentures discussed above and the covenants discussed below. The Companies were in compliance with their significant debt covenants at December 31, 2019.

The tax-exempt financing arrangements involved the issuance of uncollateralized promissory notes of CECONY to NYSERDA in exchange for the net proceeds of a like amount of tax-exempt bonds with substantially the same terms sold to the public by NYSERDA. The tax-exempt financing arrangements include covenants with respect to the tax-exempt status of the financing, including covenants with respect to the use of the facilities financed. The arrangements include provisions for the maintenance of liquidity and credit facilities, the failure to comply with which would, except as otherwise provided, constitute an event of default for the debt to which such provisions applied.

The failure to comply with debt covenants would, except as otherwise provided, constitute an event of default for the debt to which such provisions applied. If an event of default were to occur, the principal and accrued interest on the debt to which such event of default applied and, in the case of the Con Edison notes, a make-whole premium might and, in the case of certain events of default would, become due and payable immediately.

The liquidity and credit facilities currently in effect for the tax-exempt financing include covenants that the ratio of debt to total capital of CECONY will not at any time exceed 0.65 to 1 and that, subject to certain exceptions, CECONY will not mortgage, lien, pledge or otherwise encumber its assets. Certain of the facilities also include as events of default, defaults in payments of other debt obligations in excess of specified levels ($150 million or $100 million, depending on the facility).

## Note D – Short-Term Borrowing

In December 2016, Con Edison and the Utilities entered into a credit agreement (Credit Agreement), under which banks are committed to provide loans and letters of credit on a revolving credit basis. The Credit Agreement, as amended in 2019, expires in December 2023. There is a maximum of $2,250 million of credit available through December 2022 and $2,200 million of credit available from then through December 2023. The full amount is available to CECONY and $1,000 million (subject to increase up to $1,500 million) is available to Con Edison, including up to $1,200 million of letters of credit. The Credit Agreement supports the Companies' commercial paper programs. The Companies have not borrowed under the Credit Agreement. At December 31, 2019, Con Edison had $1,692 million of commercial paper outstanding, of which $1,137 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2019 was 2.0 percent for both Con Edison and CECONY. At December 31, 2018, Con Edison had $1,741 million of commercial paper outstanding of which $1,192 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2018 was 3.0 percent for both Con Edison and CECONY.

At December 31, 2019 and 2018, no loans were outstanding under the Credit Agreement. An immaterial amount of letters of credit were outstanding under the Credit Agreement as of December 31, 2019 and 2018.

The banks' commitments under the Credit Agreement are subject to certain conditions, including that there be no event of default. The commitments are not subject to maintenance of credit rating levels or the absence of a material adverse change. Upon a change of control of, or upon an event of default by one of the Companies, the banks may terminate their commitments with respect to that company, declare any amounts owed by that company under the Credit Agreement immediately due and payable and require that company to provide cash collateral relating to the letters of credit issued for it under the Credit Agreement. Events of default for a company include that company exceeding at any time of a ratio of consolidated debt to consolidated total capital of 0.65 to 1 (at December 31, 2019 this ratio was 0.51 to 1 for Con Edison and 0.53 to 1 for CECONY); that company having liens on its assets in an aggregate amount exceeding five percent of its consolidated total capital, subject to certain exceptions; that company or any of its material subsidiaries failing to make one or more payments in respect of material financial obligations (in excess of an aggregate $150 million of debt or derivative obligations other than non-recourse debt) of that company; the occurrence of an event or condition which results in the acceleration of the maturity of any material debt (in excess of an aggregate $150 million of debt other than non-recourse debt) of that company or enables the holders of such debt to accelerate the maturity thereof; and other customary events of default. Interest and fees charged for the revolving credit facilities and any loans made or letters of credit issued under the Credit Agreement reflect the Companies' respective credit ratings. The Companies were in compliance with their covenants at December 31, 2019.

See Note S for information about short-term borrowing between related parties.

## Note E – Pension Benefits

Con Edison maintains a tax-qualified, non-contributory pension plan that covers substantially all employees of CECONY, O&R and Con Edison Transmission and certain employees of the Clean Energy Businesses. The plan is designed to comply with the Internal Revenue Code and the Employee Retirement Income Security Act of 1974. Con Edison also maintains additional non-qualified supplemental pension plans.

### Total Periodic Benefit Cost

The components of the Companies' total periodic benefit costs for 2019, 2018 and 2017 were as follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Service cost – including administrative expenses | $250 | $290 | $263 | $232 | $272 | $246 |
| Interest cost on projected benefit obligation | 601 | 561 | 591 | 564 | 525 | 554 |
| Expected return on plan assets | (988) | (1,033) | (968) | (936) | (979) | (917) |
| Recognition of net actuarial loss | 518 | 688 | 595 | 492 | 651 | 563 |
| Recognition of prior service cost/(credit) | (17) | (17) | (17) | (19) | (19) | (19) |
| TOTAL PERIODIC BENEFIT COST | $364 | $489 | $464 | $333 | $450 | $427 |
| Cost capitalized | (108) | (127) | (181) | (102) | (119) | (169) |
| Reconciliation to rate level | (15) | (92) | (34) | (12) | (100) | (41) |
| Total expense recognized | $241 | $270 | $249 | $219 | $231 | $217 |

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 Companies adopted ASU 2017-07 beginning on January 1, 2018. The guidance requires that components of net periodic benefit cost other than service cost be presented outside of operating income on consolidated income statements, and that only the service cost component is eligible for capitalization. Accordingly, the service cost components are included in the line "Other operations and maintenance" and the non-service cost components are included in the line "Other deductions" in the Companies' consolidated income statements. As permitted by a practical expedient under ASU 2017-07, the Companies applied the presentation requirements retrospectively for both pension and other postretirement benefit costs using amounts disclosed in prior-period financial statements as appropriate estimates.

### Funded Status

The funded status at December 31, 2019, 2018 and 2017 was as follows:

| (Millions of Dollars) | Con Edison 2019 | Con Edison 2018 | Con Edison 2017 | CECONY 2019 | CECONY 2018 | CECONY 2017 |
|---|---|---|---|---|---|---|
| CHANGE IN PROJECTED BENEFIT OBLIGATION | | | | | | |
| Projected benefit obligation at beginning of year | $14,449 | $15,536 | $14,095 | $13,542 | $14,567 | $13,203 |
| Service cost – excluding administrative expenses | 245 | 286 | 259 | 228 | 267 | 241 |
| Interest cost on projected benefit obligation | 601 | 561 | 591 | 564 | 525 | 554 |
| Net actuarial loss/(gain) | 2,191 | (1,219) | 1,231 | 2,076 | (1,159) | 1,171 |
| Plan amendments | 15 | — | 6 | — | — | — |
| Benefits paid | (709) | (715) | (646) | (660) | (658) | (602) |
| PROJECTED BENEFIT OBLIGATION AT END OF YEAR | $16,792 | $14,449 | $15,536 | $15,750 | $13,542 | $14,567 |
| CHANGE IN PLAN ASSETS | | | | | | |
| Fair value of plan assets at beginning of year | $13,450 | $14,274 | $12,472 | $12,744 | $13,519 | $11,815 |
| Actual return on plan assets | 2,556 | (536) | 2,041 | 2,425 | (507) | 1,935 |
| Employer contributions | 350 | 473 | 450 | 318 | 434 | 412 |
| Benefits paid | (709) | (715) | (646) | (660) | (658) | (602) |
| Administrative expenses | (39) | (46) | (43) | (37) | (44) | (41) |
| FAIR VALUE OF PLAN ASSETS AT END OF YEAR | $15,608 | $13,450 | $14,274 | $14,790 | $12,744 | $13,519 |
| FUNDED STATUS | $(1,184) | $(999) | $(1,262) | $(960) | $(798) | $(1,048) |
| Unrecognized net loss | $2,604 | $2,464 | $2,760 | $2,466 | $2,338 | $2,624 |
| Unrecognized prior service costs | (173) | (205) | (223) | (202) | (222) | (242) |
| Accumulated benefit obligation | 15,015 | 13,030 | 13,897 | 14,010 | 12,161 | 12,972 |

The increase in the pension liability at Con Edison and CECONY of $185 million and $162 million, respectively, compared with December 31, 2018, was primarily due to an increase in the plan's projected benefit obligation as a result of a decrease in the discount rate, partially offset by an increase in plan assets as a result of the actual return on plan assets. For Con Edison, this increase in pension liability corresponds with an increase to regulatory assets of $167 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations, a debit to OCI of $10 million (net of taxes) for the unrecognized net losses, and an immaterial change to OCI (net of taxes) for the unrecognized prior service costs associated with the Clean Energy Businesses, Con Edison Transmission, and RECO.

For CECONY, the increase in pension liability corresponds with an increase to regulatory assets of $147 million for unrecognized net losses and unrecognized prior service costs consistent with the accounting rules for regulated operations, and also a debit to OCI of $2 million (net of taxes) for unrecognized net losses, and an immaterial change to OCI (net of taxes) for the unrecognized prior service costs associated with certain employees of the Clean Energy Businesses and Con Edison Transmission who previously worked for CECONY.

A portion of the unrecognized net loss and prior service cost for the pension plan, equal to $701 million and $(16) million, respectively, will be recognized from accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are $663 million and $(20) million, respectively, for CECONY.

At December 31, 2019 and 2018, Con Edison's investments include $397 million and $326 million, respectively, held in external trust accounts for benefit payments pursuant to the supplemental retirement plans. Included in these amounts for CECONY were $371 million and $301 million, respectively. See Note P. The accumulated benefit obligations for the supplemental retirement plans for Con Edison and CECONY were $395 million and $360 million as of December 31, 2019 and $316 million and $285 million as of December 31, 2018, respectively.

### Assumptions

The actuarial assumptions were as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Weighted-average assumptions used to determine benefit obligations at December 31: | | | |
| Discount rate | 3.35% | 4.25% | 3.70% |
| Rate of compensation increase | | | |
| CECONY | 3.80% | 4.25% | 4.25% |
| O&R | 3.20% | 4.00% | 4.00% |
| Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31: | | | |
| Discount rate | 4.25% | 3.70% | 4.25% |
| Expected return on plan assets | 7.00% | 7.50% | 7.50% |
| Rate of compensation increase | | | |
| CECONY | 4.25% | 4.25% | 4.25% |
| O&R | 4.00% | 4.00% | 4.00% |

The expected return assumption reflects anticipated returns on the plan's current and future assets. The Companies' expected return was based on an evaluation of the current environment, market and economic outlook, relationships between the economy and asset class performance patterns, and recent and long-term trends in asset class performance. The projections were based on the plan's target asset allocation.

### Discount Rate Assumption

To determine the assumed discount rate, the Companies use a model that produces a yield curve based on yields on selected highly rated (Aa or higher by either Moody's or Standard & Poor's) corporate bonds. Bonds with insufficient liquidity, bonds with questionable pricing information and bonds that are not representative of the overall market are excluded from consideration. For example, the bonds used in the model cannot be callable (with the exception of "make whole" callable bonds), and the amount of the bond issue outstanding must be in excess of $50 million. The spot rates defined by the yield curve and the plan's projected benefit payments are used to develop a weighted average discount rate.

### Expected Benefit Payments

Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years:

| *(Millions of Dollars)* | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-2029 |
|---|---|---|---|---|---|---|
| Con Edison | $744 | $756 | $770 | $788 | $801 | $4,181 |
| CECONY | 688 | 699 | 713 | 728 | 741 | 3,883 |

### Expected Contributions

Based on estimates as of December 31, 2019, the Companies expect to make contributions to the pension plans during 2020 of $472 million (of which $433 million is to be made 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.

### Plan Assets

The asset allocations for the pension plan at the end of 2019, 2018 and 2017, and the target allocation for 2020 are as follows:

| Asset Category | Target Allocation Range 2020 | Plan Assets at December 31, 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Equity Securities | 45% - 55% | 51% | 51% | 58% |
| Debt Securities | 33% - 43% | 38% | 39% | 33% |
| Real Estate | 10% - 14% | 11% | 10% | 9% |
| Total | 100% | 100% | 100% | 100% |

Con Edison has established a pension trust for the investment of assets to be used for the exclusive purpose of providing retirement benefits to participants and beneficiaries and payment of plan expenses.

Pursuant to resolutions adopted by Con Edison's Board of Directors, the Management Development and Compensation Committee of the Board of Directors (the Committee) has general oversight responsibility for Con Edison's pension and other employee benefit plans. The pension plan's named fiduciaries have been granted the authority to control and manage the operation and administration of the plans, including overall responsibility for the investment of assets in the trust and the power to appoint and terminate investment managers.

The investment objectives of the Con Edison pension plan are to maintain a level and form of assets adequate to meet benefit obligations to participants, to achieve the expected long-term total return on the trust assets within a prudent level of risk and maintain a level of volatility that is not expected to have a material impact on the company's expected contribution and expense or the company's ability to meet plan obligations. The assets of the plan have no significant concentration of risk in one country (other than the United States), industry or entity.

The strategic asset allocation is intended to meet the objectives of the pension plan by diversifying its funds across asset classes, investment styles and fund managers. An asset/liability study typically is conducted every few years to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal asset allocation for the plan. The target asset allocation for 2020 reflects the results of such a study conducted in 2018.

Individual fund managers operate under written guidelines provided by Con Edison, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. Con Edison management regularly monitors, and the named fiduciaries review and report to the Committee regarding, asset class performance, total fund performance, and compliance with asset allocation guidelines. Management changes fund managers and rebalances the portfolio as appropriate. At the direction of the named fiduciaries, such changes are reported to the Committee.

Assets measured at fair value on a recurring basis are summarized below as defined by the accounting rules for fair value measurements (see Note P).

The fair values of the pension plan assets at December 31, 2019 by asset category are as follows:

| *(Millions of Dollars)* | Level 1 | Level 2 | Total |
|---|---|---|---|
| Investments within the fair value hierarchy | | | |
| U.S. Equity (a) | $3,652 | $— | $3,652 |
| International Equity (b) | 3,354 | — | 3,354 |
| U.S. Government Issued Debt (c) | — | 1,496 | 1,496 |
| Corporate Bonds Debt (d) | — | 3,260 | 3,260 |
| Structured Assets Debt (e) | — | 173 | 173 |
| Other Fixed Income Debt (f) | — | 955 | 955 |
| Cash and Cash Equivalents (g) | — | 326 | 326 |
| Futures (h) | — | — | — |
| Total investments within the fair value hierarchy | $7,006 | $6,210 | $13,216 |
| Investments measured at NAV per share (n) | | | |
| Private Equity (i) | | | 555 |
| Real Estate (j) | | | 1,806 |
| Hedge Funds (k) | | | 270 |
| Total investments valued using NAV per share | | | $2,631 |
| Funds for retiree health benefits (l) | (110) | (98) | (208) |
| Funds for retiree health benefits measured at NAV per share (l)(n) | | | (42) |
| Total funds for retiree health benefits | | | $(250) |
| Investments (excluding funds for retiree health benefits) | $6,896 | $6,112 | $15,597 |
| Pending activities (m) | | | 11 |
| Total fair value of plan net assets | | | $15,608 |

(a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds and actively-managed small-capitalization equities.
(b) International Equity includes international equity index funds and actively-managed international equities.
(c) U.S. Government Issued Debt includes agency and treasury securities.
(d) Corporate Bonds Debt consists of debt issued by various corporations.
(e) Structured Assets Debt includes commercial-mortgage-backed securities and collateralized mortgage obligations.
(f) Other Fixed Income Debt includes municipal bonds, sovereign debt and regional governments.
(g) Cash and Cash Equivalents include short term investments, money markets, foreign currency and cash collateral.
(h) Futures consist of exchange-traded financial contracts encompassing U.S. Equity, International Equity and U.S. Government indices.
(i) Private Equity consists of global equity funds that are not exchange-traded.
(j) Real Estate investments include real estate funds based on appraised values that are broadly diversified by geography and property type.
(k) Hedge Funds are within a commingled structure which invests in various hedge fund managers who can invest in all financial instruments.
(l) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan’s investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan’s obligations and are included in the Companies’ other postretirement benefit obligation. See Note F.
(m) Pending activities include security purchases and sales that have not settled, interest and dividends that have not been received and reflects adjustments for available estimates at year end.
(n) In accordance with ASU 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The fair values of the pension plan assets at December 31, 2018 by asset category are as follows:

| *(Millions of Dollars)* | Level 1 | Level 2 | Total |
|---|---|---|---|
| Investments within the fair value hierarchy | | | |
| U.S. Equity (a) | $3,515 | $10 | $3,525 |
| International Equity (b) | 2,896 | — | 2,896 |
| U.S. Government Issued Debt (c) | — | 1,886 | 1,886 |
| Corporate Bonds Debt (d) | — | 2,619 | 2,619 |
| Structured Assets Debt (e) | — | 6 | 6 |
| Other Fixed Income Debt (f) | — | 121 | 121 |
| Cash and Cash Equivalents (g) | 160 | 556 | 716 |
| Futures (h) | 568 | — | 568 |
| Total investments within the fair value hierarchy | $7,139 | $5,198 | $12,337 |
| Investments measured at NAV per share (n) | | | |
| Private Equity (i) | | | 440 |
| Real Estate (j) | | | 1,310 |
| Hedge Funds (k) | | | 255 |
| Total investments valued using NAV per share | | | $2,005 |
| Funds for retiree health benefits (l) | (118) | (86) | (204) |
| Funds for retiree health benefits measured at NAV per share (l)(n) | | | (33) |
| Total funds for retiree health benefits | | | $(237) |
| Investments (excluding funds for retiree health benefits) | $7,021 | $5,112 | $14,105 |
| Pending activities (m) | | | (655) |
| Total fair value of plan net assets | | | $13,450 |

(a) - (n) Reference is made to footnotes (a) through (n) in the above table of pension plan assets at December 31, 2019 by asset category.

The Companies also offer a defined contribution savings plan that covers substantially all employees and made contributions to the plan as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
| Con Edison | $49 | $45 | $40 |
| CECONY | 42 | 39 | 35 |

## Note F – Other Postretirement Benefits

The Utilities and Con Edison Transmission currently have contributory comprehensive hospital, medical and prescription drug programs for eligible retirees, their dependents and surviving spouses.

CECONY also has a contributory life insurance program for bargaining unit employees and provides basic life insurance benefits up to a specified maximum at no cost to certain retired management employees. O&R has a non-contributory life insurance program for retirees. Certain employees of the Clean Energy Businesses and Con Edison Transmission are eligible to receive benefits under these programs.

### Total Periodic Benefit Cost

The components of the Companies' total periodic postretirement benefit costs for 2019, 2018 and 2017 were as follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Service cost | $18 | $20 | $20 | $13 | $14 | $13 |
| Interest cost on accumulated other postretirement benefit obligation | 44 | 42 | 46 | 36 | 34 | 38 |
| Expected return on plan assets | (66) | (73) | (69) | (54) | (63) | (61) |
| Recognition of net actuarial loss/(gain) | (9) | 8 | 2 | (10) | 3 | (3) |
| Recognition of prior service credit | (2) | (6) | (17) | (2) | (2) | (11) |
| TOTAL PERIODIC POSTRETIREMENT BENEFIT CREDIT | $(15) | $(9) | $(18) | $(17) | $(14) | $(24) |
| Cost capitalized | (7) | (8) | 8 | (5) | (6) | 10 |
| Reconciliation to rate level | 12 | 8 | (4) | 7 | 9 | (2) |
| Total credit recognized | $(10) | $(9) | ($14) | $(15) | $(11) | ($16) |

For information about the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," see Note E.

### Funded Status

The funded status of the programs at December 31, 2019, 2018 and 2017 were as follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| CHANGE IN BENEFIT OBLIGATION | | | | | | |
| Benefit obligation at beginning of year | $1,114 | $1,219 | $1,198 | $913 | $985 | $1,007 |
| Service cost | 18 | 20 | 20 | 13 | 14 | 13 |
| Interest cost on accumulated postretirement benefit obligation | 44 | 42 | 46 | 36 | 34 | 38 |
| Amendments | (14) | — | — | — | — | — |
| Net actuarial loss/(gain) | 264 | (70) | 53 | 252 | (32) | 16 |
| Benefits paid and administrative expenses, net of subsidies | (110) | (135) | (134) | (100) | (125) | (124) |
| Participant contributions | 41 | 38 | 36 | 40 | 37 | 35 |
| BENEFIT OBLIGATION AT END OF YEAR | $1,357 | $1,114 | $1,219 | $1,154 | $913 | $985 |
| CHANGE IN PLAN ASSETS | | | | | | |
| Fair value of plan assets at beginning of year | $885 | $1,039 | $975 | $759 | $893 | $851 |
| Actual return on plan assets | 198 | (66) | 150 | 165 | (54) | 130 |
| Employer contributions | 7 | 6 | 17 | 6 | 6 | 8 |
| Employer group waiver plan subsidies | 23 | 34 | 34 | 22 | 32 | 30 |
| Participant contributions | 40 | 37 | 35 | 40 | 37 | 35 |
| Benefits paid | (127) | (165) | (172) | (120) | (155) | (161) |
| FAIR VALUE OF PLAN ASSETS AT END OF YEAR | $1,026 | $885 | $1,039 | $872 | $759 | $893 |
| FUNDED STATUS | $(331) | $(229) | $(180) | $(282) | $(154) | $(92) |
| Unrecognized net loss/(gain) | $155 | $14 | $(47) | $149 | $(2) | $(85) |
| Unrecognized prior service costs | (19) | (8) | (14) | (3) | (5) | (7) |

The increase in the other postretirement benefits liability at Con Edison and CECONY of $102 million and $128 million, respectively, compared with December 31, 2018, was primarily due to an increase in the plans' projected benefit obligation as a result of an increase in net actuarial loss, partially offset by an increase in plan assets as a result of the actual return on plan assets. For Con Edison, this increased liability corresponds with an increase to regulatory assets of $134 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations, a credit to OCI of $6 million (net of taxes) for the unrecognized net losses and a debit to OCI of $1 million (net of taxes) for the unrecognized prior service costs associated with the Clean Energy Businesses, Con Edison Transmission, and RECO.

For CECONY, the increase in liability corresponds with an increase to regulatory assets of $153 million for unrecognized net losses and the unrecognized prior service costs associated with the company consistent with the accounting rules for regulated operations, and also immaterial changes to OCI for the unrecognized net losses and the unrecognized prior service costs associated with eligible employees of the Clean Energy Businesses and Con Edison Transmission who previously worked for CECONY.

A portion of the unrecognized net losses and prior service costs for the other postretirement benefits, equal to $27 million and $(3) million, respectively, will be recognized from accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are $22 million and $(2) million, respectively, for CECONY.

### Assumptions

The actuarial assumptions were as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Weighted-average assumptions used to determine benefit obligations at December 31: | | | |
| Discount Rate | | | |
| CECONY | 3.10% | 4.15% | 3.55% |
| O&R | 3.35% | 4.30% | 3.70% |
| Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31: | | | |
| Discount Rate | | | |
| CECONY | 4.15% | 3.55% | 4.00% |
| O&R | 4.30% | 3.70% | 4.20% |
| Expected Return on Plan Assets | 6.80% | 7.50% | 7.50% |

Refer to Note E for descriptions of the basis for determining the expected return on assets, investment policies and strategies and the assumed discount rate.

The health care cost trend rate used to determine net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017 was 5.40 percent, 5.60 percent and 5.80 percent, respectively, which is assumed to decrease gradually to 4.50 percent by 2024 and remain at that level thereafter. The health care cost trend rate used to determine benefit obligations as of December 31, 2019, 2018 and 2017 was 5.20 percent, 5.40 percent and 5.60 percent, respectively, which is assumed to decrease gradually to 4.50 percent by 2024 and remain at that level thereafter.

A one-percentage point change in the assumed health care cost trend rate would have the following effects at December 31, 2019:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| | One-Percentage-Point | | | |
| *(Millions of Dollars)* | Increase | Decrease | Increase | Decrease |
| Effect on accumulated other postretirement benefit obligation | $60 | $(17) | $33 | $3 |
| Effect on service cost and interest cost components for 2019 | 1 | — | (1) | 2 |

### Expected Benefit Payments

Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years, net of receipt of governmental subsidies and participant contributions:

| *(Millions of Dollars)* | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-2029 |
|---|---|---|---|---|---|---|
| Con Edison | $96 | $95 | $93 | $92 | $91 | $422 |
| CECONY | 87 | 85 | 83 | 82 | 80 | 368 |

## Expected Contributions

Based on estimates as of December 31, 2019, Con Edison and CECONY expect to make a contribution of $6 million (substantially all of which is to be made by CECONY) to the other postretirement benefit plans in 2020. The Companies' policy is to fund the total periodic benefit cost of the plans to the extent tax deductible.

## Plan Assets

The asset allocations for CECONY's other postretirement benefit plans at the end of 2019, 2018 and 2017, and the target allocation for 2020 are as follows:

| | Target Allocation Range | Plan Assets at December 31, | | |
|---|---|---|---|---|
| **Asset Category** | **2020** | **2019** | **2018** | **2017** |
| Equity Securities | 42%-80% | 54% | 52% | 60% |
| Debt Securities | 20%-58% | 46% | 48% | 40% |
| Total | 100% | 100% | 100% | 100% |

Con Edison has established postretirement health and life insurance benefit plan trusts for the investment of assets to be used for the exclusive purpose of providing other postretirement benefits to participants and beneficiaries.

Refer to Note E for a discussion of Con Edison's investment policy for its benefit plans.

The fair values of the plans' assets at December 31, 2019 by asset category as defined by the accounting rules for fair value measurements (see Note P) are as follows:

| *(Millions of Dollars)* | Level 1 | Level 2 | Total |
|---|---|---|---|
| Equity (a) | $— | $404 | $404 |
| Other Fixed Income Debt (b) | — | 331 | 331 |
| Cash and Cash Equivalents (c) | — | 23 | 23 |
| Total investments | $— | $758 | $758 |
| Funds for retiree health benefits (d) | 110 | 98 | 208 |
| Investments (including funds for retiree health benefits) | $110 | $856 | $966 |
| Funds for retiree health benefits measured at net asset value (d)(e) | | | 42 |
| Pending activities (f) | | | 18 |
| Total fair value of plan net assets | | | $1,026 |

(a) Equity includes a passively managed commingled index fund benchmarked to the MSCI All Country World Index.
(b) Other Fixed Income Debt includes a passively managed commingled index fund benchmarked to the Bloomberg Barclays U.S. Long Credit Index and an active separately managed fund indexed to the Bloomberg Barclays U.S. Long Credit Index.
(c) Cash and Cash Equivalents include short-term investments and money markets.
(d) The Companies set aside funds for retiree health benefits through a separate account within the pension trust, as permitted under Section 401(h) of the Internal Revenue Code of 1986, as amended. In accordance with the Code, the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees. The net assets held in the 401(h) account are calculated based on a pro-rata percentage allocation of the net assets in the pension plan. The related obligations for health benefits are not included in the pension plan's obligations and are included in the Companies' other postretirement benefit obligation. See Note E.
(e) In accordance with ASU 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(f) Pending activities include security purchases and sales that have not settled, interest and dividends that have not been received, and reflects adjustments for available estimates at year-end.

The fair values of the plans' assets at December 31, 2018 by asset category (see Note P) are as follows:

| *(Millions of Dollars)* | Level 1 | Level 2 | Total |
|---|---|---|---|
| Equity (a) | $— | $322 | $322 |
| Other Fixed Income Debt (b) | — | 289 | 289 |
| Cash and Cash Equivalents (c) | — | 14 | 14 |
| Total investments | $— | $625 | $625 |
| Funds for retiree health benefits (d) | 118 | 86 | 204 |
| Investments (including funds for retiree health benefits) | $118 | $711 | $829 |
| Funds for retiree health benefits measured at net asset value (d)(e) | | | 33 |
| Pending activities (f) | | | 23 |
| Total fair value of plan net assets | | | $885 |

(a) - (f) Reference is made to footnotes (a) through (f) in the above table of other postretirement benefit plan assets at December 31, 2019 by asset category.

## 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 December 31, 2019 and 2018 were as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Accrued Liabilities: | | | | |
| Manufactured gas plant sites | $640 | $689 | $561 | $603 |
| Other Superfund Sites | 94 | 90 | 93 | 90 |
| Total | $734 | $779 | $654 | $693 |
| Regulatory assets | $732 | $810 | $647 | $716 |

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 at December 31, 2019 and 2018 were as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Remediation costs incurred | $19 | $25 | $13 | $18 |

Insurance and other third party recoveries received by Con Edison or CECONY were immaterial in 2019 and 2018.

Con Edison and CECONY estimate that in 2020 they will incur costs for remediation of approximately $46 million and $43 million, respectively. The Companies are unable to estimate the time period over which the remaining accrued liability will be incurred because, among other things, the required remediation has not been determined for some of the sites.

In 2019, 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 December 31, 2019, 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 December 31, 2019 and 2018 were as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Accrued liability – asbestos suits | $8 | $8 | $7 | $7 |
| Regulatory assets – asbestos suits | $8 | $8 | $7 | $7 |
| Accrued liability – workers' compensation | $78 | $79 | $73 | $75 |
| Regulatory assets – workers' compensation | $3 | $5 | $3 | $5 |

## 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 is providing $27 million of future benefits to customers (for which it has accrued a regulatory liability) and will not recover from customers $126 million of costs for gas emergency response activities that it had previously incurred and expensed. 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 December 31, 2019, the company had not accrued a liability for damages related to the incident.

### Other Contingencies

For information about the PG&E bankruptcy, see "Long-Lived and Intangible Assets" in Note A. Also, for additional contingencies, see "Other Regulatory Matters" in Note B and "Uncertain Tax Positions" in Note L.

### Guarantees

Con Edison and its subsidiaries have entered into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison under these agreements totaled $1,831 million and $2,439 million at December 31, 2019 and 2018, respectively.

A summary, by type and term, of Con Edison's total guarantees under these other agreements at December 31, 2019 is as follows:

| Guarantee Type | 0 – 3 years | 4 – 10 years | > 10 years | Total |
|---|---|---|---|---|
| | | *(Millions of Dollars)* | | |
| Con Edison Transmission | $387 | $186 | $— | $573 |
| Energy transactions | 419 | 51 | 209 | 679 |
| Renewable electric production projects | 70 | 9 | 431 | 510 |
| Other | 69 | — | — | 69 |
| Total | $945 | $246 | $640 | $1,831 |

**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 owns a 45.7 percent interest in NY Transco. In April 2019, the New York Independent System Operator (NYISO) selected a transmission project that was jointly proposed by National Grid and NY Transco. The siting, construction and operation of the project will require approvals and permits from appropriate governmental agencies and authorities, including the NYSPSC. The NYISO indicated it will work with the developers to enter into agreements for the development and operation of the projects, including a schedule for entry into service by December 2023. Guarantee amount shown includes the maximum possible required amount of CET Electric's contributions for this project as calculated based on the

assumptions that the project is completed at 175 percent of its estimated costs and NY Transco does not use any debt financing for the project. Also included within the table above are guarantees for $25 million from Con Edison on behalf of CET Gas in relation to Mountain Valley Pipeline (MVP), LLC, a company developing a proposed gas transmission project in West Virginia and Virginia. See Note U.

**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 and the Clean Energy Businesses guarantee payments on behalf of their wholly-owned subsidiaries associated with their investment in, or development for others of, solar and wind energy facilities. See Note U.

**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 the Clean Energy Businesses.

## Note I – Electricity Purchase Agreements

The Utilities have electricity purchase agreements with non-utility generators and others for generating capacity. The Utilities recover their purchased power costs in accordance with provisions approved by the applicable state public utility regulators. See "Recoverable Energy Costs" in Note A. The Utilities also conducted auctions and have entered into various other electricity purchase agreements. Assuming performance by the parties to the electricity purchase agreements, the Utilities are obligated over the terms of the agreements to make capacity and other fixed payments.

The future capacity and other fixed payments under the electricity purchase agreements are estimated to be as follows:

| *(Millions of Dollars)* | 2020 | 2021 | 2022 | 2023 | 2024 | All Years Thereafter |
|---|---|---|---|---|---|---|
| Con Edison | $172 | $101 | $62 | $57 | $55 | $546 |
| CECONY | 169 | 99 | 62 | 57 | 55 | 546 |

For energy delivered under most of the electricity purchase agreements, CECONY is obligated to pay variable prices. The company's payments under its agreements for capacity, energy and other fixed payments in 2019, 2018 and 2017 were as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
| Indian Point (a) | $— | $6 | $211 |
| Linden Cogeneration (b) | — | — | 114 |
| Astoria Generating Company (c) | 116 | 179 | 92 |
| Brooklyn Navy Yard (d) | 115 | 124 | 117 |
| Cogen Technologies | — | 9 | 18 |
| Total | $231 | $318 | $552 |

(a) Contract term ended in 2018.
(b) Contract term ended in 2017.
(c) Capacity purchase agreements with terms ending in 2020 and 2021.
(d) Contract for plant output, which started in 1996 and ends in 2036.

## Note J – Leases

In January 2019, the Companies adopted Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)," including the amendments thereto, using a modified retrospective transition method of adoption that required no prior period adjustments or charges to retained earnings for cumulative impact. The standard supersedes the lease requirements within ASC Topic 840, "Leases."

The Companies lease land, office buildings, equipment and access rights to support electric transmission facilities. Upon adoption of Topic 842, the Companies recognized lease right-of-use assets and lease liabilities on their consolidated balance sheets for virtually all of their leases (other than leases that meet the definition of a short-term lease, the expense for which was immaterial). A lease right-of-use asset represents a right to use an identifiable underlying asset and obtain substantially all of the economic benefits from the use of that asset for the lease term. A lease liability represents an obligation to make lease payments arising from the lease. Leases are classified as either operating leases or finance leases. Operating leases are included in operating lease right-of-use asset and operating lease liabilities on the Companies' consolidated balance sheets. Finance leases are included in other noncurrent assets, other current liabilities and other noncurrent liabilities. The Utilities, as regulated entities, are permitted to continue to recognize expense for operating leases using the timing that conforms to the regulatory rate treatment as rental payments are recovered from our customers and to account the same way for finance leases. Lessor accounting is similar to the previous model, but updated to align with ASC Topic 606 "Revenue from Contracts with Customers."

The Companies elected the following practical expedients: (1) a package of practical expedients that allows the Companies to not reassess: (a) whether expired or existing contracts contained leases; (b) the lease classification for expired or existing leases and (c) the initial direct costs for existing leases; (2) for all underlying asset classes, an expedient that allows the Companies to not apply the recognition requirements to short-term leases and an expedient that allows the Companies to account for lease and associated non-lease components as a single lease component; (3) an expedient that allows the use of hindsight to determine lease term; and (4) an expedient that allows the Companies to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840.

The Companies, upon adoption of Topic 842 recognized, and for new operating leases at commencement date recognize, operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term. As most of the Companies' leases do not provide an implicit rate, the Companies used their collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Most of the Companies' leases have remaining lease terms of one year to 40 years, and may include options to renew or extend the leases for up to five years at the fair rental value. The Companies' lease terms include options to renew, extend or terminate the lease when it is reasonably certain that the Companies will exercise that option. There were no leases with material variable lease payments or residual value guarantees.

Operating lease cost and cash paid for amounts included in the measurement of lease liabilities for the twelve months ended December 31, 2019, were as follows:

| *(Millions of Dollars)* | Con Edison | CECONY |
|---|---|---|
| Operating lease cost | $83 | $64 |
| Operating lease cash flows | $75 | $60 |

As of December 31, 2019, assets recorded as finance leases were $1 million for Con Edison and an immaterial amount for CECONY, and the accumulated amortization associated with finance leases for Con Edison and CECONY were $5 million and $3 million, respectively. For the twelve months ended December 31, 2019, finance lease costs and cash flows for Con Edison and CECONY were immaterial.

Right-of-use assets obtained in exchange for lease obligations for Con Edison and CECONY were $39 million and $4 million, respectively, for the twelve months ended December 31, 2019.

Other information related to leases for Con Edison and CECONY at December 31, 2019 was as follows:

| | Con Edison | CECONY |
|---|---|---|
| Weighted Average Remaining Lease Term: | | |
| Operating leases | 19.8 years | 14.0 years |
| Finance leases | 12.2 years | 2.4 years |
| Weighted Average Discount Rate: | | |
| Operating leases | 4.3% | 3.6% |
| Finance leases | 3.5% | 4.1% |

Future minimum lease payments under non-cancellable leases at December 31, 2019 were as follows:

| *(Millions of Dollars)* | Con Edison | | CECONY | |
|---|---|---|---|---|
| Year Ending December 31, | Operating Leases | Finance Leases | Operating Leases | Finance Leases |
| 2020 | $78 | $— | $60 | $— |
| 2021 | 75 | — | 57 | — |
| 2022 | 73 | — | 55 | — |
| 2023 | 72 | — | 54 | — |
| 2024 | 72 | — | 55 | — |
| All years thereafter | 992 | 1 | 501 | — |
| Total future minimum lease payments | $1,362 | $1 | $782 | $— |
| Less: imputed interest | (488) | — | (177) | — |
| Total | $874 | $1 | $605 | $— |
| Reported as of December 31, 2019 | | | | |
| Operating lease liabilities (current) | $65 | $— | $54 | $— |
| Operating lease liabilities (noncurrent) | 809 | — | 551 | — |
| Other noncurrent liabilities | — | 1 | — | — |
| Total | $874 | $1 | $605 | $— |

At December 31, 2019, the Companies did not have material obligations under operating or finance leases that had not yet commenced.

Disclosures related to the twelve months ended December 31, 2019 are presented as required under Topic 842. Prior period disclosures for the year ended December 31, 2018 are presented under Topic 840. The Companies have elected to use a practical expedient provided by Topic 842 whereby comparative disclosures for prior periods are allowed to be presented under Topic 840. The disclosures presented under Topic 842 and Topic 840 will not be fully comparable in specific disclosure requirements.

The future minimum lease commitments at December 31, 2018, accounted for under Topic 840, for the Companies' operating lease agreements that are not cancellable by the Companies were as follows:

| *(Millions of Dollars)* | Con Edison | CECONY |
|---|---|---|
| 2019 | $72 | $56 |
| 2020 | 72 | 56 |
| 2021 | 71 | 54 |
| 2022 | 68 | 53 |
| 2023 | 68 | 53 |
| All years thereafter | 890 | 592 |
| Total | $1,241 | $864 |

The Companies are lessors under certain leases whereby the Companies own real estate and distribution poles and lease portions of them to others. Revenue under such leases was immaterial for Con Edison and CECONY for the twelve months ended December 31, 2019.

## Note K – Goodwill

In 2019 and 2018, Con Edison elected to perform the optional qualitative assessment for goodwill related to the 1999 O&R merger and the acquisition of a gas storage company, and the first step of the quantitative test for the acquisition of a residential solar company. In 2019 and 2018, Con Edison completed impairment tests for its goodwill of $406 million related to the O&R merger, and determined that it was not impaired. For the impairment test, $245 million and $161 million of goodwill were allocated to CECONY and O&R, respectively. In 2019 and 2018, Con Edison completed impairment tests for goodwill of $8 million related to a gas storage company acquired by CET Gas from the Clean Energy Businesses and determined that it was not impaired. In 2019 and 2018, Con Edison determined that goodwill of $14 million related to the residential solar company acquired by the Clean Energy Businesses in 2016 was not impaired. In 2018, Con Edison recorded $12 million of goodwill related to a battery storage company acquired by the Clean Energy Businesses, and, in 2019, the amount was increased to $18 million, reflecting final purchase price adjustments. In 2019, Con Edison elected to perform the first step of the quantitative test for goodwill related to the battery storage company acquisition and determined that it was not impaired. Estimates of future cash flows, projected growth rates, and discount rates inherent in the cash flow estimates for Con Edison subsidiaries other than the Utilities may vary significantly from actual results, which could result in a future impairment of goodwill.

## Note L – Income Tax

The components of income tax are as follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** | **2019** | **2018** | **2017** |
| State | | | | | | |
| Current | $(12) | $(10) | $(2) | $22 | $6 | $37 |
| Deferred | 96 | 107 | 103 | 68 | 82 | 75 |
| Federal | | | | | | |
| Current | — | 3 | (11) | 185 | (34) | 73 |
| Deferred | 219 | 310 | 391 | 63 | 275 | 504 |
| Amortization of investment tax credits | (7) | (9) | (9) | (3) | (3) | (4) |
| Total income tax expense | $296 | $401 | $472 | $335 | $326 | $685 |

The tax effects of temporary differences, which gave rise to deferred tax assets and liabilities, are as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| ***(Millions of Dollars)*** | **2019** | **2018** | **2019** | **2018** |
| Deferred tax liabilities: | | | | |
| Property basis differences | $7,699 | $7,402 | $6,640 | $6,446 |
| Regulatory assets: | | | | |
| Unrecognized pension and other postretirement costs | 712 | 627 | 674 | 591 |
| Environmental remediation costs | 205 | 227 | 181 | 200 |
| Deferred storm costs | 22 | 21 | — | — |
| Other regulatory assets | 376 | 273 | 355 | 252 |
| Operating lease right-of-use asset | 231 | — | 169 | — |
| Equity investments | 104 | 102 | — | — |
| Total deferred tax liabilities | $9,349 | $8,652 | $8,019 | $7,489 |
| Deferred tax assets: | | | | |
| Accrued pension and other postretirement costs | $291 | $248 | $222 | $180 |
| Regulatory liabilities: | | | | |
| Future income tax | 678 | 702 | 638 | 662 |
| Other regulatory liabilities | 702 | 632 | 622 | 554 |
| Superfund and other environmental costs | 206 | 218 | 183 | 194 |
| Asset retirement obligations | 135 | 114 | 102 | 82 |
| Operating lease liabilities | 231 | — | 170 | — |
| Loss carryforwards | 108 | 229 | — | — |
| Tax credits carryforward | 896 | 817 | — | — |
| Valuation allowance | (40) | (33) | — | — |
| Other | 56 | 53 | 103 | 102 |
| Total deferred tax assets | 3,263 | 2,980 | 2,040 | 1,774 |
| Net deferred tax liabilities | $6,086 | $5,672 | $5,979 | $5,715 |
| Unamortized investment tax credits | 141 | 148 | 21 | 24 |
| Net deferred tax liabilities and unamortized investment tax credits | $6,227 | $5,820 | $6,000 | $5,739 |

Upon enactment of the TCJA in December 2017, the Companies re-measured their deferred tax assets and liabilities based upon the TCJA's 21 percent corporate federal income tax rate. As a result, Con Edison, decreased its net deferred tax liabilities by $5,312 million (including $4,781 million for CECONY), recognized $259 million in net income, decreased its regulatory asset for future income tax by $1,250 million (including $1,182 million for CECONY), decreased the regulatory asset for revenue taxes by $90 million (including $86 million for CECONY), and accrued a regulatory liability for future income tax of $3,713 million (including $3,513 million for CECONY). Since the Companies were in a net regulatory liability position with respect to these income tax matters, the Companies netted the regulatory asset for future income tax against the regulatory liability for future income tax. Under the rate normalization requirements continued by the TCJA, $2,684 million of the net regulatory liability (including $2,542 million for CECONY) related to certain accelerated tax depreciation benefits is to be amortized over the remaining lives of the related assets. The remainder of the net regulatory liability is to be refunded (or credited) to customers as determined by the NYSPSC or NJBPU, as applicable. See "Other Regulatory Matters" in Note B. The amount recognized in net income included $269 million for the Clean Energy Businesses, $11 million for Con Edison Transmission and $(21) million for the parent company. The re-measurement had no impact on the Companies' cash flows for 2017.

At December 31, 2017, the Companies recorded provisional income tax amounts in its accounting for certain effects of the provisions of the TCJA as allowed under SEC Staff Accounting Bulletin 118 (SAB 118). SAB 118 allowed a one year period for companies to finalize the provisional amounts recorded as of December 31, 2017. In August 2018, the Internal Revenue Service (IRS) and U.S. Department of Treasury issued proposed regulations (which were finalized in December 2019), that clarified provisions in the TCJA on the allowance for additional first-year depreciation for qualified property of regulated public utilities placed in service in the fourth quarter of 2017. Under this guidance, which Con Edison elected to adopt the Utilities deducted $477 million in additional depreciation in

Con Edison’s 2017 federal income tax return. The additional depreciation increased Con Edison’s 2017 federal net operating loss (NOL) carryover to $563 million (CECONY’s 2017 federal NOL carryover of $153 million was applied in full to CECONY's 2018 tax liability), which required a re-measurement of deferred tax assets and liabilities associated with the filing of its 2017 federal income tax return. As a result, Con Edison decreased its net deferred tax liabilities by $13 million (including $50 million for CECONY), recognized $42 million in income tax expense at the parent company related to re-measuring the 2017 federal NOL carryover to 2018, decreased the regulatory asset for revenue taxes by $1 million (entirely attributable to CECONY) and accrued a regulatory liability for future income tax of $54 million (including $49 million for CECONY). The Companies completed their assessment in the fourth quarter of 2018 and no further adjustments to the provisional amounts were recorded.

Reconciliation of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes is as follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| ***(% of Pre-tax income)*** | **2019** | **2018** | **2017** | **2019** | **2018** | **2017** |
| STATUTORY TAX RATE | | | | | | |
| Federal | 21% | 21% | 35% | 21% | 21% | 35% |
| Changes in computed taxes resulting from: | | | | | | |
| State income tax | 4 | 4 | 4 | 5 | 5 | 4 |
| Taxes attributable to noncontrolling interests | (1) | — | — | — | — | — |
| Cost of removal | 1 | 1 | 1 | 1 | 1 | 1 |
| Other plant-related items | (1) | (1) | (1) | (1) | (1) | (1) |
| TCJA deferred tax re-measurement | — | 2 | (13) | — | — | — |
| Amortization of excess deferred federal income taxes | (4) | (3) | — | (4) | (3) | — |
| Renewable energy credits | (2) | (1) | (1) | — | — | — |
| Research and development credits | (1) | — | — | (1) | (1) | — |
| Other | — | — | (2) | — | (1) | (1) |
| Effective tax rate | 17% | 23% | 23% | 21% | 21% | 38% |

CECONY and O&R deferred as regulatory liabilities their estimated net benefits under the TCJA for the year ended December 31, 2018. CECONY’s net benefits prior to January 1, 2019 for its electric service and amortization of excess deferred federal income taxes for its electric service continued to be deferred. RECO deferred as a regulatory liability its estimated net benefits under the TCJA for the three months ended March 31, 2018. The net benefits include the revenue requirement impact of the reduction in the corporate federal income tax rate to 21 percent, the elimination for utilities of bonus depreciation and the amortization of excess deferred federal income taxes the utilities collected from customers that will not be paid to the IRS under the TCJA. See “Other Regulatory Matters” in Note B.

At December 31, 2019, Con Edison had a federal net operating loss carryover of approximately $36 million from prior years, due primarily to accelerated depreciation (including bonus depreciation), comprised of its remaining 2017 federal net operating loss carryover of $13 million (which, will expire, if unused, in 2037) and its 2018 federal net operating loss carryover of $23 million (which can be carried forward indefinitely). Con Edison has $896 million in general business tax credit carryovers (primarily renewable energy tax credits), which if unused will begin to expire in 2032. 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.

At December 31, 2019, Con Edison had a 2018 New York State net operating loss of approximately $272 million from 2018, primarily as a result of accelerated tax deductions on renewable energy projects. Con Edison will carry back approximately $100 million of its 2018 net operating loss to 2015 and 2016, which will result in recovery of $9 million of income tax. The remaining 2018 New York State net operating loss of $172 million will be carried forward to future years. At December 31, Con Edison had a 2019 New York State net operating loss of approximately $453 million, primarily as a result of accelerated tax deductions on renewable energy projects. This loss will be carried forward to future years. A deferred tax asset has been recognized for these New York State net operating loss carryforwards that will begin to expire, if unused, in 2038. A valuation allowance has not been provided; as it is more likely than not that the deferred tax asset will be realized. In addition, an $18 million valuation allowance for the entire amount of its New York City net operating loss carryforward and a $22 million valuation allowance for other

state net operating loss carryforwards has been provided; as it is not more likely than not that the deferred tax asset will be realized.

At December 31, 2019, Con Edison had charitable contributions carryforwards of $28 million ($5 million from 2015; $7 million from 2016; $5 million from 2017; $5 million from 2018 and $6 million from 2019), if unused will begin to expire in 2020. The tax effect of the carryforwards were recorded as a deferred tax asset, and no valuation allowance has been provided, as it is more likely than not that the deferred tax asset will be realized.

The Protecting Americans from Tax Hikes Act of 2015 extended bonus depreciation applying a 50 percent rate for property acquired and placed in service for years 2015 through 2017 with reduced rates of 40 percent and 30 percent for years 2018 and 2019, respectively. The TCJA does not allow bonus depreciation after December 31, 2017 (excluding certain transition rules) for Companies that qualify as a utility company for the consolidated group under the de minimis exception to Treasury regulations.

In December 2019, the Federal government issued final regulations providing guidance on provisions in the TCJA allowing for full expensing of qualified plant additions. These provisions, which Con Edison adopted under the proposed regulations of August 2018, allowed the Utilities a full expense tax deduction for plant additions in the fourth quarter of 2017, and the Utilities continue additional first year depreciation transition rules for plant additions placed in service in tax years beginning in 2018, under long-term construction contracts entered into before September 28, 2017. The impact on the Utilities of these regulations is discussed above.

In November 2018, the Federal government issued, and Con Edison adopted, proposed regulations providing guidance on the tax deductibility of interest expense under the TCJA. The TCJA generally provides for the continued deductibility of interest expense by regulated public utilities and may limit the deduction for interest expense by most non-utility businesses to 30 percent of adjusted taxable income (which resembles earnings before interest, taxes, depreciation and amortization).The regulations provide an annual safe harbor test that if at least 90 percent of consolidated plant assets consist of utility property, the entire consolidated group will be treated as a regulated public utility, and all of the consolidated group's interest expense will be currently tax deductible. For 2018, Con Edison met the 90 percent safe harbor test and its deduction for interest expense was not limited. For 2019, Con Edison did not meet the 90 percent safe harbor test and its deduction for interest expense will be limited by an amount that is not material. Con Edison, as permitted, will carry over the portion of its 2019 interest expense that it will not be able to deduct for 2019 to future years when Con Edison expects it will be able to deduct such interest expense. Qualifying consolidated groups would not be entitled to the full expensing provisions in the TCJA noted above. The safe harbor rules do not apply to partnerships in which Con Edison and its subsidiaries are a partner.

**Uncertain Tax Positions**

Under the accounting rules for income taxes, the Companies are not permitted to recognize the tax benefit attributable to a tax position unless such position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for Con Edison and CECONY follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Balance at January 1, | $6 | $12 | $42 | $4 | $5 | $21 |
| Additions based on tax positions related to the current year | 1 | 2 | 1 | 1 | 2 | 1 |
| Additions based on tax positions of prior years | 10 | 1 | 1 | — | 1 | 1 |
| Reductions for tax positions of prior years | (2) | (2) | (24) | (1) | (1) | (18) |
| Reductions from expiration of statute of limitations | — | (4) | (2) | — | — | — |
| Settlements | (2) | (3) | (6) | (2) | (3) | — |
| Balance at December 31, | $13 | $6 | $12 | $2 | $4 | $5 |

In 2019, Con Edison reached a settlement with the IRS on tax year 2017 and was denied state refund claims in New Jersey, which resulted in Con Edison reversing $4 million in uncertain tax positions. Of this amount, only an immaterial amount reduced Con Edison's effective tax rate. The amount related to CECONY was $2 million, of which, only an immaterial amount reduced CECONY's effective tax rate. Current and prior year additions in 2019 are for tax credits and a state combined reporting issue, which increased Con Edison's effective tax rate.

As of December 31, 2019, Con Edison reasonably expects to resolve within the next twelve months approximately $10 million of various federal and state uncertainties due to the expected completion of ongoing tax examinations, of which the entire amount, if recognized, would reduce Con Edison's effective tax rate. The amount related to CECONY is approximately $1 million, of which the entire amount, if recognized, would reduce CECONY's effective tax rate.

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 2019, 2018 and 2017, the Companies recognized an immaterial amount of interest and no penalties for uncertain tax positions in their consolidated income statements. At December 31, 2019 and 2018, the Companies reflected an immaterial amount of interest and no penalties in their consolidated balance sheets.

At December 31, 2019, the total amount of unrecognized tax benefits that, if recognized, would reduce the Companies' effective tax rate is $13 million ($12 million, net of federal taxes) with $2 million attributable to CECONY.

Con Edison's federal tax return for 2018 remains under examination. State income tax returns remain open for examination in New York for tax years 2010 through 2018 and in New Jersey for tax years 2008 through 2018.

## Note M – Stock-Based Compensation

The Companies may compensate employees and directors with, among other things, stock options, stock units, restricted stock units and contributions to the stock purchase plan. The Long Term Incentive Plan, which was approved by Con Edison's shareholders in 2003 (2003 LTIP), and the Long Term Incentive Plan, which was approved by Con Edison's shareholders in 2013 (2013 LTIP), are collectively referred to herein as the LTIP. The LTIP provides for, among other things, awards to employees of restricted stock units and stock options and, to Con Edison's non-employee directors, stock units. Existing awards under the 2003 LTIP continue in effect, however no new awards may be issued under the 2003 LTIP. The 2013 LTIP provides for awards for up to five million shares of common stock.

Shares of Con Edison common stock used to satisfy the Companies' obligations with respect to stock-based compensation may be new (authorized, but unissued) shares, treasury shares or shares purchased in the open market. The shares used during the year ended December 31, 2019 were new shares. The Companies intend to use new shares to fulfill their stock-based compensation obligations for 2020.

The Companies recognized stock-based compensation expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by the Companies in the years ended December 31, 2019, 2018 and 2017:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** | **2019** | **2018** | **2017** |
| Performance-based restricted stock | $36 | $3 | $53 | $30 | $3 | $45 |
| Time-based restricted stock | 2 | 2 | 2 | 2 | 1 | 2 |
| Non-employee director deferred stock compensation | 2 | 3 | 2 | 2 | 3 | 2 |
| Stock purchase plan | 7 | 6 | 6 | 6 | 6 | 6 |
| Total | $47 | $14 | $63 | $40 | $13 | $55 |
| Income tax benefit | $13 | $4 | $25 | $11 | $4 | $22 |

**Restricted Stock and Stock Units**

Restricted stock and stock unit awards under the LTIP have been made as follows: (i) awards that provide for adjustment of the number of units (performance-restricted stock units or Performance RSUs) to certain officers and employees; (ii) time-based awards to certain employees; and (iii) awards to non-employee directors. Restricted stock and stock units awarded represent the right to receive, upon vesting, shares of Con Edison common stock, or, except for units awarded under the directors' plan, the cash value of shares or a combination thereof.

The number of units in each annual Performance RSU award is subject to adjustment as follows: (i) 50 percent of the units awarded will be multiplied by a factor that may range from 0 to 200 percent, based on Con Edison's total shareholder return relative to a specified peer group during a specified performance period (the TSR portion); and (ii) 50 percent of the units awarded will be multiplied by factors that may range from 0 to 200 percent, based on determinations made in connection with the Companies' annual incentive plans or, for certain executive officers, actual performance as compared to certain performance measures during a specified performance period (the non-TSR portion). Performance RSU awards generally vest upon completion of the performance period.

Performance against the established targets is recomputed each reporting period as of the earlier of the reporting date and the vesting date. The TSR portion applies a Monte Carlo simulation model, and the non-TSR portion is the product of the market price at the end of the period and the average non-TSR determination over the vesting period. Performance RSUs are "liability awards" because each Performance RSU represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, changes in the fair value of the Performance RSUs are reflected in net income. The assumptions used to calculate the fair value of the awards were as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Risk-free interest rate (a) | 1.58% - 1.59% | 2.48% - 2.63% | 1.76% - 1.89% |
| Expected term (b) | 3 years | 3 years | 3 years |
| Expected share price volatility (c) | 12.89% - 15.51% | 14.76% - 17.71% | 11.01% - 14.70% |

(a) The risk-free rate is based on the U.S. Treasury zero-coupon yield curve.
(b) The expected term of the Performance RSUs equals the vesting period. The Companies do not expect significant forfeitures to occur.
(c) Based on historical experience.

A summary of changes in the status of the Performance RSUs' TSR and non-TSR portions during the year ended December 31, 2019 is as follows:

| | Con Edison | | | CECONY | | |
|---|---|---|---|---|---|---|
| | | Weighted Average Grant Date Fair Value (a) | | | Weighted Average Grant Date Fair Value (a) | |
| | Units | TSR Portion (b) | Non-TSR Portion (c) | Units | TSR Portion (b) | Non-TSR Portion (c) |
| Non-vested at December 31, 2018 | 1,005,836 | $74.81 | $74.27 | 761,906 | $74.47 | $74.42 |
| Granted | 389,600 | 64.37 | 80.03 | 284,516 | 64.82 | 80.31 |
| Vested | (357,325) | 83.17 | 72.09 | (275,376) | 82.77 | 72.32 |
| Forfeited | (46,873) | 65.08 | 78.03 | (30,186) | 65.20 | 78.10 |
| Transferred (d) | — | — | — | 1,344 | 70.04 | 75.65 |
| Non-vested at December 31, 2019 | 991,238 | $68.15 | $77.14 | 742,204 | $68.06 | $77.32 |

(a) The TSR and non-TSR Portions each account for 50 percent of the awards' value.
(b) Fair value is determined using the Monte Carlo simulation described above. Weighted average grant date fair value does not reflect any accrual or payment of dividends prior to vesting.
(c) Fair value is determined using the market price of one share of Con Edison common stock on the grant date. The market price has not been discounted to reflect that dividends do not accrue and are not payable on Performance RSUs until vesting.
(d) Represents allocation to another Con Edison subsidiary of a portion of the Performance RSUs that had been awarded to a CECONY officer who transferred to another subsidiary.

The total expense to be recognized by Con Edison in future periods for unvested Performance RSUs outstanding at December 31, 2019 is $25 million, including $21 million for CECONY, and is expected to be recognized over a weighted average period of one year for both Con Edison and CECONY. Con Edison and CECONY paid cash of

$24 million and $22 million in 2019, $29 million and $28 million in 2018, and $22 million and $21 million in 2017, respectively, to settle vested Performance RSUs.

In accordance with the accounting rules for stock compensation, for time-based awards, the Companies are accruing a liability and recognizing compensation expense based on the market value of a common share throughout the vesting period. The vesting period for awards is three years and is based on the employee's continuous service to Con Edison. Prior to vesting, the awards are subject to forfeiture in whole or in part under certain circumstances. The awards are "liability awards" because each restricted stock unit represents the right to receive, upon vesting, one share of Con Edison common stock, the cash value of a share or a combination thereof. As such, prior to vesting, changes in the fair value of the units are reflected in net income.

A summary of changes in the status of time-based awards during the year ended December 31, 2019 is as follows:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| | Units | Weighted Average Grant Date Fair Value | Units | Weighted Average Grant Date Fair Value |
| Non-vested at December 31, 2018 | 65,180 | $77.42 | 61,380 | $77.42 |
| Granted | 24,850 | 84.81 | 23,350 | 84.81 |
| Vested | (20,980) | 76.62 | (19,830) | 76.62 |
| Forfeited | (1,800) | 79.12 | (1,800) | 79.12 |
| Non-vested at December 31, 2019 | 67,250 | $80.36 | 63,100 | $80.36 |

The total expense to be recognized by Con Edison in future periods for unvested time-based awards outstanding at December 31, 2019 for Con Edison and CECONY was $3 million and $2 million, respectively, and is expected to be recognized over a weighted average period of one year. Con Edison and CECONY paid cash of $1 million in 2019, 2018 and 2017, to settle vested time-based awards.

Under the LTIP, each non-employee director receives stock units, which are deferred until the director's separation from service or another date specified by the director. Each director may also elect to defer all or a portion of their cash compensation into additional stock units, which are deferred until the director's termination of service or another date specified by the director. Non-employee directors' stock units issued under the LTIP are considered "equity awards," because they may only be settled in shares. Directors immediately vest in units issued to them. The fair value of the units is determined using the closing price of Con Edison's common stock on the business day immediately preceding the date of issue. In the year ended December 31, 2019, approximately 27,100 units were issued at a weighted average grant date price of $87.57.

**Stock Purchase Plan**

The Stock Purchase Plan, which was approved by shareholders in 2004 and 2014, provides for the Companies to contribute up to $1 for each $9 invested by their directors, officers or employees to purchase Con Edison common stock under the plan. Eligible participants may invest up to $25,000 during any calendar year (subject to an additional limitation for officers and employees of not more than 20 percent of their pay). Dividends paid on shares held under the plan are reinvested in additional shares unless otherwise directed by the participant.

Participants in the plan immediately vest in shares purchased by them under the plan. The fair value of the shares of Con Edison common stock purchased under the plan was calculated using the average of the high and low composite sale prices at which shares were traded at the New York Stock Exchange on the trading day immediately preceding such purchase dates. During 2019, 2018 and 2017, 747,899, 786,385 and 719,125 shares were purchased under the Stock Purchase Plan at a weighted average price of $85.45, $78.27 and $79.57 per share, respectively.

## Note N – Financial Information by Business Segment

The business segments of each of the Companies, which are its operating segments, were determined based on management's reporting and decision-making requirements in accordance with the accounting rules for segment reporting.

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.

All revenues of these business segments are from customers located in the United States of America. Also, all assets of the business segments are located in the United States of America. The accounting policies of the segments are the same as those described in Note A.

Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

The financial data for the business segments are as follows:

| **As of and for the Year Ended December 31, 2019** ***(Millions of Dollars)*** | **Operating revenues** | **Inter-segment revenues** | **Depreciation and amortization** | **Operating income** | **Other Income (deductions)** | **Interest charges** | **Income taxes on operating income (a)** | **Total assets** | **Capital expenditures** |
|---|---|---|---|---|---|---|---|---|---|
| CECONY | | | | | | | | | |
| Electric | $8,062 | $17 | $1,053 | $1,758 | $(28) | $539 | $239 | $32,988 | $1,851 |
| Gas | 2,132 | 7 | 231 | 528 | (4) | 147 | 99 | 11,090 | 1,078 |
| Steam | 627 | 70 | 89 | 62 | (3) | 42 | 4 | 2,479 | 91 |
| Consolidation adjustments | — | (94) | — | — | — | — | — | — | — |
| Total CECONY | $10,821 | $— | $1,373 | $2,348 | ($35) | $728 | $342 | $46,557 | $3,020 |
| O&R | | | | | | | | | |
| Electric | $634 | $— | $60 | $98 | $(7) | $27 | $15 | $2,130 | $142 |
| Gas | 259 | — | 24 | 41 | (4) | 14 | 6 | 876 | 61 |
| Other | — | — | — | — | — | — | — | — | — |
| Total O&R | $893 | $— | $84 | $139 | $(11) | $41 | $21 | $3,006 | $203 |
| Clean Energy Businesses | $857 | $— | $226 | $202 | $5 | $186 | $(58) | $6,528 | $248 |
| Con Edison Transmission | 4 | — | 1 | (6) | 104 | 25 | 1 | 1,618 | 205 |
| Other (b) | (1) | — | — | (7) | (12) | 11 | (6) | 370 | — |
| Total Con Edison | $12,574 | $— | $1,684 | $2,676 | $51 | $991 | $300 | $58,079 | $3,676 |

| **As of and for the Year Ended December 31, 2018** ***(Millions of Dollars)*** | **Operating revenues** | **Inter-segment revenues** | **Depreciation and amortization** | **Operating income** | **Other Income (deductions)** | **Interest charges** | **Income taxes on operating income (a)** | **Total assets** | **Capital expenditures** |
|---|---|---|---|---|---|---|---|---|---|
| CECONY | | | | | | | | | |
| Electric | $7,971 | $16 | $984 | $1,799 | $(110) | $519 | $233 | $31,012 | $1,861 |
| Gas | 2,078 | 7 | 205 | 478 | (23) | 131 | 87 | 9,710 | 1,050 |
| Steam | 631 | 75 | 87 | 77 | (10) | 39 | 8 | 2,386 | 94 |
| Consolidation adjustments | — | (98) | — | — | — | — | — | — | — |
| Total CECONY | $10,680 | $— | $1,276 | $2,354 | $(143) | $689 | $328 | $43,108 | $3,005 |
| O&R | | | | | | | | | |
| Electric | $642 | $— | $56 | $93 | $(14) | $25 | $14 | $2,036 | $138 |
| Gas | 249 | — | 21 | 39 | (5) | 14 | 7 | 856 | 67 |
| Other | — | — | — | — | — | — | — | — | — |
| Total O&R | $891 | $— | $77 | $132 | $(19) | $39 | $21 | $2,892 | $205 |
| Clean Energy Businesses | $763 | $— | $85 | $194 | $33 | $63 | $19 | $5,821 | $1,791 |
| Con Edison Transmission | 4 | — | 1 | (7) | 91 | 20 | (1) | 1,425 | 248 |
| Other (b) | (1) | — | (1) | (9) | (24) | 8 | 39 | 674 | — |
| Total Con Edison | $12,337 | $— | $1,438 | $2,664 | $(62) | $819 | $406 | $53,920 | $5,249 |

| As of and for the Year Ended December 31, 2017 *(Millions of Dollars)* | Operating revenues | Inter-segment revenues | Depreciation and amortization | Operating income | Other Income (deductions) | Interest charges | Income taxes on operating income (a) | Total assets | Capital expenditures |
|---|---|---|---|---|---|---|---|---|---|
| CECONY | | | | | | | | | |
| Electric | $7,972 | $16 | $925 | $1,974 | $(105) | $472 | $511 | $29,661 | $1,905 |
| Gas | 1,901 | 6 | 185 | 495 | (23) | 113 | 152 | 8,387 | 909 |
| Steam | 595 | 75 | 85 | 80 | (9) | 38 | 25 | 2,403 | 90 |
| Consolidation adjustments | — | (97) | — | — | — | — | — | — | — |
| Total CECONY | $10,468 | $— | $1,195 | $2,549 | $(137) | $623 | $688 | $40,451 | $2,904 |
| O&R | | | | | | | | | |
| Electric | $642 | $— | $51 | $115 | $(14) | $24 | $30 | $1,949 | $128 |
| Gas | 232 | — | 20 | 46 | (5) | 12 | 12 | 824 | 61 |
| Other | — | — | — | — | — | — | — | — | — |
| Total O&R | $874 | $— | $71 | $161 | $(19) | $36 | $42 | $2,773 | $189 |
| Clean Energy Businesses | $694 | $— | $74 | $69 | $33 | $43 | $(273) | $2,735 | $447 |
| Con Edison Transmission | 2 | — | 1 | (8) | 80 | 16 | (11) | 1,222 | 66 |
| Other (b) | (5) | — | — | 3 | (5) | 11 | 13 | 930 | — |
| Total Con Edison | $12,033 | $— | $1,341 | $2,774 | $(48) | $729 | $459 | $48,111 | $3,606 |

(a) For Con Edison, the income tax expense/(benefit) on non-operating income was $(4) million, $(5) million and $13 million in 2019, 2018 and 2017, respectively. For CECONY, the income tax expense/(benefit) on non-operating income was $(7) million, $(2) million and $(3) million in 2019, 2018 and 2017, respectively. At December 31, 2017, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison, decreased its federal income tax expense by $259 million ($269 million, $11 million and $(21) million, respectively, for the Clean Energy Businesses, Con Edison Transmission and the parent company). See Note L to the financial statements in Item 8.
(b) Parent company and consolidation adjustments. Other does not represent a business segment.

## Note O – 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. These are economic hedges, for which the Utilities and the Clean Energy Business do not elect hedge accounting. The Clean Energy Businesses use interest rate swaps to manage the risks associated with interest rates related to outstanding and expected future debt issuances and borrowings. Derivatives are recognized on the consolidated balance sheet at fair value (see Note P), 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.

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. The amendments were effective for reporting periods beginning after December 15, 2018. The application of the guidance did not have a material impact on the Companies' financial position, results of operations and liquidity because the Companies do not elect hedge accounting for their derivative instruments and hedging activities.

The fair values of the Companies' derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at December 31, 2019 and 2018 were:

| *(Millions of Dollars)* | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **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 | $60 | $(3) | $57 | (b) | $43 | $(14) | $29 | (b) |
| Noncurrent | 19 | (13) | 6 | (c) | 16 | (7) | 9 | (d) |
| Total fair value of derivative assets | $79 | $(16) | $63 | | $59 | $(21) | $38 | |
| Fair value of derivative liabilities | | | | | | | | |
| Current | $(140) | $17 | $(123) | (c) | $(61) | $11 | $(50) | |
| Noncurrent | (122) | 16 | (106) | (c) | (25) | 9 | (16) | (d) |
| Total fair value of derivative liabilities | $(262) | $33 | $(229) | | $(86) | $20 | $(66) | |
| Net fair value derivative assets/(liabilities) | $(183) | $17 | $(166) | | $(27) | $(1) | $(28) | |
| CECONY | | | | | | | | |
| Fair value of derivative assets | | | | | | | | |
| Current | $39 | $(6) | $33 | (b) | $25 | $(6) | $19 | (b) |
| Noncurrent | 17 | (12) | 5 | | 11 | (5) | 6 | |
| Total fair value of derivative assets | $56 | $(18) | $38 | | $36 | $(11) | $25 | |
| Fair value of derivative liabilities | | | | | | | | |
| Current | $(100) | $19 | $(81) | | $(31) | $6 | $(25) | |
| Noncurrent | (80) | 16 | (64) | | (12) | 6 | (6) | |
| Total fair value of derivative liabilities | $(180) | $35 | $(145) | | $(43) | $12 | $(31) | |
| Net fair value derivative assets/(liabilities) | $(124) | $17 | $(107) | | $(7) | $1 | $(6) | |

(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 December 31, 2019 and 2018, margin deposits for Con Edison ($9 million and $7 million, respectively) and CECONY ($8 million and $6 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) Includes amounts for interest rate swaps of $1 million in noncurrent assets, $(7) million in current liabilities and $(34) million in noncurrent liabilities. At December 31, 2019, the Clean Energy Businesses had interest rate swaps with notional amounts of $919 million. The expiration dates of the swaps range from 2024-2041.

(d) Includes amounts for interest rate swaps of $2 million in noncurrent assets and $(6) million in noncurrent liabilities. At December 31, 2018, the Clean Energy Businesses had interest rate swaps with notional amounts of $499 million. The expiration dates of the swaps range from 2024-2035.

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. See "Recoverable Energy Costs" in Note A. 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. The Clean Energy Businesses record changes in the fair value of their interest rate swaps in other interest expense at the end of each reporting period. Management believes that these derivative instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices and interest rates.

The following table presents the realized and unrealized gains or losses on derivatives that have been deferred or recognized in earnings for the years ended December 31, 2019 and 2018:

| | | Con Edison | | CECONY | |
|---|---|---|---|---|---|
| *(Millions of Dollars)* | **Balance Sheet Location** | **2019** | **2018** | **2019** | **2018** |
| Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations: | | | | | |
| Current | Deferred derivative gains | $4 | $(1) | $5 | $1 |
| Noncurrent | Deferred derivative gains | (3) | 4 | (1) | 3 |
| Total deferred gains/(losses) | | $1 | $3 | $4 | $4 |
| Current | Deferred derivative losses | $(91) | $4 | $(83) | $8 |
| Current | Recoverable energy costs | (142) | (26) | (124) | (26) |
| Noncurrent | Deferred derivative losses | (67) | 27 | (65) | 26 |
| Total deferred gains/(losses) | | $(300) | $5 | $(272) | $8 |
| Net deferred gains/(losses) | | $(299) | $8 | $(268) | $12 |
| | **Income Statement Location** | | | | |
| Pre-tax gain/(loss) recognized in income | | | | | |
| | Gas purchased for resale | $(2) | $(2) | $— | $— |
| | Non-utility revenue | 25 | 4 | — | — |
| | Other operations and maintenance expense | 1 | (2) | 1 | (2) |
| | Other interest expense | (36) | (4) | — | — |
| Total pre-tax gain/(loss) recognized in income | | $(12) | $(4) | $1 | $(2) |

The following table presents the hedged volume of Con Edison's and CECONY's commodity derivative transactions at December 31, 2019:

| | **Electric Energy (MWh) (a)(b)** | **Capacity (MW) (a)** | **Natural Gas (Dt) (a)(b)** | **Refined Fuels (gallons)** |
|---|---|---|---|---|
| Con Edison | 24,868,670 | 28,916 | 277,827,601 | 5,712,000 |
| CECONY | 22,487,800 | 19,950 | 258,080,000 | 5,712,000 |

(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 December 31, 2019, Con Edison and CECONY had $128 million and $8 million of credit exposure in connection with open energy supply net receivables and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of $62 million with independent system operators, $27 million with non-investment grade/non-rated counterparties, $24 million with investment-grade counterparties, and $15 million with commodity exchange brokers. CECONY's net credit exposure consisted of $8 million with commodity exchange brokers.

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

The following table presents the aggregate fair value of the Companies' derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at December 31, 2019:

| *(Millions of Dollars)* | Con Edison (a) | CECONY (a) |
|---|---|---|
| Aggregate fair value – net liabilities | $163 | $145 |
| Collateral posted | 25 | 25 |
| Additional collateral (b) (downgrade one level from current ratings) | 50 | 41 |
| Additional collateral (b)(c) (downgrade to below investment grade from current ratings) | 159 | 134 |

(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 $1 million at December 31, 2019. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.

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

(c) Derivative instruments that are net assets have been excluded from the table. At December 31, 2019, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $49 million.

## Note P – 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 for the years ended December 31, 2019 and 2018 are summarized below.

| | 2019 | | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(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) | $4 | $61 | $2 | $4 | $71 | $6 | $36 | $7 | $(6) | $43 |
| Interest rate swaps (a)(b)(c)(f) | — | 1 | — | — | 1 | — | 2 | — | — | 2 |
| Other (a)(b)(d) | 353 | 125 | — | — | 478 | 287 | 114 | — | — | 401 |
| Total assets | $357 | $187 | $2 | $4 | $550 | $293 | $152 | $7 | $(6) | $446 |
| Derivative liabilities: | | | | | | | | | | |
| Commodity (a)(b)(c) | $18 | $174 | $18 | $(22) | $188 | $8 | $43 | $20 | $(11) | $60 |
| Interest rate swaps (a)(b)(c)(f) | — | 41 | — | — | 41 | — | 6 | — | — | 6 |
| Total liabilities | $18 | $215 | $18 | $(22) | $229 | $8 | $49 | $20 | $(11) | $66 |
| **CECONY** | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | |
| Commodity (a)(b)(c) | $3 | $42 | $1 | $— | $46 | $3 | $28 | $1 | $(1) | $31 |
| Other (a)(b)(d) | 333 | 119 | — | — | 452 | 267 | 109 | — | — | 376 |
| Total assets | $336 | $161 | $1 | $— | $498 | $270 | $137 | $1 | $(1) | $407 |
| Derivative liabilities: | | | | | | | | | | |
| Commodity (a)(b)(c) | $15 | $147 | $7 | $(24) | $145 | $5 | $30 | 3 | $(6) | $32 |

(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. Con Edison and CECONY had $24 million and $22 million of commodity derivative liabilities transferred from level 3 to level 2 during the year ended December 31, 2019 because of availability of observable market data due to the decrease in the terms of certain contracts from beyond three years as of September 30, 2019 to less than three years as of December 31, 2019. Con Edison and CECONY had $2 million of commodity derivative liabilities transferred from level 3 to level 2 during the year ended December 31, 2018 because of availability of observable market data due to the decrease in the terms of certain contracts from beyond three years as of December 31, 2017 to less than three years as of December 31, 2018.

(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 December 31, 2019 and 2018, 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.

(f) See Note O.

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 and interest rate swaps. Under the Companies' policies and procedures, multiple independent sources of information are obtained for forward price curves used to value commodity derivatives and interest rate swaps. Fair value and changes in fair value of commodity derivatives and interest rate swaps 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.

| | Fair Value of Level 3 at December 31, 2019 (Millions of Dollars) | Valuation Techniques | Unobservable Inputs | Range |
|---|---|---|---|---|
| **Con Edison — Commodity** | | | | |
| Electricity | $(1) | Discounted Cash Flow | Forward energy prices (a) | $25.50-$34.10 per MWh |
| | (16) | Discounted Cash Flow | Forward capacity prices (a) | $0.09-$8.90 per kW-month |
| Transmission Congestion Contracts | 1 | Discounted Cash Flow | Inter-zonal forward price curves adjusted for historical zonal losses (b) | $(3.69)-$7.37 per MWh |
| Total Con Edison — Commodity | $(16) | | | |
| **CECONY — Commodity** | | | | |
| Electricity | $(7) | Discounted Cash Flow | Forward capacity prices (a) | $0.15-$8.90 per kW-month |
| Transmission Congestion Contracts | 1 | Discounted Cash Flow | Inter-zonal forward price curves adjusted for historical zonal losses (b) | $0.36-$3.10 per MWh |
| Total CECONY — Commodity | $(6) | | | |

(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 for the years ended December 31, 2019 and 2018 and classified as Level 3 in the fair value hierarchy:

| | Con Edison | | CECONY | |
|---|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 |
| Beginning balance as of January 1, | $(13) | $1 | $(2) | $4 |
| Included in earnings | (5) | 4 | — | 4 |
| Included in regulatory assets and liabilities | 18 | (10) | 17 | (4) |
| Settlements | 8 | (6) | 1 | (4) |
| Transfer out of level 3 | (24) | (2) | (22) | (2) |
| Ending balance as of December 31, | $(16) | $(13) | $(6) | $(2) |

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. See Note A. 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 ($2 million gain and $3 million loss) and purchased power costs (immaterial) on the consolidated income statement for the years ended December 31, 2019 and 2018, respectively. The change in fair value relating to Level 3 commodity derivative assets and liabilities held at December 31, 2019 and 2018 is included in non-utility revenues ($2 million gain and $3 million loss) and purchased power costs (immaterial) on the consolidated income statement for the years ended December 31, 2019 and 2018, respectively.

## Note Q – Variable Interest Entities

The accounting rules for consolidation address the consolidation of a variable interest entity (VIE) by a business enterprise that is the primary beneficiary. A VIE is an entity that does not have a sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary is the business enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE.

The Companies enter into arrangements including leases, partnerships and electricity purchase agreements, with various entities. As a result of these arrangements, the Companies retain or may retain a variable interest in these entities.

### CECONY

CECONY has an ongoing long-term electricity purchase agreement with Brooklyn Navy Yard Cogeneration Partners, LP, a potential VIE. In 2019, a request was made of this counterparty 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. In April 2017, CECONY's long-term electricity purchase agreement with Cogen Technologies Linden Venture, LP (Linden Cogeneration), another potential VIE, expired. See Note I for information on these electricity purchase agreements, the payments pursuant to which constitute CECONY's maximum exposure to loss with respect to the potential VIEs.

**Clean Energy Businesses**

In September 2019, the Clean Energy Businesses, which previously owned an 80 percent membership interest in OCI Solar San Antonio 4 LLC (Texas Solar 4), acquired the remaining 20 percent interest. As a result of the acquisition, Texas Solar 4 is a consolidated entity. Prior to the acquisition, Con Edison had a variable interest in Texas Solar 4, as to which Con Edison was the primary beneficiary since the power to direct the activities that most significantly impact the economics of Texas Solar 4 was held by the Clean Energy Businesses. Texas Solar 4 owns a project company that developed a 40 MW (AC) solar electric production project. Electricity generated by the project is sold pursuant to a long-term power purchase agreement. Con Edison's earnings from Texas Solar 4 for the years ended December 31, 2019 and 2018 were immaterial.

In December 2018, the Clean Energy Businesses completed its acquisition of Sempra Solar Holdings, LLC. See Note U. Included in the acquisition were certain operating projects (Tax Equity Projects) with a noncontrolling tax equity investor to which a percentage of earnings, tax attributes and cash flows are allocated. The Tax Equity Projects are consolidated entities in which Con Edison has less than a 100 percent membership interest. Con Edison is the primary beneficiary since the power to direct the activities that most significantly impact the economics of the Tax Equity Projects is held by the Clean Energy Businesses. Electricity generated by the Tax Equity Projects is sold to utilities and municipalities pursuant to long-term power purchase agreements. For the year ended December 31, 2019, the hypothetical liquidation at book value (HLBV) method of accounting for the Tax Equity Projects resulted in $98 million of income ($74 million, after tax) for the tax equity investor and a $64 million loss ($48 million, after tax) for Con Edison, and earnings under the HLBV method for the year ended December 31, 2018 were immaterial.

Con Edison has determined that the use of HLBV accounting is reasonable and appropriate to attribute income and loss to the tax equity investors. Using the HLBV method, the company's earnings from the projects are adjusted to reflect the income or loss allocable to the tax equity investors calculated based on how the project would allocate and distribute its cash if it were to sell all of its assets for their carrying amounts and liquidate at a particular point in time. Under the HLBV method, the company calculates the liquidation value allocable to the tax equity investors at the beginning and end of each period based on the contractual liquidation waterfall and adjusts its income for the period to reflect the change in the liquidation value allocable to the tax equity investors.

At December 31, 2019 and 2018, Con Edison's consolidated balance sheet included the following amounts associated with its VIEs:

| | Tax Equity Projects | | | | |
|---|---|---|---|---|---|
| | Great Valley Solar (c)(d) | | Copper Mountain - Mesquite Solar (c)(e) | | Texas Solar 4 (c)(f) |
| *(Millions of Dollars)* | 2019 | 2018 | 2019 | 2018 | 2018 |
| Restricted cash | $— | $— | $— | $— | $4 |
| Non-utility property, less accumulated depreciation (g)(h) | 293 | 313 | 461 | 492 | 98 |
| Other assets | 40 | 18 | 128 | 97 | 9 |
| Total assets (a) | $333 | $331 | $589 | $589 | $111 |
| Long-term debt due within one year | $— | $— | $— | $— | $2 |
| Other liabilities | 17 | 17 | 18 | 33 | 26 |
| Long-term debt | — | — | — | — | 56 |
| Total liabilities (b) | $17 | $17 | $18 | $33 | $84 |

(a) The assets of the Tax Equity Projects represent assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE.
(b) The liabilities of the Tax Equity Projects represent liabilities of a consolidated VIE for which creditors do not have recourse to the general credit of the primary beneficiary.
(c) Con Edison did not provide any financial or other support during the year that was not previously contractually required.
(d) Great Valley Solar consists of the Great Valley Solar 1, Great Valley Solar 2, Great Valley Solar 3 and Great Valley Solar 4 projects, for which the noncontrolling interest of the tax equity investor was $62 million and $33 million at December 31, 2019 and 2018, respectively.
(e) Copper Mountain - Mesquite Solar consists of the Copper Mountain Solar 4, Mesquite Solar 2 and Mesquite Solar 3 projects for which the noncontrolling interest of the tax equity investor was $126 million and $71 million at December 31, 2019 and 2018, respectively.
(f) Noncontrolling interest of the third party was $7 million at December 31, 2018.
(g) Non-utility property is reduced by accumulated depreciation of $9 million for Great Valley Solar and $15 million for Copper Mountain - Mesquite Solar at December 31, 2019.
(h) Non-utility property is reduced by accumulated depreciation of $1 million for Great Valley Solar, $1 million for Copper Mountain - Mesquite Solar and $15 million for Texas Solar 4 at December 31, 2018.

The following table summarizes the VIEs into which the Clean Energy Businesses have entered as of December 31, 2019:

| Project Name | Generating Capacity (a) (MW AC) | Power Purchase Agreement Term in Years | Year of Investment | Location | Maximum Exposure to Loss (*Millions of Dollars*) (b) |
|---|---|---|---|---|---|
| Great Valley Solar (c) | 200 | 15-20 | 2018 | California | $254 |
| Copper Mountain - Mesquite Solar (c) | 344 | 20-25 | 2018 | Nevada and Arizona | 445 |

(a) Represents ownership interest in the project.
(b) Maximum exposure is equal to the net assets of the project on the consolidated balance sheet less any applicable noncontrolling interest ($62 million for Great Valley Solar and $126 million for Copper Mountain - Mesquite Solar). Con Edison did not provide any financial or other support during the year that was not previously contractually required.
(c) For the projects comprising Great Valley Solar and Copper Mountain Mesquite Solar, refer to (d) and (e) in the table above.

## Note R – Asset Retirement Obligations

The Companies recognize a liability at fair value for legal obligations associated with the retirement of long-lived assets in the period in which they are incurred, or when sufficient information becomes available to reasonably estimate the fair value of such legal obligations. When the liability is initially recorded, asset retirement costs are capitalized by increasing the carrying amount of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. The fair value of the asset retirement obligation liability is measured using expected future cash flows discounted at credit-adjusted risk-free rates, historical information, and where available, quoted prices from outside contractors. The Companies evaluate these assumptions underlying the asset retirement obligation liability on an annual basis or as frequently as needed.

The Companies recorded asset retirement obligations associated with the removal of asbestos and asbestos-containing material in their buildings (other than the structures enclosing generating stations and substations),

electric equipment and steam and gas distribution systems. The Companies also recorded asset retirement obligations relating to gas and oil pipelines abandoned in place and municipal infrastructure support.

The Companies did not record an asset retirement obligation for the removal of asbestos associated with the structures enclosing generating stations and substations. For these building structures, the Companies were unable to reasonably estimate their asset retirement obligations because the Companies were unable to estimate the undiscounted retirement costs or the retirement dates and settlement dates. The amount of the undiscounted retirement costs could vary considerably depending on the disposition method for the building structures, and the method has not been determined. The Companies anticipate continuing to use these building structures in their businesses for an indefinite period, and so the retirement dates and settlement dates are not determinable.

Con Edison recorded asset retirement obligations for the removal of the Clean Energy Businesses' solar and wind equipment related to projects located on property that is not owned by them and the term of the arrangement is finite including any renewal options. Con Edison did not record asset retirement obligations for the Clean Energy Businesses' projects that are located on property that is owned by them because they expect that the equipment will continue to generate electricity at these facilities long past the manufacturer's warranty at minimal operating expense. Therefore, Con Edison was unable to reasonably estimate the retirement date of this equipment.

The Utilities include in depreciation rates the estimated removal costs, less salvage, for utility plant assets. The amounts related to removal costs that are associated with asset retirement obligations are classified as an asset retirement liability. Pursuant to accounting rules for regulated operations, future removal costs that do not represent legal asset retirement obligations are recorded as regulatory liabilities. Accretion and depreciation expenses related to removal costs that represent legal asset retirement obligations are applied against the Companies' regulatory liabilities. Asset retirement costs that are recoverable from customers are recorded as regulatory liabilities to reflect the timing difference between costs recovered through the rate-making process and recognition of costs.

At December 31, 2019, the liabilities for asset retirement obligations of Con Edison and CECONY were $425 million and $362 million, respectively. At December 31, 2018, the liabilities for asset retirement obligations of Con Edison and CECONY were $450 million and $292 million, respectively. The change in liabilities at December 31, 2019 was due to changes in estimated cash flows of $(1) million and $96 million for Con Edison and CECONY, respectively, and accretion expense of $14 million and $12 million for Con Edison and CECONY, respectively. The changes were offset by liabilities settled of $38 million for both Con Edison and CECONY. The change in liabilities at December 31, 2018 was due to changes in estimated cash flows of $168 million and $39 million for Con Edison and CECONY, respectively, and accretion expense of $13 million and $11 million for Con Edison and CECONY, respectively. The changes were offset by liabilities settled of $45 million for both Con Edison and CECONY. Con Edison and CECONY also recorded reductions of $44 million and $50 million during the years ended December 31, 2019 and 2018, respectively, to the regulatory liability associated with cost of removal to reflect depreciation and interest expense.

### Note S – Related Party Transactions

The NYSPSC generally requires that the Utilities and Con Edison's other subsidiaries be operated as separate entities. The Utilities and the other subsidiaries are required to have separate operating employees and operating officers of the Utilities may not be operating officers of the other subsidiaries. The Utilities may provide administrative and other services to, and receive such services from, Con Edison and its other subsidiaries only pursuant to cost allocation procedures approved by the NYSPSC. Transfers of assets between the Utilities and Con Edison or its other subsidiaries may be made only as approved by the NYSPSC. The debt of the Utilities is to be raised directly by the Utilities and not derived from Con Edison. Without the prior permission of the NYSPSC, the Utilities may not make loans to, guarantee the obligations of, or pledge assets as security for the indebtedness of Con Edison or its other subsidiaries. The NYSPSC limits the dividends that the Utilities may pay Con Edison. See "Dividends" in Note C. As a result, substantially all of the net assets of CECONY and O&R ($14,147 million and $762 million, respectively), at December 31, 2019, are considered restricted net assets. The NYSPSC may impose additional measures to separate, or "ring fence," the Utilities from Con Edison and its other subsidiaries. See "Rate Plans" in Note B.

The costs of administrative and other services provided by CECONY to, and received by it from, Con Edison and its other subsidiaries for the years ended December 31, 2019, 2018 and 2017 were as follows:

| | | CECONY | |
|---|---|---|---|
| *(Millions of Dollars)* | 2019 | 2018 | 2017 |
| Cost of services provided | $121 | $115 | $111 |
| Cost of services received | 64 | 73 | 64 |

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which CECONY sold to O&R $71 million, $83 million and $66 million of natural gas for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are net of the effect of related hedging transactions.

The Utilities perform work and incur expenses on behalf of NY Transco, a company in which CET Electric has a 45.7 percent equity interest. The Utilities bill NY Transco for such work and expenses in accordance with established policies. For the years ended December 31, 2019 and 2018, the amounts billed by the Utilities to NY Transco were immaterial. In May 2016, CECONY transferred certain electric transmission projects to NY Transco.

CECONY has storage and wheeling service contracts with Stagecoach Gas Services LLC (Stagecoach), a joint venture formed by a subsidiary of CET Gas and a subsidiary of Crestwood Equity Partners LP (Crestwood). In addition, CECONY is the replacement shipper on one of Crestwood's firm transportation agreements with Tennessee Gas Pipeline Company LLC. CECONY incurred costs for storage and wheeling services from Stagecoach of $33 million, $28 million and $31 million for the years ended December 31, 2019, 2018 and 2017, respectively. In addition, the Clean Energy Businesses entered into two electricity sales agreements with Stagecoach under which the amounts received in 2019, 2018 and 2017 were immaterial.

CECONY has a 20-year transportation contract with Mountain Valley Pipeline, LLC (MVP) for 250,000 dekatherms per day of capacity. CET Gas holds a 12.5 percent equity interest in MVP (that is expected to be reduced by approximately 10 percent based on the current project estimate). In October 2017, the Environmental Defense Fund and the Natural Resource Defense Council requested the NYSPSC to prohibit CECONY from recovering costs under its MVP contract unless CECONY can demonstrate that the contract is in the public interest. CECONY advised the NYSPSC that it would respond to the request if the NYSPSC opened a proceeding to consider this request. For the years ended December 31, 2019 and 2018, CECONY incurred no costs under the contract.

FERC has authorized CECONY to lend funds to O&R for a period of not more than 12 months, in an amount not to exceed $250 million, at prevailing market rates. At December 31, 2019 and 2018 there were no outstanding loans to O&R.

The Clean Energy Businesses had financial electric capacity contracts with CECONY and O&R during 2019 and 2018. For the years ended December 31, 2019 and 2018, the Clean Energy Businesses realized $1 million loss under these contracts.

## Note T – New Financial Accounting Standards

In January 2020, the Companies adopted ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments replace the incurred loss impairment methodology which involved delayed recognition of credit losses. The amendments introduce an expected credit loss impairment model which requires immediate recognition of anticipated losses over the instrument's life. A broader range of reasonable and supportable information must be considered in developing the credit loss estimates. The Companies' financial instruments subject to the amendments include their accounts receivable - customers and other receivables. The adoption of this guidance will not have a material impact on the Companies' financial position, results of operations and liquidity. The Companies will prepare additional disclosures as required by the amendments beginning in 2020. The Companies implemented additional internal controls related to the amendments, however the adoption of the amendments will not require a change that will materially affect the Companies' internal control over financial reporting.

In January 2020, the Companies adopted 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 will 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. The adoption of this guidance will not have a material impact on the Companies' financial position, results of operations and liquidity.

In December 2019, the FASB issued amendments to the guidance for income taxes through ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The amendments in this update simplify the accounting for income taxes by removing certain exceptions such as: 1) the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, 2) the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and 4) the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. For public entities, the amendments are effective for reporting periods beginning after December 15, 2020. 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 U – Acquisitions, Investments and Dispositions

### Acquisitions and Investments

#### Mountain Valley Pipeline

In January 2016, CET Gas acquired a 12.5 percent equity interest in MVP, a company developing a proposed gas transmission project in West Virginia and Virginia. The company's initial contribution to MVP was $18 million. At December 31, 2019 and 2018, CET Gas' cash investment in MVP was $530 million and $337 million, respectively. In October 2019, the operator of MVP indicated that it expects a late 2020 full in-service date for the project at an overall project cost of $5,300 million to $5,500 million, excluding allowance for funds used during construction. MVP is currently defending certain agency actions and judicial challenges that must be resolved favorably before the pipeline can be completed. There are other proceedings that may affect MVP, including an investigation of potential criminal and/or civil violations of the Clean Water Act and other federal statutes as they relate to the construction of the pipeline. CET Gas, as it was permitted to do under the joint venture agreement, has limited its cash contributions to the joint venture to approximately $530 million, which will reduce its ownership interest in the joint venture to approximately 10 percent based on the current project cost estimate. Con Edison is accounting for its equity interest in MVP as an equity method investment.

#### Sempra Solar

In December 2018, the Clean Energy Businesses completed their acquisition of Sempra Solar Holdings, LLC, a Sempra Energy subsidiary, for $1,609 million, including working capital and other closing adjustments of $69 million. In 2019, Con Edison finalized the purchase price allocation and reclassified approximately $100 million which primarily decreased property, plant and equipment and asset retirement obligations, the impact of which was not material to earnings. The reclassification was recorded within the one year available to finalize the purchase price allocation.

The acquired company has ownership interests in 981 megawatts (AC) of operating renewable electric production projects, including its 379 megawatts (AC) share of projects in which its subsidiaries had a 50 percent ownership interest (Acquired JV Interests) and the Clean Energy Businesses had the remaining ownership interests (Previously-Owned JV Interests), and certain development rights with respect to solar electric production and energy storage projects.

At the acquisition date, the acquired company's subsidiaries had $1,354 million of tangible assets consisting mostly of property, plant and equipment, $878 million of intangible assets mostly arising from power purchase agreements, $4 million of other noncurrent assets, $568 million of project debt (including, in each case, amounts associated with the Acquired JV Interests) and $28 million of asset retirement obligation liabilities. The weighted average amortization period for these intangible assets is 16 years. At the acquisition date, the fair value of the noncontrolling interest attributable to the tax equity investors (see below) was $100 million. The acquisition date valuation was performed using a discounted cash flow approach. The fair values of assets acquired and liabilities assumed were determined based on significant estimates and assumptions that are judgmental in nature, including projected amounts and timing of future cash flows, discount rates reflecting risk inherent in the future cash flows and future power prices.

Upon completion of the acquisition, the acquisition date fair value of the Previously-Owned JV Interests increased from $437 million to $568 million and Con Edison recognized a pre-tax gain of $131 million ($89 million or $0.28 per share net of taxes). Prior to the acquisition, Con Edison had been accounting for the Previously-Owned JV Interests under the equity method. Upon completion of the acquisition, Con Edison is accounting for Acquired JV Interests and the Previously-Owned JV Interests on a consolidated basis.

Certain projects acquired have tax equity investors to which a percentage of earnings, tax attributes and cash flows are allocated. See Note Q.

Con Edison's revenues and net income for the years ended December 31, 2018 and 2017 as reported and pro forma to account on a consolidated basis for the acquisition as if the acquisition had been completed on January 1, 2017 instead of December 13, 2018 are as follows:

| | Years ended December 31, | |
|---|---|---|
| *(Millions of Dollars)* | **2018** | **2017** |
| As Reported | | |
| Revenue | $12,337 | $12,033 |
| Net income | 1,382 | 1,525 |
| | | |
| PRO FORMA SUPPLEMENTAL INFORMATION | | |
| If Acquired January 1, 2017 (a)(b) | | |
| Revenue | $12,655 | $12,331 |
| Net income | 1,279 | 1,612 |

(a) Reflects the following material adjustments:
- included additional interest expense of $37 million and $38 million in 2018 and 2017, respectively, that would have been incurred if $825 million that was borrowed in December 2018 under a variable rate term loan agreement to fund a portion of the purchase price for the acquisition had instead been borrowed for such purpose on January 1, 2017 at a fixed rate of 4.64% per annum; and
- with respect to the Previously-Owned JV Interests: eliminated the $131 million purchase accounting gain (pre-tax) that Con Edison recognized upon the completion of the acquisition in 2018 and reflected the $131 million purchase accounting gain in 2017; recorded the corresponding increase to the book value of the related net utility plant and power purchase agreement intangible asset as of January 1, 2017 instead of December 13, 2018, and included the increased depreciation and amortization expense in 2018 and 2017; and eliminated $33 million and $32 million of other income that Con Edison had recorded in 2018 and 2017, respectively, under the equity method of accounting.

(b) Recalculating each investor's claim on the investee's assets under the contractual liquidation waterfall as if the acquisition had been completed on January 1, 2017 is impracticable. Accordingly, no HLBV adjustments were made.

## Dispositions

### Upton 2

In May 2017, the Clean Energy Businesses 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, the Clean Energy Businesses agreed to perform the engineering, procurement and construction for the 180 MW (AC) project, which was completed in 2018.

## Condensed Financial Information of Consolidated Edison, Inc. (a)

### Condensed Statement of Income and Comprehensive Income (Parent Company Only)

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars, except per share amounts)* | **2019** | **2018** | **2017** |
| Equity in earnings of subsidiaries | $1,354 | $1,447 | $1,544 |
| Other income (deductions), net of taxes | 76 | (6) | 31 |
| Interest expense | (87) | (59) | (50) |
| **Net Income** | $1,343 | $1,382 | $1,525 |
| **Comprehensive Income** | $1,340 | $1,392 | $1,526 |
| **Net Income Per Share – Basic** | $4.09 | $4.43 | $4.97 |
| **Net Income Per Share – Diluted** | $4.08 | $4.42 | $4.94 |
| **Dividends Declared Per Share** | $2.96 | $2.86 | $2.76 |
| **Average Number Of Shares Outstanding—Basic (In Millions)** | 328.5 | 311.1 | 307.1 |
| **Average Number Of Shares Outstanding—Diluted (In Millions)** | 329.5 | 312.9 | 308.8 |

(a) These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

## Condensed Financial Information of Consolidated Edison, Inc. (a)

### Condensed Statement of Cash Flows
### (Parent Company Only)

| | For the Years Ended December 31, | | |
|---|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** | **2017** |
| **Net Income** | 1,343 | 1,382 | 1,525 |
| Equity in earnings of subsidiaries | (1,354) | (1,447) | (1,544) |
| Dividends received from: | | | |
| CECONY | 912 | 846 | 796 |
| O&R | 47 | 46 | 44 |
| Clean Energy Businesses | 3 | 15 | 12 |
| Con Edison Transmission | 12 | 10 | 8 |
| Change in Assets: | | | |
| Special deposits | (3) | (8) | — |
| Income taxes receivable | 25 | 2 | 34 |
| Other – net | 44 | 187 | 21 |
| **Net Cash Flows from Operating Activities** | 1,029 | 1,033 | 896 |
| **Investing Activities** | | | |
| Contributions to subsidiaries | (930) | (1,110) | (434) |
| Debt receivable from affiliated companies | 450 | (825) | — |
| **Net Cash Flows Used in Investing Activities** | (480) | (1,935) | (434) |
| **Financing Activities** | | | |
| Net proceeds of short-term debt | (783) | 164 | (53) |
| Issuance of long-term debt | 825 | 825 | 400 |
| Retirement of long-term debt | (553) | (3) | (402) |
| Debt issuance costs | — | — | (2) |
| Issuance of common shares for stock plans, net of repurchases | 54 | 53 | 51 |
| Issuance of common shares - public offering | 825 | 705 | 343 |
| Common stock dividends | (924) | (842) | (803) |
| **Net Cash Flows Used in Financing Activities** | (556) | 902 | (466) |
| **Net Change for the Period** | (7) | — | (4) |
| **Balance at Beginning of Period** | 9 | 9 | 13 |
| **Balance at End of Period** | $2 | $9 | $9 |

(a) These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

## Condensed Financial Information of Consolidated Edison, Inc. (a)
### Condensed Balance Sheet
### (Parent Company Only)

| | December 31, | |
|---|---|---|
| *(Millions of Dollars)* | **2019** | **2018** |
| **Assets** | | |
| **Current Assets** | | |
| Cash and temporary cash investments | $2 | $9 |
| Income taxes receivable | 18 | 43 |
| Term loan receivable from affiliated companies | — | 825 |
| Accounts receivable from affiliated companies | 870 | 536 |
| Prepayments | 32 | 33 |
| Other current assets | 12 | 12 |
| **Total Current Assets** | 934 | 1,458 |
| Investments in subsidiaries and others | 18,009 | 16,707 |
| Goodwill | 406 | 406 |
| Deferred income tax | 14 | 69 |
| Long-term debt receivable from affiliated companies | 1,275 | 900 |
| Other noncurrent assets | — | 2 |
| **Total Assets** | $20,638 | $19,542 |
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities** | | |
| Long-term debt due within one year | $3 | $3 |
| Term loan | — | 825 |
| Notes payable | 537 | 495 |
| Accounts payable | — | 9 |
| Accounts payable to affiliated companies | 595 | 274 |
| Accrued taxes | 2 | 2 |
| Other current liabilities | 10 | 13 |
| **Total Current Liabilities** | 1,147 | 1,621 |
| Deferred income tax | — | — |
| **Total Liabilities** | 1,147 | 1,621 |
| Long-term debt | 1,469 | 1,195 |
| **Shareholders' Equity** | | |
| Common stock, including additional paid-in capital | 8,089 | 7,151 |
| Retained earnings | 9,933 | 9,575 |
| **Total Shareholders' Equity** | 18,022 | 16,726 |
| **Total Liabilities and Shareholders' Equity** | $20,638 | $19,542 |

(a) These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.

## Valuation and Qualifying Accounts
## For the Years Ended December 31, 2019, 2018 and 2017

| Company *(Millions of Dollars)* | COLUMN A Description | | COLUMN B Balance at Beginning of Period | COLUMN C Additions (1) Charged To Costs And Expenses | COLUMN C Additions (2) Charged To Other Accounts | COLUMN D Deductions (b) | COLUMN E Balance At End of Period |
|---|---|---|---|---|---|---|---|
| Con Edison | Allowance for uncollectible accounts (a): | | | | | | |
| | | 2019 | $68 | $77 | $— | $(71) | $74 |
| | | 2018 | $70 | $62 | $— | $(64) | $68 |
| | | 2017 | $83 | $64 | $— | $(77) | $70 |
| CECONY | Allowance for uncollectible accounts (a): | | | | | | |
| | | 2019 | $61 | $72 | $— | $(65) | $68 |
| | | 2018 | $65 | $56 | $— | $(60) | $61 |
| | | 2017 | $78 | $60 | $— | $(73) | $65 |

(a) This is a valuation account deducted in the balance sheet from the assets (Accounts receivable - customers and Other receivables) to which they apply.

(b) Accounts written off less cash collections, miscellaneous adjustments and amounts reinstated as receivables previously written off.

## Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

### Con Edison

None.

### CECONY

None.

## Item 9A: 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.

For the Companies' Reports of Management On Internal Control Over Financial Reporting and the related opinions of PricewaterhouseCoopers LLP (presented in the Reports of Independent Registered Public Accounting Firm), see Item 8 of this report (which information is incorporated herein by reference).

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.

## Item 9B: Other Information

### Con Edison

None.

### CECONY

None.

# Part III

## Item 10: Directors, Executive Officers and Corporate Governance

## Item 11: Executive Compensation

## Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

## Item 13: Certain Relationships and Related Transactions, and Director Independence

## Item 14: Principal Accounting Fees and Services

### Con Edison

Information required by Part III as to Con Edison, other than the information required in Item 12 of this report by Item 201(d) of Regulation S-K, is incorporated by reference from Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 18, 2020. The proxy statement is to be filed pursuant to Regulation 14A not later than 120 days after December 31, 2019, the close of the fiscal year covered by this report.

The information required pursuant to Item 201(d) of Regulation S-K as at December 31, 2019 is as follows:

**Equity Compensation Plan Information**

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1)) |
|---|---|---|---|
| | (1) | (2) | (3) |
| Equity compensation plans approved by security holders | | | |
| 2003 LTIP (a) | 191,425 | — | — |
| 2013 LTIP (b) | 1,440,191 | — | 3,967,790 |
| Stock Purchase Plan (c) | — | — | 5,812,662 |
| Total equity compensation plans approved by security holders | 1,631,616 | — | 9,780,452 |
| Total equity compensation plans not approved by security holders | 2,000 (d) | — | — |
| Total | 1,633,616 | — | 9,780,452 |

(a) The number of shares of Con Edison common stock that may be issued pursuant to outstanding awards under the Long Term Incentive Plan approved by the company's shareholders in 2003 (the "2003 LTIP") include 191,425 shares for stock unit awards made prior to 2013 that have vested and for which the receipt of shares was deferred. Amounts do not include shares that may be issued pursuant to any dividend reinvestment in the future on the deferred stock units. There is no dividend reinvestment on the other outstanding awards. Outstanding awards had no exercise price. No new awards may be made under the 2003 LTIP.

(b) The number of shares of Con Edison common stock that may be issued pursuant to outstanding awards under the Long Term Incentive Plan approved by the company's shareholders in 2013 (the "2013 LTIP") include: (A) outstanding awards made in 2014 and subsequent years (1,113,547 shares for performance restricted stock units and 67,250 shares for time-based restricted stock units); (B) 259,394 shares covered by outstanding directors' deferred stock unit awards (which vested upon grant). Amounts do not include shares that may be issued pursuant to any dividend reinvestment in the future on the deferred stock units. There is no dividend reinvestment on the other outstanding awards. The outstanding awards had no exercise price. No new awards may be made under the 2013 LTIP after May 20, 2023.

(c) Shares of Con Edison common stock may be issued under the Stock Purchase Plan until May 19, 2024 (which is 10 years after the date of the annual meeting at which Con Edison's shareholders approved the plan).

(d) This amount represents shares to be issued to an officer who had elected to defer receipt of these shares until separation from service or later. These shares are issuable pursuant to awards of restricted stock units made in 2000, which vested in 2004.

For additional information about Con Edison's stock-based compensation, see Note M to the financial statements in Item 8 of this report (which information is incorporated herein by reference).

In accordance with General Instruction G(3) to Form 10-K, other information regarding Con Edison's Executive Officers may be found in Part I of this report under the caption "Executive Officers of the Registrant."

### CECONY

Information required by Items 10, 11, 12 and 13 of Part III as to CECONY is omitted pursuant to Instruction (I)(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries).

Fees paid or payable by CECONY to its principal accountant, PricewaterhouseCoopers LLP, for services related to 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Audit fees | $3,645,575 | $3,970,086 |
| Audit-related fees (a) | — | 693,930 |
| Total fees | $3,645,575 | $4,664,016 |

(a) Relates to assurance and related service fees that are reasonably related to the performance of the annual audit or quarterly reviews of the company's financial statements that are not specifically deemed "Audit Services." The major items included in audit-related fees in 2018 are fees related to reviews of system implementations and internal controls.

Con Edison's Audit Committee or, as delegated by the Audit Committee, the Chair of the Committee, approves in advance each auditing service and non-audit service permitted by applicable laws and regulations, including tax services, to be provided to CECONY by its independent accountants.

# Part IV
## Item 15: Exhibits and Financial Statement Schedules

**(a) Documents filed as part of this report:**

**1. List of Financial Statements –** See financial statements listed in Item 8.

**2. List of Financial Statement Schedules –** See schedules listed in Item 8.

**3. List of Exhibits**

Exhibits listed below which have been filed previously with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, and which were designated as noted below, are hereby incorporated by reference and made a part of this report with the same effect as if filed with the report. Exhibits listed below that were not previously filed are filed herewith.

## Con Edison

3.1.1 Restated Certificate of Incorporation of Consolidated Edison, Inc. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-14514) as Exhibit 3.1.1)

3.1.2 By-laws of Con Edison, effective as of February 16, 2017. (Designated in Con Edison's Current Report on Form 8-K, dated February 16, 2017 (File No. 1-14514) as Exhibit 3.1)

4.1.1 Description of Con Edison's Common Shares ($.10 par value).

4.1.2.1 Indenture, dated as of April 1, 2002, between Con Edison and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee. (Designated in Con Edison's Registration Statement on Form S-3 of Con Edison (No. 333-102005) as Exhibit 4.1)

4.1.2.2 First Supplemental Indenture, dated as of August 1, 2009, between Con Edison and The Bank of New York Mellon (formerly known as The Bank of New York (successor as trustee to JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank))), as Trustee. (Designated in Con Edison's Registration Statement (No. 333-161018) as Exhibit 4.2)

4.1.2.3 Form of Con Edison's 2.00% Debentures, Series 2016 A. (Designated in Con Edison's Current Report on Form 8-K, dated May 10, 2016 (File No. 1-14514) as Exhibit 4)

4.1.3 Note Assumption and Exchange Agreement, dated as of June 20, 2008, between Con Edison and the institutional investors listed in Schedule I thereto. (Designated in Con Edison's Current Report on Form 8-K, dated June 20, 2008 (File No. 1-14514) as Exhibit 4)

10.1.1.1 Credit Agreement, dated as of December 7, 2016, among CECONY, Con Edison, O&R, the lenders party thereto and Bank of America, N.A., as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K dated December 7, 2016 (File No. 1-14514) as Exhibit 10)

10.1.1.2 Extension Agreement, dated as of January 8, 2018, among CECONY, Con Edison, O&R, the lenders party thereto and Bank of America, N.A., as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K dated January 8, 2018 (File No. 1-14514) as Exhibit 10)

10.1.1.3 Extension Agreement and First Amendment to Credit Agreement, effective April 1, 2019, among CECONY, Con Edison, O&R, the lenders party thereto and Bank of America, N.A., as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K dated April 1, 2019 (File No. 1-14514) as Exhibit 10)

10.1.2.1 Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries, as amended, effective as of January 1, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.3)

10.1.2.2 Amendment #1, dated December 19, 2012, to the Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-14514) as Exhibit 10.1.4.2)

10.1.2.3 Amendment to the Severance Program for Officers of Consolidated Edison, Inc. and its Subsidiaries. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (File No. 1-14514 as Exhibit 10.1)

10.1.3.1 The Consolidated Edison, Inc. Stock Purchase Plan, as amended and restated as of May 19, 2014. (Designated in Con Edison's Current Report on Form 8-K dated May 19, 2014 (File No. 1-14514) as Exhibit 10)

10.1.3.2 Amendment One to The Consolidated Edison, Inc. Stock Purchase Plan. (Designated in Con Edison's Current Report on Form 10-K for the year ended December 31, 2016 (File No. 1-14514) as Exhibit 10.1.3.2)

10.1.4.1 The Consolidated Edison Retirement Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (File No. 1-14514) as Exhibit 10.1.1)

10.1.4.2 Amendment to the Consolidated Edison Retirement Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (File No. 1-14514) as Exhibit 10.1.1)

10.1.4.3 Amendment to the Consolidated Edison Retirement Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (File No. 1-14514) as Exhibit 10.1.2)

10.1.4.4 Amendment, dated December 18, 2017, to the Consolidated Edison Retirement Plan .(Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-14514) as Exhibit 10.1.4.2)

10.1.4.5 Amendment to the Consolidated Edison Retirement Plan, effective January 1, 2019.

10.1.4.6 Amendment to the Consolidated Edison Retirement Plan, effective August 1, 2019.

10.1.4.7 Amendment to the Consolidated Edison Retirement Plan, effective August 1, 2019.

10.1.5.1 The Consolidated Edison Thrift Savings Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (File No. 1-14514) as Exhibit 10.1.2)

10.1.5.2 Amendment, dated December 18, 2017, to the Consolidated Edison Thrift Savings Plan. (Designated in Con Edison's Annual Report on 10-K for the year ended December 31, 2017 (File No. 1-14514) as Exhibit 10.1.5.3

10.1.5.3 Amendment to the Consolidated Edison Thrift Savings Plan, effective January 1, 2019.

10.1.5.4 Amendment to the Consolidated Edison Thrift Savings Plan, effective August 1, 2019.

10.1.5.5 Amendment to the Consolidated Edison Thrift Savings Plan, effective August 1, 2019.

10.1.6 Consolidated Edison, Inc. Supplemental Defined Contribution Pension Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (File No. 1-14514) as Exhibit 10.1)

10.1.7.1 Consolidated Edison, Inc. Long Term Incentive Plan (2003), as amended and restated effective as of December 26, 2012. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-14514) as Exhibit 10.1.8.1)

10.1.7.2 Form of Restricted Stock Unit Award under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-14514) as Exhibit 10.1.7.2)

10.1.7.3 Form of Restricted Stock Unit Award for Officers under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the year quarterly period ended March 31, 2011 (File No. 1-14514) as Exhibit 10.1)

10.1.7.4 Form of Stock Option Agreement under the Con Edison Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated January 24, 2005, (File No. 1-14514) as Exhibit 10.3)

10.1.7.5 Amendment Number 1, effective July 1, 2010, to the Consolidated Edison, Inc. Long Term Incentive Plan, as amended and restated effective as of January 1, 2008. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 as Exhibit 10.1)

10.1.7.6 Amendment Number 2, effective January 1, 2011, to the Consolidated Edison, Inc. Long Term Incentive Plan, as amended and restated effective as of January 1, 2008. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-14514) as Exhibit 10.1.7.5)

10.1.8.1 Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Current Report on Form 8-K, dated May 20, 2013 (File No. 1-14514) as Exhibit 10)

10.1.8.2 Form of Performance Unit Award for Officers under the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (File No. 1-14514) as Exhibit 10.1.2)

10.1.8.3 Form of Performance Unit Award for Certain Specified Officers under the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (File No. 1-14514) as Exhibit 10.1)

10.1.8.4 Amendment No. 1 to the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-14514) as Exhibit 10.1.7.4)

10.1.8.5 Amendment No. 2 to the Consolidated Edison, Inc. Long Term Incentive Plan. (Designated in Con Edison's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-14514) as Exhibit 10.1.7.5)

10.1.9 Description of Directors' Compensation, effective as of December 31, 2019.

10.1.10 Letter, dated February 23, 2004, to Robert Hoglund. (Designated in Con Edison's Current Report on Form 8-K, dated July 21, 2005, (File No. 1-14514) as Exhibit 10.5)

10.1.11 Employment offer letter, dated November 21, 2013 to John McAvoy. (Designated in Con Edison's Current Report on Form 8-K, dated November 21, 2013 (File No. 1-14514) as Exhibit 10)

10.1.12 Contribution Agreement, dated as of April 20, 2016, by and between Crestwood Pipeline and Storage Northeast LLC and Con Edison Gas Pipeline and Storage Northeast, LLC. (Designated in Con Edison's Current Report on Form 8-K, dated April 20, 2016 (File No. 1-14514) as Exhibit 10)

10.1.13 Purchase and Sale Agreement, dated as of September 20, 2018, by and between Sempra Solar Portfolio Holdings, LLC and CED Southwest Holdings, Inc. (Designated in Con Edison's Current Report on Form 8-K, dated September 20, 2018) (File No. 1-14514) as Exhibit 2)

10.1.14 Credit Agreement, dated as of November 29, 2018, among Con Edison, the Lenders party thereto and Citibank, N.A. as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K, dated December 13, 2018 (File No. 1-14514) as Exhibit 10)

10.1.15 Credit Agreement, dated as of February 11, 2019, among Con Edison, the Lenders party thereto and Mizuho Bank, Ltd. as Administrative Agent. (Designated in Con Edison's Current Report on Form 8-K, dated February 11, 2019 (File No. 1-14514) as Exhibit 10)

10.1.16 Confirmation of Forward Sale Transaction, dated May 7, 2019, between Con Edison and Wells Fargo Bank National Association. (Designated in Con Edison's Current Report on Form 8-K, dated May 7, 2019 (File No. 1-14514) as Exhibit 10)

21.1 Subsidiaries of Con Edison.

23.1 Consent of PricewaterhouseCoopers LLP

31.1.1 Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer

31.1.2 Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer

32.1.1 Section 1350 Certifications – Chief Executive Officer

32.1.2 Section 1350 Certifications – Chief Financial Officer

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

| | |
|---|---|
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive Data File - The cover page iXBRL tags are embedded within the inline XBRL document |

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.

## CECONY

| | |
|---|---|
| 3.2.1.1 | Restated Certificate of Incorporation of CECONY filed with the Department of State of the State of New York on December 31, 1984. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-1217) as Exhibit 3.2.1.1) |
| 3.2.1.2 | The certificates of amendment of Restated Certificate of Incorporation of CECONY filed with the Department of State of the State of New York on the following dates: May 16, 1988; June 2, 1989; April 28, 1992; August 21, 1992 and February 18, 1998. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-1217) as Exhibit 3.2.1.2) |
| 3.2.2 | By-laws of CECONY, effective May 21, 2018. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-1217) as Exhibit 3.2.2) |
| 4.2.1 | Participation Agreement, dated as of November 1, 2010, between NYSERDA and CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 4.2.2) |
| 4.2.2 | Participation Agreement, dated as of November 1, 2004, between NYSERDA and CECONY. (Designated in CECONY's Current Report on Form 8-K, dated November 9, 2004 (File No. 1-1217) as Exhibit 4.1) |
| 4.2.3 | Participation Agreement, dated as of May 1, 2005, between NYSERDA and CECONY. (Designated in CECONY's Current Report on Form 8-K, dated May 25, 2005 (File No. 1-1217) as Exhibit 4.1) |
| 4.2.4.1 | Trust Indenture, dated as of November 1, 2010 between NYSERDA and The Bank of New York Mellon, as trustee. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 4.2.9) |
| 4.2.4.2 | First Supplemental Indenture dated November 2, 2012 to the Trust Indenture dated as of November 1, 2010. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-1217) as Exhibit 4.2.9.2) |
| 4.2.5 | Indenture of Trust, dated as of November 1, 2004, between NYSERDA and The Bank of New York. (Designated in CECONY's Current Report on Form 8-K, dated November 9, 2004 (File No. 1-1217) as Exhibit 4.2) |
| 4.2.6.1 | Indenture of Trust, dated as of May 1, 2005, between NYSERDA and The Bank of New York. (Designated in CECONY's Current Report on Form 8-K, dated May 25, 2005 (File No. 1-1217) as Exhibit 4.2) |
| 4.2.6.2 | Supplemental Indenture of Trust, dated as of June 30, 2010, to Indenture of Trust, dated May 1, 2005 between NYSERDA and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-1217) as Exhibit 4.2.14.2) |
| 4.2.7.1 | Indenture, dated as of December 1, 1990, between CECONY and The Chase Manhattan Bank (National Association), as Trustee (the "Debenture Indenture"). (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-1217) as Exhibit 4.2.15.1) |
| 4.2.7.2 | First Supplemental Indenture (to the Debenture Indenture), dated as of March 6, 1996, between CECONY and The Chase Manhattan Bank (National Association), as Trustee. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-1217) as Exhibit 4.2.15.2) |
| 4.2.7.3 | Second Supplemental Indenture (to the Debenture Indenture), dated as of June 23, 2005, between CECONY and JPMorgan Chase Bank, N.A. (successor to The Chase Manhattan Bank (National Association)), as Trustee. (Designated in CECONY's Current Report on Form 8-K, dated November 16, 2005 (File No. 1-1217) as Exhibit 4.1) |
| 4.2.8 | The following forms of CECONY's Debentures, which are designated as follows: |

| | Securities Exchange Act File No. 1-1217 | | |
|---|---|---|---|
| Debenture Series | Form | Date | Exhibit |
| 5.875% Series 2003 A | 8-K | 4/7/2003 | 4 |
| 5.10% Series 2003 C | 8-K | 6/12/2003 | 4.2 |
| 5.70% Series 2004 B | 8-K | 2/11/2004 | 4.2 |
| 5.30% Series 2005 A | 8-K | 3/7/2005 | 4 |
| 5.25% Series 2005 B | 8-K | 6/20/2005 | 4 |
| 5.85% Series 2006 A | 8-K | 3/9/2006 | 4 |
| 6.20% Series 2006 B | 8-K | 6/15/2006 | 4 |
| 5.70% Series 2006 E | 8-K | 12/1/2006 | 4.2 |
| 6.30% Series 2007 A | 8-K | 8/28/2007 | 4 |
| 6.75% Series 2008 B | 8-K | 4/4/2008 | 4.2 |
| 5.50% Series 2009 C | 8-K | 12/4/2009 | 4 |
| 4.45% Series 2010 A | 8-K | 6/7/2010 | 4.1 |
| 5.70% Series 2010 B | 8-K | 6/7/2010 | 4.2 |
| 4.20% Series 2012 A | 8-K | 3/13/2012 | 4 |
| 3.95% Series 2013 A | 8-K | 2/25/2013 | 4 |
| 4.45% Series 2014 A | 8-K | 3/3/2014 | 4 |
| 3.30% Series 2014 B | 8-K | 11/19/2014 | 4.1 |
| 4.625% Series 2014 C | 8-K | 11/19/2014 | 4.2 |
| 4.50% Series 2015 A | 8-K | 11/12/2015 | 4 |
| 3.85% Series 2016 A | 8-K | 6/14/2016 | 4 |
| 2.90% Series 2016 B | 8-K | 11/10/2016 | 4.1 |
| 4.30% Series 2016 C | 8-K | 11/10/2016 | 4.2 |
| 3.875% Series 2017 A | 8-K | 6/5/2017 | 4 |
| 3.125% Series 2017 B | 8-K | 11/13/2017 | 4.1 |
| 4.00% Series 2017 C | 8-K | 11/13/2017 | 4.2 |
| 3.80% Series 2018 A | 8-K | 5/7/2018 | 4.1 |
| 4.50% Series 2018 B | 8-K | 5/7/2018 | 4.2 |
| Floating Rate Series 2018 C | 8-K | 6/21/2018 | 4.0 |
| 4.00% Series 2018 D | 8-K | 11/27/2018 | 4.1 |
| 4.65% Series 2018 E | 8-K | 11/27/2018 | 4.2 |
| 4.125% Series 2019 A | 8-K | 5/6/2019 | 4 |
| 3.70% Series 2019 B | 8-K | 11/5/2019 | 4 |

| | |
|---|---|
| 10.2.1 | Settlement Agreement, dated October 2, 2000, by and among CECONY, the Staff of the New York State Public Service Commission and certain other parties. (Designated in CECONY's Current Report on Form 8-K, dated September 22, 2000 (File No. 1-1217) as Exhibit 10) |
| 10.2.2 | The Consolidated Edison Company of New York, Inc. Executive Incentive Plan, as amended and restated as of January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.5) |
| 10.2.3.1 | Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan, as amended and restated as of January 1, 2009. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-1217) as Exhibit 10.2.6) |
| 10.2.3.2 | Amendment, dated December 24, 2015, to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-1217) as Exhibit 10.2.6.2) |
| 10.2.3.3 | Amendment One to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-1217) as Exhibit 10.2.6.3) |
| 10.2.3.4 | Amendment to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (File No. 1-1217) as Exhibit 10.2.1.1) |
| 10.2.3.5 | Amendment to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (File No. 1-1217) as Exhibit 10.2.1.2) |
| 10.2.3.6 | Amendment to the Consolidated Edison Company of New York, Inc. Supplemental Retirement Income Plan. |
| 10.2.4.1 | Deferred Compensation Plan for the Benefit of Trustees of CECONY, as amended effective January 1, 2008. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-1217) as Exhibit 10.2.7) |
| 10.2.4.2 | Amendment #1, dated December 26, 2012, to the Deferred Compensation Plan for the Benefit of Trustees of CECONY. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-1217) as Exhibit 10.2.7.2) |
| 10.2.5 | CECONY Supplemental Medical Benefits. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (File No. 1-1217) as Exhibit 10.2.1) |
| 10.2.6 | The Severance Pay Plan for Management Employees of Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. and Other Affiliated Entities That Have Adopted the Plan, effective January 1, 2017. (Designated in CECONY's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-1217) as Exhibit 10.2.9) |
| 10.2.7 | The Consolidated Edison Company of New York, Inc. Deferred Income Plan, as amended and restated as of January 1, 2019. |
| 10.2.8 | The Consolidated Edison Company of New York, Inc. 2005 Executive Incentive Plan, as amended and restated effective as of January 1, 2018. (Designated in CECONY's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (File No. 1-1217) as Exhibit 10.2) |
| 10.2.9.1 | Trust Agreement, dated as of March 31, 1999, between CECONY and Mellon Bank, N.A., as Trustee. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2005 (File No. 1-1217) as Exhibit 10.2.13.1) |
| 10.2.9.2 | Amendment Number 1 to the CECONY Rabbi Trust, executed October 24, 2003, between CECONY and Mellon Bank, N.A., as Trustee. (Designated in CECONY's Annual Report on Form 10-K, for the year ended December 31, 2005 (File No. 1-1217) as Exhibit 10.2.13.2) |
| 23.2 | Consent of PricewaterhouseCoopers LLP |
| 31.2.1 | Rule 13a-14(a)/15d-14(a) Certifications – Chief Executive Officer |
| 31.2.2 | Rule 13a-14(a)/15d-14(a) Certifications – Chief Financial Officer |
| 32.2.1 | Section 1350 Certifications – Chief Executive Officer |
| 32.2.2 | Section 1350 Certifications – Chief Financial Officer |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive Data File - The cover page iXBRL tags are embedded within the inline XBRL document |

### Item 16: Form 10-K Summary

None.

**Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Securities Exchange Act of 1934 by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Securities Exchange Act of 1934.**

No annual report to security holders covering CECONY's last fiscal year has been sent to its security holders. No proxy statement, form of proxy or other proxy soliciting material has been sent to CECONY's security holders during such period.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) 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, on February 20, 2020.

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

By /s/ Robert Hoglund

Robert Hoglund
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities indicated, on February 20, 2020.

| Signature | Registrant | Title |
|---|---|---|
| /s/ John McAvoy<br>John McAvoy | Con Edison | Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer) |
| | CECONY | Chairman of the Board, Chief Executive Officer and Trustee (Principal Executive Officer) |
| /s/ Robert Hoglund<br>Robert Hoglund | Con Edison | Senior Vice President and Chief Financial Officer (Principal Financial Officer) |
| | CECONY | Senior Vice President and Chief Financial Officer (Principal Financial Officer) |
| /s/ Robert Muccilo<br>Robert Muccilo | Con Edison | Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer) |
| | CECONY | Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer) |
| /s/ George Campbell Jr.<br>George Campbell Jr. | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ Ellen V. Futter<br>Ellen V. Futter | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ John F. Killian<br>John F. Killian | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ William J. Mulrow<br>William J. Mulrow | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ Armando J. Olivera<br>Armando J. Olivera | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ Michael W. Ranger<br>Michael W. Ranger | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ Linda S. Sanford<br>Linda S. Sanford | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ Deirdre Stanley<br>Deirdre Stanley | Con Edison<br>CECONY | Director<br>Trustee |
| /s/ L. Frederick Sutherland<br>L. Frederick Sutherland | Con Edison<br>CECONY | Director<br>Trustee |