Orange and Rockland Utilities, Inc.

Consolidated Financial Statements

December 31, 2023 and 2022

Report of Independent Auditors

To the Board of Directors of Orange and Rockland Utilities, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Orange and Rockland Utilities, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets and statements of capitalization as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, shareholder's equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

New York, New York
March 7, 2024

Orange and Rockland Utilities, Inc.
Consolidated Financial Statements

December 31, 2023 and 2022

Orange and Rockland Utilities, Inc.
Consolidated Income Statement

	For the Years Ended December 31,		
(Millions of Dollars)	**2023**	**2022**	**2021**
OPERATING REVENUES			
Electric	$764	$773	$681
Gas	297	312	260
TOTAL OPERATING REVENUES	1,061	1,085	941
OPERATING EXPENSES			
Purchased power	253	276	206
Gas purchased for resale	111	135	88
Other operations and maintenance	375	351	313
Depreciation and amortization	105	98	95
Taxes, other than income taxes	91	89	89
TOTAL OPERATING EXPENSES	935	949	791
OPERATING INCOME	126	136	150
OTHER INCOME (DEDUCTIONS)			
Other income (deductions), net	49	23	(12)
TOTAL OTHER INCOME (DEDUCTIONS)	49	23	(12)
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	175	159	138
INTEREST EXPENSE (INCOME)			
Interest on long-term debt	50	45	42
Other interest expense	5	4	1
Allowance for borrowed funds used during construction	(4)	(3)	(1)
NET INTEREST EXPENSE	51	46	42
INCOME BEFORE INCOME TAX EXPENSE	124	113	96
INCOME TAX EXPENSE	28	25	21
NET INCOME	$96	$88	$75

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

Orange and Rockland Utilities, Inc.
Consolidated Statement of Comprehensive Income

	For the Years Ended December 31,		
(Millions of Dollars)	**2023**	**2022**	**2021**
NET INCOME	$96	$88	$75
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Pension and other postretirement benefit plan liability adjustments, net of taxes	(1)	12	23
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(1)	12	23
COMPREHENSIVE INCOME	$95	$100	$98

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

Orange and Rockland Utilities, Inc.
Consolidated Statement of Cash Flows

	For the Years Ended December 31,		
(Millions of Dollars)	**2023**	**2022**	**2021**
OPERATING ACTIVITIES			
Net Income	$96	$88	$75
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME			
Depreciation and amortization	105	98	95
Deferred income taxes	34	(4)	5
Rate case amortization and accruals	20	17	—
Other non-cash items, net	(1)	26	33
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable - customers	(12)	2	(8)
Unbilled revenue	17	(20)	(18)
Allowance for uncollectible accounts - customers	(1)	(4)	3
Accounts receivables from/(to) affiliated companies	(6)	—	2
Prepayments	(1)	(1)	1
Materials and supplies, including gas in storage	5	(15)	(4)
Revenue decoupling mechanism receivable	(11)	—	8
Other receivables and other current assets	2	4	(10)
Accounts payable	(4)	29	(55)
Accounts payable from/(to) affiliated companies	(11)	11	8
Pensions and retiree benefits obligations, net	6	(2)	(19)
Pensions and retiree benefits contributions	—	(13)	(38)
Accrued taxes	1	(3)	(4)
Accrued taxes to affiliated companies	5	(5)	9
System benefit charge	(1)	(8)	(2)
Superfund and environmental remediation costs	(1)	(1)	8
Deferred charges, noncurrent assets, leases, net and other regulatory assets	(55)	(39)	(24)
Deferred credits, noncurrent liabilities and other regulatory liabilities	16	50	60
Other current liabilities	13	6	2
NET CASH FLOWS FROM OPERATING ACTIVITIES	216	216	127
INVESTING ACTIVITIES			
Utility construction expenditures	(294)	(228)	(217)
Cost of removal less salvage	(7)	(7)	(7)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(301)	(235)	(224)
FINANCING ACTIVITIES			
Net issuance/(payment) of short-term debt	(13)	(18)	32
Issuance of long-term debt	50	100	75
Debt issuance costs	—	—	(1)
Capital contribution by Con Edison	100	—	35
Dividend to Con Edison	(64)	(57)	(52)
NET CASH FLOWS FROM FINANCING ACTIVITIES	73	25	89
CASH, TEMPORARY CASH INVESTMENTS AND RESTRICTED CASH:			
NET CHANGE FOR THE PERIOD	(12)	6	(8)
BALANCE AT BEGINNING OF PERIOD	35	29	37
BALANCE AT END OF PERIOD	$23	$35	$29
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION			
Cash paid/(received) during the period for:			
Interest	$48	$42	$41
Income taxes	$(8)	$34	$7
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION			
Construction expenditures in accounts payable	$34	$34	$21
Software licenses acquired but unpaid as of end of period	$—	$—	$1

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

Orange and Rockland Utilities, Inc.
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$22	$35
Accounts receivable – customers, net allowance for uncollectible accounts of $7 and $8 in 2023 and 2022, respectively	106	93
Other receivables, net allowance for uncollectible accounts of $5 and $3 in 2023 and 2022, respectively	8	13
Accrued unbilled revenue	53	70
Accounts receivable from affiliated companies	10	4
Gas in storage, at average cost	14	25
Materials and supplies, at average cost	33	27
Prepayments	32	31
Regulatory assets	26	20
Restricted cash	1	—
Revenue decoupling mechanism receivable	11	—
Fair value of derivative assets	3	7
Other current assets	11	7
TOTAL CURRENT ASSETS	330	332
INVESTMENTS	22	20
UTILITY PLANT, AT ORIGINAL COST		
Electric	2,263	2,183
Gas	1,073	1,025
General	305	326
TOTAL	3,641	3,534
Less: Accumulated depreciation	972	1,010
Net	2,669	2,524
Construction work in progress	274	214
NET UTILITY PLANT	2,943	2,738
OTHER NONCURRENT ASSETS		
Regulatory assets	294	305
Operating lease right-of-use asset	1	2
Pension and retiree benefits	86	80
Fair value of derivative assets	—	6
Other deferred charges and noncurrent assets	27	28
TOTAL OTHER NONCURRENT ASSETS	408	421
TOTAL ASSETS	$3,703	$3,511

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

Orange and Rockland Utilities, Inc.
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2023	December 31, 2022
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Notes payable	$46	$59
Accounts payable	115	119
Accounts payable to affiliated companies	24	35
Customer deposits	17	17
Accrued taxes	3	2
Accrued taxes to affiliated companies	10	5
Accrued interest	11	11
Accrued wages	11	11
Fair value of derivative liabilities	14	7
Regulatory liabilities	48	66
System benefit charge	37	39
Operating lease liabilities	1	1
Other current liabilities	42	37
TOTAL CURRENT LIABILITIES	379	409
NONCURRENT LIABILITIES		
Provision for injuries and damages	4	4
Pensions and retiree benefits	50	50
Superfund and other environmental costs	92	95
Asset retirement obligations	1	1
Deferred income taxes and unamortized investment tax credits	414	370
Regulatory liabilities	497	532
Operating lease liabilities	—	1
Fair value of derivative liabilities	12	5
Other deferred credits and noncurrent liabilities	74	45
TOTAL NONCURRENT LIABILITIES	1,144	1,103
LONG-TERM DEBT	1,118	1,068
SHAREHOLDER’S EQUITY (See Statement of Shareholder’s Equity)	1,062	931
TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY	$3,703	$3,511

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

Orange and Rockland Utilities, Inc.
Consolidated Statement of Shareholder's Equity

(In Millions, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2020	1,000	$—	$404	$420	$(17)	$807
Net income				75		75
Common stock dividend to Con Edison				(52)		(52)
Capital contribution by Con Edison			35			35
Other comprehensive income					23	23
BALANCE AS OF DECEMBER 31, 2021	1,000	$—	$439	$443	$6	$888
Net income				88		88
Common stock dividend to Con Edison				(57)		(57)
Other comprehensive income					12	12
BALANCE AS OF DECEMBER 31, 2022	1,000	$—	$439	$474	$18	$931
Net income				96		96
Common stock dividend to Con Edison				(64)		(64)
Capital contribution by Con Edison			100			100
Other comprehensive loss					(1)	(1)
BALANCE AS OF DECEMBER 31, 2023	1,000	$—	$539	$506	$17	$1,062

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

Orange and Rockland Utilities, Inc.
Consolidated Statement of Capitalization

	Shares outstanding December 31,		At December 31,	
(In Millions, except share data)	**2023**	**2022**	**2023**	**2022**
TOTAL SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	1,000	1,000	$1,062	$931

LONG-TERM DEBT ***(Millions of Dollars)***			At December 31,	
Maturity	**Interest Rate**	**Series**	**2023**	**2022**
DEBENTURES:				
2027	6.50	1997F	80	80
2029	2.94	2019B	44	44
2030	2.02	2020A	35	35
2031	2.31	2021A	45	45
2032	5.70	2022A	100	100
2039	6.00	2009B	60	60
2039	3.46	2019C	38	38
2040	5.50	2010B	115	115
2045	4.95	2015A	120	120
2045	4.69	2015B	100	100
2046	3.88	2016A	75	75
2048	4.35	2018A	125	125
2048	4.35	2018B	25	25
2049	3.73	2019A	43	43
2050	3.24	2020B	40	40
2051	3.17	2021B	30	30
2053	6.59	2023A	50	—
TOTAL DEBENTURES			1,125	1,075
Unamortized debt expense			(6)	(6)
Unamortized debt discount			(1)	(1)
TOTAL			1,118	1,068
Less: Long-term debt due within one year			—	—
TOTAL LONG-TERM DEBT			1,118	1,068
TOTAL CAPITALIZATION			$2,180	$1,999

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

Notes to the Consolidated Financial Statements

General

These notes accompany and form an integral part of the consolidated financial statements of Orange and Rockland Utilities, Inc., a New York corporation, and its subsidiaries (the Company or O&R). The Company is a regulated utility, the equity of which is owned entirely by Consolidated Edison, Inc. (Con Edison). O&R has one regulated utility subsidiary: Rockland Electric Company (RECO). For the years ended December 31, 2023, 2022 and 2021, operating revenues for RECO were 19.4 percent, 18.7 percent, and 19.8 percent, respectively, of O&R's consolidated operating revenues. O&R, along with RECO, provides electric service in southeastern New York and adjacent areas of northern New Jersey and gas service in southeastern New York.

The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC), the New York State Public Service Commission (NYSPSC) and the New Jersey Board of Public Utilities (NJBPU) with respect to rates and accounting.

The Company has, pursuant to the accounting rules for subsequent events, evaluated events or transactions that occurred after December 31, 2023 through the posting on its website (March 7, 2024) of the Annual Financial Statements for potential recognition or disclosure in the consolidated financial statements.

Note A – Summary of Significant Accounting Policies

Principles of Consolidation

The Company's consolidated financial statements include the accounts of its subsidiaries. All intercompany balances and intercompany transactions have been eliminated.

Accounting Policies

The accounting policies of the Company conform to generally accepted accounting principles in the United States of America (GAAP). For the Company, 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 Company's principal regulatory assets and liabilities are detailed in Note B. The Company is generally receiving or being credited with a return on its regulatory assets for which a cash outflow has been made and is paying or being charged with a return on its regulatory liabilities for which a cash inflow has been received. The

Company is not receiving or being credited with a return on its regulatory asset for RECO's deferred storm costs. The Company's regulatory assets and liabilities at December 31, 2023 and 2022 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 Company are referenced below in this Note A and in the notes that follow.

Revenues

O&R's New York electric and gas rate plans each contain a revenue decoupling mechanism, that covers all residential and most commercial customers, 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 $13.0 million, $12.0 million, and $11.4 million, in 2023, 2022 and 2021, respectively.

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.

Rates used for AFUDC include the cost of borrowed funds and a reasonable rate of return on the Company's 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 Company's own funds are credited to other income (deductions). The AFUDC rates for the Company were 6.2 percent, 5.0 percent and 4.8 percent for 2023, 2022 and 2021, respectively. The AFUDC rates for RECO were 6.7 percent, 6.8 percent and 6.8 percent for 2023, 2022, and 2021, respectively.

The Company generally computes 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 the Company were 3.1 percent for 2023, 3.0 percent for 2022 and 3.1 percent for 2021.

The estimated lives for utility plant for the Company range from 5 to 75 years for electric and gas and 5 to 50 years for general plant.

At December 31, 2023 and 2022, the capitalized cost of the Company's utility plant, net of accumulated depreciation, was as follows:

(Millions of Dollars)	2023	2022
Electric		
Transmission	$319	$307
Distribution	1,253	1,215
Gas (a)	792	756
General	297	238
Held for future use	8	8
Construction work in progress	274	214
Net Utility Plant	$2,943	$2,738

(a) Primarily distribution

General utility plant included $3 million and $4 million at December 31, 2023 and 2022, respectively, related to a May 2018 acquisition of software licenses. The estimated aggregate annual amortization expense related to the software licenses is immaterial. The accumulated amortization was $2 million at December 31, 2023 and 2022.

Long-Lived Assets

The Company tests for impairment of long-lived assets, based on projections of undiscounted future cash flows, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. 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. No impairment charges on long-lived assets were recognized in 2023, 2022 or 2021.

Recoverable Energy Costs

O&R generally recovers all of its prudently incurred 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.

For each billing cycle, O&R bills its energy costs to customers based upon its estimate of the cost to supply energy for that billing cycle. Differences between actual and billed electric 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 O&R's 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.

RECO purchases electric energy under a competitive bidding process supervised by the NJBPU for contracts ranging from one to three years. For RECO, approximately 90 percent of the energy supply is covered by fixed price contracts ranging from one to three years that are competitively bid through the NJBPU auction process and provided through the independent system operator, PJM Interconnection LLC (PJM). Basic Generation Service rates are adjusted to conform to contracted prices when new contracts take effect and differences between actual monthly costs and revenues are reconciled and charged or credited to customers on a two-month lag.

New York Independent System Operator (NYISO)

O&R purchases electricity for substantially all of its New York requirements and a portion of its New Jersey needs through the wholesale electricity market administered by the NYISO. The difference between purchased power and related costs initially billed to the Company by the NYISO and the actual cost of power subsequently calculated by the NYISO is refunded by the NYISO to the Company or paid to the NYISO by the Company.

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. The reconciliation payments or receipts are recoverable from or refundable to the Company’s customers.

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 Company considers temporary cash investments to be cash equivalents.

Investments

Investments are recorded at fair value and include the Company's supplemental retirement plan assets.

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 O&R's pension and other postretirement benefit plans, regulatory accounting treatment is generally applied in accordance with the accounting rules for regulated operations. RECO pension and other postretirement benefits do not have regulatory accounting treatment. For benefits subject to regulatory accounting treatment, 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 and gas rate plans, O&R defers for payment to or recovery from customers the difference between such expenses for the Company's New York business and the amounts for such expenses reflected in O&R's rates. RECO's rate plan does not have comparable deferral provisions for retirement benefits. See Note B.

The Company calculates 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 Company uses 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 Company applies the expected return.

Electricity and Gas Purchase Agreements

Consolidated Edison Company of New York, Inc. (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 to the Company in accordance with provisions approved by the NYSPSC. See Note N. The Company has purchase agreements for generating capacity and gas purchases from CECONY for natural gas supply, transportation and storage. The Company recovers its purchased power and gas costs in accordance with provisions approved by the applicable state public utility regulators. Assuming performance by the parties to the electricity purchase agreements, the Company is obligated under the terms of the agreements to make fixed capacity payments.

The future capacity and other fixed payments under the electricity and gas purchase agreements are estimated to be as follows:

(Millions of Dollars)	2024	2025	*2026*	2027	2028	All Years Thereafter
Electricity power purchase agreements	$4	$4	$1	$—	$—	$—
Natural Gas	41	1	1	1	—	—
Gas transportation and storage	71	66	63	56	42	371

For most of its gas purchases, the Company is obligated to pay variable prices. The Company's payments under the terms of the agreements for gas transportation and storage were $45 million in 2023, and $46 million in each of 2022 and 2021.

Federal Income Tax

In accordance with the accounting rules for income taxes, the Company has 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, O&R has recovered amounts from customers for a portion of the tax liability it 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 Company has 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 assurance that these future increases in taxes will be recoverable in rates.

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.

The Company, along with Con Edison and its other subsidiaries, files 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

The Company, along with Con Edison and its other subsidiaries, files 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. Each member’s share of the New York State tax is based on its own New York State taxable income or loss.

RECO files a New Jersey Corporate Income Tax Return. The income of RECO is subject to New Jersey State taxation, after adjustments for differences between federal and New Jersey law.

Reclassification

Certain prior year amounts have been reclassified within the Company's Consolidated Statement of Cash Flows to conform with the current period presentation.

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 OCI are as follows:

(Millions of Dollars)	
Accumulated OCI, net of taxes, at December 31, 2020 (a)	$(17)
OCI before reclassifications, net of tax of $(6)	17
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(2)(a)(b)	6
Total OCI, net of taxes, at December 31, 2021	23
Accumulated OCI, net of taxes, at December 31, 2021 (a)	$6
OCI before reclassifications, net of tax of $3	10
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(1)(a)(b)	2
Total OCI, net of taxes, at December 31, 2022	12
Accumulated OCI, net of taxes, at December 31, 2022 (a)	$18
OCI before reclassifications, net of tax	2
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $1 (a)(b)	(3)
Total OCI, net of taxes, at December 31, 2023	(1)
Accumulated OCI, net of taxes, at December 31, 2023 (a)	$17

(a) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the consolidated income statement.
(b) Only RECO's portion of unrecognized pension and other postretirement benefit costs are recorded into, and amortized out of, OCI. All other such costs are recorded through regulatory assets. 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.

Note B – Regulatory Matters

Rate Plans

The Company provides service to New York customers according to the terms of tariffs approved by the NYSPSC. Tariffs for service to customers of RECO, the Company'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 Company to amounts that recover from its 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 Company's 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 Company's 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 Company's New York rate plans include:

Earnings sharing that requires the Company 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.

Recoverable energy costs that allow the Company to recover on a current basis the costs for the energy it supplies with no mark-up to its full-service customers.

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.

Other revenue adjustments represent positive revenue adjustments, positive incentives, and earnings adjustments mechanisms for achievement of performance standards related to achievement of clean energy goals, safety and other matters.

Rate base as reflected in the rate plans, is, in general, the sum of the Company's 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"). The NJBPU uses the rate base balances that exist at the end of the historical 12-month period on which base rates are set.

Regulatory reconciliations that reconcile pension and other postretirement benefit costs, environmental remediation costs, property taxes, and certain other costs to amounts reflected in delivery rates for such costs. In addition, changes in the Company's costs not reflected in rates, in excess of certain amounts, resulting from changes in tax or changes in legislation, regulation or related actions, are deferred as a regulatory asset or regulatory liability to be reflected in the Company's next rate plan or in a manner to be determined by the NYSPSC. Also, the Company generally retains 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.

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 is determined by multiplying its rate base by its pre-tax weighted average cost of capital. The Company's actual return on common equity will reflect its actual operations for each rate year and may be more or less than the authorized return on equity reflected in its rate plans (and if more, may be subject to earnings sharing).

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

O&R New York – Electric

Effective period (a)	January 2019 – December 2021	January 2022 – December 2024
Base rate changes	Yr. 1 – $13.4 million (a) Yr. 2 – $8.0 million (a) Yr. 3 – $5.8 million (a)	Yr. 1 – $4.9 million (h) Yr. 2 – $16.2 million (h) Yr. 3 – $23.1 million (h)

Amortizations to income of net regulatory (assets) and liabilities	Yr. 1 – $(1.5) million (b) Yr. 2 – $(1.5) million (b) Yr. 3 – $(1.5) million (b)	Yr. 1 – $11.8 million (i) Yr. 2 – $13.5 million (i) Yr. 3 – $15.2 million (i)
Other revenue sources	Potential earnings adjustment mechanism incentives for peak reduction, energy efficiency, Distributed Energy Resources utilization and other potential incentives of up to: Yr. 1 - $3.6 million Yr. 2 - $4.0 million Yr. 3 - $4.2 million Potential incentive if performance target related to customer service is met: $0.5 million annually. In 2019, 2020 and 2021, the Company recorded $2.6 million, $1.9 million and $1.8 million of earnings adjustment mechanism incentives for energy efficiency, respectively. In 2019 and 2020, the Company recorded $0.2 million and $0.5 million of incentives for customer service, respectively. In 2021, the Company did not record incentives for customer service and reversed the $0.5 million of incentives recorded in 2020 pursuant to the October 2021 Joint Proposal.	Potential earnings adjustment mechanism incentives for energy efficiency and other potential incentives of up to: Yr. 1 – $3.3 million Yr. 2 – $2.3 million Yr. 3 – $4.0 million In 2022 and 2023, the Company recorded $2.7 million and $1.5 million of earnings adjustment mechanism incentives for energy efficiency, respectively.
Revenue decoupling mechanisms	Continuation of reconciliation of actual to authorized electric delivery revenues. In 2019 and 2020, the Company deferred $0.1 million and $6 million regulatory assets, respectively. In 2021, $10 million was deferred as regulatory liabilities.	Continuation of reconciliation of actual to authorized electric delivery revenues. In 2022 and 2023, the Company deferred $6.9 million and $3.4 million regulatory assets respectively.
Recoverable energy costs	Continuation of current rate recovery of purchased power 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 and other matters are not met: Yr. 1 - $4.4 million Yr. 2 - $4.4 million Yr. 3 - $4.5 million In 2019, 2020 and 2021, the Company did not record any negative revenue adjustments.	Potential charges if certain performance targets relating to service, reliability, safety and other matters are not met: Yr. 1 – $4.3 million Yr. 2 – $4.4 million Yr. 3 – $5.1 million In 2022 and 2023, the Company did not record any negative revenue adjustments.
Regulatory reconciliations	Reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (c), energy efficiency program (d), major storms, the impact of new laws and certain other costs to amounts reflected in rates (e). In 2019, 2020 and 2021, the Company deferred $4.3 million, $30.3 million and $24 million as net regulatory assets, respectively.	Reconciliation of late payment charges (k) and reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (c), energy efficiency program (j), major storms, uncollectible expenses and certain other costs to amounts reflected in rates (e). In 2022 and 2023, the Company deferred $9.4 million and $15.4 million as net regulatory liabilities, respectively.
Net utility plant reconciliations	Target levels reflected in rates were: Electric average net plant target excluding advanced metering infrastructure (AMI): Yr. 1 - $1,008 million Yr. 2 - $1,032 million Yr. 3 - $1,083 million AMI (f): Yr. 1 - $48 million Yr. 2 - $58 million Yr. 3 - $61 million The Company increased regulatory asset by an immaterial amount in 2019, $0.4 million as a regulatory liability in 2020 and an immaterial amount as a regulatory liability in 2021.	Target levels reflected in rates: Electric average net plant target: Yr. 1 – $1,175 million Yr. 2 – $1,198 million Yr. 3 – $1,304 million The Company increased regulatory asset/ liabilities by an immaterial amount in 2022 and 2023.
Average rate base	Yr. 1 – $878 million Yr. 2 – $906 million Yr. 3 – $948 million	Yr. 1 – $1,021 million Yr. 2 – $1,044 million Yr. 3 – $1,144 million
Weighted average cost of capital (after-tax)	Yr. 1 – 6.97 percent Yr. 2 – 6.96 percent Yr. 3 – 6.96 percent	Yr. 1 – 6.77 percent Yr. 2 – 6.73 percent Yr. 3 – 6.72 percent
Authorized return on common equity	9.0 percent	9.2 percent
Actual return on common equity (g)	Yr. 1 – 9.6 percent Yr. 2 – 8.76 percent Yr. 3 – 9.16 percent	Yr. 1 – 8.96 percent Yr. 2 – 8.73 percent

Earnings sharing	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, 2020 and 2021, earnings did not exceed the earnings threshold.	Most earnings above an annual earnings threshold of 9.7 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. In 2022 and 2023, earnings did not exceed the earnings threshold.
Cost of long-term debt	Yr. 1 – 5.17 percent Yr. 2 – 5.14 percent Yr. 3 – 5.14 percent	Yr. 1 – 4.58 percent Yr. 2 – 4.51 percent Yr. 3 – 4.49 percent
Common equity ratio	48 percent	48 percent

(a) The electric base rate increases were implemented with increases of: Yr. 1 - $8.6 million; Yr. 2 - $12.1 million; and Yr. 3 - $12.2 million.
(b) 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 reflects amortization over a six year period of previously incurred incremental major storm costs.
(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 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.
(d) 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.
(e) In addition, the New York State Department of Public Service (NYSDPS) continues its focused operations audit to investigate O&R's income tax accounting. Any NYSPSC ordered adjustment to O&R's income tax accounting is expected to be refunded to or collected from customers, as determined by the NYSPSC. See "Other Regulatory Matters," below.
(f) 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.
(g) Calculated in accordance with the earnings calculation method prescribed in the rate order.
(h) The base rate changes will be implemented with increases of: Yr. 1 - $11.7 million; Yr. 2 - $11.7 million; and Yr. 3 - $11.7 million.
(i) Reflects amortization of, among other things, previously incurred incremental deferred storm costs over a five-year period.
(j) Energy efficiency costs are expensed as incurred. Such costs are subject to a cumulative reconciliation that is evenly distributed over the term of the rate plan subject to the caps set forth in the January 2020 NYSPSC New Efficiency New York ("NENY") order. If the NYSPSC modifies O&R's NENY budgets during the rate term, such modifications will be reflected at the time of the cumulative reconciliations.
(k) The rate plan includes certain COVID-19 provisions, such as: recovery of 2020 late payment charges over three years ($2.2 million); reconciliation of late payment charges to amounts reflected in rates for years 2021 through 2024, with full recovery/refund via surcharge/sur-credit once the annual variance equals or exceeds 5 basis points of return on equity; and reconciliation of write-offs of customer accounts receivable balances to amounts reflected in rates from January 1, 2020 through December 31, 2024, with full recovery/refund via surcharge/sur-credit once the annual variance equals or exceeds 5 basis points of return on equity.

In January 2024, O&R filed a request with the NYSPSC for an increase in the rates it charges for electric service rendered in New York, effective January 1, 2025, of $18.1 million. The filing reflects a return on common equity of 10.25 percent and a common equity ratio of 50 percent. The filing proposes continuation of the provisions with respect to recovery from customers of the cost of purchased power, and the reconciliation of actual expenses allocable to the electric business to the amounts for such costs reflected in electric rates for storm costs, uncollectible expense, pension and other postretirement benefit costs, environmental remediation and property taxes and recovery from customers for proposed climate change resilience investments.

O&R New York – Gas

Effective period	January 2019 – December 2021	January 2022 – December 2024
Base rate changes	Yr. 1 – $(7.5) million (a) Yr. 2 – $3.6 million (a) Yr. 3 – $0.7 million (a)	Yr. 1 – $0.7 million (h) Yr. 2 – $7.4 million (h) Yr. 3 – $9.9 million (h)
Amortization to income of net regulatory (assets) and liabilities	Yr. 1 – $1.8 million (b) Yr. 2 – $1.8 million (b) Yr. 3 – $1.8 million (b)	Yr. 1 – $0.8 million Yr. 2 – $0.7 million Yr. 3 – $0.3 million

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. Potential earnings adjustment mechanism incentives of up to $0.3 million annually. Potential incentives if performance targets related to gas leak backlog, leak prone pipe, emergency response, damage prevention and customer service are met: Yr. 1 - $1.2 million Yr. 2 - $1.3 million Yr. 3 - $1.3 million. In 2019, 2020 and 2021, the Company recorded $0.5 million of earnings adjustment mechanism incentives for energy efficiency. In 2019, 2020 and 2021, the Company recorded $0.7 million, $0.3 million and $0.2 million of positive incentives, respectively. In 2021, the Company reversed $0.3 million of positive incentives recorded in 2020 pursuant to the October 2021 Joint Proposal.	Potential earnings adjustment mechanism incentives for energy efficiency and other potential incentives of up to: Yr. 1 - $0.2 million Yr. 2 - $0.2 million Yr. 3 - $0.4 million Potential positive rate adjustment for gas safety and performance of up to: Yr. 1 – $1.2 million Yr. 2 – $1.3 million Yr. 3 – $1.4 million In 2022 and 2023, the Company recorded $0.2 million and immaterial amounts of earnings adjustment mechanism incentives for energy efficiency, respectively. In 2022 and 2023, the Company recorded $0.2 million and $0.2 million of positive incentives, respectively.
Revenue decoupling mechanisms	Continuation of reconciliation of actual to authorized gas delivery revenues. In 2019 and 2020, the Company deferred $0.8 million and $0.5 million as regulatory assets, respectively. In 2021, $4 million was deferred as a regulatory liability.	Continuation of reconciliation of actual to authorized gas delivery revenues. In 2022 and 2023, the Company deferred $2.0 million and $7.6 million as regulatory assets, respectively.
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: Yr. 1 - $5.5 million Yr. 2 - $5.7 million Yr. 3 - $6.0 million. In 2019, the Company recorded a $0.2 million. In 2020 and 2021, the Company recorded an immaterial amount of negative revenue adjustments.	Potential charges if performance targets relating to service, safety and other matters are not met: Yr. 1 – $6.3 million Yr. 2 – $6.7 million Yr. 3 – $7.3 million In 2022 and 2023, the Company recorded $0.1 million and immaterial amounts of negative revenue adjustments, respectively.
Regulatory reconciliations	Reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (c), energy efficiency program (d), the impact of new laws and certain other costs to amounts reflected in rates (e). In 2019 and 2020, the Company deferred $6 million as net regulatory liabilities, $1.8 million as net regulatory assets, respectively. In 2021 $8 million were deferred as regulatory assets.	Reconciliation of late payment charges (k) and reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (i), energy efficiency program (j), major storms, uncollectible expenses and certain other costs to amounts reflected in rates. In 2022 and 2023, the Company deferred $3.4 million and $12.1 million as net regulatory assets/liabilities, respectively.
Net utility plant reconciliations	Target levels reflected in rates were: Gas average net plant target excluding AMI: Yr. 1 - $593 million Yr. 2 - $611 million Yr. 3 - $632 million AMI (g): Yr. 1 - $20 million Yr. 2 - $24 million Yr. 3 - $25 million In 2019, 2020 and 2021, the Company deferred immaterial amounts as regulatory assets.	Target levels reflected in rates: Gas average net plant target: Yr. 1 – $720 million Yr. 2 – $761 million Yr. 3 – $803 million In 2022 and 2023, the Company deferred immaterial amounts as regulatory assets/ liabilities.
Average rate base	Yr. 1 – $454 million Yr. 2 – $476 million Yr. 3 – $498 million	Yr. 1 – $566 million Yr. 2 – $607 million Yr. 3 – $694 million
Weighted average cost of capital (after-tax)	Yr. 1 – 6.97 percent Yr. 2 – 6.96 percent Yr. 3 – 6.96 percent	Yr. 1 – 6.77 percent Yr. 2 – 6.73 percent Yr. 3 – 6.72 percent
Authorized return on common equity	9.0 percent	9.2 percent
Actual return on common equity (h)	Yr. 1 – 8.90 percent Yr. 2 – 9.58 percent Yr. 3 – 10.11 percent	Yr. 1 - 10.01 percent Yr. 2 - 10.40 percent

Earnings sharing	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 and 2020, earnings did not exceed the earnings threshold. In 2021, actual earnings were $1.7 million above the threshold.	Most earnings above an annual earnings threshold of 9.7 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year. In 2022 and 2023, actual earnings were $1.1 million and $2.8 million above the threshold, respectively.
Cost of long-term debt	Yr. 1 – 5.17 percent Yr. 2 – 5.14 percent Yr. 3 – 5.14 percent	Yr. 1 – 4.58 percent Yr. 2 – 4.51 percent Yr. 3 – 4.49 percent
Common equity ratio	48 percent	48 percent

(a) The gas base rate changes were implemented with changes of: Yr. 1 - $(5.9) million; Yr. 2 - $1.0 million; and Yr. 3 - $1.0 million.
(b)-(g) See footnotes (c) - (h) to the table under “O&R New York - Electric,” above.
(h) The base rate changes will be implemented with increases of: Yr. 1 – $4.4 million; Yr. 2 - $4.4 million; and Yr. 3 - $4.4 million.
(i) 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.
(j) See footnote (j) to the table under "O&R New York - Electric," above.
(k) The rate plan includes certain COVID-19 provisions, such as: recovery of 2020 late payment charges over three years ($0.6 million); reconciliation of late payment charges to amounts reflected in rates for years 2021 through 2024, with full recovery/refund via surcharge/sur-credit once the annual variance equals or exceeds 5 basis points of return on equity; and reconciliation of write-offs of customer accounts receivable balances to amounts reflected in rates from January 1, 2020 through December 31, 2024, with full recovery/refund via surcharge/sur-credit once the annual variance equals or exceeds 5 basis points of return on equity.

In January 2024, O&R filed a request with the NYSPSC for an increase in the rates it charges for gas service rendered in New York, effective January 1, 2025, of $14.4 million. The filing reflects a return on common equity of 10.25 percent and a common equity ratio of 50 percent. The filing proposes continuation of the provisions with respect to recovery from customers of the cost of purchased power, and the reconciliation of actual expenses allocable to the gas business to the amounts for such costs reflected in gas rates for uncollectible expense, pension and other postretirement benefit costs, environmental remediation and property taxes. The filing requested a reduction in the service lives of certain gas assets by 15 years in anticipation of the transition from gas to electric that is expected to result from implementation of New York State's Climate Leadership and Community Protection Act.

Rockland Electric Company (RECO)

In December 2021, the NJBPU approved an electric rate increase, effective January 1, 2022, of $9.65 million for RECO. The following table contains a summary of the terms of the distribution rate plans.

RECO		
Effective period	February 2020 – December 2021	January 2022
Base rate changes	$12 million	$9.65 million
Amortization to income of net regulatory (assets) and liabilities	$4.8 million over four years.	$0.2 million over three years and $9.2 million of deferred storm costs over a three-year period (excluding $2.4 million of costs for Tropical Storm Henri which will be deferred over a three year period in base rates) and continuation of $10 million over 3 years
Recoverable energy costs	Current rate recovery of purchased power costs.	Current rate recovery of purchased power costs.
Cost reconciliations	None	Reconciliation of uncollectible accounts, Demand Side Management and Clean Energy Program.
Average rate base	$229.9 million	$262.8 million
Weighted average cost of capital (after-tax)	7.11 percent	7.08 percent
Authorized return on common equity	9.5 percent	9.6 percent
Actual return on common equity	Yr. 1 – 5.4 percent Yr. 2 – 2.3 percent	Yr. 1 - 9.6 percent Yr. 2 - 9.7 percent
Cost of long-term debt	4.88 percent	4.74 percent
Common equity ratio	48.32 percent	48.51 percent

Effective July 2021, the NJBPU authorized a conservation incentive program for RECO, that covers all residential and most commercial customers, under which RECO's actual electric distribution revenues are compared with the authorized distribution revenues per customer class and the difference accrued, with interest, for refund to, or recovery from, customers, as applicable. The conservation incentive program is not permitted if RECO's actual return on equity exceeds the approved base rate filing return on equity by 50 basis points or more.

In December 2022, the NJBPU authorized a $47.8 million Infrastructure Investment Program (IIP) over a five-year period (2023 – 2027). RECO's IIP provides accelerated infrastructure investments to enhance safety, reliability, and resiliency.

In October 2023, FERC approved a July 2023 settlement agreement among RECO, the New Jersey Division of Rate Counsel and the NJBPU that resolves all issues set for hearing and increases RECO's annual transmission revenue requirement from $16.9 million to $18.2 million, effective August 30, 2022 through December 31, 2023 and to $20.7 million, effective January 1, 2024.

In December 2023, the NJBPU authorized RECO to defer costs of $4.8 million related to major storms that occurred during 2022 and 2023 until RECO's next base rate case.

Infrastructure Investment and Jobs Act

In January 2024, O&R and RECO jointly initiated an application for $100 million of federal grants for grid resilience, and CECONY, O&R and RECO initiated a joint application for $60 million of federal grants for smart grids under the Infrastructure Investment and Jobs Act (IIJA). Federal grants obtained pursuant to the IIJA are expected to be used to reduce customers' costs for investments in CECONY's, O&R's, and RECO's electric systems.

COVID-19 Regulatory Matters

Due to the COVID-19 pandemic, New York State enacted laws prohibiting O&R from disconnecting residential customers and small business customers. The Company largely suspended service disconnections, certain collection notices, final bill collection agency activity, new late payment charges and certain other fees from March 2020 through December 2021.

Pursuant to its electric and gas rate plans, O&R recorded late payment charges and fees that were not billed for the years ended December 31, 2020 and December 31, 2021 of $1.7 million and $2 million, respectively, as revenue for the year ended December 31, 2021, as permitted under accounting rules for regulated utilities.

In 2021, 2022, and 2023, New York implemented various programs providing arrears assistance to the Company's customers. One program is administered by the State Office of Temporary and Disability Assistance (OTDA) in coordination with the NYSDPS (the OTDA Program). Under the OTDA Program, O&R qualifies for a refundable tax credit for New York gross-receipts tax equal to the amount of arrears waived by the Company in the year that the arrears are certified by the NYSPSC. In addition, the NYSPSC authorized Phase 1 and Phase 2 COVID-19 arrears assistance programs whereby the Company was provided with customer credits towards reducing accounts receivable balances (the Phase 1 Order and Phase 2 Order, respectively). A portion of the Phase 1 Order credits were funded by New York State and the remaining Phase 1 Order credit amounts and all Phase 2 Order credit amounts will be recovered by the Company via surcharge mechanisms.

For the year ended December 31, 2022, O&R issued total credits of $6.1 million towards reducing customers' accounts receivable balances. For the year ended December 31, 2022, the total credits for O&R were comprised of: $1.6 million pursuant to the New York State funding; $3.2 million pursuant to the Phase 1 order, that was recovered via a surcharge mechanism over a one-year period that began September 2022; and $1.3 million in qualified tax credits and payments pursuant to the OTDA Program described above.

For the year ended December 31, 2023, O&R issued total net credits of $2.9 million towards reducing customers' accounts receivable balances. For the year ended December 31, 2023, the total credits for O&R were comprised of: $0.1 million pursuant to the Phase 1 Order; $2.1 million pursuant to the Phase 2 Order that will be recovered via a surcharge mechanism over a one-year period that began April 2023; and $0.7 million in qualified tax credits and payments pursuant to the OTDA Program described above.

Other Regulatory Matters

In January 2018, the NYSPSC issued an order initiating a focused operations audit of the Company's financial accounting for income taxes. The audit is investigating the Company's inadvertent understatement of a portion, the amount of which may be material, of its calculation of total federal income tax expense for ratemaking purposes. The understatement was related to the calculation of plant retirement-related cost of removal. As a result of such understatement, the Company accumulated significant income tax regulatory assets that were not reflected in O&R's rate plans prior to 2014. This understatement of historical income tax expense materially reduced the amount of revenue collected from the Company's customers in the past. As part of the audit, the Company plans to pursue a private letter ruling from the Internal Revenue Service (IRS) that is expected to confirm, among other things, that in order to comply with IRS normalization rules, such understatement may not be corrected through a write-down of a portion of the regulatory asset and must be corrected through an increase in future years' revenue requirements. The regulatory asset ($18 million as of December 31, 2023 and $22 million as of December 31, 2022 and which is not earning a return) is netted against the future income tax regulatory liability on the Company's consolidated balance sheet. The Company is unable to estimate the amount or range of its possible loss, if any, related to this matter. At December 31, 2023, the Company has not accrued a liability related to this matter.

Regulatory Assets and Liabilities
Regulatory assets and liabilities at December 31, 2023 and 2022 were comprised of the following items:

(Millions of Dollars)	2023	2022
Regulatory assets		
Deferred storm costs (a)	$91	$98
Environmental remediation costs	83	85
Energy efficiency and EV program	33	10
Revenue taxes	20	19
Legacy meters	17	19
Deferred derivative losses - long-term	16	5
Pension and other postretirement benefits deferrals	8	38
COVID - 19 pandemic deferrals (b)	7	7
Recoverable energy costs - noncurrent	5	15
Other	14	9
Regulatory assets – noncurrent	294	305
Deferred derivative losses - current	15	7
Recoverable energy costs - current	11	13
Regulatory assets – current	26	20
Total Regulatory Assets	$320	$325
Regulatory liabilities		
Low income aggregation program (c)	$—	$7
Allowance for cost of removal less salvage (d)	190	178
Future income tax *	118	124
Unrecognized pension and other postretirement costs (e)	75	102
Pension and other postretirement benefit deferrals	51	46
Deferred derivative gains - long-term	—	15
Revenue levelization	14	10
Late payment charges/COVID-19 deferrals	6	4
Property tax reconciliation costs	5	5
System benefit charge carrying charge	4	4
Other	34	37
Regulatory liabilities – noncurrent	497	532
Refundable energy costs	40	34
Revenue decoupling mechanism	5	8
Deferred derivative gains short-term	3	24
Regulatory liabilities – current	48	66
Total Regulatory Liabilities	$545	$598

* See "Federal Income Tax" in Note A, "Other Regulatory Matters," above, and Note H.

(a) Deferred storm costs represent response and restoration costs, other than capital expenditures, in connection with Tropical Storm Isaias and other major storms that were deferred by the Company.
(b) COVID - 19 Deferrals represent the amounts related to the increase in the allowance for uncollectible accounts resulting from the COVID-19 pandemic for O&R and RECO. Amounts deferred under the arrears relief programs were $2.1 million at December 31, 2023, and $2.6 million at December 31, 2022 and receive a return at the pre-tax weighted average cost of capital.
(c) Low Income Aggregation Program represents the net regulatory over/under collections to/from low income customers per the levels stipulated in O&R's NY electric and gas rate plans.
(d) Allowance for cost of removal less salvage represents cash previously collected from customers to fund future anticipated removal expenditures
(e) Unrecognized pension and other postretirement costs represent the net regulatory liability associated with the accounting rules for retirement benefits. See Note A.

In general, O&R receives or is being credited with a return at the Other Customer-Provided Capital rate for regulatory assets that have not been included in rate base, and receives or is being credited with a return at the pre-tax weighted average cost of capital once the asset is included in rate base. Similarly, O&R pays to or credits customers with a return at the Other Customer-Provided Capital rate for regulatory liabilities that have not been included in rate base, and pays to or credits customers with a return at the pre-tax weighted average cost of capital once the liability is included in rate base.

In general, O&R is receiving or being credited with a return on its regulatory assets for which a cash outflow has been made ($182 million and $207 million at December 31, 2023 and 2022, respectively). Regulatory liabilities are treated in a consistent manner. The Other Customer-Provided Capital rate for the years ended December 31, 2023 and 2022 was 5.20 percent and 1.75 percent, respectively. The recognition of the return on regulatory assets is determined by O&R's rate plans or orders issued by state regulators. Regulatory assets of RECO for which a cash outflow has been made ($24 million and $21 million at December 31, 2023 and 2022, respectively) are not receiving or being credited with a return. RECO recovers regulatory assets over a period of up to four years or until they are addressed in its next base rate case in accordance with the rate provisions approved by the NJBPU. Regulatory liabilities are treated in a consistent manner.

Regulatory assets that represent future financial obligations and were deferred in accordance with O&R's rate plans or orders issued by state regulators do not earn a return until such time as a cash outlay has been made. Regulatory liabilities are treated in a consistent manner. At December 31, 2023 and 2022, regulatory assets for O&R that did not earn a return consisted of the following items:

Regulatory Assets Not Earning a Return*

(Millions of Dollars)	2023	2022
Regulatory assets:		
Environmental remediation costs	$83	$85
Revenue taxes	20	16
Deferred derivative losses - long term	16	5
Deferred derivative losses - current	15	7
COVID-19 pandemic deferrals	3	4
Other	1	1
Total	$138	$118

*This table presents regulatory assets not earning a return for which no cash outlay has been made.

The recovery periods for regulatory assets for which a cash outflow has not been made and that do not earn a return have not yet been determined, except as noted below, and are expected to be determined pursuant to O&R's future rate plans to be filed or orders issued by the state regulators in connection therewith. O&R recovers unrecognized pension and other postretirement costs over 10 years pursuant to NYSPSC policy.

The deferral for revenue taxes represents the metropolitan transportation business tax surcharge on the cumulative temporary differences between the book and tax basis of assets and liabilities of O&R, as well as the difference between taxes collected and paid by the Company to fund mass transportation. O&R recovers the majority of the revenue taxes over the remaining book lives of the electric and gas plant assets.

O&R recovers deferred derivative losses – current within one year, and noncurrent generally within three years.

Note C – Capitalization

Common Stock

At December 31, 2023 and 2022, 1,000 shares of the Company's common stock ($5.00 par value) were outstanding, all of which were owned by Con Edison.

Dividends

In accordance with NYSPSC requirements, the dividends that the Company generally may pay to Con Edison are limited to not more than 100 percent of its income available for dividends calculated on a two-year rolling average basis. 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 the Company's equity ratio to a level appropriate to its business risk.

Long-Term Debt

Long-term debt maturing in the period 2024-2028 is as follows:

(Millions of Dollars)	
2024	-
2025	-
2026	-
2027	$80
2028	-

The carrying amounts and fair values of long-term debt at December 31, 2023 and 2022 are:

	2023		2022	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt (including current portion) (a)	$1,118	$1,008	$1,068	$910

(a) Amounts shown are net of unamortized debt expense and unamortized debt discount of $7 million as of December 31, 2023 and 2022.

Fair values of long-term debt have been estimated primarily using available market information and are classified as Level 2 liabilities (see the fair value hierarchy defined in Note M).

Significant Debt Covenants

O&R's debentures contain a negative pledge that, subject to certain exceptions, prohibits the Company from creating a lien or pledge upon the Company's property without securing its debt holders equally and ratably. There are no other significant debt covenants under the financing arrangements for the debentures of O&R, other than obligations to pay principal and interest when due and covenants not to consolidate with or merge into any other corporation unless certain conditions are met, and no cross-default provisions. The Company was in compliance with its significant debt covenants at December 31, 2023.

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 provisions applied might and, in certain circumstances would, become due and payable immediately.

Note D – Short-Term Borrowing

In March 2023, O&R, along with Con Edison and CECONY, entered into a credit agreement (Credit Agreement), that replaced a December 2016 Credit agreement (the 2016 Credit Agreement), under which banks are committed to provide loans and letters of credit on a revolving credit basis. The Credit Agreement expires in March 2028, unless extended for up to two additional one-year terms. There is a maximum of $250 million of credit available to O&R. The Credit Agreement supports the Company's commercial paper programs. Loans and letters of credit issued under the Credit Agreement may also be used for other general corporate purposes. Any borrowings under the Credit Agreement would generally be at variable interest rates.

At December 31, 2023 and 2022, O&R had $46 million and $59 million of commercial paper outstanding, respectively. The weighted average interest rate at December 31, 2023 and December 31, 2022 was 5.5 percent and 4.7 percent, respectively.

At December 31, 2023, no loans or letters of credit were outstanding for O&R under the Credit Agreement. At December 31, 2022, no loans and an immaterial amount of letters of credit were outstanding for O&R under the 2016 Credit Agreement.

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 the Company, the banks may terminate their commitments with respect to the Company, declare any amounts owed by the Company under the Credit Agreement immediately due and payable and require the Company to provide cash collateral relating to the letters of credit issued for it under the Credit Agreement. Events of default include the exceeding at any time of a ratio of consolidated debt to consolidated total capital of 0.65 to 1 (at December 31, 2023 this ratio was 0.52 to 1); having liens on its assets in an aggregate amount exceeding ten percent of its consolidated net tangible assets, subject to certain exceptions; the 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 the 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 the 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 Company's credit ratings. The Company was in compliance with its significant debt covenants at December 31, 2023.

See Note N for information about short-term borrowing between related parties.

Note E – Pension Benefits

Substantially all employees of O&R are covered by a tax-qualified, non-contributory pension plan maintained by Con Edison, the Consolidated Edison Retirement Plan, which also covers substantially all employees of CECONY and Con Edison Transmission, Inc. 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.

The components of the Company's total periodic benefit costs/(credits) for 2023, 2022 and 2021 were as follows:

(Millions of Dollars)	2023	2022	2021
Service cost – including administrative expenses	$10	$18	$21
Interest cost on projected benefit obligation	38	30	28
Expected return on plan assets	(53)	(58)	(56)
Recognition of net actuarial loss/(gain)	(13)	19	41
Recognition of prior service costs	3	3	4
TOTAL PERIODIC BENEFIT COST/(CREDIT)	$(15)	$12	$38
Cost capitalized	(4)	(7)	(8)
Reconciliation to rate level	20	13	(10)
Total expense recognized	$1	$18	$20

Accounting rules require that components of net periodic benefit cost other than service cost be presented outside of operating income on the Company's consolidated income statement, 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 lines "Other income" or "Other deductions" in the Company's consolidated income statement.

The funded status at December 31, 2023, 2022 and 2021, as related to O&R, was as follows:

(Millions of Dollars)	2023	2022	2021
CHANGE IN PROJECTED BENEFIT OBLIGATION			
Projected benefit obligation at beginning of year	$713	$1,010	$1,137
Service cost – excluding administrative expenses	10	18	20
Interest cost on projected benefit obligation	38	30	28
Net actuarial (gain)/loss	27	(257)	(105)
Plan amendments	3	—	—
Benefits paid	(61)	(88)	(70)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	$730	$713	$1,010
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	$723	$929	$867
Actual return on plan assets	59	(128)	97
Employer contributions	3	13	38
Benefits paid	(61)	(89)	(70)
Administrative expenses	(2)	(2)	(3)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$722	$723	$929
FUNDED STATUS	$(8)	$10	$(81)
Unrecognized net loss/(gain)	$(51)	$(87)	$—

Unrecognized prior service costs	19	19	23
Accumulated benefit obligation	$703	$685	$959

The decrease in the pension funded status at December 31, 2023 for O&R of $18 million compared with December 31, 2022 was primarily due to an increase in the plan's projected benefit obligation as a result of a decrease in the discount rate. The increase in the pension funded status at December 31, 2022 for O&R of $91 million compared with December 31, 2021 was primarily due to a decrease in the plan's projected benefit obligation as a result of an increase in the discount rate. See "Assumptions" below for further information on the change in the discount rate and determination of the discount rate assumption. The 2023 decrease in the pension funded status asset corresponds with a decrease to regulatory liabilities of $31 million for unrecognized net gains and unrecognized prior service costs associated with O&R's New York utility business consistent with the accounting rules for regulated operations, a debit to OCI of $4 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 RECO. For 2022, included within the funded status are noncurrent liabilities of $23 million.

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. The pension plan is one tax-qualified plan for Con Edison and its subsidiaries. O&R employee benefits are paid out of the assets of the plan.

The Company contributed $3 million, $13 million and $38 million to the pension plans, including the non-qualified supplement plans, for the years ended December 31, 2023, 2022 and 2021, respectively. Based on estimates as of December 31, 2023, O&R expects to make contributions to the pension plans during 2024 of $2 million. O&R’s policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible.

At December 31, 2023 and 2022, the Company’s investments included $22 million and $20 million, respectively, held in external trust accounts for benefit payments pursuant to the supplemental retirement plan. See Note M.

Assumptions

The actuarial assumptions were as follows:

	2023	2022	2021
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount rate	5.15 %	5.45 %	3.00 %
Interest crediting rate for cash balance plan	4.20 %	4.00 %	3.50 %
Rate of compensation increase	3.20 %	3.20 %	3.20 %
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	5.45 %	3.00 %	2.55 %
Interest crediting rate for cash balance plan	4.00 %	3.50 %	3.00 %
Expected return on plan assets	6.75 %	7.00 %	7.00 %
Rate of compensation increase	3.20 %	3.20 %	3.20 %

The expected return assumption reflects anticipated returns on the plan's current and future assets. The Company's 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.

To determine the assumed discount rate, the Company uses a model that produces a yield curve based on discounting plan specific cash flows with corresponding spot rates on a yield curve. Term structures of interest rates are based on AA rated corporate bonds. 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). The spot rates defined by the yield curve and the plan's projected benefit payments are used to develop a weighted average discount rate.

Based on current assumptions, the Company expects to make benefit payments of approximately $55 million for each of the next five years, and of $265 million from 2029 to 2033.

O&R also offers a defined contribution savings plan that covers substantially all employees and made contributions of $5 million in each of the three years ended December 31, 2023, 2022 and 2021.

Note F – Other Postretirement Benefits

The Company currently has contributory comprehensive hospital, medical and prescription drug programs for eligible retirees, their dependents and surviving spouses. In addition, the Company has a non-contributory life insurance program for retirees. Programs include the Orange and Rockland Utilities, Inc. Hourly Retirees' Group Insurance Plan, and the Orange and Rockland Utilities, Inc. Management Retirees' Group Insurance Plan.

Total Periodic Benefit Cost/(Credit)

The components of the Company's total periodic other postretirement benefit costs/(credits) for 2023, 2022 and 2021 were as follows:

(Millions of Dollars)	2023	2022	2021
Service cost – including administrative expenses	$2	$4	$6
Interest cost on projected other postretirement benefit obligation	7	5	6
Expected return on plan assets	(14)	(14)	(12)
Recognition of net actuarial loss/(gain)	(8)	(5)	4
Recognition of prior service credit	(1)	(2)	(2)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST/(CREDIT)	$(14)	$(12)	$2
Cost capitalized	(1)	(1)	(2)
Reconciliation to rate level	5	5	5
Total expense/(credit) recognized	$(10)	($8)	$5

For information about the presentation of the components of net periodic benefit cost and disclosure requirements, see Note E.

Funded Status

The funded status of the programs at December 31, 2023, 2022 and 2021 were as follows:

(Millions of Dollars)	2023	2022	2021
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of year	$136	$209	$216
Service cost	2	4	6
Interest cost on accumulated postretirement benefit obligation	7	5	6
Net actuarial loss/(gain)	1	(74)	(11)
Benefits paid and administrative expenses, net of subsidies	(9)	(9)	(9)
Participant contributions	1	1	1
BENEFIT OBLIGATION AT END OF YEAR	$138	$136	$209
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	$150	$193	$173
Actual return on plan assets	31	(38)	25
Employer contributions	5	3	4
Employer group waiver plan subsidies	4	5	2
Participant contributions	1	1	1
Benefits paid	(14)	(14)	(12)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$177	$150	$193
FUNDED STATUS	39	$14	$(16)
Unrecognized net gain	$(49)	$(42)	$(26)
Unrecognized prior service credits	(10)	(12)	(13)

The increase in the 2023 other postretirement benefits funded status asset for O&R of $25 million compared to December 31, 2022, was primarily due to updated per capita costs based on plan experience and higher than anticipated asset returns in 2023. This increase in funded status asset corresponds with an increase in regulatory liability of $4 million for unrecognized net losses and unrecognized prior service costs associated with O&R's New York utility business consistent with the accounting rules for regulated operations, along with a credit to OCI of $3 million (net of taxes) for the unrecognized net losses and an immaterial change to OCI for the unrecognized prior service costs associated with RECO. Included within the funded status are noncurrent liabilities of $27 million for 2023 and 2022, and noncurrent assets of $24 million for 2021. See "Assumptions" below for further information on the change in the discount rate and see Note E for determination of the discount rate assumption.

During 2022, the Company's other postretirement benefits funded status changed from a liability of $16 million to an asset of $14 million. The change of $30 million compared to December 31, 2021 was primarily due to a decrease in the plans' projected benefit obligation as a result of an increase in the discount rate, which more than offset the decrease in the fair value of plans' assets as a result of the actual return on the plans' assets. This change in funded status corresponds with an increase in regulatory liability of $13 million for unrecognized net losses and unrecognized prior service costs associated with O&R’s New York utility business consistent with the accounting rules for regulated operations, along with a credit to OCI of $1 million (net of taxes) for the unrecognized net losses and an immaterial change to OCI for the unrecognized prior service costs associated with RECO.

Assumptions

The actuarial assumptions were as follows:

	2023	2022	2021
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount Rate	5.15 %	5.45 %	3.00 %
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount Rate	5.45 %	3.00 %	2.55 %
Expected Return on Plan Assets	8.20 %	8.10 %	8.10 %

Refer to Note E for descriptions of the basis for determining the expected return on assets, and the assumed discount rate.

The health care cost trend rates for covered medical and prescription medication expenses used to determine the accumulated other postretirement benefit obligations (APBO) at December 31, 2023 are assumed to increase each year, with the initial rate of increase gradually decreasing to the ultimate rate as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65 Medical	6.80%	4.50%	2036
Post-65 Medical	4.50%	4.50%	—
Prescription Medications	7.25%	4.50%	2035

Expected Benefit Payments

Based on current assumptions, O&R expects to make the following benefit payments over the next ten years, net of receipt of governmental subsidies and participant contributions:

(Millions of Dollars)	2024	2025	2026	2027	2028	2029-2033
O&R	$8	$9	$9	$9	$9	$45

Expected Contributions

Based on estimates as of December 31, 2023, O&R does not expect to make any contributions to the other postretirement benefit plans in 2024.

Plan Assets

The asset allocations for O&R's other postretirement benefit plans at the end of 2023, 2022 and 2021 and the target allocation for 2024 are as follows:

	Target Allocation Range	Plan Assets at December 31,		
Asset Category	**2024**	**2023**	**2022**	**2021**
Equity Securities	40% - 60%	51%	80%	81%
Debt Securities	40% - 60%	49%	20%	19%
Total	100%	100%	100%	100%

O&R 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.

Pursuant to resolutions adopted by Con Edison's Board of Directors, the Named Fiduciary Committee (the Committee) has general oversight responsibility for O&R's other postretirement benefit plans. The plans' 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 O&R's other postretirement benefit plans 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 plans' assets 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 plans by diversifying 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 plans to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal asset allocation for the plans.

Individual fund managers operate under written guidelines provided by Con Edison that cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. The Committee regularly monitors asset class performance and total fund performance. Management changes fund managers and rebalances the portfolio as appropriate.

The fair values of the plans' assets at December 31, 2023 by asset category as defined by the accounting rules for fair value measurements (see the fair value hierarchy defined in Note M) are as follows:

(Millions of Dollars)	Level 1	Level 2	Total
Equity (a)	$—	$90	$90
Other Fixed Income Debt (b)	—	86	86
Cash and Cash Equivalents (c)	—	1	1
Investments	$—	$177	$177
Total fair value of plan net assets			$177

(a) Equity is comprised of passively managed commingled index fund benchmarked to the MSCI All Country World Index.
(b) Other Fixed Income Debt is comprised of 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 are comprised of short-term investments and money markets.

The fair values of the plans' assets at December 31, 2022 by asset category as defined by the accounting rules for fair value measurements (see the fair value hierarchy defined in Note M) are as follows:

(Millions of Dollars)	Level 1	Level 2	Total
Equity (a)	$—	$120	$120
Other Fixed Income Debt (b)	—	29	29
Cash and Cash Equivalents (c)	—	1	1
Investments	$—	$150	$150
Total fair value of plan net assets			$150

(a) - (c) Reference is made to footnotes (a) through (c) in the above table of other postretirement benefit plan assets at December 31, 2023 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 O&R and its 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 O&R has been asserted to have liability under these laws, including its 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 O&R is not managing the site investigation and remediation, the accrued liability represents an estimate of the amount O&R will need to pay to investigate and, where determinable, discharge its related obligations. For Superfund Sites (including the manufactured gas plant sites) for which O&R 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 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, 2023 and 2022 were as follows:

(Millions of Dollars)	2023	2022
Accrued Liabilities:		
Manufactured gas plant sites	$91	$94
Other Superfund Sites	1	1
Total	$92	$95
Regulatory assets	$83	$85

The Superfund Sites have been investigated. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As information pertaining to the required remediation becomes available, the Company expects that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Company is 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 were $1 million for the years ended December 31, 2023 and 2022.

No material insurance or other third-party recoveries were received by the Company for the years ended December 31, 2023 and 2022.

O&R estimates that in 2024, it will incur costs for remediation of approximately $3 million. The Company is 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 2023, O&R estimated that for its manufactured gas plant sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of coal tar and/or other environmental contaminants could range up to $145 million. These estimates were based on assumptions regarding the extent of contamination and the type and extent of remediation that may be required. Actual experience may be materially different.

Asbestos Proceedings

Suits have been brought in New York State and federal courts against O&R 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 O&R premises. The suits that have been resolved, that are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to the Company. The amounts specified in all the remaining suits total billions of dollars; however, the Company believes that these amounts are greatly exaggerated, based on the disposition of previous claims. At December 31, 2023 and 2022, the Company accrued its estimated aggregate undiscounted potential liability of $1 million with a corresponding regulatory asset for these suits and additional suits that may be brought through 2035. The estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Courts have applied, and may continue to apply, different standards for determining liability in asbestos suits than the standard that applied historically. As a result, the Company currently believes that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Company is 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. The Company defers as regulatory assets (for subsequent recovery through rates) costs incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants.

Note H – Income Tax

The components of income tax for O&R are as follows:

(Millions of Dollars)	2023	2022	2021
State			
Current	$(3)	$5	$1
Deferred	13	4	6
Federal			
Current	(3)	24	15
Deferred	21	(8)	(1)
Total income tax expense	$28	$25	$21

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:

(% of Pre-tax income)	2023	2022	2021
STATUTORY TAX RATE			
Federal	21%	21%	21%
Changes in computed taxes resulting from:			
State income tax, net of federal income taxes	6	6	5
Cost of removal	2	3	3
Amortization of excess deferred federal income taxes	(6)	(7)	(6)
Research and development credits	—	—	(1)
Other	—	(1)	(1)
Effective tax rate	23%	22%	21%

The tax effects of temporary differences, which gave rise to deferred tax assets and liabilities, are as follows:

(Millions of Dollars)	**2023**	**2022**
Deferred tax liabilities:		
Property basis differences	$510	$472
Regulatory assets:		
Environmental remediation costs	23	24
Deferred storm costs	26	27
Other regulatory assets	35	35
Operating lease right-of-use asset	1	1
Pensions and retiree benefits - asset	24	22
Total deferred tax liabilities	$619	$581
Deferred tax assets:		
Pensions and retiree benefits – liability	$14	$14
Regulatory liabilities:		
Unrecognized pension and other postretirement costs	21	16
Future income tax	33	35
Other regulatory liabilities	99	117
Superfund and other environmental costs	26	27
Operating lease liabilities	1	1
Other	11	1
Total deferred tax assets	$205	$211
Net deferred tax liabilities and unamortized investment tax credits	$414	$370

In April 2023, the IRS released Revenue Procedure 2023-15 which provides a safe harbor method of accounting that taxpayers may use to determine whether certain expenditures to maintain, repair, replace, or improve natural gas transmission and distribution property must be capitalized as improvements by the taxpayer or currently deducted for federal income tax purposes. This revenue procedure also provides procedures for taxpayers to obtain automatic consent to change their method of accounting to the safe harbor method of accounting permitted by this revenue procedure. O&R recorded an increase in accumulated plant-related deferred tax liabilities of $25 million to reflect the cumulative impact of this change in accounting method.

In May 2023, New York State passed a law that extended the increase in the corporate franchise tax rate from 6.5 percent to 7.25 percent for another three-year period, through tax year 2026, for taxpayers with taxable income greater than $5 million. The law also temporarily extended the business capital tax through tax year 2026, not to exceed an annual maximum tax liability of $5 million per taxpayer, with a corporation paying the higher of its franchise or income tax liability during the same period. New York State also passed a law establishing a permanent rate of 30 percent for the metropolitan transportation business tax surcharge. These provisions are not expected to have a material impact on the Company's financial position, results of operations or liquidity.

Uncertain Tax Positions

Under the accounting rules for income taxes, O&R is 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.

At December 31, 2023, the estimated uncertain tax positions for O&R were an immaterial amount. O&R recognizes interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in O&R's consolidated income statement. In 2023, 2022 and 2021, O&R recognized no interest expense or penalties for uncertain tax positions in its consolidated income statement.

Con Edison and its subsidiaries' federal tax return for 2022 remains under examination. State income tax returns remain open for examination in New York State for tax year 2022 and in New Jersey for tax years 2019 through 2022.

Note I - Revenue Recognition

The following table presents, for the years ended December 31, 2023, 2022 and 2021, 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.

	2023			2022			2021		
(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	Revenues from contracts with customers	Other revenues (a)	Total operating revenues
O&R									
Electric	$751	$13	$764	$771	$2	$773	$691	$(10)	$681
Gas	287	10	297	306	6	312	265	(5)	260
Total O&R	$1,038	$23	$1,061	$1,077	$8	$1,085	$956	$(15)	$941

(a) This includes primarily revenue or negative revenue adjustments from alternative revenue programs, such as the revenue decoupling mechanisms under the NY electric and gas rate plans, as well as net earnings adjustment mechanisms (EAMs) and positive incentives primarily for achieving energy efficiency goals (see "Rate Plans" in Note B), and for 2021 recognition of late payment charges and fees that were not billed (LPCs) for the year ended December 31, 2021. The amount of revenue recognized under such alternative revenue programs for 2021 includes $(18) million, $2 million and $4 million for O&R's revenue decoupling mechanisms, net EAMs, and LPCs, respectively. See "COVID-19 Regulatory Matters" in Note B.

Revenues are recorded as energy is delivered, generated or services are provided and billed to customers. Amounts billed are recorded in accounts receivable - customers, with payment generally due the following month. The Company's accounts receivable - customers balance also reflects the Company's 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.

O&R has the obligation to deliver electricity and gas to its 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 Company recognizes revenues as this performance obligation is satisfied over time as the Company delivers, and the customers simultaneously receive and consume, the energy. The amount of revenues recognized reflects the consideration the Company expects to receive in exchange for delivering the energy. Under its tariffs, the transaction price for full-service customers includes the Company’s energy cost and for all customers includes delivery charges determined based on customer class and in accordance with established tariffs and guidelines of the NYSPSC or the NJBPU, as applicable. Accordingly, there is no unsatisfied performance obligation associated with these customers. The transaction price is applied to the Company’s revenue generating activities through the customer billing process. Because energy is delivered over time, the Company uses output methods that recognize revenue based on direct measurement of the value transferred, such as units delivered, that provides an accurate measure of value for the energy delivered. The Company accrues revenues at the end of each month for estimated energy delivered but not yet billed to customers. The Company defers over a 12-month period, net interruptible gas revenues, other than those authorized by the NYSPSC to be retained by the Company, for refund to firm gas sales and transportation customers.

Note J – Current Expected Credit Losses

Allowance for Uncollectible Accounts

The Company's “Account receivable – customers” balance consists of utility bills due (bills are generally due the month following billing) from customers who have energy delivered, generated, or services provided by the Company. The balance also reflects the Company's purchase of receivables from energy service companies to support the retail choice programs.

“Other receivables” balance generally reflects costs billed by the Company for goods and services provided to external parties, such as accommodation work for private parties and certain governmental entities, real estate rental and pole attachments.

The Company develops expected loss estimates using past events data and considers current conditions and future reasonable and supportable forecasts. Changes to the Company's reserve balances that result in write-offs of customer accounts receivable balances above existing rate allowances are not reflected in rates during the term of the current rate plans. For the Company's customer accounts receivable allowance for uncollectible accounts, past events considered include write-offs relative to customer accounts receivable; current conditions include macro-and micro-economic conditions related to trends in the local economy, bankruptcy rates and aged customer accounts receivable balances, among other factors; and forecasts about the future include assumptions related to the level of write-offs and recoveries. Generally, the Company writes off customer accounts receivable as uncollectible 90 days after the account is turned off for non-payment, or the account is closed during the collection process. See "COVID-19 Regulatory Matters" in Note B.

Other receivables allowance for uncollectible accounts is calculated based on a historical average of collections relative to total other receivables, including current receivables. Current macro- and micro-economic conditions are also considered when calculating the current reserve. Probable outcomes of pending litigation, whether favorable or unfavorable to the Company, are also included in the consideration.

Starting in 2020, the potential economic impact of the COVID-19 pandemic was also considered in forward-looking projections related to write-off and recovery rates and resulted in an increase to the allowance for uncollectible accounts.

Customer accounts receivable and the associated allowance for uncollectible accounts are included in the line "Accounts receivable – customers" on the Company's consolidated balance sheet. Other receivables and the associated allowance for uncollectible accounts are included in "Other receivables" on the consolidated balance sheet.

The table below presents a roll forward by major portfolio segment type for the years ended December 31, 2023, 2022 and 2021:

	For the Year Ended December 31,					
	Accounts receivable - customers			Other receivables		
(Millions of Dollars)	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Allowance for credit losses						
Beginning Balance at January 1,	$8	$12	$9	$2	$2	$2
Recoveries	1	1	2	—	—	—
Write-offs	(6)	(8)	(5)	(1)	(2)	(1)
Reserve adjustments	4	3	6	4	2	1
Ending Balance December 31,	$7	$8	$12	$5	$2	$2

Note K - Stock-Based Compensation

O&R may compensate employees and directors under Con Edison's stock-based compensation plans with, among other things, stock options, stock units, restricted stock units and contributions to the stock purchase plan. Long Term Incentive Plans that were approved by Con Edison's shareholders in 2003 (2003 LTIP), 2013 (2013 LTIP), and 2023 (2023 LTIP) are collectively referred to herein as the LTIP. The LTIP provides for, among other things, awards to employees of restricted stock units. Existing awards under the 2003 LTIP and the 2013 LTIP continue in effect, however no new awards may be issued under either plan. The 2023 LTIP provides for awards for up to ten million shares of common stock.

During the years ended December 31, 2023, 2022, and 2021, equity awards were granted under the 2013 LTIP. Shares of Con Edison common stock used to satisfy O&R's obligations with respect to stock-based compensation may be new shares (authorized, but unissued) or treasury shares (existing treasury shares or shares purchased in the open market). The shares used during the year ended December 31, 2023 were new shares. Con Edison intends to use new shares to fulfill its stock-based compensation obligations for 2024.

The Company recognized stock-based compensation expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by the Company in the years ended December 31, 2023, 2022 and 2021:

(Millions of Dollars)	2023	2022	2021
Performance-based restricted stock	$4.2	$5.2	$2.2
Time-based restricted stock	0.1	0.1	0.1
Stock purchase plan	0.5	0.5	0.5
Total	$4.8	$5.8	$2.8
Income tax benefit	$1.3	$1.6	$0.8

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 officers and 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 O&R's annual incentive plans or, with respect to 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:

	2023	2022	2021
Risk-free interest rate (a)	4.06% - 4.64%	4.41% - 4.73%	0.39% - 0.73%
Expected term (b)	3 years	3 years	3 years
Expected share price volatility (c)	17.88% - 19.92%	19.65% - 21.77%	17.25% - 31.42%

(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 Company does not expect significant forfeitures to occur.
(c) Based on historical experience. The Company would reevaluate this assumption if market conditions or business developments would reasonably indicate that future volatility might differ materially from historical experience.

A summary of changes in the status of the Performance RSUs' TSR and non-TSR portions during the year ended December 31, 2023 is as follows:

		Weighted Average Grant Date Fair Value (a)	
	Units	TSR Portion (b)	Non-TSR Portion (c)
Non-vested at December 31, 2022	81,048	$80.00	$80.02
Granted	22,983	91.66	90.60
Vested	(24,499)	79.99	90.51
Forfeited	(2,868)	87.18	83.37
Non-vested at December 31, 2023	76,664	$83.23	$79.71

(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.

The total expense to be recognized by the Company in future periods for unvested Performance RSUs outstanding at December 31, 2023 is $3 million and is expected to be recognized over a weighted average period of one year. The Company paid cash of $2 million in 2023, $1 million in 2022 and an immaterial amount in 2021 to settle vested Performance RSUs.

In accordance with the accounting rules for stock compensation, for time-based awards, the Company accrues a liability and recognizes 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 officer's or employee's continuous service to O&R. 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, 2023 is as follows:

	Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2022	14,716	$84.47
Granted	14,990	92.29
Vested	(1,400)	78.00
Forfeited	(1,524)	88.55
Non-vested at December 31, 2023	26,782	$88.95

The total expense to be recognized by the Company in future periods for unvested time-based awards outstanding at December 31, 2023 is $1 million and is expected to be recognized over a weighted average period of one year. The Company paid an immaterial amount of cash in 2023, 2022 and 2021 to settle vested time-based awards.

Stock Purchase Plan

The Stock Purchase Plans, which were approved by shareholders in 2004 and 2014 (collectively, the Plan), provide for the Company to contribute up to $1 for each $9 invested by its 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. Prior to September 1, 2020, 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 2020, the Plan was amended and as a result of the amendment, the fair value of the shares of Con Edison common stock purchased after September 1, 2020 under the Plan was calculated using the closing price at which shares were traded on the New York Stock Exchange on the last business day of the month for all shares purchased during the month. During 2023, 2022 and 2021, 751,702, 744,932, and 957,866 shares were purchased under the Plan, including those purchased by employees of other subsidiaries of Con Edison, at a weighted average price of $91.80, $91.59, and $73.38 per share, respectively.

Note L – Derivative Instruments and Hedging Activities

The Company hedges market price fluctuations associated with physical purchases and sales of electricity, natural gas 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 Company does not elect hedge accounting. The Company uses economic hedges to manage commodity price risk in accordance with provisions set by state regulators. The volume of hedging activity at the Company depends upon the forecasted volume of physical commodity supply to meet customer needs, and program costs or benefits are recovered from or credited to full-service customers, respectively. Derivatives are recognized on the consolidated balance sheet at fair value (see Note M), unless an exception is available under the accounting rules for derivatives and hedging. Qualifying derivative contracts that have been designated as normal purchases or normal sales contracts are not reported at fair value under the accounting rules.

The fair values of the Company's commodity derivatives, including the offsetting of assets and liabilities, on the consolidated balance sheet at December 31, 2023 and 2022 were:

(Millions of Dollars)	2023				2022			
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)**	
Fair value of derivative assets								
Current	$4	$(2)	$2	(b)	$28	$(21)	$7	(b)
Noncurrent	2	(2)	—		18	(12)	6	
Total fair value of derivative assets	$6	$(4)	$2		$46	$(33)	$13	
Fair value of derivative liabilities								
Current	$(13)	$4	$(9)	(b)	$(9)	$6	$(3)	(b)
Noncurrent	(15)	3	(12)		(6)	1	(5)	
Total fair value of derivative liabilities	$(28)	$7	$(21)		$(15)	$7	$(8)	
Net fair value derivative assets/(liabilities)	$(22)	$3	$(19)		$31	$(26)	$5	

(a) Derivative instruments and collateral were offset on the consolidated balance sheet as applicable under the accounting rules. The Company enters into master agreements for its 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, 2023 and 2022, margin deposits of $1 million and an immaterial amount were classified as derivative assets, respectively, on the consolidated balance sheet, but not included in the table. At December 31, 2023 and 2022, margin deposits of $5 million and $4 million were classified as derivative liabilities, respectively, 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.

The Company generally recovers its 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 Company records a regulatory asset or regulatory liability to defer recognition of unrealized gains and losses on its 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 Company's consolidated income statement.

O&R and CECONY (CECONY together with O&R, the Utilities) 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 (including hedging market price fluctuations associated with the physical purchase of gas) are provided by, CECONY (for itself and as agent for O&R) and costs (net of the effect of the related hedging transactions) are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note N.

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, 2023 and 2022:

(Millions of Dollars)	Balance Sheet Location	2023	2022
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:			
Current	Regulatory liabilities	$(20)	$13
Noncurrent	Regulatory liabilities	(15)	9
Total deferred gains/(losses)		$(35)	$22
Current	Regulatory assets	$(9)	$1
Current	Recoverable energy costs	(30)	36
Noncurrent	Regulatory assets	(10)	—
Total deferred gains/(losses)		$(49)	$37
Net deferred gains/(losses) (a)		$(84)	$59

(a) Unrealized net deferred gains on electric and gas derivatives for O&R decreased as a result of lower electric and gas commodity prices during the year ended December 31, 2023. Upon settlement, short-term deferred derivative losses generally increase the recoverable costs of electric and gas purchases.

The following table presents the hedged volume of the Company's commodity derivative transactions at December 31, 2023:

Electric Energy (MWh) (a)	Capacity (MW) (a)	Natural Gas (Dt) (a)
2,577,310	9,900	18,990,000

(a) Volumes are reported net of long and short positions.

The Company is exposed to credit risk related to transactions entered into primarily for the various electric supply and hedging activities. Credit risk relates to the loss that may result from a counterparty's nonperformance. The Company uses credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements and collateral or prepayment arrangements, credit insurance and credit default swaps. The Company measures 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 Company has a legally enforceable right to offset.

At December 31, 2023, the Company had $3 million of credit exposure in connection with open energy supply net receivables and hedging activities, net of collateral, related to investment-grade counterparties and exchange brokers.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Company's 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 Company's 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, 2023:

(Millions of Dollars)	
Aggregate fair value – net liabilities (a)	$22
Collateral posted	—
Additional collateral (b) (downgrade one level from current ratings)	17
Additional collateral (b) (downgrade to below investment grade from current ratings)	29 (c)

(a) Non-derivative transactions for the purchase and sale of electricity, gas and qualifying derivative instruments, that 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 Company was no longer extended unsecured credit for such purchases, the Company would be required to post additional collateral of $3 million at December 31, 2023. For certain other such non-derivative transactions, the Company could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.
(b) The additional collateral amounts shown above are based upon the estimated O&R allocation of the Utilities' collateral requirements. The Utilities measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Company has a legally enforceable right to offset.
(c) Derivative instruments that are net assets have been excluded from the table. At December 31, 2023, if the Company had been downgraded to below investment grade, it would have been required to post $1 million of additional collateral.

Note M – 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, that 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 Company often makes 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 Company uses 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, that 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 Company classifies 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 quoted 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, 2023 and 2022 are summarized below.

	2023					2022				
(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustment (e)	Total	Level 1	Level 2	Level 3	Netting Adjustment (e)	Total
Derivative assets:										
Commodity (a)(b)(c)	$—	$4	$1	$(2)	$3	$1	$44	$—	$(32)	$13
Other (a)(b)(d)	17	5	—	—	22	14	6	—	—	20
Total assets	$17	$9	$1	$(2)	$25	$15	$50	$—	$(32)	$33
Derivative liabilities:										
Commodity (a)(b)(c)	$2	$21	$3	$—	$26	$—	$8	$8	$(4)	$12

(a) The Company's 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.
(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, and 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, 2023 and 2022, the Company determined that nonperformance risk would have no material impact on its financial position or results of operations.
(d) Other assets: Level 1 assets are comprised primarily of mutual/commingled funds, and Level 2 assets are comprised primarily of the cash value of life insurance contracts.
(e) Amounts represent the impact of legally-enforceable master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

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

	Fair Value of Level 3 at December 31, 2023 *(Millions of Dollars)*	Valuation Techniques	Unobservable Inputs	Range
Commodity				
Electricity	$(2)	Discounted Cash Flow	Forward capacity prices (a)	$1.90-$7.53 per kW-month

(a) Generally, increases/(decreases) in this input in isolation would result in a higher/(lower) 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, 2023 and 2022 and classified as Level 3 in the fair value hierarchy:

(Millions of Dollars)	2023	2022
Beginning balance as of January 1,	$(8)	$(8)
Included in earnings	(2)	(6)
Included in regulatory assets and liabilities	6	1
Settlements	2	6
Transfer out of level 3	—	(1)
Ending balance as of December 31,	$(2)	$(8)

Realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power, gas and fuel costs. The Company generally recovers 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.

Note N – Related Party Transactions

The NYSPSC generally requires that the Company and Con Edison's other subsidiaries be operated as separate entities. The Company and Con Edison's unregulated subsidiaries are required to have separate operating employees and operating officers of the Company may not be operating officers of Con Edison's unregulated subsidiaries. The Company may provide administrative and other services to, and receive such services from Con Edison and its subsidiaries only pursuant to cost allocation procedures approved by the NYSPSC. Transfers of assets between the Company and Con Edison or its other subsidiaries may be made only as approved by the NYSPSC. The debt of the Company is to be raised directly by the Company and not derived from Con Edison. Without the prior permission of the NYSPSC, the Company 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 Company may pay Con Edison. See “Common Stock” in Note C. As a result, substantially all of the net assets of O&R ($1,062 million) at December 31, 2023 are considered restricted net assets. The NYSPSC may impose additional measures to separate, or “ring fence,” the Company from Con Edison and its other subsidiaries. See “Rate Plans” in Note B.

The costs of administrative and other services provided by the Company, and received from Con Edison and its other subsidiaries for the years ended December 31, 2023, 2022 and 2021 were as follows:

(Millions of Dollars)	2023	2022	2021
Cost of services provided	$19	$22	$19
Cost of services received	$77	$64	$65

At December 31, 2023 and 2022, O&R's net payable to Con Edison and its other subsidiaries associated with these services was $11 million and $7 million, respectively.

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which O&R purchased from CECONY $82 million and $144 million of natural gas for the years ended December 31, 2023 and 2022, respectively. These amounts are net of the effect of related hedging transactions. At December 31, 2023 and 2022, O&R's net payable to CECONY associated with these gas purchases were $9 million and $24 million, respectively.

At December 31, 2023 and 2022, the Company's net payable to Con Edison for income taxes was $5 million.

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, 2023 and 2022, there were no outstanding loans to O&R.

Note O – New Financial Accounting Standards

In November 2023, the FASB issued amendments to the guidance on accounting for Segment Reporting (Topic 280) through ASU 2023-07. The amendments would improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. A public entity should apply such amendments retrospectively to all prior periods presented in the financial statements. The Company does not expect the new guidance to have a material impact on its financial position, results of operations and liquidity.

In December 2023, the FASB issued amendments to the guidance on accounting for Income Taxes (Topic 740) through ASU 2023-09. The amendments would improve the disclosures related to income taxes. The amendments focus on three key areas: Rate Reconciliation, Income Taxes Paid, and Income (or loss)/Income tax expense (or benefit) relating to disaggregated continuing operations. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements. The Company does not expect the new guidance to have a material impact on its financial position, results of operations and liquidity.