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Form 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended SEPTEMBER 30, 2002

or

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

Commission File Number	Exact name of registrant as specified in its charter and principal office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	Consolidated Edison, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	Consolidated Edison Company of New York, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340
1-4315	Orange and Rockland Utilities, Inc. One Blue Hill Plaza, Pearl River, New York 10965 (914) 352-6000	New York	13-1727729

Indicate by check mark whether each Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of the close of business on October 31, 2002, Consolidated Edison, Inc. ("Con Edison") had outstanding 213,622,478 Common Shares (\$.10 par value). Con Edison owns all of the outstanding common equity of Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R").

O&R meets the conditions specified in general instruction H (1) (a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

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* O&R is omitting this information pursuant to General Instruction H of Form 10-Q.

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Filing Format

This Quarterly Report on Form 10-Q is a combined report being filed separately by three different registrants: Consolidated Edison, Inc. ("Con Edison"), Consolidated Edison Company of New York, Inc. ("Con Edison of New York") and Orange and Rockland Utilities, Inc. ("O&R"). Neither Con Edison of New York nor O&R makes any representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

O&R, a wholly-owned subsidiary of Con Edison, meets the conditions specified in General Instruction H of Form 10-Q and is permitted to use the reduced disclosure format for wholly-owned subsidiaries of companies, such as Con Edison, that are reporting companies under the Securities Exchange Act of 1934. Accordingly, O&R has omitted from this report the information called for by Part 1, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations and has included in this report its Management's Narrative Analysis of the Results of Operations. In accordance with general instruction H, O&R has also omitted from this report the information, if any, called for by Part 1, Item 3, Quantitative and Qualitative Disclosure About Market Risk; Part II, Item 2, Changes in Securities and Use of Proceeds; Part II, Item 3, Defaults Upon Senior Securities; and Part II, Item 4, Submission of Matters to a Vote of Security Holders.

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Consolidated Edison, Inc.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at

September 30, 2002

December 31, 2001

(Thousands of Dollars)

	September 30, 2002	December 31, 2001
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 11,444,028	\$ 11,145,400
Gas	2,488,260	2,405,730
Steam	764,376	758,600
General	1,407,143	1,354,099
TOTAL	16,103,807	15,663,829
Less: Accumulated depreciation	4,629,181	4,472,994
NET	11,474,626	11,190,835
Construction work in progress	815,200	654,107
NET UTILITY PLANT	12,289,826	11,844,942
NON-UTILITY PLANT		
Unregulated generating assets, less accumulated depreciation of \$26,937 and \$21,289 in 2002 and 2001, respectively	165,449	131,654
Non-utility property, less accumulated depreciation of \$15,970 and \$11,235 in 2002 and 2001 respectively	80,948	53,915

Construction work in progress	383,533	217,864
NET PLANT	12,919,756	12,248,375
CURRENT ASSETS		
Unrestricted cash and temporary cash investments	83,401	271,356
Restricted cash	18,761	69,823
Accounts receivable - customer, less allowance for uncollectible accounts of \$33,183 and \$34,775 in 2002 and 2001, respectively	733,199	613,733
Accrued unbilled revenue	46,456	47,654
Other receivables	241,889	97,344
Fuel, at average cost	16,791	18,216
Gas in storage, at average cost	98,030	111,507
Materials and supplies, at average cost	90,815	90,976
Prepayments	208,105	79,687
Other current assets	114,909	50,454
TOTAL CURRENT ASSETS	1,652,356	1,450,750
INVESTMENTS - OTHER	232,717	216,979
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Goodwill	405,802	439,944
Intangible assets	82,963	85,783
Accrued pension credits	946,504	697,807
Regulatory assets		
Future federal income tax	605,290	659,891
Recoverable energy costs	293,975	210,264
Sale of nuclear generating plant	129,894	174,804
Real estate sale costs - First Avenue properties	135,189	105,407
Deferred retirement program costs	84,089	81,796
Deferred unbilled gas revenue	43,594	43,594
Deferred environmental remediation costs	72,011	62,559
Workers' compensation	56,757	62,109
Divestiture - capacity replacement reconciliation	53,850	58,850
Deferred revenue taxes	79,830	41,256
World Trade Center restoration costs	45,516	32,933
Other	133,725	83,697
TOTAL REGULATORY ASSETS	1,733,720	1,617,160
Other deferred charges and noncurrent assets	229,850	239,313
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	3,398,839	3,080,007
TOTAL	\$ 18,203,668	\$ 16,996,111

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

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Consolidated Edison, Inc.

**CONSOLIDATED BALANCE SHEET
(UNAUDITED)**

As at

September 30, 2002

December 31, 2001

(Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock, authorized 500,000,000 shares; outstanding 213,485,279 shares and 212,206,394 shares	\$	1,532,172	\$	1,482,341
Retained earnings		5,420,676		5,251,017

Treasury stock, at cost; 23,210,700 shares and 23,281,700 shares	(1,001,241)	(1,002,107)
Capital stock expense	(35,374)	(35,547)
Accumulated other comprehensive income	(18,232)	(29,436)
TOTAL COMMON SHAREHOLDERS' EQUITY	5,898,001	5,666,268
Preferred stock	212,563	212,563
Long-term debt	5,945,622	5,501,217
TOTAL CAPITALIZATION	12,056,186	11,380,048
MINORITY INTERESTS	8,562	9,522
NONCURRENT LIABILITIES		
Obligations under capital leases	39,149	41,088
Accumulated provision for injuries and damages	176,374	175,665
Pension and benefits reserve	222,331	187,739
Superfund and other environmental costs	142,713	132,254
Other noncurrent liabilities	41,420	30,159
TOTAL NONCURRENT LIABILITIES	621,987	566,905
CURRENT LIABILITIES		
Long-term debt due within one year	196,630	310,950
Preferred stock to be redeemed in one year	—	37,050
Notes payable	402,846	343,722
Accounts payable	781,737	665,342
Customer deposits	217,440	214,121
Accrued taxes	138,281	146,657
Accrued interest	98,150	80,238
System Benefit Charge	26,987	30,024
Independent Power Producer buyout	32,700	33,750
Accrued wages	74,101	77,131
Other current liabilities	183,286	176,376
TOTAL CURRENT LIABILITIES	2,152,158	2,115,361
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Accumulated deferred income tax	2,479,211	2,235,295
Accumulated deferred investment tax credits	113,406	118,350
Regulatory liabilities		
NYISO reconciliation	99,635	92,504
World Trade Center casualty loss	78,787	81,483
Gain on divestiture	42,670	59,030
Deposit from sale of First Avenue properties	50,000	50,000
Refundable energy costs	47,618	45,008
Accrued electric rate reduction	38,018	38,018
Transmission Congestion Contracts	79,119	4,896
Gas Rate Plan — World Trade Center Recovery	36,388	—
Electric excess earnings	20,000	—
Other	258,797	185,188
TOTAL REGULATORY LIABILITIES	751,032	556,127
Other deferred credits	21,126	14,503
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	3,364,775	2,924,275
TOTAL	\$ 18,203,668	\$ 16,996,111

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

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Three Months
Ended September 30,*

2002

2001

(Thousands of Dollars)

OPERATING REVENUES			
Electric	\$	2,127,038	\$ 2,247,336
Gas		156,029	166,601
Steam		76,662	78,703
Non-utility		179,761	134,916
TOTAL OPERATING REVENUES		2,539,490	2,627,556
OPERATING EXPENSES			
Purchased power		1,063,917	1,072,042
Fuel		83,462	99,845
Gas purchased for resale		74,537	86,868
Other operations		224,195	258,599
Maintenance		98,757	101,128
Depreciation and amortization		126,162	133,011
Taxes, other than income taxes		301,163	313,583
Income taxes		181,202	176,069
TOTAL OPERATING EXPENSES		2,153,395	2,241,145
OPERATING INCOME		386,095	386,411
OTHER INCOME (DEDUCTIONS)			
Investment income		426	2,309
Allowance for equity funds used during construction		1,983	286
Other income		1,780	1,548
Other income deductions		(4,363)	(7,421)
Income taxes		9,703	5,490
TOTAL OTHER INCOME (DEDUCTIONS)		9,529	2,212
INCOME BEFORE INTEREST CHARGES		395,624	388,623
Interest on long-term debt		102,619	100,587
Other interest		8,160	9,230
Allowance for borrowed funds used during construction		(1,697)	(1,934)
NET INTEREST CHARGES		109,082	107,883
NET INCOME		286,542	280,740
PREFERRED STOCK DIVIDEND REQUIREMENTS		2,831	3,398
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		283,711	277,342
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		—	—
NET INCOME FOR COMMON STOCK	\$	283,711	\$ 277,342
EARNINGS PER COMMON SHARE - BASIC			
Before cumulative effect of change in accounting principle	\$	1.34	\$ 1.31
Cumulative effect of change in accounting principle	\$	—	\$ —
After cumulative effect of change in accounting principle	\$	1.34	\$ 1.31
EARNINGS PER COMMON SHARE - DILUTED			
Before cumulative effect of change in accounting principle	\$	1.33	\$ 1.30

Cumulative effect of change in accounting principle	\$	—	\$	—
After cumulative effect of change in accounting principle	\$	1.33	\$	1.30
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$	0.555	\$	0.550
AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		213,219,441		212,206,033
AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		214,220,069		213,170,793

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

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Consolidated Edison, Inc.
CONSOLIDATED INCOME STATEMENT
(UNAUDITED)

*For the Nine Months
Ended September 30,*

2002

2001

(Thousands of Dollars)

OPERATING REVENUES				
Electric	\$	4,826,870	\$	5,486,659
Gas		872,248		1,173,813
Steam		288,616		426,621
Non-utility		437,099		414,584
TOTAL OPERATING REVENUES		6,424,833		7,501,677
OPERATING EXPENSES				
Purchased power		2,413,054		2,739,562
Fuel		194,754		341,133
Gas purchased for resale		425,836		723,990
Other operations		691,865		799,583
Maintenance		297,327		345,914
Depreciation and amortization		368,731		404,877
Taxes, other than income taxes		837,648		878,052
Income taxes		351,673		379,841
TOTAL OPERATING EXPENSES		5,580,888		6,612,952
OPERATING INCOME		843,945		888,725
OTHER INCOME (DEDUCTIONS)				
Investment income		1,548		4,533
Allowance for equity funds used during construction		8,103		787
Other income		17,067		1,399
Other income deductions		(19,252)		(18,500)
Income taxes		25,771		12,629
TOTAL OTHER INCOME (DEDUCTIONS)		33,237		848
INCOME BEFORE INTEREST CHARGES		877,182		889,573
Interest on long-term debt		295,810		298,149
Other interest		27,252		29,254
Allowance for borrowed funds used during construction		(3,404)		(5,156)
NET INTEREST CHARGES		319,658		322,247

INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		557,524		567,326
PREFERRED STOCK DIVIDEND REQUIREMENTS		9,627		10,194
NET INCOME		547,897		557,132
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NET OF INCOME TAXES OF \$13.961 MILLION)		20,182		—
NET INCOME FOR COMMON STOCK	\$	527,715	\$	557,132
EARNINGS PER COMMON SHARE - BASIC				
Before cumulative effect of change in accounting principle	\$	2.58	\$	2.63
Cumulative effect of change in accounting principle	\$	0.10	\$	—
After cumulative effect of change in accounting principle	\$	2.48	\$	2.63
EARNINGS PER COMMON SHARE - DILUTED				
Before cumulative effect of change in accounting principle	\$	2.57	\$	2.62
Cumulative effect of change in accounting principle	\$	0.10	\$	—
After cumulative effect of change in accounting principle	\$	2.47	\$	2.62
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$	1.665	\$	1.650
AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		212,765,813		212,118,972
AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		213,849,866		212,869,724

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

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (UNAUDITED)

As at

September 30,
2002

December 31,
2001

(Thousands of Dollars)

BALANCE, START OF PERIOD	\$	5,251,017	\$	5,040,931
LESS: STOCK OPTIONS EXERCISED		3,299		5,430
NET INCOME FOR THE PERIOD		557,524		695,835
LESS: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		20,182		—
NET INCOME AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		537,342		695,835
TOTAL		5,785,060		5,731,336
DIVIDENDS DECLARED ON CAPITAL STOCK				
CUMULATIVE PREFERRED, AT REQUIRED ANNUAL RATES		9,627		13,593
COMMON, \$1.665 AND \$2.20 PER SHARE, RESPECTIVELY		354,757		466,726
TOTAL DIVIDEND DECLARED		364,384		480,319
BALANCE, END OF PERIOD	\$	5,420,676	\$	5,251,017

Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Three Months Ended September 30,</i>	
	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 283,711	\$ 277,342
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
INVESTMENT IN MARKETABLE EQUITY SECURITIES, NET OF (\$358) AND (\$273) TAXES	(511)	(387)
UNREALIZED GAINS/(LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES, NET OF \$130 AND (\$8,704) TAXES	322	(11,923)
LESS: RECLASSIFICATION ADJUSTMENT FOR GAINS/(LOSSES) INCLUDED IN NET INCOME, NET OF \$2,076 AND (\$6,900) TAXES	2,959	(9,571)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(3,148)	(2,739)
COMPREHENSIVE INCOME	\$ 280,563	\$ 274,603

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

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Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Nine Months Ended September 30,</i>	
	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 527,715	\$ 557,132
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
INVESTMENT IN MARKETABLE EQUITY SECURITIES, NET OF (\$603) AND (\$552) TAXES	(859)	(576)
MINIMUM PENSION LIABILITY ADJUSTMENTS, NET OF (\$2,049) AND (\$1,656) TAXES	(2,959)	(2,055)
UNREALIZED (LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES DUE TO CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, NET OF \$0 AND (\$5,587) TAXES	—	(8,050)
UNREALIZED GAINS/(LOSSES) ON DERIVATIVES QUALIFIED AS HEDGES, NET OF \$7,120 AND (\$17,363) TAXES	10,293	(24,375)
LESS: RECLASSIFICATION ADJUSTMENT FOR (LOSSES) INCLUDED IN NET INCOME, NET OF (\$3,337) AND (\$7,278) TAXES	(4,729)	(10,284)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	11,204	(24,772)
COMPREHENSIVE INCOME	\$ 538,919	\$ 532,360

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

*For the Nine Months
Ended September 30,*

2002

2001

(Thousands of Dollars)

OPERATING ACTIVITIES

Net income \$ 557,524 \$ 567,326

PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME

Depreciation and amortization 368,731 404,653

Income tax deferred (excluding taxes resulting from divestiture of plant) 235,227 46,692

Common equity component of allowance for funds used during construction (8,103) (787)

Prepayments—accrued pension credits (248,697) (248,779)

Other non-cash charges 81,090 35,230

Capitalized administrative expenses 47,175 72,607

CHANGES IN ASSETS AND LIABILITIES

Accounts receivable—customer, less allowance for uncollectibles (119,466) 46,707

Materials and supplies, including fuel and gas in storage 15,063 (18,664)

Prepayments (other than pensions), other receivables and other current assets (336,220) 12,931

Deferred recoverable energy costs (83,711) 146,421

Cost of removal less salvage (59,407) (71,680)

Accounts payable 116,395 (282,448)

Pension and benefits reserve 34,592 31,818

Accrued taxes (8,376) 62,171

Accrued interest 17,912 11,815

Deferred charges and regulatory assets (116,024) (91,855)

Deferred credits and regulatory liabilities 125,760 93,376

Transmission Congestion Contracts 74,223 14,087

Unregulated subsidiaries non-current assets 43,103 (59,295)

Other assets 9,026 (3,019)

Other liabilities 24,016 14,413

NET CASH FLOWS FROM OPERATING ACTIVITIES 769,833 783,720

INVESTING ACTIVITIES INCLUDING CONSTRUCTION

Utility construction expenditures (786,151) (750,559)

Nuclear fuel expenditures — (6,111)

Contributions to nuclear decommissioning trust — (89,185)

Common equity component of allowance for funds used during construction 8,103 787

Divestiture of utility plant (net of federal income tax) — 653,694

Investments by unregulated subsidiaries (16,324) (17,062)

Non-utility construction expenditure (236,880) (51,042)

NET CASH FLOWS USED IN INVESTING ACTIVITIES INCLUDING CONSTRUCTION (1,031,252) (259,478)

FINANCING ACTIVITIES INCLUDING DIVIDENDS

Net proceeds from short-term debt 59,125 (52,932)

Additions to long-term debt 625,000 624,600

Retirement of long-term debt (300,000) (378,150)

Preferred stock (37,050) —

Issuance and refunding costs (10,686) (20,254)

Common stock dividends (354,191) (349,997)

Issuance of common stock 49,831 —

Preferred stock dividends (9,627) (10,194)

NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES INCLUDING DIVIDENDS 22,402 (186,927)

CASH AND TEMPORARY CASH INVESTMENTS:

NET CHANGE FOR THE PERIOD (239,017) 337,315

BALANCE AT BEGINNING OF PERIOD 341,179 94,828

BALANCE AT END OF PERIOD \$ 102,162 \$ 432,143

LESS: RESTRICTED CASH \$ 18,761 \$ —

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONSOLIDATED EDISON, INC.

Note A - General

These notes accompany and form an integral part of the interim consolidated financial statements of Consolidated Edison, Inc. and its subsidiaries (Con Edison), including the regulated utility Consolidated Edison Company of New York, Inc. (Con Edison of New York), the regulated utility Orange and Rockland Utilities, Inc. (O&R) and several unregulated subsidiaries. These financial statements are unaudited but, in the opinion of Con Edison's management, reflect all adjustments (which include only normally recurring adjustments with the exception of the cumulative effect of a change in accounting principle) necessary for a fair presentation of the results for the interim periods presented. These financial statements should be read together with the audited Con Edison financial statements (including the notes thereto) included in the combined Con Edison, Con Edison of New York and O&R Annual Reports on Form 10-K for the year ended December 31, 2001 (the Form 10-K). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Earnings Per Common Share

In accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," Con Edison presents basic and diluted earnings per share on the face of the Consolidated Income Statement. Basic earnings per share (EPS) is calculated by dividing earnings available to common shareholders ("Net income for common stock" on the Consolidated Income Statement) by the weighted average number of common shares outstanding during the period. In the calculation of diluted EPS, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock.

Potentially dilutive securities for Con Edison consist of restricted stock and stock options whose exercise price is less than the average market price of the common shares during the reporting period. These options were granted under the company's Stock Option Plan (see Note M to the Con Edison financial statements included in Item 8 of the Form 10-K).

Basic and diluted EPS are calculated as follows:

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>(Millions of Dollars/Share data in Thousands)</i>			
Income before cumulative effect of change in accounting principle	\$ 286.5	\$ 280.7	\$ 557.5	\$ 567.3
Less: Preferred stock dividend requirements	2.8	3.4	9.6	10.2
Income available to common shareholders	283.7	277.3	547.9	557.1
Less: Cumulative effect of change in accounting principle, net of tax	-	-	20.2	-
Net income applicable to common stock	\$ 283.7	\$ 277.3	\$ 527.7	\$ 557.1
Number of shares on which basic EPS is calculated	213,219	212,206	212,766	212,119
Add - Incremental shares attributable to effect of dilutive securities:	1,001	965	1,084	751
Number of shares on which diluted EPS is calculated	214,220	213,171	213,850	212,870
EARNINGS PER COMMON SHARE - BASIC				
Before cumulative effect of change in accounting principle	\$ 1.34	\$ 1.31	\$ 2.58	\$ 2.63
Cumulative effect of change in accounting principle	-	-	.10	-
After cumulative effect of change in accounting principle	\$ 1.34	\$ 1.31	\$ 2.48	\$ 2.63
EARNINGS PER COMMON SHARE - DILUTED				
Before cumulative effect of change in accounting principle	\$ 1.33	\$ 1.30	\$ 2.57	\$ 2.62
Cumulative effect of change in accounting Principle	-	-	.10	-
After cumulative effect of change in accounting principle	\$ 1.33	\$ 1.30	\$ 2.47	\$ 2.62

Stock options to purchase 6.43 million and 5.01 million common shares for the three months ended September 30, 2002 and 2001, and 6.35 million and 5.21 million common shares for the nine months ending September 30, 2002 and 2001, were not included in the respective period's computation of diluted earnings per share because the exercise prices of the options were greater than the average market price of the common shares.

Note B - Environmental Matters

Hazardous substances such as asbestos, polychlorinated biphenyls (PCBs) and coal tar have been used or generated in the course of operations of Con Edison's utility subsidiaries and may be present in facilities and equipment currently or previously owned by the utility subsidiaries.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and similar state statutes impose joint and several strict liabilities upon generators of hazardous substances for resulting removal and remedial costs and environmental damages. Liabilities under these laws can be material and in some instances may be imposed without regard to fault, or may be imposed for past acts, even though such past acts may have been lawful at the time they occurred.

The nature of the environmental remediation costs for the sites at which Con Edison has been asserted to have liability for remediation under Superfund or similar state statutes, including its manufactured gas sites (Con Edison's Superfund Sites), include investigation, demolition, removal, storage, replacement,

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containment and monitoring costs. The liability accrued for Con Edison's Superfund Sites has been developed on a site-by-site basis without separate accounting for the specific components of the costs. For sites where there are other potentially responsible parties and the company is not managing the site investigation and remediation, the liability accrued represents the company's best estimate of what it will need to pay to settle its obligations with respect to the site. For other sites, the liability accrued represents the company's best estimate of its investigation and remediation costs for the site. In either case, the company makes its best estimate of its undiscounted liability for each site in light of the applicable remediation standards, experience with similar sites, the information it has available to it at the time about the site and site-specific assumptions about such matters as the extent of contamination and remediation and monitoring methods to be used. For some of the sites, the available information includes consultant reports that provide a probabilistic range of potential exposure. The liability accrued for Con Edison's Superfund Sites is reviewed at least quarterly and adjusted as determined to be necessary.

At September 30, 2002, Con Edison had accrued \$142.7 million as its best estimate of its liability for Con Edison's Superfund Sites. There will be additional liability relating to these sites and other sites. The amount of the additional liability is not presently determinable but may be material to Con Edison's financial position, results of operations or liquidity.

Con Edison's utility subsidiaries are permitted under current rate agreements to defer for subsequent recovery through rates certain site investigation and remediation costs with respect to hazardous waste. At September 30, 2002, \$72.0 million of such costs had been deferred as regulatory assets.

Suits have been brought in New York State and federal courts against Con Edison's utility subsidiaries and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the utility subsidiaries. The suits that have been resolved, which are many, have been resolved without any payment by the utility subsidiaries, 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, Con Edison believes that these amounts are greatly exaggerated, as experienced through the disposition of previous claims. Based on the information and relevant circumstances known to Con Edison at this time, these suits are not expected to have a material adverse effect on Con Edison's financial position, results of operations or liquidity.

Workers' compensation administrative proceedings have been commenced, wherein current and former employees claim benefits based upon alleged disability from exposure to asbestos. Based on the information and relevant circumstances known to Con Edison at this time, these claims are not expected to have a material adverse effect on Con Edison's financial position, results of operations or liquidity. At September 30, 2002, Con Edison had accrued a \$129.8 million provision as its best estimate of the utility subsidiaries' liability for workers' compensation claims, including those related to asbestos exposure. Of this amount \$58.4 million was deferred as a regulatory asset.

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Note C - Nuclear Generation

The New York State Public Service Commission (PSC) is investigating the February 2000 to January 2001 outage of the nuclear generating unit sold by Con Edison of New York in September 2001, its causes and the prudence of the company's actions regarding the operation and maintenance of the generating unit. The proceeding covers, among other things, Con Edison of New York's inspection practices, the circumstances surrounding prior outages, the basis for postponement of the unit's steam generator replacement and whether, and to what extent, increased replacement power costs and repair and replacement costs should be borne by Con Edison's shareholders.

Con Edison of New York has billed to customers replacement power costs for the outage incurred prior to August 2000 and after October 2000, but not approximately \$90 million of replacement power costs incurred in August through October 2000. Con Edison of New York has also accrued a \$40 million liability for the possible disallowance of replacement power costs that it had previously recovered from customers.

In June 2002, the United States Court of Appeals for the Second Circuit unanimously affirmed the October 2000 decision by the United States District Court for the Northern District of New York, in an action entitled Consolidated Edison Company of New York, Inc. v. Pataki, et al., in which the district court had determined that the New York State law that directed the PSC to prohibit Con Edison of New York from recovering replacement power costs for the outage from customers was unconstitutional and granted the company's motion for a permanent injunction to prevent its implementation. The defendants are seeking to have the decision reviewed by the United States Supreme Court.

The company is unable to predict whether or not any proceedings, lawsuits, legislation or other actions relating to the nuclear generating unit will have a material adverse effect on its financial position, results of operations or liquidity.

Note D - Northeast Utilities

In March 2001, Con Edison commenced an action in the United States District Court for the Southern District of New York, entitled Consolidated Edison, Inc. v. Northeast Utilities, seeking a declaratory judgment that Northeast Utilities has failed to meet certain conditions precedent to Con Edison's obligation to complete its acquisition of Northeast Utilities pursuant to their agreement and plan of merger, dated October 13, 1999, as amended and restated as of January 11, 2000 (the merger agreement). In May 2001 Con Edison amended its complaint. As amended, Con Edison's complaint seeks, among other things, recovery of damages sustained by it as a result of the material breach of the merger agreement by Northeast Utilities and the court's declaration that under the merger agreement Con Edison has no further or continuing obligations to Northeast Utilities, and that Northeast Utilities has no further or continuing rights against Con Edison.

In June 2001, Northeast Utilities withdrew the separate action it commenced in March 2001 in the same court and filed as a counter-claim to Con Edison's amended complaint its claim that Con Edison materially breached the merger agreement and that as a result Northeast Utilities and its shareholders have suffered substantial damages, including the difference between the consideration to be paid to

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Northeast Utilities shareholders pursuant to the merger agreement and the market value of Northeast Utilities common stock, expenditures in connection with regulatory approvals and lost business opportunities. Pursuant to the merger agreement, Con Edison had agreed to acquire Northeast Utilities for \$26.00 per share (an estimated aggregate of not more than \$3.9 billion) plus \$0.0034 per share for each day after August 5, 2000 through the day prior to the completion of the transaction, payable 50 percent in cash and 50 percent in stock.

Con Edison believes that Northeast Utilities has materially breached the merger agreement, and that Con Edison has not materially breached the merger agreement. Con Edison believes it is not obligated to acquire Northeast Utilities because Northeast Utilities does not meet the merger agreement's conditions that Northeast Utilities perform all of its obligations under the merger agreement. Those obligations include the obligation that it carry on its businesses in the ordinary course consistent with past practice; that the representations and warranties made by it in the merger agreement were true and correct when made and remain true and correct; and that there be no material adverse change with respect to Northeast Utilities.

Both parties have filed motions for summary judgment. Con Edison is unable to predict whether or not any Northeast Utilities related lawsuits or other actions will have a material adverse effect on Con Edison's financial position, results of operations or liquidity.

Note E - Leases

Con Edison accounts for a 525 MW electric generating facility in Newington, New Hampshire that is subject to an operating lease arrangement to which a Con Edison unregulated subsidiary is a party (the Newington Project) in accordance with SFAS No. 13, "Accounting for Leases" and related Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) issue statements. Con Edison has not included the Newington Project or the related lease obligations on its consolidated balance sheet.

In June 2002, the FASB issued an exposure draft of a proposed interpretation on "Consolidation of Certain Special Purpose Entities" (SPEs). If the exposure draft were adopted in its current form, Con Edison would be required to include the Newington Project assets and the related debt issued by the SPE on its consolidated balance sheet. Con Edison estimates that this would result in a decrease in annual after tax net income of approximately \$4 million and increases of approximately \$350 million in non-utility plant and long-term debt.

Substantial completion under the Newington contract is now scheduled for the fourth quarter of 2002. The company's unregulated subsidiary and the construction contractor for this plant have initiated arbitration and state court proceedings regarding whether the subsidiary is entitled to damages for a delay in completion of this plant and whether the contractor is entitled to additional project costs. Con Edison does not expect that this dispute will have a material adverse effect on its financial position, results of operations or liquidity.

As part of a broad initiative, the Internal Revenue Service is reviewing certain categories of transactions. Among these are transactions in which a taxpayer leases property and then immediately subleases it back

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to the lessor (termed "Lease In/Lease Out," or LILO transactions). In 1997 and 1999, Con Edison's unregulated subsidiaries invested \$93 million in two LILO transactions, involving gas distribution and electric generating facilities in the Netherlands.

For additional information, see Note J to financial statements included in the Form 10-K.

Note F - Investments

For 2002 and 2001, investments consisted primarily of the investments of Con Edison's unregulated subsidiaries, which are recorded at cost, accounted for under the equity method, or accounted for as leveraged leases in accordance with SFAS No. 13. See Note A and Note J to the Con Edison financial statements in Item 8 of the 2001 Form 10-K and Note E to the Con Edison financial statements included in Part I, Item 1 of this report.

Note G - Derivative Instruments and Hedging Activities

As of January 2001 Con Edison adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133" (collectively, SFAS No. 133).

Energy Price Hedging

Con Edison's subsidiaries use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity and gas (hedges). As of September 30, 2002, the fair value of the derivatives for such use was \$27.5 million, comprised of \$15.5 million at the regulated utility subsidiaries and \$12.0 million at the unregulated subsidiaries.

Con Edison's utility subsidiaries, pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," defer recognition in income of gains and losses on hedges until the underlying transactions are completed. In accordance with rate provisions that permit the recovery of the cost of purchased power and gas purchased for resale, Con Edison's utility subsidiaries credit or charge to their customers gains or losses on hedges and related transaction costs. See "Recoverable Energy Costs" in Note A to the company's financial statements included in Item 8 of the Form 10-K.

To the extent SFAS No. 71 does not allow deferred recognition in income, Con Edison's utility subsidiaries have elected hedge accounting pursuant to SFAS No. 133 (cash flow hedge accounting). Con Edison Solutions (which provides competitive gas and electric supply and energy-related products and services) has also elected cash flow hedge accounting.

Pursuant to cash flow hedge accounting, except as described below, the mark-to-market unrealized gain or loss on each hedge is recorded in other comprehensive income and reclassified to income at the time the underlying transaction is completed.

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Cash flow hedge gains and losses for energy transactions, net of tax, included in accumulated other comprehensive income for the three months ended September 30, 2002 and 2001 were as follows:

	<i>Three Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$3.7 and (\$4.7) taxes	\$ 5.4	\$ (6.3)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$2.8 and (\$6.0) taxes	4.0	(8.4)
Unrealized gains on derivatives qualified as hedges for the period	\$ 1.4	\$ 2.1

Cash flow hedge gains and losses for energy transactions, net of tax, included in accumulated other comprehensive income for the nine months ended September 30, 2002 and 2001 were as follows:

	<i>Nine Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized gains on derivatives qualified as hedges due to cumulative effect of a change in accounting principle, net of \$0 and \$1.3 taxes	\$ -	\$ 1.6
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$13.2 and (\$13.2) taxes	18.6	(18.6)
Less: Reclassification adjustment for (losses) included in net income, net of (\$1.3) and (\$6.2) taxes	(1.8)	(8.9)
Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$ 20.4	\$ (8.1)

As of September 30, 2002, the subsidiaries' hedges for which cash flow hedge accounting was used were for a term of less than two years and \$7.8 million of after-tax net gains relating to such hedges were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

Under cash flow hedge accounting, any gain or loss relating to any portion of a hedge determined to be "ineffective" is recognized in income in the period in which such determination is made. As a result, changes in the value of a hedge may be recognized in income in an earlier period than the period in which the underlying transaction is recognized in income. The company expects, however, that these changes in values will be offset, at least in part, when the underlying transactions are recognized in income. For the third quarter of 2002, the company recognized in income mark-to-market unrealized pre-tax net losses of \$1.7 million, compared with unrealized pre-tax net losses of \$1.1 million for the third quarter of 2001, relating to derivative transactions at Con Edison Solutions. For the nine months ended September 30, 2002 and 2001, with respect to such hedges, the company recognized in income mark-to-market unrealized pre-tax net gains of \$4.8 million and pre-tax net losses of \$10.3 million, respectively.

Energy procures and markets energy for other Con Edison subsidiaries and utilizes energy commodity contracts such as two-party forward contracts for the purchase or sale of electricity and capacity, over-the-counter swap contracts, exchange-traded natural gas and crude oil futures and options, transmission congestion contracts, natural gas transportation contracts, and other physical and financial contracts. See Note I below for a discussion of the accounting for Con Edison Energy trading activities.

Interest Rate Hedging

O&R and Con Edison Development (which invests in and manages energy infrastructure projects) use cash flow hedge accounting for their interest rate swap agreements as described below. As of September 30, 2002, the fair value of the O&R interest rate swap was a loss of \$19.1 million, and the fair value of the Con Edison Development interest rate swap was a loss of \$10.0 million.

In connection with its \$55 million promissory note issued to the New York State Energy Research and Development Authority (the Authority) for the net proceeds of the Authority's variable rate Pollution Control Refunding Revenue Bonds, 1994 Series A (the 1994 Bonds), O&R has a swap agreement pursuant to which it pays interest at a fixed rate of 6.09 percent and is paid interest at the same variable rate as is paid on the 1994 Bonds.

In connection with \$90 million of variable rate loans relating to the Lakewood electric generating plant, Con Edison Development has swap agreements pursuant to which it pays interest at a fixed rate of 6.68 percent and is paid interest at a variable rate equal to the one, two, or three-month London Interbank Offered Rate (LIBOR).

Cash flow hedges for interest rate hedging, net of tax, included in accumulated other comprehensive income for the three months ended September 30, 2002 and 2001 were as follows:

	<i>Three Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized (losses) on derivatives qualified as hedges, net of (\$3.6) and (\$4.0) taxes	\$ (5.1)	\$ (5.6)
Less: Reclassification adjustment for (losses) included in net income, net of (\$0.7) and (\$0.9) taxes	(1.0)	(1.2)
Unrealized (losses) on derivatives qualified as hedges for the period	\$ (4.1)	\$ (4.4)

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Cash flow hedges for interest rate hedging, net of tax, included in accumulated other comprehensive income for the nine months ended September 30, 2002 and 2001 were as follows:

	<i>Nine Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized (losses) on derivatives qualified as hedges due to cumulative effect of a change in accounting principle, net of \$0 and (\$6.9) taxes	\$ -	\$ (9.7)
Unrealized (losses) on derivatives qualified as hedges, net of (\$6.1) and (\$4.2) taxes	(8.3)	(5.8)
Less: Reclassification adjustment for (losses) included in net income, net of (\$2.0) and (\$1.1) taxes	(2.9)	(1.4)
Unrealized (losses) on derivatives qualified as hedges for the period	\$ (5.4)	\$ (14.1)

As of September 30, 2002, \$3.4 million of after-tax loss relating to the interest rate swap agreements were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

In October 2002, Con Edison of New York entered into a swap agreement in connection with its \$224.6 million Facilities Revenue Bonds, Series 2001A. Pursuant to the swap agreement provisions, Con Edison of New York pays interest at a variable rate equal to the three-month LIBOR and is paid interest at a fixed rate of 5.375 percent. The swap has a term of 10 years callable at par after three years.

Note H - Financial Information by Business Segment

Con Edison's business segments were determined based on similarities in economic characteristics, the regulatory environment, and management's reporting requirements. Con Edison's principal business segments are:

- Regulated Electric - consists of regulated utility activities of Con Edison of New York and O&R relating to the generation, transmission and distribution and sale of electricity in New York, New Jersey and Pennsylvania.
- Regulated Gas - consists of regulated utility activities of Con Edison of New York and O&R relating to the transportation, storage, distribution and sale of natural gas in New York and Pennsylvania.
- Regulated Steam - consists of regulated utility activities of Con Edison of New York relating to the generation, distribution and sale of steam in New York.
- Unregulated subsidiaries - represents the operations of the competitive electric and gas supply and energy-related products and services businesses and the operations of the affiliates that invest in energy infrastructure and telecommunications projects.
- Other - - includes the operations of the parent company and consolidation adjustments.

All revenues of Con Edison's business segments, excluding revenues earned by an unregulated subsidiary on certain energy infrastructure projects, which are deemed to be immaterial, are from customers located in the United States of America. Also, all assets, excluding certain investments in energy infrastructure projects by an unregulated subsidiary are located in the United States of America and are materially

consistent with segment assets as disclosed in the Form 10-K. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. See Note A to the Con Edison's financial statements included in Item 8 in the Form 10-K.

Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

The financial data for business segments are as follows:

**CONSOLIDATED EDISON, INC.
SEGMENT FINANCIAL INFORMATION
\$000'S**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

	Regulated Electric		Regulated Steam	
	2002	2001	2002	2001
Operating revenues	\$ 2,127,038	\$ 2,247,336	\$ 76,662	\$ 78,703
Intersegment revenues	1,716	2,929	452	476
Depreciation and amortization	95,637	103,493	4,584	4,521
Operating income	\$ 370,822	\$ 395,897	\$ (2,013)	\$ (6,479)
	Regulated Gas		Unregulated Subsidiaries & Other	
	2002	2001	2002	2001
Operating revenues	\$ 156,029	\$ 166,601	\$ 179,761	\$ 134,916
Intersegment revenues	520	795	31,114	1,630
Depreciation and amortization	18,770	17,973	7,171	7,024
Operating income	\$ 7,487	\$ (1,276)	\$ 9,799	\$ (1,731)
			Total	
			2002	2001
Operating revenues		\$ 2,539,490	\$ 2,627,556	
Intersegment revenues		33,802	5,830	
Depreciation and amortization		126,162	133,011	
Operating income		\$ 386,095	\$ 386,411	

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

	Regulated Electric		Regulated Steam	
	2002	2001	2002	2001
Operating revenues	\$ 4,826,870	\$ 5,486,659	\$ 288,616	\$ 426,621
Intersegment revenues	7,227	9,670	1,357	1,427
Depreciation and amortization	281,705	316,744	13,719	13,357
Operating income	\$ 678,335	\$ 728,992	\$ 20,428	\$ 27,973

	Regulated Gas		Unregulated Subsidiaries & Other	
	2002	2001	2002	2001
Operating revenues	\$ 872,248	\$ 1,173,813	\$ 437,099	\$ 414,584
Intersegment revenues	2,155	2,386	49,126	6,796
Depreciation and amortization	56,693	53,730	16,614	21,046
Operating income	\$ 124,266	\$ 126,933	\$ 20,916	\$ 4,827

	2002		2001	
Operating revenues	\$ 6,424,833	\$ 7,501,677		
Intersegment revenues	59,865	20,279		
Depreciation and amortization	368,731	404,877		
Operating income	\$ 843,945	\$ 888,725		

Note I - New Financial Accounting Standards

On January 1, 2002, Con Edison adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of the net assets of a business acquired) and intangible assets with indefinite useful lives will no longer be amortized, but instead be tested for impairment at least annually. Other intangible assets will continue to be amortized over their finite useful lives. The goodwill impairment test is a two-step process. The first step identifies potential impairment by comparing the estimated fair value of a reporting unit to its carrying amount, including goodwill. If the fair value is less than the carrying amount, the second step of the impairment test is performed. The second step compares the implied fair value of goodwill, determined in the same manner as the amount of goodwill recognized in a business combination under SFAS No. 141, "Business Combinations," to its carrying amount to determine the amount of the impairment loss, if any.

Con Edison completed the goodwill impairment test and recorded a loss of \$34.1 million (\$20.2 million after tax) as an offset to goodwill recorded in Con Edison's "Unregulated Subsidiaries and Other" business segment relating to certain generation assets owned by Con Edison Development. The fair values of the reporting units were estimated using the expected present value of future cash flows. The impairment loss reflects changes in forecast market prices of energy, capacity and in changes in risk-adjusted discount rates. The impairment loss is recognized net of taxes as a cumulative effect of a change in accounting principle at January 1, 2002.

The change in the carrying amount of goodwill for the nine months ended September 30, 2002 is as follows:

	<i>(Millions of dollars)</i>	
Balance at the beginning of the period (January 1, 2002)	\$	439.9
Impairment loss recognized		(34.1)
Balance at the end of the period (September 30, 2002)	\$	405.8

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Had Con Edison been accounting for goodwill under SFAS No. 142 for all periods presented, its income and earnings per share would have been as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Income before cumulative effect of change in accounting principle				
As reported	\$ 283.7	\$ 277.3	\$ 547.9	\$ 557.1
Add back: goodwill amortization (net of tax)	-	2.3	-	8.1

(Millions of dollars, except per share data)

Income before cumulative effect of change in accounting principle				
As reported	\$ 283.7	\$ 277.3	\$ 547.9	\$ 557.1
Add back: goodwill amortization (net of tax)	-	2.3	-	8.1

Adjusted	\$	283.7	\$	279.6	\$	547.9	\$	565.2
Basic earnings per share before cumulative effect of change in accounting principle								
As reported	\$	1.34	\$	1.31	\$	2.58	\$	2.63
Add back: goodwill amortization (net of tax)		-		0.01		-		0.04
Adjusted	\$	1.34	\$	1.32	\$	2.58	\$	2.67
Diluted earnings per share before cumulative effect of change in accounting principle								
As reported	\$	1.33	\$	1.30	\$	2.57	\$	2.62
Add back: goodwill amortization (net of tax)		-		0.01		-		0.04
Adjusted	\$	1.33	\$	1.31	\$	2.57	\$	2.66

Con Edison's finite life intangible asset relates to a power purchase agreement of an unregulated subsidiary and is being amortized on a straight-line basis over an approximately 25-year contract period. At September 30, 2002, the gross carrying amount and accumulated amortization were \$91.7 million and \$8.8 million respectively. Amortization expense was \$2.8 million for the nine months ended September 30, 2002 and is estimated to be \$3.8 million per year from 2002 to 2006.

In June 2002, the EITF reached a consensus on EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF Issue No. 02-3), that revenue resulting from energy trading contracts, whether realized or unrealized and whether financially or physically settled, should be shown net in the income statement. This new ruling is effective for periods ending after July 2002, with reclassification of prior period amounts required. The consensus also expanded disclosure requirements for energy trading activities.

Con Edison Energy is subject to the provisions of EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF Issue No. 98-10 requires an entity to record its energy trading contracts at fair value and recognize the changes in fair value in current earnings. In accordance with EITF Issue No. 02-3, Con Edison Energy has reclassified certain prior period amounts. The reclassification reduced Con Edison's non-utility revenues and energy costs by \$245 million in 2001 and \$114 million in 2000 (about 2.5 percent and 1.2 percent, respectively, of Con Edison's total operating revenues in those years). For the six month period ended June 30, 2002, revenues and costs were reduced by \$104 million (2.6 percent of Con Edison's total operating revenues for that period).

On October 25, 2002, the EITF reached a consensus to rescind EITF Issue No. 98-10. Beginning on October 25, new contracts that would otherwise have been accounted for under Issue No. 98-10 and that do not fall within the scope of SFAS No. 133 will not be marked-to-market through earnings. The impact of the transition to this revised accounting is to be recorded as the cumulative effect of a change in

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accounting principle, effective the first fiscal quarter beginning after December 15, 2002. The impact of this consensus on the consolidated financial position, results of operations, or liquidity of Con Edison is not expected to be material.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which Con Edison is required to adopt on January 1, 2003, requires entities to record the fair value of a liability associated with an asset retirement obligation in the period incurred. When the liability is initially recorded, the entity will capitalize the cost by increasing the amount of the related asset. The liability will be increased to its present value each period and the capitalized cost will be depreciated over the useful life of the related asset. Upon retirement of the asset, the entity will settle the obligation for the amount recorded or incur a gain or loss. Con Edison has not yet determined the impact of this standard on its consolidated financial position, results of operations, or liquidity.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which Con Edison adopted on January 1, 2002, replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 requires that all long-lived assets held for sale or meeting other specified criteria be measured at the lower of book value or fair value less cost to sell. SFAS No. 144 also broadens the reporting of discontinued operations. The adoption of SFAS No. 144 had no impact on Con Edison's consolidated financial position, results of operations or liquidity.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was issued in April 2002, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." The provisions of this statement are effective January 1, 2003. Con Edison does not expect the adoption of this standard to have a material effect on its consolidated financial position, results of operations or liquidity.

This Statement also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic impact similar to sale-leaseback transactions and amends certain other authoritative pronouncements. These provisions of SFAS No. 145, adopted in May 2002, had no impact on Con Edison's consolidated financial position, results of operations, or liquidity.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which Con Edison will adopt on January 1, 2003, requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 147, "Acquisitions of Certain Financial Institutions," effective October 1, 2002, provides guidance on the accounting for the acquisition of a financial institution. Con Edison does not expect the adoption of these standards to have a material effect on its consolidated financial position, results of operations or liquidity.

Consolidated Edison Company of New York, Inc.

**CONSOLIDATED BALANCE SHEET
(UNAUDITED)**

As at

September 30, 2002

December 31, 2001

(Thousands of Dollars)

	<i>September 30, 2002</i>	<i>December 31, 2001</i>
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 10,719,595	\$ 10,441,779
Gas	2,192,649	2,113,664
Steam	764,375	758,600
General	1,293,504	1,241,746
Total	14,970,123	14,555,789
Less: Accumulated depreciation	4,229,138	4,083,760
Net	10,740,985	10,472,029
Construction work in progress	793,421	626,835
NET UTILITY PLANT	11,534,406	11,098,864
NON-UTILITY PLANT		
Non-utility property	26,944	29,408
NET PLANT	11,561,350	11,128,272
CURRENT ASSETS		
Cash and temporary cash investments	42,752	264,776
Accounts receivable - customer, less allowance for uncollectible accounts of \$28,170 and \$29,400 in 2002 and 2001, respectively	651,366	527,635
Other receivables	180,801	63,885
Accounts receivable - from affiliated companies	24,508	27,929
Fuel, at average cost	13,950	16,719
Gas in storage, at average cost	76,523	85,534
Materials and supplies, at average cost	82,028	82,301
Prepayments	182,909	58,628
Other current assets	33,660	33,247
TOTAL CURRENT ASSETS	1,288,497	1,160,654
INVESTMENTS - OTHER	5,124	4,950
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Accrued pension credits	946,504	697,807
Regulatory assets		
Future federal income tax	567,977	624,625
Sale of nuclear generating unit	129,894	174,804
Recoverable energy costs	201,392	121,748
Real estate sale costs - First Avenue properties	135,189	105,407
Workers' compensation	56,757	60,466
Divestiture - capacity replacement reconciliation	53,850	58,850
Deferred unbilled gas revenue	43,594	43,594
Deferred environmental remediation costs	41,234	22,085
Deferred special retirement program costs	38,781	42,197
Deferred revenue taxes	73,061	34,404
World Trade Center restoration costs	45,516	32,933
Other	101,512	56,532
TOTAL REGULATORY ASSETS	1,488,757	1,377,645
Other deferred charges and noncurrent assets	176,645	149,490
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	2,611,906	2,224,942

TOTAL	\$	15,466,877	\$	14,518,818
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The accompanying notes are an integral part of these financial statements.

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED BALANCE SHEET
(UNAUDITED)**

As at
September 30, 2002 *December 31, 2001*

(Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock	1,482,341	1,482,341
Repurchased Consolidated Edison, Inc. common stock	(962,092)	(962,092)
Retained earnings	4,406,064	4,185,575
Capital stock expense	(35,374)	(35,547)
Accumulated other comprehensive income	(4,994)	(4,472)

TOTAL COMMON SHAREHOLDERS' EQUITY	4,885,945	4,665,805
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Preferred stock

\$5 Cumulative Preferred	175,000	175,000
4.65% Series C	15,330	15,330
4.65% Series D	22,233	22,233

TOTAL PREFERRED STOCK	212,563	212,563
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Long-term debt	5,161,817	5,011,752
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TOTAL CAPITALIZATION	10,260,325	9,890,120
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NONCURRENT LIABILITIES

Obligations under capital leases	39,149	41,088
Accumulated provision for injuries and damages	165,831	163,632
Retiree benefit reserve	124,774	101,759
Superfund and other environmental costs	106,410	93,837
Other noncurrent liabilities	12,187	12,187

TOTAL NONCURRENT LIABILITIES	448,351	412,503
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CURRENT LIABILITIES

Long-term debt due within one year	150,000	300,000
Preferred stock to be redeemed in one year	—	37,050
Notes payable	283,482	—
Accounts payable	629,460	589,696
Accounts payable to affiliated companies	14,953	8,441
Customer deposits	206,751	204,873
Accrued taxes	132,536	141,259
Accrued interest	83,878	73,311
System Benefit Charge	26,987	30,024
Independent Power Producer buyout	32,700	33,750
Accrued wages	71,394	71,177
Other current liabilities	103,464	112,498

TOTAL CURRENT LIABILITIES	1,735,605	1,602,079
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DEFERRED CREDITS AND REGULATORY LIABILITIES

Accumulated deferred federal income tax	2,239,094	2,022,638
Accumulated deferred investment tax credits	107,337	111,925
Regulatory liabilities		

NYISO reconciliation	99,635	92,504
World Trade Center casualty loss	78,787	81,483
Gain on divestiture	37,877	52,784
Deposit from sale of First Avenue properties	50,000	50,000
Accrued electric rate reduction	38,018	38,018
DC service incentive	34,604	28,455
Transmission Congestion Contracts	79,119	4,896
Gas Rate Plan - World Trade Center Recovery	36,388	—
Electric excess earnings	20,000	—
Other	201,737	131,413
TOTAL REGULATORY LIABILITIES	676,165	479,553
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	3,022,596	2,614,116
TOTAL	\$ 15,466,877	\$ 14,518,818

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

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Three Months
Ended September 30,*

	<i>2002</i>	<i>2001</i>
	<i>(Thousands of Dollars)</i>	
OPERATING REVENUES		
Electric	\$ 1,963,979	\$ 2,069,424
Gas	139,526	148,891
Steam	76,662	78,703
TOTAL OPERATING REVENUES	2,180,167	2,297,018
OPERATING EXPENSES		
Purchased power	878,256	892,012
Fuel	65,882	88,207
Gas purchased for resale	56,510	65,490
Other operations	176,909	210,439
Maintenance	91,089	94,564
Depreciation and amortization	110,488	117,727
Taxes, other than income taxes	282,797	294,617
Income taxes	166,265	167,500
TOTAL OPERATING EXPENSES	1,828,196	1,930,556
OPERATING INCOME	351,971	366,462
OTHER INCOME (DEDUCTIONS)		
Investment income	31	1,033
Allowance for equity funds used during construction	1,983	286
Other income	3,146	2,096
Other income deductions	(3,297)	(2,317)
Income taxes	912	1,721
TOTAL OTHER INCOME (DEDUCTIONS)	2,775	2,819
INCOME BEFORE INTEREST CHARGES	354,746	369,281
Interest on long-term debt	87,680	91,693
Other interest	7,183	6,700

Allowance for borrowed funds used during construction	(1,630)	(1,540)
NET INTEREST CHARGES	93,233	96,853
NET INCOME	261,513	272,428
PREFERRED STOCK DIVIDEND REQUIREMENTS	2,831	3,398
NET INCOME FOR COMMON STOCK	\$ 258,682	\$ 269,030

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

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Nine Months
Ended September 30,*

2002

2001

(Thousands of Dollars)

OPERATING REVENUES		
Electric	\$ 4,455,363	\$ 5,049,033
Gas	763,476	1,015,659
Steam	288,616	426,621
TOTAL OPERATING REVENUES	5,507,455	6,491,313
OPERATING EXPENSES		
Purchased power	1,994,120	2,267,955
Fuel	167,418	304,543
Gas purchased for resale	333,603	563,994
Other operations	541,421	654,625
Maintenance	277,502	325,738
Depreciation and amortization	326,663	359,254
Taxes, other than income taxes	783,022	821,548
Income taxes	316,218	360,426
TOTAL OPERATING EXPENSES	4,739,967	5,658,083
OPERATING INCOME	767,488	833,230
OTHER INCOME (DEDUCTIONS)		
Investment income	132	1,307
Allowance for equity funds used during construction	8,103	787
Other income	11,758	9,164
Other income deductions	(8,642)	(8,761)
Income taxes	14,045	5,842
TOTAL OTHER INCOME (DEDUCTIONS)	25,396	8,339
INCOME BEFORE INTEREST CHARGES	792,884	841,569
Interest on long-term debt	257,035	270,187
Other interest	22,900	21,679
Allowance for borrowed funds used during construction	(3,214)	(4,235)
NET INTEREST CHARGES	276,721	287,631
NET INCOME	516,163	553,938
PREFERRED STOCK DIVIDEND REQUIREMENTS	9,627	10,194

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

Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)**

	<i>As at</i>	
	<i>September 30, 2002</i>	<i>December 31, 2001</i>
	<hr style="border: 0.5px solid black;"/>	
	<i>(Thousands of Dollars)</i>	
BALANCE, START OF PERIOD	\$ 4,185,575	\$ 3,995,825
Net income for the period	516,163	663,061
TOTAL	4,701,738	4,658,886
DIVIDENDS DECLARED ON CAPITAL STOCK		
Cumulative Preferred, at required annual rates	9,627	13,593
Common	286,047	459,718
TOTAL DIVIDENDS DECLARED	295,674	473,311
BALANCE, END OF PERIOD	\$ 4,406,064	\$ 4,185,575

Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

	<i>For the Three Months Ended September 30,</i>	
	<i>2002</i>	<i>2001</i>
	<hr style="border: 0.5px solid black;"/>	
	<i>(Thousands of Dollars)</i>	
NET INCOME FOR COMMON STOCK	\$ 258,682	\$ 269,030
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$139 and (\$434) taxes	191	(474)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$435 and (\$1,575) taxes	619	(2,251)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(428)	1,777
COMPREHENSIVE INCOME	\$ 258,254	\$ 270,807

Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

*For the Nine Months
Ended September 30,*

(Thousands of Dollars)

NET INCOME FOR COMMON STOCK	\$	506,536	\$	543,744
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES				
Minimum pension liability adjustments, net of (\$1,882) and (\$1,593) taxes		(2,721)		(2,118)
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$2,038 and (\$2,191) taxes		2,915		(2,983)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$501 and (\$1,863) taxes		716		(2,663)
TOTAL OTHER COMPREHENSIVE (LOSS), NET OF TAXES		(522)		(2,438)
COMPREHENSIVE INCOME	\$	506,014	\$	541,306

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

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Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

*For the Nine Months
Ended September 30,*

2002

2001

(Thousands of Dollars)

OPERATING ACTIVITIES				
Net income	\$	516,163	\$	553,938
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME				
Depreciation and amortization		326,663		359,254
Income tax deferred (excluding taxes resulting from divestiture of plant)		202,805		10,883
Common equity component of allowance for funds used during construction		(8,103)		(787)
Prepayments - accrued pension credits		(248,697)		(248,779)
Other non-cash charges		59,203		57,790
Capitalized administrative expenses		47,175		72,607
CHANGES IN ASSETS AND LIABILITIES				
Accounts receivable - customer, less allowance for uncollectibles		(123,731)		11,763
Materials and supplies, including fuel and gas in storage		12,053		(14,028)
Prepayments (other than pensions), other receivables and other current assets		(238,189)		(207)
Deferred recoverable energy costs		(79,644)		165,528
Cost of removal less salvage		(58,109)		(69,818)
Accounts payable		46,276		(255,927)
Pension and benefits reserve		23,015		19,932
Accrued taxes		(8,724)		87,682
Accrued interest		10,567		7,694
Deferred charges and regulatory assets		(121,494)		(35,626)
Deferred credits and regulatory liabilities		131,018		41,013
Transmission Congestion Contracts		74,223		14,087
Other assets		6,479		6,064
Other liabilities		(362)		(5,178)
NET CASH FLOWS FROM OPERATING ACTIVITIES		568,587		777,885
INVESTING ACTIVITIES INCLUDING CONSTRUCTION				
Construction expenditures		(749,077)		(715,469)
Nuclear fuel expenditures		—		(6,111)
Contributions to nuclear decommissioning trust		—		(89,185)
Divestiture of utility plant (net of federal income tax)		—		653,694
Common equity component of allowance for funds used during construction		8,103		787
NET CASH FLOWS USED IN INVESTING ACTIVITIES INCLUDING CONSTRUCTION		(740,974)		(156,284)

FINANCING ACTIVITIES INCLUDING DIVIDENDS			
Net proceeds from short-term debt		283,482	(139,969)
Additions to long-term debt		300,000	624,600
Retirement of long-term debt		(300,000)	(378,150)
Preferred stock		(37,050)	—
Funds held for refunding for NYSERDA Notes		—	(20,254)
Issuance and refunding costs		(431)	—
Common stock dividends		(286,011)	(349,997)
Preferred stock dividends		(9,627)	(10,194)
NET CASH FLOWS USED IN FINANCING ACTIVITIES INCLUDING DIVIDENDS		(49,637)	(273,964)
NET DECREASE IN CASH AND TEMPORARY CASH INVESTMENTS		(222,024)	347,637
CASH AND TEMPORARY CASH INVESTMENTS AT JANUARY 1		264,776	70,273
CASH AND TEMPORARY CASH INVESTMENTS AT SEPTEMBER 30		\$ 42,752	\$ 417,910

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

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED) - CONSOLIDATED EDISON COMPANY OF NEW YORK

Note A - General

These notes accompany and form an integral part of the interim consolidated financial statements of Consolidated Edison Company of New York, Inc. (Con Edison of New York) and its subsidiaries. Consolidated Edison, Inc. (Con Edison) owns all of the outstanding common stock of Con Edison of New York. These financial statements are unaudited but, in the opinion of Con Edison of New York's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These financial statements should be read together with the audited Con Edison of New York financial statements (including the notes thereto) included in the combined Con Edison, Con Edison of New York and Orange and Rockland Utilities, Inc. Annual Reports on Form 10-K for the year ended December 31, 2001 (the Form 10-K). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

Note B - Environmental Matters

Hazardous substances such as asbestos, polychlorinated biphenyls (PCBs) and coal tar have been used or generated in the course of operations of Con Edison of New York and may be present in its facilities and equipment currently or previously owned.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and similar state statutes impose joint and several strict liabilities upon generators of hazardous substances for resulting removal and remedial costs and environmental damages. Liabilities under these laws can be material and in some instances may be imposed without regard to fault, or may be imposed for past acts, even though such past acts may have been lawful at the time they occurred.

The nature of the environmental remediation costs for the sites at which Con Edison of New York has been asserted to have liability for remediation under Superfund or similar state statutes, including its manufactured gas sites (Con Edison of New York's Superfund Sites), include investigation, demolition, removal, storage, replacement, containment and monitoring costs. The liability accrued for Con Edison of New York's Superfund Sites has been developed on a site-by-site basis without separate accounting for the specific components of the costs. For sites where there are other potentially responsible parties and the company is not managing the site investigation and remediation, the liability accrued represents the company's best estimate of what it will need to pay to settle its obligations with respect to the site. For other sites, the liability accrued represents the company's best estimate of its investigation and remediation costs for the site. In either case, the company makes its best estimate of its undiscounted liability for each site in light of the applicable remediation standards, experience with similar sites, the information it has available to it at the time about the site and site-specific assumptions about such matters as the extent of contamination and remediation and monitoring methods to be used. For some of the sites, the available information includes consultant reports that provide a probabilistic range of potential exposure. The liability accrued for Con Edison of New York's Superfund Sites is reviewed at least quarterly and adjusted as determined to be necessary.

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At September 30, 2002, Con Edison of New York had accrued \$106.4 million as its best estimate of its liability for Con Edison of New York's Superfund Sites. There will be additional liability relating to these sites and other sites. The amount of liability is not presently determinable but may be material to Con Edison of New York's financial position, results of operations or liquidity.

Under Con Edison of New York's current electric, gas and steam rate agreements, site investigation and remediation costs in excess of \$5 million annually incurred with respect to hazardous waste for which it is responsible are to be deferred and subsequently reflected in rates. At September 30, 2002, \$41.2 million of such costs had been deferred as regulatory assets.

Suits have been brought in New York State and federal courts against Con Edison of New York and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of Con Edison of New York. The suits that have been resolved, which are many, have been resolved without any payment by Con Edison of New York, 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, Con Edison of New York

believes that these amounts are greatly exaggerated, as experienced through the disposition of previous claims. Based on the information and relevant circumstances known to Con Edison of New York at this time, these suits are not expected to have a material adverse effect on its financial position, results of operations or liquidity.

Workers' compensation administrative proceedings have been commenced, wherein current and former employees claim benefits based upon alleged disability from exposure to asbestos. Based on the information and relevant circumstances known to Con Edison of New York at this time, these claims are not expected to have a material adverse effect on its financial position, results of operations or liquidity. At September 30, 2002, Con Edison of New York had accrued a \$128.2 million provision as its best estimate of its liability for workers' compensation claims, including those related to asbestos exposure. Of this amount, \$56.8 million was deferred as a regulatory asset.

Note C - Nuclear Generation

The New York State Public Service Commission (PSC) is investigating the February 2000 to January 2001 outage of the nuclear generating unit sold by Con Edison of New York in September 2001, its causes and the prudence of the company's actions regarding the operation and maintenance of the generating unit. The proceeding covers, among other things, Con Edison of New York's inspection practices, the circumstances surrounding prior outages, the basis for postponement of the unit's steam generator replacement and whether, and to what extent, increased replacement power costs and repair and replacement costs should be borne by Con Edison's shareholders.

Con Edison of New York has billed to customers replacement power costs for the outage incurred prior to August 2000 and after October 2000, but not approximately \$90 million of replacement power costs incurred in August through October 2000. Con Edison of New York has also accrued a \$40 million liability for the possible disallowance of replacement power costs that it had previously recovered from customers.

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On June 5, 2002, the United States Court of Appeals for the Second Circuit unanimously affirmed the October 2000 decision by the United States District Court for the Northern District of New York, in an action entitled Consolidated Edison Company of New York, Inc. v. Pataki, et al., in which the district court had determined that the New York State law that directed the PSC to prohibit Con Edison of New York from recovering replacement power costs for the outage from customers was unconstitutional and granted the company's motion for a permanent injunction to prevent its implementation. The defendants are seeking to have the decision reviewed by the United States Supreme Court.

The company is unable to predict whether or not any proceedings, lawsuits, legislation or other actions relating to the nuclear generating unit will have a material adverse effect on its financial position, results of operations or liquidity.

Note D - Derivative Instruments and Hedging Activities

As of January 2001 Con Edison of New York adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133" (collectively, SFAS No. 133).

Energy Price Hedging

Con Edison of New York uses derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity and gas (hedges). As of September 30, 2002, the fair value of the derivatives for such use was \$15.4 million.

Pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," Con Edison of New York defers recognition in income of gains and losses on a hedge until the underlying transaction is completed. In accordance with rate provisions that permit the recovery of the cost of purchased power and gas purchased for resale, Con Edison of New York credits or charges to its customers gains or losses on hedges and related transaction costs. See "Recoverable Energy Costs" in Note A to the company's financial statements included in Item 8 of the Form 10-K. To the extent SFAS No. 71 does not allow deferred recognition in income, Con Edison of New York has elected hedge accounting under SFAS No. 133 (cash flow hedge accounting).

Pursuant to cash flow hedge accounting, the mark-to-market unrealized gain or loss on each hedge is recorded in other comprehensive income and reclassified to income at the time the underlying transaction is completed (except that any gain or loss relating to any portion of a hedge determined to be "ineffective" is recognized in income in the period in which such determination is made).

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Cash flow hedge gains and losses for energy transactions, net of tax, included in accumulated other comprehensive income for the three months ended September 30, 2002 and 2001 were as follows:

	<i>Three Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$0.1 and (\$0.4) taxes	\$ 0.2	\$ (0.5)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$0.4 and (\$1.6) taxes	0.6	(2.3)

Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$	(0.4)	\$	1.8
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Cash flow hedge gains and losses for energy transactions, net of tax, included in accumulated other comprehensive income for the nine months ended September 30, 2002 and 2001 were as follows:

	<i>Nine Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
<i>(Millions of Dollars)</i>		
Unrealized gains/(losses) on derivatives qualified as hedges, net of \$2.0 and (\$2.1) taxes	\$ 2.9	\$ (3.0)
Less: Reclassification adjustment for gains/(losses) included in net income, net of \$0.5 and (\$1.9) taxes	0.7	(2.7)
Unrealized gains/(losses) on derivatives qualified as hedges for the period	\$ 2.2	\$ (0.3)

As of September 30, 2002, \$0.3 million of after-tax net gains relating to hedges were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

Interest Rate Hedging

In October 2002, Con Edison of New York entered into a swap agreement in connection with its \$224.6 million Facilities Revenue Bonds, Series 2001A. Pursuant to the swap agreement provisions, Con Edison of New York pays interest at a variable rate equal to the three-month London Interbank Offered Rate (LIBOR) and is paid interest at a fixed rate of 5.375 percent. The swap has a term of 10 years callable at par after three years.

Note E - Financial Information by Business Segment

Con Edison of New York's business segments were determined based on similarities in economic characteristics, the regulatory environment, and management's reporting requirements. Con Edison of New York's principal business segments are:

- Regulated Electric - consists of regulated utility activities relating to the generation, transmission and distribution and sale of electricity in New York.
- Regulated Gas - consists of regulated utility activities relating to the transportation, storage, distribution and sale of natural gas in New York.

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- Regulated Steam - consists of regulated utility activities relating to the generation, distribution and sale of steam in New York.

All revenues of Con Edison of New York's business segments are from customers located in the United States of America. Also, all assets are located in the United States of America and are materially consistent with segment assets as disclosed in the Form 10-K.

Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

The financial data for business segments are as follows:

CONSOLIDATED EDISON COMPANY OF NEW YORK SEGMENT FINANCIAL INFORMATION \$000'S

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

	Regulated Electric		Regulated Steam	
	2002	2001	2002	2001
Operating revenues	\$ 1,963,979	\$ 2,069,424	\$ 76,662	\$ 78,703
Intersegment revenues	1,632	2,929	452	476
Depreciation and amortization	89,165	97,005	4,584	4,521
Operating income	\$ 343,827	\$ 373,186	\$ (2,013)	\$ (6,479)
	Regulated Gas		Total	
	2002	2001	2002	2001

Operating revenues	\$	139,526	\$	148,891	\$	2,180,167	\$	2,297,018
Intersegment revenues		520		795		2,604		4,200
Depreciation and amortization		16,739		16,201		110,488		117,727
Operating income	\$	10,157	\$	(245)	\$	351,971	\$	366,462

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

	Regulated Electric		Regulated Steam					
	2002	2001	2002	2001				
Operating revenues	\$	4,455,363	\$	5,049,033	\$	288,616	\$	426,621
Intersegment revenues		7,209		8,787		1,357		1,427
Depreciation and amortization		262,349		298,070		13,719		13,357
Operating income	\$	630,551	\$	686,792	\$	20,428	\$	27,973
		Regulated Gas			Total			
		2002	2001		2002	2001		
Operating revenues	\$	763,476	\$	1,015,659	\$	5,507,455	\$	6,491,313
Intersegment revenues		2,155		2,386		10,721		12,600
Depreciation and amortization		50,595		47,827		326,663		359,254
Operating income	\$	116,509	\$	118,465	\$	767,488	\$	833,230

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Note F - New Financial Accounting Standards

On January 1, 2002, Con Edison of New York adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of assets of business acquired) and intangible assets with indefinite useful lives shall no longer be amortized, but instead be tested for impairment at least annually. Other intangible assets will continue to be amortized over their finite useful lives. The adoption of SFAS No. 142 had no impact on Con Edison of New York's consolidated financial position or results of operations.

In June 2002, The EITF reached a consensus on EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," that the revenue resulting from energy trading contracts, whether realized or unrealized and whether financially or physically settled, should be shown net in the income statement. The consensus also expanded disclosure requirements for energy trading activities. The new ruling is effective for the period ending after July 2002 with reclassification of prior period amounts required. The adoption of EITF Issue No. 02-3 had no impact on Con Edison of New York's consolidated financial position, results of operations or liquidity.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which Con Edison of New York is required to adopt on January 1, 2003, requires entities to record the fair value of a liability associated with an asset retirement obligation in the period incurred. When the liability is initially recorded, the entity will capitalize the cost by increasing the carrying amount of the related asset. The liability is increased to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon retirement of the asset, the entity settles the obligation for the amount recorded or incurs a gain or loss. Con Edison of New York has not yet determined the impact of this standard on its consolidated financial position, results of operations or liquidity.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which Con Edison of New York adopted on January 1, 2002, replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 requires that all long-lived assets held for sale or meeting other specified criteria be measured at the lower of book value or fair value less cost to sell. SFAS No. 144 also broadens the reporting of discontinued operations. The adoption of SFAS No. 144 had no impact on Con Edison of New York's consolidated financial position, results of operations or liquidity.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was issued in April 2002, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements." SFAS No. 145 is effective January 1, 2003. Con Edison of New York does not expect the adoption of this standard to have a material effect on its consolidated financial position, results of operations or liquidity.

This Statement also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic impact similar to sale-leaseback transactions and amends certain other authoritative pronouncements. These provisions of SFAS No. 145, adopted in

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May 2002, had no impact on Con Edison of New York's consolidated financial position, results of operations or liquidity.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which Con Edison of New York will adopt on January 1, 2003, requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 147, "Acquisitions of Certain Financial Institutions," effective October 1, 2002, provides guidance on the accounting for the acquisition of a financial institution. Con Edison of New York does not expect the adoption of these standards to have a material effect on its consolidated financial position, results of operations or liquidity.

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

	As At	
	September 30, 2002	December 31, 2001
	(Thousands of Dollars)	
ASSETS		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 724,433	\$ 703,621
Gas	295,612	292,066
Common	113,639	112,353
TOTAL	1,133,684	1,108,040
Less: accumulated depreciation	400,042	389,234
Net	733,642	718,806
Construction work in progress	21,779	27,271
NET UTILITY PLANT	755,421	746,077
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of \$2,055 and \$2,399 in 2002 and 2001 respectively	2,542	2,621
NET PLANT	757,963	748,698
CURRENT ASSETS		
Cash and cash equivalents	20,515	1,785
Customer accounts receivable, less allowance for uncollectable accounts of \$2,000 and \$2,625	47,058	44,371
Other accounts receivable	3,727	5,166
Accrued utility revenue	16,013	20,655
Gas in storage, at average cost	19,125	21,227
Materials and supplies, at average cost	5,676	5,563
Prepayments	20,692	17,776
Other current assets	9,464	11,532
TOTAL CURRENT ASSETS	142,270	128,075
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets		
Recoverable fuel costs	92,583	87,514
Deferred pension and other postretirement benefits	45,308	39,599
Deferred environmental remediation costs	30,776	40,474
Future federal income tax	37,313	35,266
Other regulatory assets	32,213	28,808
Deferred revenue taxes	6,769	6,852
Hedges on energy trading	—	1,002
TOTAL REGULATORY ASSETS	244,962	239,515
Other deferred charges and noncurrent assets	14,379	19,052
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	259,341	258,567
TOTAL	\$ 1,159,574	\$ 1,135,340

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

Orange and Rockland Utilities, Inc.

**CONSOLIDATED BALANCE SHEET
(UNAUDITED)**

As At

September 30, 2002

December 31, 2001

(Thousands of Dollars)

	September 30, 2002	December 31, 2001
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common stock	\$ 5	\$ 5
Additional paid in capital	194,499	194,499
Retained earnings	169,169	151,792
Accumulated comprehensive income	(14,887)	(10,905)
TOTAL COMMON SHAREHOLDERS' EQUITY	348,786	335,391
Long-term debt	300,860	335,771
TOTAL CAPITALIZATION	649,646	671,162
NONCURRENT LIABILITIES		
Pension and benefits reserve	97,558	85,607
Accrued environmental costs	36,303	38,417
Other noncurrent liabilities	18,670	18,619
TOTAL NONCURRENT LIABILITIES	152,531	142,643
CURRENT LIABILITIES		
Long term debt due within one year	35,000	-
Notes payable	-	16,600
Accounts payable	61,854	52,818
Accounts payable to affiliated companies	4,693	3,113
Accrued federal income and other taxes	1,411	3,302
Customer deposits	10,689	9,248
Accrued interest	8,447	6,968
Other current liabilities	3,375	6,878
TOTAL CURRENT LIABILITIES	125,469	98,927
DEFERRED CREDITS AND REGULATORY LIABILITIES		
ACCUMULATED DEFERRED FEDERAL INCOME TAX	130,934	125,108
DEFERRED INVESTMENT TAX CREDITS	6,069	6,425
Regulatory liabilities		
Pension and other benefits	2,583	6,173
Recoverable energy costs	47,618	45,008
Competition enhancement fund	10,084	10,149
Gain on divestiture	4,793	6,246
Other regulatory liabilities	9,789	8,998
TOTAL REGULATORY LIABILITIES	74,867	76,574
Deferred credits		
Hedges on energy trading	64	-
Other deferred credits	19,994	14,501
TOTAL DEFERRED CREDITS	20,058	14,501
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	231,928	222,608
TOTAL	\$ 1,159,574	\$ 1,135,340

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

Orange and Rockland Utilities, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Three Months
Ended September 30,*

	2002	2001
	<i>(Thousands of Dollars)</i>	
OPERATING REVENUES		
Electric	\$ 163,161	\$ 177,912
Gas	16,024	17,710
Non-utility	—	28
TOTAL OPERATING REVENUES	179,185	195,650
OPERATING EXPENSES		
Purchased power	74,937	97,855
Gas purchased for resale	9,518	10,302
Other operations	28,676	26,596
Maintenance	7,668	6,564
Depreciation and amortization	8,503	8,260
Taxes, other than income tax	13,930	14,117
Income taxes	11,671	10,465
TOTAL OPERATING EXPENSES	154,903	174,159
OPERATING INCOME	24,282	21,491
OTHER INCOME (DEDUCTIONS)		
Investment income	417	340
Other income	(29)	(54)
Other income deductions	(159)	(183)
Income taxes	27	779
TOTAL OTHER INCOME (DEDUCTIONS)	256	882
INCOME BEFORE INTEREST CHARGES	24,538	22,373
Interest on long-term debt	5,320	5,463
Other interest	428	483
Allowance for borrowed funds used during construction	(67)	(394)
NET INTEREST CHARGES	5,681	5,552
NET INCOME FOR COMMON STOCK	\$ 18,857	\$ 16,821

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

Orange and Rockland Utilities, Inc.

**CONSOLIDATED INCOME STATEMENT
(UNAUDITED)**

*For the Nine Months
Ended September 30,*

	2002	2001
	<i>(Thousands of Dollars)</i>	

OPERATING REVENUES					
Electric		\$	371,526	\$	438,497
Gas			108,293		158,154
Non-utility			-		62
TOTAL OPERATING REVENUES			479,819		596,713
OPERATING EXPENSES					
Purchased power			168,728		242,825
Gas purchased for resale			61,533		107,368
Other operations			84,909		84,681
Maintenance			19,825		20,176
Depreciation and amortization			25,454		24,578
Taxes, other than income tax			39,356		42,382
Income taxes			24,750		24,635
TOTAL OPERATING EXPENSES			424,555		546,645
OPERATING INCOME			55,264		50,068
OTHER INCOME (DEDUCTIONS)					
Investment income			414		1,549
Other income			175		124
Other income deductions			(554)		(702)
Income taxes			416		648
TOTAL OTHER INCOME (DEDUCTIONS)			451		1,619
INCOME BEFORE INTEREST CHARGES			55,715		51,687
INTEREST CHARGES					
Interest on long-term debt			15,885		16,483
Other interest			1,644		2,378
Allowance for borrowed funds used during construction			(191)		(923)
NET INTEREST CHARGES			17,338		17,938
NET INCOME FOR COMMON STOCK		\$	38,377	\$	33,749

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

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Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)**

	<i>As at</i>			
	<i>September 30, 2002</i>	<i>December 31, 2001</i>		
<i>(Thousands of Dollars)</i>				
BALANCE, START OF PERIOD	\$	151,792	\$	139,610
Net income for the period		38,377		40,182
TOTAL		190,169		179,792
DIVIDENDS DECLARED ON CAPITAL STOCK		(21,000)		(28,000)
BALANCE, END OF PERIOD	\$	169,169	\$	151,792

Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

*For the Three Months Ended
September 30,*

2002 **2001**

(Thousands of Dollars)

NET INCOME FOR COMMON STOCK	\$ 18,857	\$ 16,821
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Investment in marketable equity securities, net of (\$359), and (\$273) taxes, respectively	(511)	(387)
Unrealized (losses) on derivatives qualified as hedges, net of (\$1,837) and (\$1,595) taxes, respectively	(2,623)	(2,248)
Less: Reclassification adjustment for (losses) included in net income, net of (\$276) and (\$270) taxes, respectively	(394)	(289)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(2,740)	(2,346)
COMPREHENSIVE INCOME	\$ 16,117	\$ 14,475

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

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Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

*For the Nine Months Ended
September 30,*

2002 **2001**

(Thousands of Dollars)

NET INCOME FOR COMMON STOCK	\$ 38,377	\$ 33,749
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Investment in marketable equity securities, net of (\$603), and (\$552) taxes, respectively	(859)	(576)
Minimum pension liability adjustments, net of (\$166) and \$63 taxes, respectively	(238)	63
Unrealized (losses) on derivatives qualified as hedges due to cumulative effect of a effect of a change in accounting principle, net of \$0 and (\$5,709) taxes, respectively	-	(8,107)
Unrealized (losses) on derivatives qualified as hedges, net of (\$2,849) and (\$1,580) taxes, respectively	(4,068)	(2,227)
Less: Reclassification adjustment for (losses) included in net income net of (\$828) and (\$626) taxes, respectively	(1,182)	(791)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(3,983)	(10,056)
COMPREHENSIVE INCOME	\$ 34,394	\$ 23,693

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

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Orange and Rockland Utilities, Inc.

**CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

*For the Nine Months Ended
September 30,*

2002 **2001**

OPERATING ACTIVITIES			
Net income	\$	38,377	\$ 33,749
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME			
Depreciation and amortization		25,182	24,341
Amortization of investment tax credit		(356)	(354)
Federal and state income tax deferred		3,779	(4,980)
Other non-cash changes (debits)		2,164	(333)
CHANGES IN ASSETS AND LIABILITIES			
Accounts receivable - net, and accrued utility revenue		1,955	4,919
Materials and supplies, including fuel and gas in storage		1,989	(4,376)
Prepayments, other receivables and other current assets		591	3,823
Deferred recoverable fuel costs		(2,460)	(14,323)
Accounts payable		10,615	(1,680)
Refunds to customers		1,441	(1,318)
Pension and benefits reserve		11,951	11,586
Deferred environmental costs		9,697	(6,073)
Other deferred credits		5,493	16,105
Other deferred debits		3,248	(6)
Accrued interest		1,479	4,121
Hedge on energy trading		1,066	(3,004)
Other accrued taxes		(1,882)	7,168
Accrued environmental costs		(2,114)	5,691
Other regulatory assets		(3,404)	37
Other current liabilities		(3,503)	(2,361)
Other comprehensive income		(3,983)	(10,055)
Regulatory liabilities		(4,316)	(10,836)
Other long-term debt		—	1,344
Deferred Pension and OPEB		(5,709)	1,495
Other - Assets		898	2,359
Other - Liabilities		42	(528)
NET CASH FLOWS FROM OPERATING ACTIVITIES		92,240	56,511
INVESTING ACTIVITIES INCLUDING CONSTRUCTION			
Construction expenditures		(36,351)	(37,071)
Proceeds from disposition of property		441	120
NET CASH FLOWS USED IN INVESTING ACTIVITIES INCLUDING CONSTRUCTION		(35,910)	(36,951)
FINANCING ACTIVITIES INCLUDING DIVIDENDS			
Short-term debt arrangements		(16,600)	(2,970)
Dividend to parent		(21,000)	(21,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES INCLUDING DIVIDENDS		(37,600)	(23,970)
CASH AND TEMPORARY INVESTMENTS			
NET CHANGE FOR THE PERIOD		18,730	(4,410)
BALANCE AT BEGINNING OF PERIOD		1,785	8,483
BALANCE AT END OF PERIOD	\$	20,515	\$ 4,073

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

NOTES TO FINANCIAL STATEMENT (UNAUDITED) - ORANGE & ROCKLAND UTILITIES, INC.

Note A - General

These notes accompany and form an integral part of the interim consolidated financial statements of Orange and Rockland Utilities, Inc. (O&R), a wholly owned subsidiary of Consolidated Edison, Inc. (Con Edison). These financial statements are unaudited but, in the opinion of O&R's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These financial statements should be read together with the audited O&R financial statements (including the notes thereto) included in the combined Con Edison, Consolidated Edison

Note B - Environmental Matters

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 may be present in its facilities and equipment currently or previously owned.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and similar state statutes impose joint and several strict liabilities upon generators of hazardous substances for resulting removal and remedial costs and environmental damages. Liabilities under these laws can be material and in some instances may be imposed without regard to fault, or may be imposed for past acts, even though such past acts may have been lawful at the time that they occurred.

The nature of the environmental remediation costs for the sites at which O&R has been asserted to have liability for remediation under Superfund or similar state statutes, including its manufactured gas sites (O&R's Superfund Sites), include investigation, demolition, removal, storage, replacement, containment and monitoring costs. The liability accrued for O&R's Superfund Sites has been developed on a site-by-site basis without separate accounting for the specific components of the costs. For sites where there are other potentially responsible parties and the company is not managing the site investigation and remediation, the liability accrued represents the company's best estimate of what it will need to pay to settle its obligations with respect to the site. For other sites, the liability accrued represents the company's best estimate of its investigation and remediation costs for the site. In either case, the company makes its best estimate of its undiscounted liability for each site in light of the applicable remediation standards, experience with similar sites, the information it has available to it at the time about the site and site-specific assumptions about such matters as the extent of contamination and remediation and monitoring methods to be used. For some of the sites, the available information includes consultant reports that provide a probabilistic range of potential exposure. The liability accrued for O&R's Superfund Sites is reviewed at least quarterly and adjusted as determined to be necessary.

At September 30, 2002, O&R had accrued \$36.3 million as its best estimate of its liability for O&R's Superfund Sites. There will be additional liability relating to these sites and other sites. The amount of

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the additional liability is not presently determinable but may be material to O&R's financial position, results of operations or liquidity.

O&R is permitted under current rate agreements to defer for subsequent recovery through rates certain site investigation and remediation costs with respect to hazardous waste. At September 30, 2002, \$30.8 million of such costs had been deferred as a regulatory asset.

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 premises of O&R. The suits that have been resolved, which are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to the company. The amounts specified in all the remaining suits total billions of dollars. However, O&R believes that these amounts are greatly exaggerated, as experienced through the disposition of previous claims. Based on the information and relevant circumstances known to O&R at this time, these suits are not expected to have a material adverse effect on O&R's financial position, results of operations or liquidity.

Workers' compensation administrative proceedings have been commenced, wherein current and former employees claim benefits upon alleged disability from exposure to asbestos. Based on the information and relevant circumstances known to O&R at this time, these claims are not expected to have a material adverse effect on O&R's financial position, results of operations or liquidity. At September 30, 2002, O&R had accrued a \$1.6 million provision as its best estimate of its liability for these workers' compensation claims, including those related to asbestos exposure, and deferred a like amount as a regulatory asset.

In May 2000, the New York State Department of Environmental Conservation issued notices of violation to O&R and four other companies that have operated coal-fired electric generating facilities in New York State. The notices allege violations of the Federal Clean Air Act and the New York State Environmental Conservation Law resulting from the alleged failure to install pollution control equipment that would have reduced emissions of certain chemicals deemed potentially hazardous. The notice of violations received by O&R relates to the Lovett Generating Station that it sold in June 1999. O&R is unable to predict whether or not alleged violations will have a material adverse effect on its financial position, results of operations or liquidity.

Note C - Related Party Transactions

Each month O&R is invoiced by Con Edison and its affiliates for the cost of any services rendered to O&R by Con Edison and its affiliates. These services, provided primarily by Con Edison's other regulated subsidiary, Con Edison of New York, include substantially all administrative support operations, such as corporate directorship and associated ministerial duties, accounting, treasury, investor relations, information resources, legal, human resources, fuel supply and energy management services. The cost of these services totaled \$10.7 million and \$10.4 million for the nine months ended September 30, 2002 and 2001, respectively. In addition, O&R purchased \$71.8 million of natural gas and \$22.5 million of electricity from Con Edison of New York during the 2002 period and \$114.8 million of natural gas from Con Edison of New York during the 2001 period.

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O&R provides certain recurring services to Con Edison of New York on a monthly basis, including cash receipts processing and certain administrative services. The cost of these services, which are invoiced to Con Edison of New York, totaled \$8.7 million and \$8.2 million during the first nine months of 2002 and 2001, respectively.

In February 2002, the FERC authorized Con Edison of New York to lend funds to O&R, for periods of not more than 12 months, in the amounts not to exceed \$150 million at any time outstanding, at prevailing market rates. Through September 30, 2002, O&R has not borrowed any funds from Con Edison of New York.

Note D - Derivative Instrument and Hedging Activities

As of January 2001, O&R adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative

Energy Price Hedging

O&R uses derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity (hedges). As of September 30, 2002, the fair value of the derivatives for such use was \$0.1 million.

Pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," O&R defers recognition in income of gains and losses on a hedge until the underlying transactions are completed. In accordance with rate provisions that permit the recovery of the cost of purchased power, O&R credits or charges to its customers gains and losses on hedges and related transaction costs. See "Recoverable Energy Costs" in Note A to the company's financial statements included in Item 8 of the Form 10-K. Upon adoption of SFAS No. 133, O&R had no transition adjustments relating to hedges to recognize in other comprehensive income.

Interest Rate Hedging

O&R uses cash flow hedge accounting for its interest rate swap agreement. As of September 30, 2002, the fair value of the O&R interest rate swap was a loss of \$19.1 million. In connection with its \$55 million promissory note issued to the New York State Energy Research and Development Authority (the Authority) for the net proceeds of the Authority's variable rate Pollution Control Refunding Revenue Bonds, 1994 Series A (the 1994 Bonds), O&R has a swap agreement pursuant to which it pays interest at a fixed rate of 6.09 percent and is paid interest at the same variable rate as is paid on the 1994 Bonds.

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Cash flow hedges for interest rate hedging, net of tax, included in accumulated other comprehensive income for the three months ended September 30, 2002 and 2001 were as follows:

	<i>Three Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized (losses) on derivatives qualified as hedges, net of (\$1.8) and \$(1.6) taxes	\$ (2.6)	\$ (2.2)
Less: Reclassification adjustment for (losses) included in net income, net of (\$0.3) and (\$0.2) taxes	(0.4)	(0.3)
Unrealized (losses) on derivatives qualified as hedges for the period	\$ (2.2)	\$ (1.9)

Cash flow hedges for interest rate hedging, net of tax, included in accumulated other comprehensive income for the nine months ended September 30, 2002 and 2001 were as follows:

	<i>Nine Months Ended</i>	
	<i>September 30, 2002</i>	<i>September 30, 2001</i>
	<i>(Millions of Dollars)</i>	
Unrealized (losses) on derivatives qualified as hedges due to cumulative effect of a change in accounting principle, net of \$0 and (\$5.7) taxes	\$ —	\$ (8.1)
Unrealized (losses) on derivatives qualified as hedges, net of (\$2.9) and \$(1.6) taxes	(4.1)	(2.2)
Less: Reclassification adjustment for (losses) included in net income, net of (\$0.8) and (\$0.6) taxes	(1.2)	(0.8)
Unrealized (losses) on derivatives qualified as hedges for the period	\$ (2.9)	\$ (9.5)

As of September 30, 2002, \$1.1 million of after-tax losses relating to the swap agreement were expected to be reclassified from accumulated other comprehensive income to income within the next 12 months.

Note E - Financial Information by Business Segment

O&R's business segments were determined based on similarities in economic characteristics, the regulatory environment and management's reporting requirement. O&R's business segments are:

- Regulated Electric - consists of regulated utility activities relating to the transmission and distribution and sale of electricity in New York, New Jersey and Pennsylvania.
- Regulated Gas - consists of regulated utility activities relating to the transportation, distribution and sale of natural gas in New York and Pennsylvania.
- Unregulated Subsidiary - represents the operations of O&R's unregulated subsidiary in a land development business. The company is pursuing the closure of its real estate operations and is in the process of selling off remaining land holdings.

All revenues of O&R's business segments are from customers located in the United States of America. Also, all assets are located in the United States of America and are materially consistent with segment assets as disclosed in the Form 10-K.

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Common services shared by the business segments are assigned directly or allocated based on various cost factors, depending on the nature of the service provided.

The financial data for business segments are as follows:

ORANGE AND ROCKLAND UTILITIES, INC.
SEGMENT FINANCIAL INFORMATION
\$000'S

Regulated Electric

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Operating revenue	\$ 163,161	\$ 177,912	\$ 371,526	\$ 438,497
Intersegment revenues	-	-	-	12
Depreciation and amortization	6,472	6,488	19,356	18,674
Operating income	\$ 26,995	\$ 22,711	\$ 47,784	\$ 42,200

Regulated Gas

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Operating revenue	\$ 16,024	\$ 17,710	\$ 108,293	\$ 158,154
Intersegment revenues	-	-	-	-
Depreciation and amortization	2,031	1,772	6,098	5,903
Operating income	\$ (2,670)	\$ (1,031)	\$ 7,757	\$ 8,468

Unregulated Subsidiaries

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Operating revenue	\$ -	\$ 28	\$ -	\$ 62
Intersegment revenues	-	-	-	-
Depreciation and amortization	-	-	-	1
Operating income	\$ (43)	\$ (103)	\$ (277)	\$ (496)

Total

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>	<i>September 30,</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Operating revenue	\$ 179,185	\$ 195,650	\$ 479,819	\$ 596,713
Intersegment revenues	-	-	-	12
Depreciation and amortization	8,503	8,260	25,454	24,578
Operating income	\$ 24,282	\$ 21,491	\$ 55,264	\$ 50,068

Note F - New Financial Accounting Standards

On January 1, 2002, O&R adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides that goodwill (i.e., the excess of cost over fair value of the assets of a business acquired) and intangible assets with indefinite useful lives will no longer be amortized, but instead be tested for impairment at

In June 2002, EITF reached a consensus on EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," that revenue resulting from energy trading contracts, whether realized or unrealized and whether financially or physically settled, should be shown net in the income statement. The consensus also expanded the disclosure requirements for energy trading activities. The new ruling is effective for periods ending after July 2002 with reclassification of prior period amounts required. The adoption of EITF Issue No. 02-3 had no impact on O&R's consolidated financial position, results of operations or liquidity.

SFAS No. 143, "Accounting for Asset Retirement Obligations," which O&R is required to adopt on January 1, 2003, requires entities to record the fair value of a liability associated with an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity will capitalize the cost by increasing the carrying amount of the related asset. The liability is increased to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon retirement of the asset, the entity settles the obligation for the amount recorded or incurs a gain or loss. O&R has not yet determined the impact of this standard on its consolidated financial position, results of operations, or liquidity.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which O&R adopted on January 1, 2002, replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 requires that all long-lived assets held for sale or meeting other specified criteria be measured at the lower of book value or fair value less cost to sell. SFAS No. 144 also broadens the reporting of discontinued operations. The adoption of SFAS No. 144 had no impact on O&R's financial position, results of operations or liquidity.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which was issued in April 2002, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." SFAS No. 145 is effective January 1, 2003. O&R does not expect the adoption of this standard to have a material effect on its consolidated financial position, results of operations or liquidity.

This Statement also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic impacts similar to sale-leaseback transactions and amends certain other authoritative accounting pronouncement. These provisions of SFAS No. 145, adopted in May 2002, had no impact on O&R's consolidated financial position, results of operations or liquidity.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which O&R will adopt on January 1, 2003, requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 147, "Acquisitions of Certain Financial Institutions," effective October 1, 2002, provides guidance on the accounting for the acquisition of a financial institution. O&R does not expect the adoption of these standards to have a material effect on its consolidated financial position, results of operations or liquidity.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED EDISON, INC.

Consolidated Edison, Inc. (Con Edison) is a holding company that operates only through its subsidiaries and has no material assets other than the stock of its subsidiaries. Con Edison's subsidiaries include two regulated utilities: Consolidated Edison Company of New York, Inc. (Con Edison of New York) and Orange and Rockland Utilities, Inc. (O&R). Con Edison also has several unregulated subsidiaries, which accounted for 1.7 percent of consolidated net income for the nine months ended September 30, 2002 before the cumulative effect of a change in accounting principle and 7.0 percent of consolidated total assets at September 30, 2002.

The following discussion and analysis, which relates to the interim consolidated financial statements of Con Edison and its subsidiaries (including Con Edison of New York and O&R) included in Part I, Item 1 of this report, should be read in conjunction with Con Edison's Management's Discussion and Analysis of Financial Condition and Results of Operations (Con Edison's Form 10-K MD&A) in Item 7 of the combined Con Edison, Con Edison of New York and O&R Annual Reports on Form 10-K for the year ended December 31, 2001 (File Nos. 1-14514, 1-1217 and 1-4315, the Form 10-K) and Con Edison's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of the combined Con Edison, Con Edison of New York and O&R Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2002 and June 30, 2002. Reference is also made to the notes to the Con Edison financial statements in Part I, Item 1 of this report, which are incorporated herein by reference.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Con Edison's financial statements reflect the application of its accounting policies, which conform to accounting principles generally accepted in the United States of America. The company's critical accounting policies include industry-specific accounting applicable to its regulated public utility subsidiaries, and accounting for pensions and other postretirement benefits, contingencies, derivative instruments, goodwill and leases.

The application of certain of these accounting policies requires the company to use estimates. These estimates require the company to make assumptions about matters that are highly uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements.

Accounting for Regulated Public Utilities - SFAS No. 71

Con Edison's principal subsidiaries, Con Edison of New York and O&R, are regulated public utilities subject to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, are subject to the accounting requirements and rate making practices of the Federal Energy Regulatory Commission (FERC) and state public utility regulatory authorities.

SFAS No. 71 specifies the economic effects that result from the cause and effect 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 SFAS No. 71. 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 SFAS No. 71.

Con Edison's principal regulatory assets and liabilities are detailed on the company's consolidated balance sheet. The company is receiving or being credited with a return on all of its regulatory assets for which a cash outflow has been made. The company is paying or being charged with a return on all of its regulatory liabilities for which a cash inflow has been received. The company's regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

Accounting for Pensions and Other Postretirement Benefits

Con Edison provides pensions and other postretirement benefits to substantially all employees and retirees of its utility subsidiaries and certain employees of its unregulated subsidiaries. Effective January 1, 2001, the Consolidated Edison Retirement Plan for Management Employees and the Employees' Retirement Plan of Orange and Rockland Utilities, Inc. were merged into the Consolidated Edison Pension and Benefits Plan, which is treated as a single plan. Con Edison accounts for these plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions." In applying these accounting policies, the company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation and health care cost trends, and appropriate discount rates. See Notes D and E to the Con Edison financial statements included in Item 8 of the Form 10-K for information about these assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2001, 2000 and 1999.

Con Edison's pension expense for these periods was negative, resulting in a credit to and increase in net income primarily because of the amortization of previous years' net investment gains. Investment gains and losses on plan assets are fully recognized in expense over a 15-year period (20 percent of the gains and losses for each year begin to amortize in each of the following five years and the amortization period for each 20 percent portion of the gains and losses is ten years).

Expense or credit for actual pension and other postretirement benefits in future periods will depend upon actual performance and the assumptions the company makes for future periods. For example, the company estimates that a 5.0 percentage point variation in the actual annual return on pension and other postretirement benefit plan assets for 2002 would change net income by approximately \$6.0 million in 2003 (the first year of the 15-year recognition period), as compared to 2002. In addition, the company estimates that a 0.25 percentage point change in the expected annual asset return for the plans, as compared with the 9.2 percent expected annual return on plan assets assumed for purposes of calculating

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the company's pension and other postretirement benefit costs, would change net income by approximately \$9.0 million in 2003, as compared to 2002. The actual return on plan assets for the first nine months of 2002 was significantly lower than the 9.2 percent expected annual rate of return, reflecting prevailing market conditions. Con Edison is currently reviewing its assumptions for future periods. The company is considering reducing its assumptions regarding the expected return on plan assets and discount rates, which would result in additional pension expense and an increased accumulated benefit obligation (ABO) in 2003. Any resulting changes in expense would affect only Con Edison of New York and not O&R, since under the terms of its current regulatory agreements, O&R would defer as a regulatory asset any difference between expenses recognized under SFAS No. 87 and the amounts reflected in rates for such expenses.

An actuarial valuation of the plans' funded status will be performed as of December 31, 2002. The company currently expects that the fair value of its pension plan assets will continue to exceed its ABO at December 31, 2002. However, if the equity markets deteriorate further during the remainder of 2002, this expectation may not be met. In the event that the fair market value of Con Edison's pension plan assets were less than the plan's ABO, Con Edison would be required, under SFAS No. 87 and SFAS No. 132 "Employers' Disclosures about Pension and Postretirement Benefits," to accrue a liability equal in amount to the difference between the fair value of the plan assets and the ABO, plus its total accrued pension credits, through a charge to other comprehensive income (OCI). The charge to OCI, which would be net of taxes, would not affect the company's net income for common stock.

In addition, Con Edison expects that it will not be required under ERISA to make cash contributions to its pension plan during the remainder of 2002 or 2003.

Accounting for Contingencies

SFAS No. 5, "Accounting for Contingencies," applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. The company's known material contingencies include litigation relating to its October 1999 merger agreement with Northeast Utilities, proceedings relating to outages at the nuclear generating unit the company sold in 2001, workers' compensation claims, and its responsibility for hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, that have been used or generated in the course of the operations of its subsidiaries. See Notes B, C and D to the Con Edison financial statements included in Part I, Item 1 of this report. In accordance with SFAS No. 5, the company has accrued its best estimate of probable losses relating to these contingencies and no liability has been accrued where the loss is not probable or the amount of the loss cannot be reasonably estimated.

Accounting For Derivative Instruments

Con Edison's subsidiaries use derivative financial instruments to hedge market price fluctuations in related underlying transactions for the physical purchase or sale of electricity or gas and interest rate risk on certain debt securities. See "Financial Market Risks" below and Note G to the Con Edison financial statements included in Part I, Item 1 of this report.

Accounting for Goodwill

Con Edison adopted SFAS No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002. In accordance with this standard, Con Edison ceased amortizing goodwill and will test remaining goodwill balances for impairment at least annually. Con Edison completed initial goodwill impairment tests and recorded a loss of \$34.1 million (\$20.2 million after tax) as of January 1, 2002, relating to certain generation assets owned by Con Edison Development. See "New Financial Accounting Standards" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K and Note I to the Con Edison financial statements included in Part I, Item 1 of this report. In determining whether or not its goodwill was impaired, the company was required to make certain assumptions, including those related to future cash flows and discount rates.

Accounting for Leases

Con Edison applies SFAS No. 13, "Accounting for Leases" and other related accounting pronouncements to its leasing transactions. See Note J to the Con Edison financial statements included in Item 8 of the Form 10-K and Note E to the Con Edison financial statements included in Part I, Item 1 of this report.

LIQUIDITY AND CAPITAL RESOURCES

Con Edison's liquidity reflects cash flows from operating, investing and financing activities, as shown on the accompanying consolidated statement of cash flows and discussed below. As a result of these activities, unrestricted cash and temporary cash investments decreased \$188.0 million during the first nine months of 2002. In addition, \$51.0 million of the restricted cash in an escrow account was used during this period to retire short-term financing related to the company's unregulated electric generating projects.

Cash Flows from Operating Activities

Net cash flows from operating activities during the first nine months of 2002 were \$769.8 million, \$13.9 million less than the first nine months of 2001. This decrease reflects principally a change in accounts receivable, higher recoverable energy costs and reduced net income, offset in part by increased accounts payable.

The decrease in cash flow from the change in accounts receivable is due primarily to the amount of customer billings and the timing of customer payments.

Con Edison of New York's equivalent number of days of revenue outstanding (ENDRO) was 27.3 days for the 12 months ended September 30, 2002 compared with 28.9 days for the 12 months ended September 30, 2001. The decrease in ENDRO for Con Edison of New York is due to the decreases in receivables under payment agreements and on level billing accounts.

The decrease in cash flow from the change in deferred recoverable energy costs for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001 is due primarily to a relatively high recoverable energy cost balance at December 31, 2000, reflecting high energy costs in the preceding months. The decrease is also due to increase in electric prices and volumes in the period immediately proceeding September 30, 2002, which raised the balance deferred for future recovery as of

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that date. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

The increase in cash flow from the change in accounts payable for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001 is due primarily to a relatively high accounts payable balance that existed at December 31, 2000, reflecting the high fuel and purchased power costs that occurred at year end 2000. In addition, during the 2002 period, fuel and purchased power costs have increased when compared to the year-end 2001 level. The increase is also due to increased hedging activities at the unregulated companies. See discussion of electric power costs in "Results of Operations," below.

For a discussion of the decrease in net income see "Results of Operations," below.

Cash Flows Used in Investing and Financing Activities

Cash flows used in investing activity were \$771.8 million higher in the first nine months of 2002, as compared with the 2001 period, due primarily to the receipt of proceeds from generation divestiture in the 2001 period. See "Generation Divestiture" in Note I to Con Edison's financial statements included in Item 8 in the Form 10-K. In addition, utility construction expenditures increased \$35.6 million in the first nine months of 2002, compared with the first nine months of 2001, principally to meet load growth on the company's electric distribution system and to effect permanent restoration of portions of the electric, gas and steam systems in lower Manhattan following the World Trade Center attack.

Con Edison's investments in non-utility plant increased \$185.8 million during the first nine months of 2002 compared with the first nine months of 2001, principally for unregulated generation projects and fiber-optic network build-out costs.

Net cash flows from financing activities during the first nine months of 2002 increased \$209.3 million compared with the first nine months of 2001. The increase is due primarily to an increase in short-term borrowing of \$112.1 million and the issuance of \$49.8 million of common stock. The increase in short-term borrowings is due primarily to increased financing needs for Con Edison of New York's construction expenditures and increased investments in non-utility plant. During the 2002 period, Con Edison issued 1,207,885 shares of its common stock under its dividend reinvestment and employee stock plans.

In February 2002, Con Edison of New York redeemed at maturity \$150 million of 6.6 percent 9-year debentures. In April 2002, Con Edison issued long-term debt for the first time consisting of \$325 million of 7.25 percent Public Income Notes (PINES) with a 40 year maturity, callable at par after five years. In June 2002, Con Edison of New York redeemed at maturity \$150 million of variable rate 5-year debentures and issued \$300 million of non-callable 5.625 percent 10-year debentures.

In October 2002, Con Edison of New York changed the interest rate method applicable to \$224.6 million aggregate principal amount of its Facilities Revenue Bonds, Series 2001A from a variable weekly rate mode to a 10-year term mode, callable at par after three years with a 4.70 percent annual interest rate. See "Long-term Debt" in Note B to the financial statements included in Item 8 of the Form 10-K.

In October 2002, Con Edison of New York entered into a swap agreement in connection with these bonds pursuant to which the company pays interest at a variable rate equal to the three-month LIBOR and is paid interest at a fixed rate of 5.375 percent. The swap has a term of 10 years callable at par after three years.

Capital Resources and Requirements

There have been no material changes in the company's capital resources or capital requirements from those reflected in the Form 10-K. See Note E to the Con Edison financial statements included in Part I, Item 1 of this report for a discussion of the accounting for Con Edison Development's Newington Project.

In August 2002, President Bush signed into law an appropriations bill that authorizes funds for which the company is eligible to apply to recover costs it incurred in connection with the World Trade Center attack. For additional information, see "Cash Flows Used in Investing and Financing Activities," above, "Capital Resources" and "Capital Requirements" in Con Edison's Form 10-K MD&A and Note Q to the Con Edison's financial statements included in Item 8 of the Form 10-K.

Con Edison's ratio of earnings to fixed charges (for the periods ended on the date indicated) and common equity ratio (as of the date indicated) were:

	<i>Twelve months ended</i>		
	<i>Nine months ended</i>		
	<i>September 30, 2002</i>	<i>September 30, 2002</i>	<i>December 31, 2001</i>
Earnings to fixed charges	3.59	3.38	3.49
Common equity ratio*	48.9	48.9	49.8

* Common shareholders' equity as a percentage of total capitalization.

Con Edison's ratio of earnings to fixed charges decreased for the 12 month period ending September 30, 2002 compared to the 12 month period ending December 31, 2001 primarily as a result of decreased earnings. Excluding the goodwill impairment charge, due to a change in accounting principle, the ratio of earnings to fixed charges for the nine months ended September 30, 2002 would have been 3.65 and for the 12 months ended September 30, 2002 would have been 3.43.

The commercial paper of Con Edison and its utility subsidiaries is rated P-1, A-1 and F-1, respectively, by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P) and Fitch Ratings (Fitch). Con Edison's unsecured debt is rated A2, A and A-, respectively, by Moody's, S&P and Fitch. The senior unsecured debt of Con Edison's subsidiaries, Con Edison of New York and O&R, is rated A1, A+ and A+, respectively, by Moody's, S&P and Fitch. These ratings remain unchanged from those reported in the Form 10-K.

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Contractual Obligations and Commercial Commitments

At September 30, 2002 there was no material change in the company's contractual obligations and commercial commitments compared to those at December 31, 2001, other than the long-term debt transactions described under "Cash Flows Used in Investing and Financing Activities" above. Reference is made to "Contractual Obligations and Commercial Commitments" in Con Edison's Form 10-K MD&A.

REGULATORY MATTERS

In April 2002, the PSC approved a three-year Con Edison of New York gas rate agreement that reduces retail sales and transportation rates by approximately \$25 million, on an annual basis. Reference is made to "Regulatory Matters" in Con Edison's Form 10-K MD&A.

In July 2002, FERC issued a notice of proposed rulemaking on a standard market design for the wholesale electricity industry, with the goal of creating more efficient competitive electric markets. The notice proposes to establish a single open access transmission tariff that would apply to all transmission customers: wholesale, unbundled retail and bundled retail service. Other pricing, monitoring, operational and governance matters are also addressed in the notice, which the company is in the process of reviewing. For information about the company's transmission facilities, see "Con Edison of New York—Electric Supply" in Item 1 of the Form 10-K, "Regulatory Matters—Electric Supply" in Con Edison of New York's 10-K MD&A and Item 2 of the Form 10-K.

In August 2002, O&R's New Jersey utility subsidiary submitted a petition to the New Jersey Board of Public Utilities (NJBP) requesting recovery under New Jersey's 1999 Electric Discount and Energy Competition Act (EDECA) of \$110 million of electric purchased power costs in excess of amounts previously billed to customers, associated interest, and other deferred charges. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K. Recovery of these costs from customers is requested over a four-year period or pursuant to a plan to "securitize" the costs (under which O&R's subsidiary would be reimbursed these costs with the proceeds of a financing that would be repaid over time by its customers). In addition, in October 2002, the O&R subsidiary filed a request with the NJBP seeking an increase in electric rates of \$7.3 million (5.5 percent) annually, to take effect on August 1, 2003, principally to reflect the cost of electric system infrastructure improvements required for service reliability and security.

FINANCIAL MARKET RISKS

Con Edison's primary financial market risks are interest rate risk, commodity price risk, and credit risk.

The interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including utility construction expenditures and maturing debt securities. Con Edison and its subsidiaries manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. The company estimates that, as of September 30, 2002, a 10 percent variation in interest rates applicable to its variable rate debt of

approximately \$1.0 billion, would result in a change in annual interest expense of approximately \$1.8 million.

In addition, Con Edison and its subsidiaries, from time to time, enter into derivative financial instruments to hedge interest rate risk on certain debt securities. See "Interest Rate Hedging" in Note F to the Con Edison financial statements included in Part I, Item 1 of this report.

Commodity Price Risk

Con Edison's commodity price risk relates primarily to the purchase and sale of electricity, gas and related derivative instruments. The regulated and unregulated subsidiaries have risk management strategies to mitigate their related exposures. See "Energy Price Hedging" in Note F to the Con Edison financial statements included in Part I, Item 1 of this report. Also, see Item 2 in Con Edison's Form 10-K for a discussion of the Company's generating capacity.

In general, the rates the utility subsidiaries charge customers for electric, gas and steam service fluctuate with the cost of purchased power, gas purchased for resale and fuel used in the generation of steam and electricity, including gains or losses on certain derivative instruments used to hedge energy purchases and related transaction costs. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K. Con Edison estimates that, as of September 30, 2002, a 10 percent change in market prices would result in a change in fair value of approximately \$11.8 million for the derivative instruments used by its utility subsidiaries to hedge purchases of electricity and gas. The company expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased.

Con Edison's unregulated subsidiaries use a value-at-risk model to assess the market risk of their electricity and gas commodity fixed price purchase and sales commitments, physical forward contracts, and commodity derivative instruments. Value-at-risk represents the potential change in the fair value of instruments or portfolios due to changes in market factors, for a specified time period and confidence level. The unregulated subsidiaries estimate value-at-risk across their electricity and natural gas commodity businesses using a delta-normal variance/covariance model with a 95 percent confidence level. Since the value-at-risk calculation involves complex calculation methodologies, estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. The calculated value-at-risk with respect to commodity price exposure associated with contractual arrangements of the unregulated subsidiaries, assuming a one-day holding period, was approximately \$1.7 million as of September 30, 2002. The average and high values-at-risk for the nine months ended September 30, 2002 were approximately \$1.4 million and \$3.1 million respectively.

Credit Risk

Con Edison is exposed to credit risk related to over-the-counter transactions entered into primarily for the various energy supply and hedging activities for our regulated and unregulated subsidiaries. Credit risk is the loss that may result from a counterparty's nonperformance. Con Edison uses credit policies to manage its credit risk, including an established credit approval process, monitoring of counterparty

limits, master netting agreements, and credit mitigation measures such as margin, collateral, or prepayment arrangements. Con Edison 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 of setoff.

Con Edison's unregulated energy subsidiaries had \$94.8 million of credit exposure, net of collateral, at September 30, 2002, of which \$72.7 million is with investment grade counterparties and \$18.0 million is with the New York Mercantile Exchange or independent system operators.

Energy Trading Activities Accounted for at Fair Value

Unregulated subsidiaries of Con Edison engage in energy trading activities that are accounted for at fair value pursuant to Emerging Issues Task Force No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." See Note G and I to the Con Edison financial statements included in Part 1, Item 1 of this report and Note O to the Con Edison financial statements included in Item 8 of the Form 10-K. Con Edison recognized in income unrealized mark-to-market pre-tax net losses of \$3.1 million and \$4.2 million for the third quarters of 2002 and 2001, respectively, relating to these activities. For the nine months ended September 30, 2002 and 2001, Con Edison recognized in income unrealized mark-to-market pre-tax net gains of \$0.7 million and \$5.0 million, respectively, relating to these activities. The change in fair value of energy trading net assets for the three months and nine months ended September 30, 2002 were as follows:

	<i>Three Months Ended September 30, 2002</i>	<i>Nine Months Ended September 30, 2002</i>
<hr/> <i>(Millions of dollars)</i> <hr/>		
Fair value of net assets outstanding - beginning of period	\$ 15.0	\$ 11.2
Change in fair value during the period:		
Unrealized gain at inception	0.0	6.1
Changes in fair value prior to settlement	5.1	6.3

Fair value realized at settlement of contracts	(8.2)	(11.7)
Total change in fair value during the period	(3.1)	0.7
Fair value of net assets outstanding — end of period	\$ 11.9	\$ 11.9

As of September 30, 2002, the sources of fair value of the energy trading net assets were as follows:

Source of Fair Value	Fair Value of Net Assets at Period-End (Millions of Dollars)					Total Fair Value
	Maturity less than 1 year	Maturity 1 - 3 years	Maturity 4 - 5 years	Maturity in excess of 5 years		
Prices provided by external sources	\$ 10.9	\$ (0.6)	\$ —	\$ —	\$	10.3
Prices based on models and other valuation methods	(0.2)	0.3	0.7	0.8		1.6
Total	\$ 10.7	\$ (0.3)	\$ 0.7	\$ 0.8	\$	11.9

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"Prices provided by external sources" represents the fair value of exchange-traded futures and options and the fair value of positions for which price quotations are available through or derived from brokers or other market sources.

"Prices based on models and other valuation methods" represents the fair value of positions calculated using internal models when directly and indirectly quoted external prices or prices derived from external sources are not available. Internal models incorporate the use of options pricing and estimates of the present value of cash flows based upon underlying contractual terms. The models reflect management's best estimates, taking into account observable market prices, estimated market prices in the absence of quoted market prices, the risk-free market discount rate, volatility factors, estimated correlation of energy commodity prices and contractual volumes. Counterparty specific credit quality, market price uncertainty and other risks are also factored into the models.

ENVIRONMENTAL MATTERS

For information concerning potential liabilities of Con Edison arising from laws and regulations protecting the environment, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), see Note B to the Con Edison financial statements included in Part I, Item 1 of this report.

RESULTS OF OPERATIONS

Third Quarter of 2002 Compared with Third Quarter of 2001

Con Edison's net income for common stock for the third quarter of 2002 was \$283.7 million or \$1.34 a share (based upon an average of 213.2 million common shares outstanding) compared with \$277.3 million or \$1.31 a share (based upon an average of 212.2 million common shares outstanding) for the third quarter of 2001. The company's net income in the 2002 period reflects the effects of increased electric sales and deliveries due to the hot summer weather, increased earnings from the unregulated subsidiaries and reduced expenses at the parent company due to the cessation of goodwill amortization, offset in part by a charge for electric excess earnings of \$20.0 million in accordance with the Con Edison of New York's 2000 Electric Rate Agreement.

Earnings for the quarters ended September 30, 2002 and 2001 were as follows:

	2002	2001
(Millions of Dollars)		
Con Edison of New York	\$ 258.7	\$ 269.0
O&R	18.9	16.8
Unregulated subsidiaries	4.3	(2.1)
Other*	1.8	(6.4)
Con Edison	\$ 283.7	\$ 277.3

* Includes parent company expenses and goodwill amortization for the 2001 period.

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A comparison of the results of operations of Con Edison for the third quarter of 2002 with those of the third quarter of 2001 follows:

**THREE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED WITH
THREE MONTHS ENDED SEPTEMBER 30, 2001**

	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
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(Millions of Dollars)

Operating revenues	\$ (88.0)	(3.4)%
Purchased power - electric and steam	(8.1)	(0.8)
Fuel - electric and steam	(16.4)	(16.4)
Gas purchased for resale	(12.3)	(14.2)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(51.2)	(3.7)
Other operations and maintenance	(36.8)	(10.2)
Depreciation and amortization	(6.8)	(5.1)
Taxes, other than income tax	(12.4)	(4.0)
Income tax	5.1	2.9
Operating income	(0.3)	(0.1)
Other income less deductions and related federal income tax	7.3	Large
Net interest charges	1.2	1.1
Preferred stock dividends	(0.6)	(16.7)
Net income for common stock	\$ 6.4	2.3%

A discussion of Con Edison's operating revenues and operating income by business segment follows. Con Edison's principal business segments are the electric, gas and steam utility businesses of its regulated subsidiaries and the businesses of its unregulated subsidiaries. For additional information about the segments, see Note H to the Con Edison financial statements included in Part I, Item 1 of this report.

Electric

Con Edison's electric operating revenues in the third quarter of 2002 decreased \$120.3 million compared with the third quarter of 2001. The decrease reflects net revenue reductions of approximately \$57.6 million related to the sale of Con Edison of New York's nuclear generating unit in September 2001 and lower fuel and purchased power costs of \$55.9 million (discussed below). The decrease also reflects the completion on March 31, 2002 of amortization of a previously deferred gain on the sale of divested plants, a New York Power Authority (NYPA) revenue increase (\$21.7 million in total) and a charge for electric excess earnings of \$20.0 million in September 2002 in accordance with the 2000 Electric Rate Agreement. These items are offset, in part, by an increase in net electric sales and deliveries of \$22.3 million in the 2002 period due to the impact of the hot summer weather, offset in part by the impact of the softer economy. See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Notes A and I to the Con Edison financial statements included in Item 8 of the Form 10-K.

Electricity delivery volumes for Con Edison's utility subsidiaries increased 5.0 percent in the third quarter of 2002 compared with the third quarter of 2001. After adjusting for variations, principally weather and billing days in each period, electricity delivery volumes for Con Edison of New York and O&R increased 1.1 percent and 7.7 percent, respectively, in the third quarter of 2002. Weather-adjusted

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deliveries represent an estimate of the deliveries that would have been made if historical average weather conditions had prevailed.

Con Edison's electric purchased power costs decreased \$35.4 million in the third quarter of 2002 compared with the third quarter of 2001, due to a decrease in the unit price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by the increased purchased volumes resulting from the sale of Con Edison of New York's nuclear generating unit in September 2001. Fuel costs decreased \$20.4 million, reflecting decreased generation at company-owned power plants, offset in part by an increase in the unit price of fuel. In general, Con Edison's utility subsidiaries recover prudently incurred fuel and purchased power costs pursuant to rate provisions approved by the applicable state public utility commissions. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Con Edison's electric operating income decreased \$25.1 million in the third quarter of 2002 compared with the third quarter of 2001. The principal component of the decrease was a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$64.4 million. The decrease in net revenues reflects the aforementioned completion of the amortization of the gain on divested plants, NYPA revenue increase, sale of the nuclear generating unit and an electric excess earnings charge in September 2002, offset in part by an increase in net deliveries in the 2002 period due to the impact of the hot summer weather offset by the impact of the soft economy. The decrease in net revenues was offset in part by reduced other operations and maintenance expenses of \$23.6 million and decreased depreciation expense of \$7.9 million, resulting primarily from the nuclear generating unit sale.

Gas

Con Edison's gas operating revenues decreased \$10.6 million and gas operating income increased \$8.8 million in the third quarter of 2002 compared with the third quarter of 2001. The lower revenues reflect reduced sales and transportation to gas customers, resulting primarily from revenue reductions implemented in accordance with the gas rate agreement approved by the PSC in April 2002. The increase in operating income reflects reduced property tax expenses of \$10.0 million and reduced operations and maintenance expenses of \$6.0 million, offset in part by a decrease in net revenues (operating revenues less gas purchased for resale) of \$1.3 million.

Gas sales and transportation volumes for firm customers for Con Edison's utility subsidiaries decreased 2.8 percent in the third quarter of 2002 compared with the third quarter of 2001. After adjusting for variations, principally billing days in each period, firm gas sales and transportation volumes in the 2002 period

decreased 2.5 percent for Con Edison of New York and decreased 4.3 percent for O&R.

Steam

Con Edison of New York's steam operating revenues decreased \$2.0 million and steam operating income increased \$4.5 million for the third quarter of 2002 compared with the third quarter of 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased power costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the

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Form 10-K. The increase in operating income reflects an increase in net revenues (operating revenues less fuel and purchased power costs) of \$1.1 million and reduced operations and maintenance expenses of \$5.9 million, offset in part by an increase in income taxes of \$0.4 million.

Steam sales volume decreased 0.8 percent in the third quarter of 2002 compared with the 2001 period, primarily as a result of the soft economy, offset, in part, by increased sales due to the hot summer weather, as compared to the 2001 period. After adjusting for variations, principally weather and billing days in each period, steam sales volume decreased 5.4 percent.

Unregulated Businesses

Earnings for the unregulated subsidiaries increased \$6.4 million in the third quarter of 2002 compared with the third quarter of 2001. The increase is due principally to the capitalization of previously expensed project development costs on generation assets (\$4.2 million after tax) and higher electric retail sales volumes.

Other Income

Investment income decreased \$1.9 million in the third quarter of 2002 compared to the third quarter of 2001 principally due to reduced interest income earned on short-term cash investments in the 2002 period as compared to the 2001 period. For the 2001 period, Con Edison of New York had more cash on hand than the 2002 period, due primarily to the sale of its nuclear generating unit. Allowance for equity funds used during construction increased \$1.7 million in the third quarter of 2002 compared to the third quarter of 2001 as a result of the East River Re-Powering Project. Other income deductions decreased \$3.1 million principally due to reduced litigation expenses in the 2002 period as compared to the 2001 period.

Nine Months Ended September 30, 2002 Compared With Nine Months Ended September 30, 2001

Con Edison's net income for common stock for the nine months ended September 30, 2002 was \$527.7 million or \$2.48 a share (based upon an average of 212.8 million common shares outstanding) compared with \$557.1 million or \$2.63 a share (based upon an average of 212.1 million common shares outstanding) for the nine months ended September 30, 2001. Excluding the impact of a cumulative effect of a change in accounting principle, earnings for the nine months ended September 30, 2002 would have been \$547.9 or \$2.58 a share. The company's net income in the 2002 period reflects the impact of the mild winter weather and soft economy, offset in part by the hot summer weather, reduced operations and maintenance expenses, increased earnings for the unregulated subsidiaries and reduced expenses for the parent company due to the cessation of goodwill amortization.

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Earnings for the nine months ended September 30, 2002 and 2001 were as follows:

	2002	2001
	(Millions of Dollars)	
Con Edison of New York	\$ 506.5	\$ 543.7
O&R	38.4	33.7
Unregulated subsidiaries	9.3	(4.4)
Other*	(6.3)	(15.9)
Con Edison excluding cumulative effect of change in accounting principle	\$ 547.9	\$ 557.1
Cumulative effect of change in accounting principle	\$ 20.2	-
Con Edison including cumulative effect of change in accounting principle	\$ 527.7	\$ 557.1

* Includes parent company expenses and goodwill amortization for the 2001 period.

A comparison of the results of operations of Con Edison for the first nine months of 2002 with those of first nine months of 2001 follows:

	Increases (Decreases) Amount	Increases (Decreases) Percent
	(Millions of dollars)	
Operating revenues	\$ (1,076.8)	(14.4)%
Purchased power – electric and steam	(326.5)	(11.9)

Fuel – electric and steam	(146.4)	(42.9)
Gas purchased for resale	(298.1)	(41.2)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(305.8)	(8.3)
Other operations and maintenance	(156.3)	(13.6)
Depreciation and amortization	(36.1)	(8.9)
Taxes, other than income tax	(40.4)	(4.6)
Income tax	(28.2)	(7.4)
Operating income	(44.8)	(5.0)
Other income less deductions and related federal income tax	32.4	Large
Net interest charges	(2.6)	(0.8)
Preferred stock dividends	(0.6)	(5.6)
Cumulative effect of change in accounting principle	20.2	100
Net income for common stock	\$ (29.4)	(5.3)%

A discussion of Con Edison's operating revenues and operating income by business segment follows. Con Edison's principal business segments are the electric, gas and steam utility businesses of its regulated subsidiaries and the businesses of its unregulated subsidiaries. For additional information about the segments, see Note H to the Con Edison financial statements included in Part I, Item 1 of this report.

Electric

Con Edison's electric operating revenues in the nine months ended September 30, 2002 decreased \$659.8 million compared with the nine months ended September 30, 2001. The decrease reflects lower fuel and purchased power costs of \$378.1 million (discussed below). The decrease also reflects the completion on March 31, 2002, of amortizations of a previously deferred gain on the sale of divested plants and a NYPA revenue increase (\$21.7 million), a charge for electric excess earnings of \$20.0 million in September 2002, and a reserve related to the sale of Con Edison of New York's nuclear generating unit (\$16.1 million), along with the amortization of the loss (\$25.9 million) related to the sale of the

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company's nuclear generating unit. The balance of the decrease represents rate reductions and amortizations in accordance with our rate agreements. See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Electricity delivery volumes for Con Edison's utility subsidiaries increased 1.4 percent in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. After adjusting for variations, principally weather and billing days in each period, electricity delivery volumes for Con Edison of New York and O&R increased 0.3 percent and 5.6 percent, respectively, in the 2002 period.

Electric purchased power costs decreased \$323.7 million in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001, due to a decrease in the price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by the company's increased purchased volumes resulting from Con Edison of New York's sale of its nuclear generating unit in September 2001. Fuel costs decreased \$54.4 million as a result of decreased generation at company-owned plants, offset in part by an increase in the unit price of fuel. In general, Con Edison's utility subsidiaries recover prudently incurred fuel and purchased power costs pursuant to rate provisions approved by the applicable state public utility commission. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K.

Con Edison's electric operating income decreased \$50.7 million in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The principal component of the decrease was lower net revenues (operating revenues less fuel and purchased power costs) of \$282.5 million. The decrease in net revenues reflects the aforementioned completion of the amortization of the gain on divested plants, NYPA revenue increase, sale of the nuclear generating unit, an electric excess earnings charge, a reserve related to the sale of Con Edison of New York's nuclear generating unit and the amortization of the loss related to the sale of the nuclear generating unit. The decrease in net revenues is offset in part by reduced other operations and maintenance expenses (\$139.5 million), lower depreciation expense (\$35.0 million) and lower property taxes (\$4.8 million) resulting primarily from the sale in September 2001 of the company's nuclear generating unit. The decrease also reflects lower revenue taxes of \$27.3 million.

Gas

Con Edison's gas operating revenues decreased \$301.6 million, while the cost of purchased gas decreased by \$276.2 million in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The lower revenues reflect reduced sales and transportation to gas customers as discussed below. Gas operating income decreased \$2.7 million in the nine months ended September 30, 2002, reflecting a \$25.4 million decrease in net revenues (operating revenues less gas purchased for resale), and increased property tax expense (\$5.5 million), offset in part by reduced operations and maintenance expenses (\$14.8 million), and reduced revenue taxes (\$9.6 million).

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Gas sales and transportation volumes for firm customers for Con Edison's utility subsidiaries decreased 11.7 percent in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001, reflecting primarily the mild winter weather and an increase in volumes of gas purchased from other suppliers by participants in the company's Retail Choice programs. After adjusting for variations, principally weather and billing days in each period, firm gas sales and transportation volumes for Con Edison of New York and O&R decreased 0.4 percent and 7.8 percent, respectively, in the 2002 period.

A weather-normalization provision that applies to the gas business of Con Edison's utility subsidiaries moderates, but does not eliminate, the effect of weather-related changes on gas operating income.

Steam

Con Edison of New York's steam operating revenues decreased \$138.0 million and steam operating income decreased \$7.5 million for the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased steam power costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K. The decrease in operating income reflects primarily a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$31.0 million, offset in part by reduced operations and maintenance expenses of \$8.8 million and lower income taxes of \$16.1 million.

Steam sales volume decreased 13.4 percent in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001, reflecting primarily the mild winter weather and soft economy. After adjusting for variations, principally weather and billing days in each period, steam sales volume decreased 4.6 percent.

Unregulated Businesses

Earnings for the unregulated subsidiaries, before the cumulative effect of a change in accounting principle for the goodwill impairment charge, increased \$13.8 million in the nine months ended September 30, 2002, compared with the nine months ended September 30, 2001. The increase is due principally to the capitalization of previously expensed project development costs on generation assets (\$4.2 million after tax), higher electric retail sales volumes, higher retail gross margins and unrealized mark-to-market gains discussed below in Other Income, offset in part by the write-down of an unregulated subsidiary's investment in Neon Communications, Inc. (NEON) of \$5.2 million after tax. Earnings for the nine months ended September 30, 2002 decreased \$6.4 million compared with the 2001 period after the cumulative effect of a change in accounting principle. The change in accounting principle reflected a \$20.2 million after tax goodwill impairment charge associated with certain generating assets owned by Con Edison Development.

Other Income

Investment income decreased \$3.0 million in the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001 due principally to reduced interest income earned on short-term cash investments in the 2002 period as compared to the 2001 period. For the 2001 period, Con Edison of New York had more cash on hand than the 2002 period, due primarily to the sale of its

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nuclear generating unit. Allowance for equity funds used during construction increased \$7.3 million in the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001 as a result of the East River Re-Powering Project. Other income increased \$15.7 million due principally to unrealized mark-to-market gains on commodity purchase and sale transactions of \$4.8 million for Con Edison Solutions, compared to an unrealized loss of \$10.3 million for Con Edison Solutions for the nine months ended September 30, 2001. Other income deductions increased \$0.8 million due principally to the write-down of an unregulated subsidiary's investment in NEON, offset in part by reduced litigation expenses. Income tax expense decreased \$13.1 million due primarily to the recognition of tax benefits relating to the September 2001 sale of Con Edison of New York's nuclear generating unit and the write-down of the NEON investment.

Net Interest Charges

Net interest charges decreased \$2.6 million in the nine months ended September 30, 2002 compared to the 2001 period, reflecting principally decreased interest expense on long-term debt of \$13.8 million for the regulated utilities, offset in part by increased interest expense for the parent company of \$11.5 million.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED EDISON COMPANY OF NEW YORK

Consolidated Edison Company of New York, Inc. (Con Edison of New York) is a regulated utility that provides electric service to over 3.1 million customers and gas service to over 1.1 million customers in New York City and Westchester County. It also provides steam service in parts of Manhattan. All of the common stock of Con Edison of New York is owned by Consolidated Edison, Inc. (Con Edison).

This discussion and analysis should be read in conjunction with Con Edison of New York's Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in Item 7 of the combined Con Edison, Con Edison of New York and Orange and Rockland Utilities, Inc. (O&R) Annual Reports on Form 10-K for the year ended December 31, 2001 (File Nos. 1-14514, 1-1217 and 1-4315, the Form 10-K) and Con Edison of New York's MD&A in Part I, Item 2 of the combined Con Edison, Con Edison of New York and O&R Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2002 and June 30, 2002. Reference is also made to the notes to the Con Edison of New York financial statements in Part I, Item 1 of this report, which are incorporated herein by reference.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Con Edison of New York's financial statements reflect the application of its accounting policies, which conform to accounting principles generally accepted in the United States of America. The company's critical accounting policies include industry-specific accounting applicable to regulated public utilities and accounting for pensions and other postretirement benefits and contingencies.

The application of certain of these accounting policies requires the company to use estimates. These estimates require the company to make assumptions about matters that are highly uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements.

Accounting for Regulated Public Utilities—SFAS No. 71

Con Edison of New York is a regulated public utility subject to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, are subject to the accounting requirements and rate making practices of the Federal Energy Regulatory Commission (FERC) and the New York State Public Service Commission (PSC).

SFAS No. 71 specifies the economic effects that result from the cause and effect 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 SFAS No. 71. 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 SFAS No. 71.

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Con Edison of New York's principal regulatory assets and liabilities are detailed on the company's consolidated balance sheet. The company is receiving or being credited with a return on all of its regulatory assets for which a cash outflow has been made. The company is paying or being charged with a return on all of its regulatory liabilities for which a cash inflow has been received. The company's regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the PSC.

Accounting for Pensions and Other Postretirement Benefits

Con Edison of New York provides pension and other postretirement benefits to substantially all employees and retirees. The company accounts for these plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions." In applying these accounting policies, the company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation and health care cost trends, and appropriate discount rates. See Notes D and E to the Con Edison of New York financial statements included in Item 8 of the Form 10-K for information about these assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2001, 2000 and 1999.

Con Edison of New York's pension expense for these periods was negative, resulting in a credit to and increase in net income, primarily because of the amortization of previous years' net investment gains. Investment gains and losses on plan assets are fully recognized in expense over a 15-year period. (20 percent of the gains and losses for each year begin to amortize in each of the following five years and the amortization period for each 20 percent portion of the gains and losses is ten years).

Expense or credit for actual pension and other postretirement benefits in future periods will depend upon actual performance and the assumptions the company makes for future periods. For example, the company estimates that a 5.0 percentage point variation in the actual annual return on pension and other postretirement benefit plan assets for 2002 would change net income by approximately \$6.0 million in 2003 (the first year of the 15-year recognition period) as compared to 2002. In addition, the company estimates that a 0.25 percentage point change in the expected annual asset return for the plans, as compared with the 9.2 percent expected return on plan assets assumed for purposes of calculating the company's pension and other postretirement benefit costs, would change net income by approximately \$9.0 million in 2003, as compared to 2002. The actual return on plan assets for the first nine months of 2002 was significantly lower than the 9.2 percent expected annual rate of return, reflecting prevailing market conditions. Con Edison of New York is currently reviewing its assumptions for future periods. The company is considering reducing its assumptions regarding the expected return on plan assets and discount rates, which would result in additional pension expense and an increased accumulated benefit obligation (ABO) in 2003.

An actuarial valuation of the plans' funded status will be performed as of December 31, 2002. The company expects that the fair value of its pension plan assets will continue to exceed its ABO at December 31, 2002. However, if the equity markets deteriorate further during the remainder of 2002, this expectation may not be met. In the event that the fair market value of Con Edison's pension plan

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assets, both Con Edison of New York and O&R, are less than the combined plan's ABO, Con Edison of New York would be required, under SFAS No. 87 and SFAS No. 132 "Employers' Disclosures about Pension and Postretirement Benefits," to accrue a liability equal in amount to the difference between the fair value of the plan assets and the ABO, plus its total accrued pension credits through a charge to other comprehensive income (OCI). The charge to OCI, which would be net of taxes, would not affect Con Edison of New York's net income.

In addition, Con Edison of New York expects that it will not be required under ERISA to make cash contributions to its pension plan during the remainder of 2002 or 2003.

Accounting for Contingencies

SFAS No. 5, "Accounting for Contingencies," applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. The company's known material contingencies include proceedings relating to outages at the nuclear generating unit the company sold in 2001, workers' compensation claims, and its responsibility for hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs), and coal tar, that have been used or generated in the course of its operations. See Notes B and C to the Con Edison of New York financial statements included in Part I, Item 1 of this report. In accordance with SFAS No. 5, the company has accrued its best estimate of its probable losses relating to these contingencies and no liability has been accrued where the loss is not probable or the amount of the loss cannot be reasonably estimated.

LIQUIDITY AND CAPITAL RESOURCES

Con Edison of New York's liquidity reflects cash flows from operating, investing and financing activities, as shown on the accompanying consolidated statement of cash flows and discussed below. As a result of these activities, cash and temporary cash investments decreased \$222.0 million during the first nine months of 2002.

Cash Flows from Operating Activities

Net cash flows from operating activities during the first nine months of 2002 were \$568.6 million, \$209.3 million less than the first nine months of 2001. This decrease reflects principally a change in accounts receivable, higher recoverable energy costs and reduced net income offset in part, by increased accounts payable.

The decrease in cash flow from the change in accounts receivable is due primarily to the amount of customer billings and the timing of customer payments.

The company's equivalent number of days of revenue outstanding (ENDRO) was 27.3 days for the 12 months ended September 30, 2002 compared with 28.9 days for the 12 months ended September 30, 2001. The decrease in ENDRO is due to the decreases in receivables under payment agreements and level billing accounts.

The decrease in cash flow from the change in deferred recoverable energy costs for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001 is due primarily to a relatively high recoverable energy costs balance that existed at December 31, 2000, reflecting high

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energy costs in the proceeding months. The decrease is also due to increase in electric prices and volumes in the period immediately proceeding September 30, 2002, which raised the balance deferred for future recovery as of that date. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

The increase in cash flow from the change in accounts payable for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001 is due primarily to a relatively high accounts payable balance that existed at December 31, 2000, reflecting the high fuel and purchased power costs that occurred at year end 2000. During the 2002 period, fuel and purchased power costs have increased when compared to the year-end 2001 level. See discussion of electric power costs in "Results of Operations," below.

For a discussion of the decrease in net income see "Results of Operations," below.

Cash Flows Used in Investing and Financing Activities

Cash flows used in investing activity were \$584.7 million higher in the first nine months of 2002, as compared with the 2001 period, due primarily to the receipt of proceeds from generation divestiture in the 2001 period. See "Generation Divestiture" in Note I to Con Edison's financial statements included in item 8 in the Form 10-K. In addition, utility construction expenditures increased \$33.6 million in the first nine months of 2002 compared with the first nine months of 2001, principally to meet load growth on the company's electric distribution system and to effect permanent restoration of portions of the electric, gas and steam systems in lower Manhattan following the World Trade Center attack.

Net cash flows used in financing activities during the first nine months of 2002 decreased \$224.3 million compared with the first nine months of 2001, reflecting principally higher financing needs for construction expenditures at Con Edison of New York, and reduced dividend payments to the parent versus the earlier period. In September 2001 the company used the proceeds from the sale of its nuclear plant to repay all outstanding short-term borrowing. Short-term debt increased \$423.5 million for the first nine months of 2002 compared with the first nine months of 2001. The common stock dividend decreased \$64.0 million for the nine months of 2002 compared with the nine months of 2001.

In February 2002, Con Edison of New York redeemed at maturity \$150 million of 6.6 percent 9-year debentures. In June 2002, Con Edison of New York redeemed at maturity \$150 million of variable rate 5-year debentures and issued \$300 million of non-callable 5.625 percent 10-year debentures.

In October 2002, Con Edison of New York changed the interest rate method applicable to \$224.6 million aggregate principal amount of its Facilities Revenue Bonds, Series 2001A from a variable weekly rate mode to a 10-year term mode, callable at par after three years with a 4.70 percent annual interest rate. See "Long-term Debt" in Note B to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

In October 2002, Con Edison of New York entered into a swap agreement in connection with these bonds pursuant to which the company pays interest at a variable rate equal to the three-month LIBOR and is paid interest at a fixed rate of 5.375 percent. The swap has a term of 10 years callable at par after three years.

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Capital Resources and Requirements

There have been no material changes in the company's capital resources or capital requirements from those reflected in the Form 10-K. In August 2002, President Bush signed into law an appropriations bill that authorizes funds for which the company is eligible to apply to recover costs it incurred in connection with the World Trade Center attack. For additional information, see "Cash Flows Used in Investing and Financing Activities," above, "Capital Resources" and "Capital Requirements" in Con Edison of New York's Form 10-K MD&A and Note P to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's ratio of earnings to fixed charges (for the periods ended on the date indicated) and common equity ratio (as of the date indicated) were:

	<i>Twelve Months Ended</i>		
	<i>Nine Months ended</i>		
	<i>September 30, 2002</i>	<i>September 30, 2002</i>	<i>December 31, 2001</i>
Earnings to fixed charges	3.83	3.55	3.66
Common equity ratio*	47.6	47.6	47.2

* Common shareholders' equity as a percentage of total capitalization

Con Edison of New York's ratio of earnings to fixed charges decreased for the 12 month period ending September 30, 2002 compared to the 12 month period ending December 31, 2001 primarily as a result of decreased earnings.

The commercial paper of Con Edison of New York is rated P-1, A-1 and F-1, respectively, by Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P) and Fitch Ratings (Fitch). The senior unsecured debt of Con Edison of New York is rated A1, A+ and A+, respectively, by Moody's, S&P, and Fitch. These ratings remain unchanged from those reported in the Form 10-K.

Contractual Obligations and Commercial Commitments

At September 30, 2002 there was no material change in the company's contractual obligations and commercial commitments compared to those at December 31, 2001, other than the long-term debt transactions described under "Cash Flows Used in Investing and Financing Activities," above. Reference is made to "Contractual Obligations and Commercial Commitments" in Con Edison of New York's Form 10-K MD&A.

REGULATORY MATTERS

In April 2002, the PSC approved a three-year gas rate agreement that reduces retail sales and transportation rates by approximately \$25 million, on an annual basis. Reference is made to "Regulatory Matters" in Con Edison of New York's Form 10-K MD&A.

In July 2002, FERC issued a notice of proposed rulemaking on a standard market design for the wholesale electricity industry, with the goal of creating more efficient competitive electric markets. The notice proposes to establish a single open access transmission tariff that would apply to all transmission customers: wholesale, unbundled retail and bundled retail service. Other pricing, monitoring, operational and governance matters are also addressed in the notice, which the company is in the process of reviewing. For information about the company's transmission facilities, see "Con Edison of New York—

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Electric Supply" in Item 1 of the Form 10-K, "Regulatory Matters—Electric Supply" in Con Edison of New York's 10-K MD&A and Item 2 of the Form 10-K.

FINANCIAL MARKET RISKS

Con Edison of New York's primary financial market risks are interest rate risk, commodity price risk and credit risk.

Interest Rate Risk

The interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including utility construction expenditures and maturing debt securities. Con Edison of New York manages interest rates risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. The company estimates that, as of September 30, 2002, a 10 percent variation in interest rates applicable to its variable rate debt of approximately \$899.0 million, would result in a change in annual interest expense of approximately \$1.5 million.

In addition, Con Edison of New York, from time to time, enters into derivative financial instruments to hedge interest rate risk on certain debt securities. See "Interest Rate Hedging" in Note D to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

Commodity Price Risk

Con Edison of New York's commodity price risk relates primarily to the purchase and sale of electricity and gas that the company delivers to its customers. Con Edison of New York has risk management strategies to mitigate its related exposure and uses derivative instruments to hedge this price risk. See "Energy Price Hedging" in Note D to the Con Edison of New York financial statements included in Part I, Item 1 of this report. Also, see Item 2 in Con Edison's Form 10-K for a discussion of the Con Edison of New York's generating capacity.

In general, the rates Con Edison of New York charges customers for electric, gas and steam service fluctuate with the cost of purchased power, gas purchased for resale and fuel used in the generation of steam and electricity, including gains or losses on certain derivative instruments and related transaction costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York estimates that, as of September 30, 2002, a 10 percent change in market prices would result in a change in fair value of approximately \$9.5 million for the derivative instruments used by it to hedge purchases of electricity and gas. The company expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased.

Credit Risk

Con Edison of New York is exposed to credit risk related to over-the-counter transactions entered into primarily for the various energy supply and hedging activities. Credit risk is the loss that may result from a counterparty's nonperformance. Con Edison of New York uses credit policies to manage its credit risk, including an established credit approval process, monitoring of counterparty limits, master netting agreements, and credit mitigation measures such as margin, collateral, or prepayment arrangements.

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ENERGY TRADING ACTIVITIES ACCOUNTED FOR AT FAIR VALUE

Con Edison of New York has not engaged to a material extent in trading activities that are accounted for at fair value. See "Financial Market Risks," in Note O to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

ENVIRONMENTAL MATTERS

For information concerning potential liabilities of Con Edison of New York arising from laws and regulations protecting the environment, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund), see Note B to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

RESULTS OF OPERATIONS

Third Quarter of 2002 Compared with Third Quarter of 2001

Con Edison of New York's net income for common stock for the third quarter of 2002 was \$258.7 million compared with \$269.0 million for the third quarter of 2001. The company's net income in the 2002 period reflects the effects of increased electric sales and deliveries due to the hot summer weather, offset by the recording of electric excess earnings of \$20.0 million in accordance with the company's 2000 Electric Rate Agreement. A comparison of the results of operations of Con Edison of New York for the third quarter of 2002 with those of the third quarter of 2001 follows:

THREE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2001

	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
<i>(Millions of dollars)</i>		
Operating revenues	\$ (116.9)	(5.1)%
Purchased power - electric and steam	(13.8)	(1.5)
Fuel - electric and steam	(22.3)	(25.3)
Gas purchased for resale	(9.0)	(13.7)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(71.8)	(5.7)
Other operations and maintenance	(37.0)	(12.1)
Depreciation and amortization	(7.2)	(6.1)
Taxes, other than income tax	(11.8)	(4.0)
Income tax	(1.2)	(0.7)
Operating income	(14.6)	(4.0)
Other income less deductions and related income tax	(0.1)	(1.6)
Net interest charges	(3.6)	(3.7)
Preferred stock dividend requirements	(0.6)	(16.7)
Net income for common stock	\$ (10.3)	(3.8)%

A discussion of Con Edison of New York's operating revenues and operating income by business segment follows. Con Edison of New York's principal business segments are its regulated electric, gas and steam utility businesses. For additional information about the segments, see Note E to the Con Edison of New York financial statements included in Part I, Item 1 of this report.

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Electric

Con Edison of New York's electric operating revenues in the third quarter of 2002 decreased \$105.4 million compared with the third quarter of 2001. The decrease reflects net revenue reductions of approximately \$57.6 million related to the sale of the company's nuclear generating unit in September 2001 and lower fuel and purchased power costs of \$32.9 million (discussed below). The decrease also reflects the completion on March 31, 2002 of amortization of a previously deferred gain on the sale of divested plants, a New York Power Authority (NYPA) revenue increase (\$21.7 million) and a charge for electric excess earnings of \$20.0 million in September 2002 in accordance with the 2000 Electric Rate Agreement. These items are offset, in part, by an increase in sales and deliveries of \$25.3 million in the 2002 period due to the impact of the hot summer weather, offset in part by the impact of the softer economy. See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Notes A and I to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric sales and deliveries, excluding off-system sales, for the third quarter of 2002 compared with the third quarter of 2001 were:

MILLIONS OF KWHRS.

<i>Description</i>	<i>Three Months Ended September 30, 2002</i>	<i>Three Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Residential/Religious	4,218	3,871	347	9.0%
Commercial/Industrial	5,557	5,648	(91)	(1.6)
Other	64	39	25	64.1
Total Full Service Customers	9,839	9,558	281	2.9
Retail Choice Customers	3,487	3,063	424	13.8
Sub-total	13,326	12,621	705	5.6

NYPA, Municipal Agency and Other Sales	2,834	2,856	(22)	(0.8)
Total Service Area	16,160	15,477	683	4.4%

Electricity delivery volumes in Con Edison of New York's service territory increased 4.4 percent in the third quarter of 2002 compared with the third quarter of 2001. The increase in delivery volumes reflects primarily the warmer weather compared to the 2001 period. After adjusting for variations, principally weather and billing days in each period, electricity delivery volumes in the service territory increased 1.1 percent in the third quarter of 2002 compared with the third quarter of 2001. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed.

Con Edison of New York's electric purchased power costs decreased \$12.5 million in the third quarter of 2002 compared with the third quarter of 2001, due to a decrease in the unit price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by increased purchased volumes resulting from the sale of the company's nuclear generating unit in September 2001. Fuel costs decreased \$20.4 million reflecting decreased generation at company-owned power plants, offset in part by an increase in the unit price of

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fuel. In general, Con Edison of New York recovers prudently incurred fuel and purchased power costs pursuant to rate provisions approved by the PSC. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric operating income decreased \$29.3 million in the third quarter of 2002 compared with the third quarter of 2001. The principal component of the decrease was a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$72.5 million. The decrease in net revenues reflects the aforementioned completion of the amortization of the gain on divested plants, NYPA revenue increase, sale of the nuclear generating unit and an electric excess earnings charge in September 2002, offset in part by an increase in net deliveries in the 2002 period due to the impact of the hot summer weather offset in part by the softness of the economy. The decrease in net revenues was offset in part by reduced other operations and maintenance expense of \$25.8 million and decreased depreciation expense of \$7.8 million, resulting primarily from the nuclear generating unit sale.

Gas

Con Edison of New York's gas operating revenues decreased \$9.4 million, while the cost of purchased gas decreased by \$9.0 million in the third quarter of 2002 compared with the 2001 period. The lower revenues reflect reduced sales and transportation to gas customers, resulting primarily from revenue reductions implemented in accordance with the gas rate agreement approved by the PSC in April 2002.

Gas operating income increased \$10.4 million in the third quarter of 2002, reflecting reduced property tax expenses of \$10.4 million and reduced operations and maintenance expenses of \$6.9 million, offset in part, by a decrease in net revenues (operating revenues less gas purchased for resale) of \$0.4 million.

Con Edison of New York's gas sales and deliveries, excluding off-system sales, for the third quarter of 2002 compared with the third quarter of 2001 were:

THOUSANDS OF DKTHS.

<i>Description</i>	<i>Three Months Ended September 30, 2002</i>	<i>Three Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Firm Sales				
Residential	3,762	3,915	(153)	(3.9)%
General	4,449	4,890	(441)	(9.0)
Firm Transportation	2,156	1,822	334	18.3
Total Firm Sales and Transportation	10,367	10,627	(260)	(2.4)
Off Peak/Interruptible Sales	2,420	2,631	(211)	(8.0)
Transportation of Customer Owned Gas				
NYPA	9,164	6,234	2,930	47.0
Divested Plants	32,609	32,239	370	1.1
Other	4,192	4,131	61	1.5
Total Sales and Transportation	58,752	55,862	2,890	5.2%

Con Edison of New York's gas sales and transportation volumes for firm customers decreased 2.4 percent in the third quarter of 2002 compared with the third quarter of 2001. After adjusting for variations,

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principally billing days in each period, firm gas sales and transportation volumes in the company's service territory decreased 2.5 percent in the 2002 period.

The increase in non-firm transportation of customer-owned gas is attributable primarily to reduced gas prices as compared to oil prices.

Steam

Con Edison of New York's steam operating revenues decreased \$2.0 million and steam operating income increased \$4.5 million for the third quarter of 2002 compared with the third quarter of 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased power costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K. The increase in operating income reflects an increase in net revenues (operating revenues less fuel and purchased power costs) of \$1.1 million and reduced operations and maintenance expenses of \$5.9 million, offset in part by an increase in income taxes of \$0.4 million.

Con Edison of New York's steam sales and deliveries for the third quarter of 2002 compared with the third quarter of 2001 were:

MILLIONS OF POUNDS

<i>Description</i>	<i>Three Months Ended September 30, 2002</i>	<i>Three Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
General	26	21	5	23.8%
Apartment house	1,058	1,127	(69)	(6.1)
Annual power	4,717	4,698	19	0.4
Total Sales	5,801	5,846	(45)	(0.8)%

Steam sales volume decreased 0.8 percent in the third quarter of 2002 compared with the 2001 period, primarily as a result of the soft economy, offset, in part, by increased sales due to the warmer weather, as compared to the 2001 period. After adjusting for variations, principally weather and billing days in each period, steam sales volume decreased 5.4 percent.

Other Income

Investment income decreased \$1.0 million in the third quarter of 2002 compared to the 2001 period principally due to reduced interest income earned on short-term cash investments in the 2002 period as compared to the 2001 period. For the 2001 period, the company had more cash on hand than the 2002 period, due primarily to the sale of its nuclear generating unit. Allowance for equity funds used during construction increased \$1.7 million in the third quarter of 2002 compared to the 2001 period, as a result of the East River Re-Powering Project. Other income increased \$1.1 million in the third quarter of 2002 compared to the 2001 period due primarily to increased interest earned on regulatory assets. See "Application of Critical Accounting Policies - Accounting for Regulated Public Utilities - SFAS No. 71," above.

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Net Interest Charges

Net interest charges decreased \$3.6 million in the third quarter of 2002 compared to the 2001 period, reflecting principally decreased interest on long-term debt of \$4.0 million.

Nine Months Ended September 30, 2002 Compared with Nine Months Ended September 30, 2001

Con Edison of New York's net income for common stock for the nine months ended September 30, 2002 was \$506.5 million compared with \$543.7 million for the nine months ended September 30, 2001. The company's net income in the 2002 period reflects the impact of the mild winter and soft economy, partially offset by lower operating expenses and the hot summer weather.

A comparison of the results of operations of Con Edison of New York for the nine months ended September 30, 2002 with those of the first nine months of 2001 follows:

	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
	<i>(Millions of dollars)</i>	
Operating revenues	\$ (983.8)	(15.2)%
Purchased power - electric and steam	(273.8)	(12.1)
Fuel - electric and steam	(137.1)	(45.0)
Gas purchased for resale	(230.4)	(40.8)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	(342.5)	(10.2)
Other operations and maintenance	(161.4)	(16.5)
Depreciation and amortization	(32.6)	(9.1)
Taxes, other than income tax	(38.5)	(4.7)
Income tax	(44.2)	(12.3)
Operating income	(65.7)	(7.9)
Other income less deductions and related income tax	17.1	204.5
Net interest charges	(10.9)	(3.8)
Preferred stock dividend requirement	(0.6)	(5.6)
Net income for common stock	\$ (37.2)	(6.8)%

A discussion of Con Edison of New York's operating revenues and operating income by business segment follows. Con Edison of New York's principal business segments are its regulated electric, gas and steam utility businesses. For additional information about the segments, see Note E to the Con Edison of New York

Electric

Con Edison of New York's electric operating revenues in the nine months ended September 30, 2002 decreased \$593.7 million compared with the nine months ended September 30, 2001. The decrease reflects lower fuel and purchased power costs of \$304.0 million (discussed below). The decrease also reflects the completion on March 31, 2002 of amortizations of a previously deferred gain on the sale of divested plants and the NYPA revenue increase (\$21.7 million), a charge for electric excess earnings of \$20.0 million in September 2002 and a reserve related to the sale of the company's nuclear generating unit (\$16.1 million), along with the amortization of the loss (\$25.9 million) related to the sale of the

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company's nuclear generating unit. The balance of the decrease represents rate reductions and amortizations in accordance with our rate agreements. See "Recoverable Energy Costs" and "Rate and Restructuring Agreements" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric sales and deliveries, excluding off-system sales, for the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001 were:

MILLIONS OF KWHRS.

<i>Description</i>	<i>Nine Months Ended September 30, 2002</i>	<i>Nine Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Residential/Religious	9,615	9,318	297	3.2
Commercial/Industrial	14,518	15,212	(694)	(4.6)
Other	145	131	14	10.7
Total Full Service Customers	24,278	24,661	(383)	(1.6)
Retail Choice Customers	8,825	7,928	897	11.3
Sub-total	33,103	32,589	514	1.6
NYPA, Municipal Agency and Other Sales	7,730	7,846	(116)	(1.5)
Total Service Area	40,833	40,435	398	1.0%

Electricity delivery volume in Con Edison of New York's service territory increased 1.0 percent in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The increase reflects the impact of the summer heat wave, offset in part, by the mild winter weather and soft economy. After adjusting for variations, principally weather and billing days in each period, electricity sales volume in the service territory increased 0.3 percent in the 2002 period.

Con Edison of New York's electric purchased power costs decreased \$249.6 million in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001, due to a decrease in the price of purchased power and an increase in volumes of electricity purchased from other suppliers by participants in the company's Retail Choice programs, offset in part by the company's increased purchased volumes resulting from the sale of the company's nuclear generating unit in September 2001. Fuel costs decreased \$54.4 million as a result of decreased generation at company-owned power plants, offset in part by an increase in the unit price of fuel. In general, Con Edison of New York recovers prudently incurred fuel and purchased power costs pursuant to rate provisions approved by the PSC. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K.

Con Edison of New York's electric operating income decreased \$56.2 million in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The principal component of the decrease was lower net revenues (operating revenues less fuel and purchased power costs) of \$289.7 million. The decrease in net revenues reflects the aforementioned completion of the amortization of the gain on divested plants, NYPA revenue increase, sale of the nuclear generating unit, an electric excess earnings charge, a reserve related to the sale of the company's nuclear generating unit and the

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amortization of the loss related to the sale of the nuclear generating unit. The decrease in net revenues is offset in part by reduced other operations and maintenance expenses (\$140.9 million), lower depreciation expense (\$35.7 million) and lower property taxes (\$5.1 million) resulting primarily from the sale in September 2001 of the company's nuclear generating unit. The decrease also reflects lower revenue taxes of \$25.7 million.

Gas

Con Edison of New York's gas operating revenues decreased \$252.2 million, while the cost of purchased gas decreased by \$230.4 million in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The lower revenues reflect reduced sales and transportation to gas customers, resulting primarily from the mild winter and revenue reductions implemented in accordance with the gas rate agreement approved by the PSC in April 2002. Gas operating income decreased \$2.0 million in the nine months ended September 30, 2002, reflecting a \$21.8 million decrease in net revenues (operating revenues less gas purchased for resale), and increased property tax expense (\$5.2 million), offset in part by reduced operations and maintenance expenses (\$13.5 million), and reduced revenue taxes (\$11.5 million).

Con Edison of New York's gas sales and deliveries, excluding off-system sales, for the nine months ended September 30, 2002 compared with the nine months end September 30, 2001 were:

THOUSANDS OF DKTHS

<i>Description</i>	<i>Nine Months Ended September 30, 2002</i>	<i>Nine Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Firm Sales				
Residential	31,762	37,354	(5,592)	(15.0)%
General	23,934	27,762	(3,828)	(13.8)
Firm Transportation	11,593	10,950	643	5.9
Total Firm Sales and Transportation	67,289	76,066	(8,777)	(11.5)
Off-Peak/Interruptible Sales	9,376	11,261	(1,885)	(16.7)
Transportation of Customer Owned Gas				
NYPA	17,927	7,810	10,117	129.5
Divested Plants	66,836	50,882	15,954	31.4
Other	17,717	10,965	6,752	61.6
Total Sales and Transportation	179,145	156,984	22,161	14.1%

Con Edison of New York's gas sales and transportation volumes for firm customers decreased 11.5 percent in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. After adjusting for variations, principally weather and billing days in each period, firm gas sales and transportation volumes in the company's service territory decreased 0.4 percent in the 2002 period.

The decrease in Off-Peak/Interruptible sales is due primarily to the mild winter of 2002. The increase in non-firm transportation is attributable primarily to reduced gas prices as compared to oil prices.

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A weather-normalization provision that applies to Con Edison of New York's gas business moderates, but does not completely eliminate, the effect of weather-related changes on gas operating income.

Steam

Con Edison of New York's steam operating revenues decreased \$138.0 million and steam operating income decreased \$7.5 million for the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001. The lower revenues reflect reduced sales volumes and lower fuel and purchased power costs. See "Recoverable Energy Costs" in Note A to the Con Edison of New York financial statements included in Item 8 of the Form 10-K. The decrease in operating income reflects primarily a decrease in net revenues (operating revenues less fuel and purchased power costs) of \$31.0 million offset in part by reduced operations and maintenance expenses of \$8.8 million and lower income taxes of \$16.1 million.

Con Edison of New York's steam sales and deliveries for the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001 were:

MILLIONS OF POUNDS

<i>Description</i>	<i>Nine Months Ended September 30, 2002</i>	<i>Nine Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
General	414	522	(108)	(20.7)%
Apartment house	4,983	5,730	(747)	(13.0)
Annual power	12,822	14,785	(1,963)	(13.3)
Total Sales	18,219	21,037	(2,818)	(13.4)%

Steam sales volume decreased 13.4 percent in the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001, reflecting primarily the mild winter and soft economy. After adjusting for variations, principally weather and billing days in each period, steam sales volume decreased 4.6 percent.

Other Income

Investment income decreased \$1.2 million in the nine months ended September 30, 2002 compared to the 2001 period, due principally to reduced interest income earned on short-term cash investments in the 2002 period as compared to the 2001 period. For the 2001 period, the company had more cash on hand than the 2002 period, due primarily to the sale of its nuclear generating unit. Allowance for equity funds used during construction increased \$7.3 million in the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001 as a result of the East River Re-Powering Project. Other income increased \$2.6 million in the nine months ended September 30, 2002 compared to the nine months ended September 30 2001 due primarily to a \$5.3 million increase in

interest earned on regulatory assets ("Application of Critical Accounting Policies - Accounting for Regulated Public Utilities - SFAS No. 71," above), offset in part, by reduced non-utility operation (joint trenching, manhole inspection, etc.) income of \$2.0 million. Income tax expense decreased \$8.2 million in the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001 due

primarily to the recognition of tax benefits relating to the September 2001 sale of the company's nuclear generating unit.

Net Interest Charges

Net interest charges decreased \$10.9 million in the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001, reflecting principally decreased interest expense on long-term debt of \$13.2 million.

ORANGE & ROCKLAND UTILITIES, INC. MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS

Orange and Rockland Utilities, Inc. (O&R), is a wholly owned subsidiary of Consolidated Edison, Inc. (Con Edison) and meets the conditions specified in General Instruction H to Form 10-Q, which allows it to use the reduced disclosure format for wholly owned subsidiaries of companies, such as Con Edison, that are reporting companies under the Securities Exchange Act of 1934. Accordingly, this O&R Management's Narrative Analysis of the Results of Operations is included in this report, and O&R has omitted from this report the information called for by Part I, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations). Results for interim periods are not necessarily indicative of results for the entire fiscal year.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

O&R's financial statements reflect the application of its accounting policies, which conform to accounting principles generally accepted in the United States of America. The company's critical accounting policies include industry-specific accounting applicable to regulated public utilities, and accounting for pensions and other postretirement benefits and contingencies.

The application of certain of these accounting policies requires the company to use estimates. These estimates require the company to make assumptions about matters that are highly uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements.

Accounting for Regulated Public Utilities – SFAS No. 71

O&R is a regulated public utility subject to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," and, in accordance with SFAS No. 71, are subject to the accounting requirements and rate making practices of the Federal Energy Regulatory Commission (FERC) and state public utility regulatory authorities.

SFAS No. 71 specifies the economic effects that result from the cause and effect 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 SFAS No. 71. 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 SFAS No. 71.

O&R's principal regulatory assets and liabilities are detailed on the company's consolidated balance sheet. The company is receiving or being credited with a return on all of its regulatory assets for which a cash outflow has been made. The company is paying or being charged with a return on all of its regulatory liabilities for which a cash inflow has been received. The company's regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

Accounting for Pensions and Other Postretirement Benefits

O&R and its subsidiaries provide pension and other postretirement benefits to substantially all employees and retirees. The company accounts for these plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions." In applying these accounting policies, the company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation and health care cost trends, and appropriate discount rates. See Notes D and E to the O&R financial statements included in Item 8 of the Form 10-K for information about these assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2001, 2000 and 1999. Plan expense or credit in future periods will depend on the assumptions the company makes and actual performance.

In accordance with SFAS No. 71 and consistent with rate provisions approved by the applicable state public utility authorities, O&R would defer as a regulatory asset any difference between expenses recognized under SFAS No. 87 and the amounts reflected in rates for such expenses.

In the event that the fair market value of Con Edison's pension plan assets, both Con Edison of New York and O&R, are less than the combined plan's accumulated benefit obligation (ABO), O&R would be required under SFAS No. 87 and SFAS No. 132 "Employers' Disclosures about Pension and Postretirement Benefits," to accrue a liability equal in the amount to the difference between the fair value of the plan assets and the ABO, less its accrued pension liability through a charge to the other comprehensive income (OCI). The charge to OCI, which would be net of taxes, would not affect O&R's net income.

Accounting for Contingencies

SFAS No. 5, "Accounting for Contingencies," applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. The company's known material contingencies include workers' compensation claims, and its responsibility for hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, that have been used or generated in the course of its operations. See Note B to the O&R financial statements included in Part I, Item 1 of this report. In accordance with SFAS No. 5, the company has accrued its best estimate of probable losses relating to these contingencies and no liability has been accrued where the loss is not probable or the amount of the loss cannot be reasonably estimated.

REGULATORY MATTERS

In August 2002, O&R's New Jersey utility subsidiary submitted a petition to the New Jersey Board of Public Utilities (NJBP) requesting recovery under New Jersey's 1999 Electric Discount and Energy Competition Act (EDECA) of \$110 million of electric purchased power costs in excess of amounts previously billed to customers, associated interest, and other deferred charges. See "Recoverable Energy Costs" in Note A to the Con Edison financial statements included in Item 8 of the Form 10-K. Recovery of these costs from customers is requested over a four-year period or pursuant to a plan to "securitize" the costs (under which O&R's subsidiary would be reimbursed these costs with the proceeds of a financing

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that would be repaid over time by its customers). In addition, in October 2002, the O&R subsidiary filed a request with the NJBP seeking an increase in electric rates of \$7.3 million (5.5 percent) annually, to take effect on August 1, 2003, principally to reflect the cost of electric system infrastructure improvements required for service reliability and security.

In August 2002, the Pennsylvania Public Utility Commission (PPUC) approved a settlement agreement covering the rates O&R's wholly owned Pennsylvania utility subsidiary charges for energy cost recoveries. As part of this settlement, this subsidiary has agreed to terminate its Competitive Transition Charge (CTC) and not to file for an increase in delivery rates that would be effective prior to December 31, 2004. The settlement provides for an increase in the subsidiary's Provider of Last Resort (POLR) energy rates of .577 cents per kwh, inclusive of gross receipts tax, retroactive to July 1, 2002. This represents approximately a 6.0 percent increase in the subsidiary's overall rates. A potential further increase of 5.0 percent of the POLR energy rate or an addition of approximately .28 cents per kwh effective January 2005 is contingent on the actual and projected reasonable cost of energy. The settlement is estimated to increase revenues by a net \$1.4 million between September 2002 and December 2005. See Note A to the O&R financial statements included in the Form 10-K, under "Recoverable Energy Costs."

RESULTS OF OPERATIONS

O&R's net income for common stock for the nine-month period ended September 30, 2002, was \$38.4 million, \$4.6 million higher than the corresponding 2001 period. The increase in the company's net income was attributable primarily to higher electric sales volumes, which produced an additional \$11.9 million of net electric revenues and savings in financing costs of \$0.6 million. Partially offsetting these items were lower gas sales resulting in lower net gas revenues of \$1.0 million, reduced customer late payment charge revenues of \$1.5 million, higher depreciation charges related to plant additions of \$0.8 million, lower investment income of \$1.1 million and higher other taxes of \$0.5 million. Customer late payment charge revenues decreased by 45.0 percent, primarily as a result of a decrease in the cost of energy billed to customers.

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A comparison of the results of operations of O&R for the nine months ended September 30, 2002, to the nine months end September 30, 2001 follows:

<i>(Millions of Dollars)</i>	<i>Increases (Decreases) Amount</i>	<i>Increases (Decreases) Percent</i>
Operating revenues	\$ (116.9)	(19.6)%
Purchased power – electric	(74.1)	(30.5)
Gas purchased for resale	(45.8)	(42.7)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	3.0	1.2
Other operation and maintenance expenses	(0.1)	(0.1)
Depreciation and amortization	0.8	3.6
Taxes, other than income tax	(3.0)	(7.1)
Income tax	0.1	0.5
Operating income	5.2	10.4
Other income less deductions and related income tax	(1.2)	(72.1)
Net interest charges	(0.6)	(3.3)
Net income for common stock	\$ 4.6	13.7%

A discussion of O&R's operating revenues by business segment follows. O&R's principal business segments are its electric and gas utility businesses. For additional information about O&R's business segments, see Note E to the O&R financial statements included in Part I, Item 1 of this report.

Electric

Electric operating revenues decreased \$67.0 million during the nine months ended September 30, 2002, compared to the 2001 period. This decrease was primarily the result of lower purchased power and tax revenue recoveries in the 2002 period. See "Recoverable Energy Costs" in Note A to the O&R financial statements in

O&R's electric sales and deliveries, excluding off-system sales, for the nine months ended September 30, 2002 compared with the nine months ended September 30, 2001 are shown on the table below:

MILLIONS OF KWHRS

<i>Description</i>	<i>Nine Months Ended September 30, 2002</i>	<i>Nine Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Residential/Religious	1,418	1,405	13	0.9%
Commercial/Industrial	1,817	1,956	(139)	(7.1)
Other	82	81	1	1.2
Total Full Service Customers	3,317	3,442	(125)	(3.6)
Retail Choice Customers	912	560	352	62.9
Total Service Area	4,229	4,002	227	5.7%

Electric sales volumes in the nine months ended September 30, 2002, increased 5.7 percent compared to the 2001 period due to customer growth and higher average usage. After adjusting for weather variations,

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total electricity sales volumes were 5.6 percent higher in the current year. Weather-adjusted sales represent an estimate of the sales that would have been made if historical average weather conditions had prevailed. Net electric revenues (operating revenues less purchased power and associated tax recoveries) were \$11.9 million higher in the current period.

Purchased power costs decreased \$74.1 million during the first nine months of 2002 compared to the 2001 period, reflecting decreases in the unit cost of purchased power, partially offset by higher energy requirements.

Decreased electric revenues and purchased power costs also reflect increased purchases of electricity by customers from other suppliers.

Electric operating income increased \$5.6 million during the nine months ended September 30, 2002, as compared to the 2001 period. This increase reflects the impact of higher net electric revenues reduced by lower late payment charge revenues, higher depreciation costs, and taxes.

Gas

Gas operating revenues decreased \$49.9 million during the nine months ended September 30, 2002, as compared to the 2001 period. This decrease was primarily the result of lower gas costs and sales to firm customers in the 2002 period. See "Recoverable Energy Costs" in Note A to the O&R financial statements in Item 8 of the Form 10-K.

O&R gas sales and deliveries, excluding off-system sales, for the nine months ended September 30, 2002, compared with the nine months ended September 30, 2001, are shown in the table below:

THOUSANDS OF DKTHS.

<i>Description</i>	<i>Nine Months Ended September 30, 2002</i>	<i>Nine Months Ended September 30, 2001</i>	<i>Variation</i>	<i>Percent Variation</i>
Firm Sales				
Residential	6,803	8,993	(2,190)	(24.4)%
General	2,251	2,909	(658)	(22.6)
Firm Transportation	3,980	2,991	989	33.1
Total Full Sales and Transportation	13,034	14,893	(1,859)	(12.5)
Off Peak/Interruptible Sales	5,418	5,194	224	4.3
Transportation of Customer Owned Gas				
Divested Plants	11,400	9,270	2,130	23.0
Other	708	740	(32)	(4.3)
Total Sales and Transportation	30,560	30,097	463	1.5%

Total firm gas sales volumes in the nine months ended September 30, 2002 decreased 12.5 percent compared to the 2001 period. O&R's revenues from gas sales in New York are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income. After

adjusting for weather variations in each period, total firm sales and transportation volumes were 7.8 percent lower for the 2002 period compared to the 2001 period.

The cost of gas purchased for resale decreased \$45.8 million in the 2002 period compared to the 2001 period, due to the lower sales volumes and unit costs.

Decreased gas revenues and cost of gas purchased for resale in the 2002 period, compared to the 2001 period, also reflect purchases of gas by customers from other suppliers.

Gas operating income decreased by \$0.7 million for the nine months ended September 30, 2002, compared to the 2001 period, due primarily to lower net revenues and higher depreciation charges.

Taxes Other Than Income Taxes

Taxes other than income taxes decreased by \$3.0 million in the 2002 period compared to the 2001 period. The decrease was primarily the result of lower New York State revenue taxes, which resulted from reduced tax rates and lower energy costs billed to customers of \$3.5 million. Partially offsetting this decrease were higher property taxes of \$0.5 million.

Other Income

Other income decreased \$1.2 million in the 2002 period compared to the 2001 period, due primarily to lower earnings on short-term investments during the current year.

Net Interest Charges

Interest charges decreased by \$0.6 million in the 2002 period compared to the 2001 period reflecting lower average debt balances and interest rates in the 2002 period, offset in part by lower allowance for borrowed funds used during construction.

Income Taxes

Income taxes increased by a net of \$0.1 million in the 2002 period compared to the 2001 period, due to higher income in the current period. Higher federal income taxes were partially offset by lower state income taxes. State income taxes decreased primarily as a result of a 0.5 percent drop in the tax rate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Con Edison

For information about Con Edison's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial Market Risks" in Con Edison's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part 1, Item 2 of this report and Item 7A of the combined Con Edison, Con Edison of New York and O&R Annual Report on Form 10-K for the year ended December 31, 2001 (the Form 10-K), which information is incorporated herein by reference.

Con Edison of New York

For information about Con Edison of New York's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial Market Risks" in Con Edison of New York's Management's Discussion and Analysis of Financial Condition and Results of Operations in Part 1, Item 2 of this report and Item 7A of the Form 10-K, which information is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

Con Edison

Based upon their evaluation of Con Edison's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended) within 90 days of the filing date of this report, Con Edison's principal executive officer and principal financial officer have concluded that these controls and other procedures are effective to provide reasonable assurance that the information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. There have been no significant changes in Con Edison's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Con Edison of New York

Based upon their evaluation of Con Edison of New York's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended) within 90 days of the filing date of this report, Con Edison of New York's principal executive officer and principal financial officer have concluded that these controls and other procedures are effective to provide reasonable assurance that the information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. There have been no significant changes in Con Edison of New York's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

O&R

Based upon their evaluation of O&R's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended) within 90 days of the filing date of this report, O&R's principal executive officer and principal financial officer have concluded that these controls and other procedures are effective to provide reasonable assurance that the information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. There have been no significant changes in O&R's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements, intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectation and not facts. Words such as "expects," "estimates," "anticipates," "intends," "plans," "will" and similar expressions identify forward-looking statements.

Actual results or developments might differ materially from those included in the forward-looking statements because of various factors such as:

- continued restructuring of the regulated public utility, unregulated energy and telecommunications industries;
- competition, including competition in the energy supply, trading and services businesses;
- operating performance and condition of the company's energy delivery systems, generating assets and fiber optic communications network;
- success of completion of ongoing construction projects;
- legal proceedings relating to hazardous substances, the nuclear generating plant that the company sold in 2001 and Northeast Utilities (see Notes B, C and D to the Con Edison financial statements in Part 1, Item 1 of this report);
- wholesale energy markets, including availability, sufficiency and cost of energy and capacity and the effectiveness of the company's efforts to manage its risks in these markets;
- capital markets, including availability, sufficiency and cost of liquidity and credit facilities and the effectiveness of the company's efforts to manage its risks in these markets;
- availability, sufficiency and cost of other services and goods used in Con Edison's business, including insurance coverage;
- investment returns on the assets of the company's pension and other post-employment benefit plans and actual experience regarding the plans' other actuarial assumptions (see Notes D and E to the Con Edison financial statements in Item 8 of the Form 10-K);
- employee matters, including changes in key executives and collective bargaining with union employees;
- economic conditions, including recession, inflation or deflation;
- technological developments;
- weather, including its effects on the company's sales and facilities;
- laws, regulations or regulatory policies, including those relating to taxes or fees, the environment and any that would adversely effect the ability of the company's regulated utility subsidiaries to operate or recover costs from their customers;

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- public policy doctrines;
- accounting matters, including changes in policies, principles and interpretations thereof generally accepted in the United States of America;
- acts of war or terrorism; and
- other presently unknown or unforeseen factors.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Con Edison

Northeast Utilities

For information about legal proceedings relating to Con Edison's October 1999 agreement to acquire Northeast Utilities, see Note D to the Con Edison financial statements included in Part 1, Item 1 of this report (which information is incorporated herein by reference).

Newington Project

For a description of the Newington Project, see Note E to the Con Edison financial statements included in Part 1, Item 1 of this report and Note J to the Con Edison financial statements included in Item 8 of the Form 10-K (which information is incorporated herein by reference). In September 2002, Duke/Fluor Daniel, the general contractor for the Newington Project, initiated an arbitration proceeding with respect to its contract claims for an additional payment to it of approximately \$89 million for alleged project costs and a 176 day extension of the project's scheduled substantial completion date. In September 2002, the unregulated subsidiary of Con Edison developing the project commenced an action in the Supreme Court of the State of New York (County of New York; I.A.S. Part) entitled *Hawkeye Funding, Limited Partnership v. Duke/Fluor Daniel*, seeking to adjudicate certain contract disputes with the general contractor. In September 2002, the general contractor commenced an action in Superior Court in the State of New Hampshire (Rockingham County), entitled *Duke/Fluor Daniel v. Hawkeye Funding, Limited Partnership*, seeking to obtain a lien on the project as security for the payment of its claim for additional project costs.

Con Edison of New York

Nuclear Generation

For information about legal proceedings relating to the nuclear generating unit that Con Edison of New York sold in 2001, see Note C to the Con Edison of New York financial statements included in Part 1, Item 1 of this report (which information is incorporated herein by reference).

Manufactured Gas Sites

Reference is made to "Con Edison of New York—Superfund—Manufactured Gas Sites" in Item 3 of the Form 10-K. In August 2002, Con Edison of New York entered into a voluntary cleanup agreement with the New York State Department of Environmental Conservation providing for the investigation and cleanup of the manufactured gas sites.

Employees' Class Action

Reference is made to "Con Edison of New York—Employees' Class Action" in Item 3 of the Form 10-K and Part II, Item 1 of the combined Con Edison, Con Edison of New York and O&R Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002.

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ITEM 5. OTHER INFORMATION

In October 2002, the Audit Committee of the Board of Directors of Con Edison approved the appointment of PricewaterhouseCoopers, LLP (PwC) as independent accountants for the company for 2003 (subject to Board and shareholder approval) and the proposed PwC services and fees for 2003. The services approved, included non-audit services for which PwC was originally engaged in 1999, consisting of assistance in review, and claim for refund, of state use taxes paid by O&R on purchases of goods and services. The fee for such services will be based upon tax refunds actually received by O&R and is not expected to exceed \$90,000. This information has been included in this report in accordance with Section 10A(i)(2) of the Securities Exchange Act of 1934, as amended.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Con Edison

Exhibit 10.1.1	Consolidated Edison, Inc. Deferred Stock Compensation Plan for Non-Officer Directors, effective July 1, 2002.
Exhibit 10.1.2.1	The Consolidated Edison Retirement Plan, effective January 1, 2001.
Exhibit 10.1.2.2	Amendment No. 1 to the Consolidated Edison Retirement Plan.
Exhibit 10.1.3	The Consolidated Edison Thrift Savings Plan, as amended effective May 8, 2002.
Exhibit 12.1	Statement of computation of Con Edison's ratio of earnings to fixed charges for the nine and twelve-month periods ended September 30, 2002 and the year ended December 2001.
Exhibit 99.1.1	Certification of chief executive officer required under Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 99.1.2	Certification of chief financial officer required under Section 906 of the Sarbanes-Oxley Act of 2002.

Con Edison of New York

Exhibit 4.2.1	Supplemental Indenture of Trust, dated as of October 1, 2002, to Indenture of Trust, dated as of June 1, 2002, between New York State Energy Research and Development Authority (NYSERDA) and The Bank of New York, as trustee.
Exhibit 4.2.2	Supplemental Participation Agreement, dated as of October 1, 2002, to Participation Agreement,

dated as of June 1, 2001 between NYSERDA and Con Edison of New York.

- Exhibit 12.2 Statement of computation of Con Edison of New York's ratio of earnings to fixed charges for the nine and twelve-month periods ended September 30, 2002 and the year ended December 2001.
- Exhibit 99.2.1 Certification of chief executive officer required under Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 99.2.2 Certification of chief financial officer required under Section 906 of the Sarbanes-Oxley Act of 2002.

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O&R

- Exhibit 99.3.1 Certification of chief executive officer required under Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 99.3.2 Certification of chief financial officer required under Section 906 of the Sarbanes-Oxley Act of 2002.

(b) REPORTS ON FORM 8-K

Con Edison

Con Edison filed a Current Report on Form 8-K, dated August 12, 2002, reporting (under Item 9), that its principal executive officer and principal financial officer each delivered to the Securities and Exchange Commission a statement in writing, under oath, in the form of Exhibit A to the Commission's Order No. 4-460.

Con Edison of New York

Con Edison of New York filed no Current Reports on Form 8-K during the quarter ended September 30, 2002.

O&R

O&R filed no Current Reports on Form 8-K during the quarter ended September 30, 2002.

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Signatures

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

Consolidated Edison, Inc.

Consolidated Edison Company of New York, Inc.

DATE: November 13, 2002

By: /s/ JOAN S. FREILICH

Joan S. Freilich
Executive Vice President, Chief Financial Officer
and Duly Authorized Officer

Orange and Rockland Utilities, Inc.

DATE: November 13, 2002

By: /s/ EDWARD J. RASMUSSEN

Edward J. Rasmussen
Vice President, Chief Financial Officer
and Duly Authorized Officer

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Certifications

CON EDISON—Principal Executive Officer

I, Eugene R. McGrath, the principal executive officer of Consolidated Edison, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consolidated Edison, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this

quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 13, 2002

/s/ EUGENE R. MCGRATH

Eugene R. McGrath
Chairman, President and Chief Executive Officer

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CON EDISON—Principal Financial Officer

I, Joan S. Freilich, the principal financial officer of Consolidated Edison, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consolidated Edison, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 13, 2002

/s/ JOAN S. FREILICH

Joan S. Freilich
Executive Vice President and Chief Financial Officer

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CON EDISON OF NEW YORK—Principal Executive Officer

I, Eugene R. McGrath, the principal executive officer of Consolidated Edison Company of New York, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consolidated Edison Company of New York, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 13, 2002

/s/ EUGENE R. MCGRATH

CON EDISON OF NEW YORK—Principal Financial Officer

I, Joan S. Freilich, the principal financial officer of Consolidated Edison Company of New York, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consolidated Edison Company of New York, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 13, 2002

/s/ JOAN S. FREILICH

Joan S. Freilich
Executive Vice President and Chief Financial Officer

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O&R—Principal Executive Officer

I, Stephen B. Bram, the principal executive officer of Orange and Rockland Utilities, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orange and Rockland Utilities, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 13, 2002

/s/ STEPHEN B. BRAM

Stephen B. Bram
President and Chief Executive Officer

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O&R—Principal Financial Officer

I, Edward J. Rasmussen, the principal financial officer of Orange and Rockland Utilities, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orange and Rockland Utilities, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a)

all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 13, 2002

/s/ EDWARD J. RASMUSSEN

Edward J. Rasmussen
Vice President and Chief Financial Officer

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CONSOLIDATED EDISON INC.
 DEFERRED STOCK COMPENSATION PLAN
 FOR NON-OFFICER DIRECTORS

EFFECTIVE JULY 1, 2002

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CONSOLIDATED EDISON INC.
 DEFERRED STOCK COMPENSATION PLAN
 FOR NON-OFFICER DIRECTORS

ARTICLE 1. INTRODUCTION

- 1.1 Establishment. Consolidated Edison Inc. (the "Company") terminated the Consolidated Edison Company of New York, Inc. Retirement Plan for Trustees ("Retirement Plan") and the Consolidated Edison, Inc. Restricted Stock Plan for Non-Employee Directors effective June 30, 2002, and hereby establishes the Consolidated Edison Inc. Deferred Stock Compensation Plan for Non-Officer Directors (the "Plan") for those Directors of the Company who are not employees or officers of the Company. The Plan allows Non-Officer Directors to defer receipt of cash compensation and to receive such deferred compensation in the form of Shares of Common Stock of the Company.
- 1.2 Purpose. The Plan is intended to advance the interests of the Company and its stockholders by providing a means to attract and retain qualified persons of superior talent, ability and achievement to serve as

Non-Officer Directors, and to promote their ownership of a greater proprietary interest in the Company, thereby aligning such Directors' interests more closely with the interests of the Company's stockholders.

1.3 Effective Date. The Plan is effective as of July 1, 2002.

ARTICLE 2. DEFINITIONS

- 2.1 "Affiliate" means any company which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which also includes as a member the Company; any trade or business under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o).
- 2.2 "Annual Meeting" means the annual meeting of the stockholders of the Company.
- 2.3 "Board" means the Board of Directors of the Company.
- 2.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 2.5 "Committee" means the Nominating Committee of the Board, unless the Board designates another committee of the Board to administer the Plan.
- 2.6 "Company" means Consolidated Edison, Inc., its successors or assigns.
- 2.7 "Compensation" means all or part of any board and committee chair retainer, and board and committee meeting fees payable to a Non-Officer Director in his or her capacity as a Non-Officer Director. Compensation shall not include any expenses paid directly through reimbursement.
- 2.8 "Common Stock" means the Company's common stock, \$.10 par value.
- 2.9 "Deferral Election Form" means a written election to defer cash distribution of dividend equivalents, and/or to defer Compensation pursuant to the terms of the Plan (APPENDIX A).
- 2.10 "Director" means any member of the Board.
- 2.11 "Distribution Election Form" means a written election to distribute Stock Units pursuant to the terms of the Plan (APPENDIX B).
- 2.12 "Effective Date" means July 1, 2002.
- 2.13 "Fair Market Value" means, as of any specified date, the closing price of a Share in the Consolidated Reporting System as reported in the Wall Street Journal or in a similar readily available public source for the trading day immediately prior to the applicable transaction date. If no trading of Shares occurred on such date the closing price of a Share in such system as reported for the preceding day on which sales of Shares occurred shall be used.
- 2.14 "Grant" means a grant of Stock Units under this Plan.
- 2.15 "Non-Officer Director" means a Director of the Company who is not also an officer or employee of the Company or any of its subsidiaries or affiliates.
- 2.16 "Plan Participant" means a person who was a Non-Officer Director on July 1, 2002 or who becomes a Non-Officer Director thereafter, until his or her Termination of Service.
- 2.17 "Plan" means the Consolidated Edison, Inc. Deferred Stock Compensation Plan for Non-Officer Directors, as it may be amended from time to time.
- 2.18 "Service" means a Non-Officer Director's service on the Board.
- 2.19 "Shares" means shares of Common Stock.
- 2.20 "Stock Units" means the units in which a Non-Officer Director's Account is denominated. A Stock Unit is an unsecured obligation of the Company that is intended to represent the economic equivalent of one Share.
- 2.21 "Stock Unit Account" means the bookkeeping account established by the Company pursuant to Article 7 (Stock Units and Accounts).

2.22 "Subsidiary" means any corporation, partnership, joint venture, limited liability company, or other entity in which the Company owns securities or interests representing a majority of the aggregate voting power.

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2.23 "Termination of Service" means termination of Service as a Director.

ARTICLE 3. ADMINISTRATION

3.1 GENERAL. The Nominating Committee of the Board shall administer the Plan, unless the Board designates itself or another committee to administer the Plan. Except as may be limited by law, the articles of incorporation or by-laws of the Company, or the Plan, the Committee shall have full and final authority, power, and discretion to construe and interpret the Plan and any Grant, to make all rules, regulations and other determinations which may be necessary or advisable for the administration of the Plan. To the extent permitted by law, the Committee shall have the authority to delegate administrative duties to officers or Directors of the Company.

3.2 DECISIONS BINDING. All determinations and decisions made by the Committee under the Plan shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Plan Participants, and their respective estates and beneficiaries.

ARTICLE 4. SHARES SUBJECT TO PLAN

4.1 Shares delivered pursuant to the Plan may include authorized but unissued shares, treasury shares, or shares that the Company may cause to be purchased on the market to satisfy its obligations under the Plan.

4.2 In the event of any stock split, re-capitalization, merger, consolidation, reorganization, or similar corporate transaction or event that affects Shares such that an adjustment is determined by the Board or Committee to be appropriate to prevent dilution or enlargement of Plan Participants' rights under the Plan, then the Board or Committee shall, in a manner that is proportionate to the change to the Share and is otherwise equitable, adjust the number or kind of Shares to be delivered upon settlement of Stock Unit Accounts under Article 7 (Stock Units and Accounts). Such decision made by the Board or Committee shall be conclusive and binding for all purposes of the Plan.

ARTICLE 5. ELIGIBILITY

5.1 Any person who is or who becomes a Non-Officer Director of the Company on or after the Effective Date shall be eligible to receive a benefit under the Plan.

ARTICLE 6. STOCK UNIT GRANTS

6.1 INITIAL ACCOUNT BALANCE. The Retirement Plan was terminated effective June 30, 2002. Each Non-Officer Director who was a participant in the Retirement Plan prior to June 30, 2002 and who became a Participant in this Plan on July 1, 2002, shall be granted Stock Units equal to the net accrued value of his or her benefit under the Retirement Plan as of June 30, 2002 as determined by the Company. The value of the accrued benefit is calculated using the actuarial present value of the accrued benefit under the Retirement Plan using an annual discount rate of five percent and using the 1983 Group Annuity Mortality Unisex Table. These Plan Participants no longer have a right to any benefits under the Retirement Plan.

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6.2 ADJUSTMENT GRANT. Each Non-Officer Director who became a Plan Participant in this Plan on July 1, 2002, shall be granted 400 Stock Units on July 1, 2002. These units represent the approximate value the Plan Participant would have accrued under the Retirement Plan from the date of conversion (June 30, 2002) through the end of 2002.

6.3 ANNUAL GRANTS. Commencing in calendar year 2003, each Plan Participant shall be granted 1,300 Stock Units on the first business day after each Annual Meeting. If a Non-Officer Director is first appointed as a member of the Board after the Annual Meeting, his or her first Annual Grant of Stock Units (rounded to the nearest one hundred Stock Units) shall be determined by multiplying 1,300 by the result from dividing the number of months before the next Annual Meeting by twelve. The Board upon recommendation of the Committee may change the Annual Grant.

- 6.4 AUTOMATIC DEFERRAL. The Stock Units granted pursuant to this Article 6 (Stock Unit Grants) shall be automatically deferred until the Plan Participant's Termination of Service.

ARTICLE 7. STOCK UNITS AND ACCOUNTS

7.1 ACCOUNTS. The Company shall create and maintain on its books one or more Stock Unit Accounts for each Plan Participant to which shall be credited all Stock Units that may be attributed to such Plan Participant from time to time in connection with (i) Grants of Stock Units pursuant to Article 6 (Stock Unit Grants), (ii) deferrals of Compensation by such Plan Participant pursuant to Article 8 (Voluntary Deferrals), or (iii) dividend equivalents pursuant to Section 7.3 of this Article. Accounts shall be maintained solely for accounting purposes and shall not require a segregation of any assets of the Company.

7.2 VESTING. Stock Units granted pursuant to Sections 6.1, 6.2, and 6.3, shall become vested upon the date of the Grant. Stock Units credited to a Plan Participant's Account by reason of his or her election to defer Compensation pursuant to Article 8 (Voluntary Deferrals) shall be vested as of the date the Compensation would have been paid. Stock Units resulting from the crediting of dividend equivalents to a Plan Participant's Account(s) pursuant to Section 7.3 shall be vested on the Dividend Payment Date.

7.3 DIVIDEND EQUIVALENTS. A. Dividend equivalents shall be earned on Stock Units and credited to a Plan Participant's Account as of any date (a "Dividend Payment Date") on which the Company pays any dividend on outstanding Shares (a "Dividend"). Such dividend equivalents shall be expressed as a number of Stock Units equal to:

- (i) The number of Stock Units credited to a Plan Participant's Account as of the record date for such Dividend multiplied by the value of the per share cash amount of the Dividend (or as determined by the Committee in the case of Dividends paid other than in cash),

DIVIDED BY:

- (ii) The Fair Market Value of a Share as of the Dividend Payment Date.

B. All dividend equivalents earned on Stock Units whether resulting from Stock Unit Grants pursuant to Article 6 (Stock Unit Grants) or resulting from Voluntary Deferrals of

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Compensation pursuant to Article 8 (Voluntary Deferrals) shall be automatically deferred until the Plan Participant's Termination of Service to the Company, unless an election pursuant to Section 7.3C is timely made to receive some or all of the dividend equivalents in cash payments.

C. An election to receive some or all of the dividend equivalents in cash payments must be made by December 31 of a calendar year by written notice filed with the Secretary of the Company on a form ("Deferral Election Form") furnished by the Company. (APPENDIX A - Part I). The election is valid for the following calendar year and remains in effect until modified or revoked by a new Deferral Election Form filed with the Secretary of the Company, which new Deferral Election Form shall take effect in the year following the year of receipt.

D. An election to receive cash payments on dividend equivalents that may become payable to the Plan Participant on Stock Units prior to December 31, 2002 must be made before September 1, 2002 and such election remains in effect for dividends declared in subsequent calendar years until revoked or until a new Deferral Election Form is filed with the Secretary of the Company in accordance with Section 7.3C.

7.4 TIMING AND METHOD OF PAYMENT.

A. All payments on account of Stock Units shall be made in Shares.

B. The Stock Units granted pursuant to Article 6 (Stock Unit Grants) shall be paid in Shares to a Plan Participant in a single one-time payment of Shares (rounded to the whole Share) as soon as practicable following his or her Termination of Service, except that the Plan Participant may elect to be paid his or her Shares in equal quarterly distributions for up to 10 years following the termination of his or her Service by filing with the Secretary of the Company a form

("Distribution Election Form") as set forth in APPENDIX B no later than December 31 of the year preceding such Plan Participant's Termination of Service. If this election is made, dividend equivalents shall continue to be earned on the remaining Stock Units in the Participant's Account until all Shares have been distributed. The dividend equivalents that are earned during this payment period shall be distributed as cash payments, regardless of any prior election to have dividend equivalents deferred and reinvested in Stock Units.

C. The Stock Units resulting from deferrals of Compensation pursuant to Article 8 (Voluntary Deferrals) shall be deferred until Termination of Service except that the Plan Participant may elect to defer receipt of his or her Shares to the January 1 that is at least five years from the date on which the Stock Units were deferred by filing a Deferral Election Form (APPENDIX A - Part II) in accordance with the procedures set forth in Section 8.4. However, no deferral can extend longer than the Plan Participant's date of Termination of Service. Stock Units resulting from deferrals pursuant to Article 8 (Voluntary Deferrals) will be paid in Shares to a Plan Participant in a single one-time payment of Shares (rounded to the whole Share) as soon as practicable following the date specified in the Deferral Election Form or the date of his or her Termination of Service. If, however, a Plan Participant has elected to defer receipt until his or her Termination of Service, he or she may elect to be paid his or her Shares in equal quarterly distributions for up to 10 years following the termination of his or her Service by filing with the Secretary of the Company a form ("Distribution Election Form") as set forth in APPENDIX B no later than December 31 of the year preceding such Plan Participant's

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Termination of Service. If this election is made, dividend equivalents shall continue to be earned on the remaining Stock Units in the Participant's Account until all Shares have been distributed. The dividend equivalents that are earned during this payment period shall be distributed as cash payments regardless of any prior election to have dividend equivalents deferred and reinvested in Stock Units.

D. The Stock Units resulting from dividend equivalent deferrals pursuant to Section 7.3 shall be paid in Shares (rounded to the whole Share) to a Plan Participant in accordance with Section 7.4B. above.

E. The Committee may, in its discretion and to the extent consistent with laws and regulations, give effect to a Deferral Election Form or a Distribution Election Form that is not timely made.

ARTICLE 8. VOLUNTARY DEFERRALS

- 8.1 DEFERRAL ELECTION. A Plan Participant may elect to defer receipt of all or any specified portion of any Compensation that may become payable to him or her and to have such amounts credited to his or her Stock Unit Account in accordance with Section 7.1 of this Plan. In addition, Plan Participants retain the right to at any time defer receipt of all or any specified portion of any Compensation that may become payable to him or her into an interest-bearing account pursuant to the terms of the Deferred Compensation Plan for Members of the Board of Trustees of Consolidated Edison Company of New York, Inc. If no election to defer receipt of Compensation is made, Compensation will be paid currently and will be taxable.
- 8.2 DEFERRALS CREDITED TO ACCOUNT. Any Compensation deferred by a Plan Participant pursuant to this Article 8 (Voluntary Deferrals) shall be allocated to his or her Stock Unit Account and deemed to be invested in a number of Stock Units equal to (i) the amount of such Compensation DIVIDED BY (ii) the Fair Market Value of a Share on the date Compensation would otherwise have been paid.
- 8.3 PAYMENT AND DISTRIBUTION OF DEFERRALS. The timing and method of payment and distribution the Stock Units resulting from the voluntary deferral of compensation will be in accordance with Section 7.4C.
- 8.4 TIMING OF DEFERRAL ELECTION.

A. A deferral election may be made by written notice filed with the Secretary of the Company on a Deferral Election Form (APPENDIX A - Part II):

- (i) on or before the September 1, 2002 (covering Compensation to be earned before the end of 2002);

(ii) no more than 30 days after a Plan Participant is first elected or appointed to the Board (covering Compensation to be earned for the remainder of the year);

(iii) on or before the end of any calendar year (covering Compensation to be earned the following calendar year);

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(iv) on or before such other date or dates as may be approved in advance by the Committee (covering Compensation earned for such period or periods commencing after such other date as may be specified by the Committee).

B. Any deferral election shall continue in effect until revoked or modified by a new Deferral Election Form filed with the Secretary of the Company. A Plan Participant who has revoked a deferral election may file a new Deferral Election Form to defer Compensation but it shall only relate to Compensation for Service to be rendered during the calendar year following the year in which such new Deferral Election Form is filed with the Secretary of the Company. Amounts credited to a Plan Participant's Account prior to the effective date of any revocation or modification of a deferral election shall not be affected by such revocation or modification.

ARTICLE 9. BENEFICIARY DESIGNATION

9.1 Each Plan Participant may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of such Plan Participant's death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by such Plan Participant, shall be in a form (APPENDIX C) prescribed by the Company, and will be effective only when filed by the Plan Participant in writing with the Secretary of the Company during the Plan Participant's lifetime. In the absence of any such designation, or if such designated beneficiary or beneficiaries do not survive the Plan Participant, benefits remaining unpaid at the Plan Participant's death shall be paid to his or her estate.

ARTICLE 10. TAX WITHHOLDING

10.1 The Committee may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of any taxes that the Company is required by any law or regulation of any governmental authority, whether federal, state or local, domestic or foreign, to withhold in connection with the Grant of any Stock Units, including, but not limited to (i) the withholding of delivery of certificates for Shares of Common Stock until the Plan Participant reimburses the Company for the amount the Company is required to withhold with respect to such taxes, (ii) the canceling of any number of Shares of Common Stock issuable in an amount sufficient to reimburse the Company for the amount it is required to so withhold or (iii) withholding the amount due from any such Plan Participant's other compensation.

ARTICLE 11. AMENDMENT, MODIFICATIONS, AND TERMINATION

11.1 AMENDMENT, MODIFICATION, AND TERMINATION. Subject to the terms of the Plan, the Board may at any time, including retroactively, and from time to time, alter, amend, modify, suspend or terminate the Plan in whole or in part as it may deem advisable.

11.2 PRIOR GRANTS OF STOCK UNITS. Other than due to fluctuation in share price, no termination, amendment, or modification of the Plan shall adversely affect in any material way any prior Grant of Stock Units or any outstanding Stock Units or reduce the benefits of any Plan Participant who has previously terminated Service hereunder.

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ARTICLE 12. NOT A CONTRACT FOR CONTINUED SERVICE

12.1 Nothing contained in the Plan shall be deemed to confer upon any Plan Participant to whom Stock Units are or may be granted hereunder any right to remain a member of the Board or in any way limit the right of the Company's stockholders to terminate or fail to re-nominate or reelect any Plan Participant as a member of the Board.

ARTICLE 13. NONALIENABILITY

13.1 No Stock Unit Grant, nor any right to a payment of Stock Units under this Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, execution, levy or garnishment by creditors of the Plan Participant or the Plan Participant's beneficiary, other than (i) by will, (ii) by the laws of descent and distribution, or (iii) pursuant to a beneficiary designation in accordance with Article 9 (Beneficiary Designation).

ARTICLE 14. SUCCESSORS

14.1 All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. The Company and such successor shall be jointly and severally liable for all of the Company's obligations under the Plan.

ARTICLE 15. UNFUNDED STATUS

15.1 The interest of each Plan Participant in any Grant or Compensation under the Plan (and any Stock Units or Stock Unit Accounts relating thereto) shall be that of a general creditor of the Company. The Company shall at all times maintain Stock Unit Accounts, and Stock Units credited thereto as bookkeeping entries evidencing unfunded and unsecured general obligations of the Company.

ARTICLE 16. ACCOUNT STATEMENTS

16.1 At least once a year the Secretary of the Company will send the Plan Participant a statement of his or her account(s). This statement will include the account(s) balance and all activity since the last statement.

ARTICLE 17. GENERAL

17.1 NO STOCKHOLDER RIGHTS CONFERRED. Nothing contained in the Plan will confer upon a Plan Participant or beneficiary any rights of a stockholder of the Company, unless and until Shares are in fact issued or transferred to such Plan Participant or beneficiary in accordance with Article 6 (Stock Unit Grants).

17.2 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

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17.3 ARTICLES AND SECTIONS. Except where otherwise indicated by the context, any reference to an "Article" or "Section" shall be to an Article or Section of this Plan.

17.4 SEVERABILITY. If any part of the Plan is declared to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any part of the Plan so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such part of the fullest extent possible while remaining lawful and valid.

17.5 LEGAL COMPLIANCE. If the Company determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Grant of Stock Units or Deferral Election would violate any applicable provision of (i) federal or state securities laws or (ii) the listing requirements of any national securities exchange or national market system on which are then listed any of the Company's equity securities, then the Company may postpone any such exercise, nonforfeitability or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date. If the Company deems necessary to comply with any applicable securities law, the Company may require a written investment intent representation by a Plan Participant and may require that a restrictive legend be affixed to certificates for Shares delivered pursuant to the Plan.

17.6 GOVERNING LAW. The Plan shall be construed in accordance with and governed by the laws of the State of New York.

17.7 The costs and expenses of administering the Plan shall be borne by the Company and shall not be charged against any Grant or to any Plan Participant or Beneficiary receiving a Grant.

A - Deferral Election Form

B - Distribution Election Form

C - Beneficiary Designation Form

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APPENDIX A

DEFERRAL ELECTION FORM

Name: _____

Part I

FORM OF DIVIDEND PAYMENT FOR STOCK UNITS

To be completed by all Directors:

You may elect to receive the dividend equivalents on the stock units credited to you (either from grants of stock units or from your deferral of Compensation) pursuant to terms of the Consolidated Edison Inc. Deferred Stock Compensation Plan for Non-Officer Directors ("Plan") in cash or have them converted to additional stock units.

____ I elect to have ____%* of the dividend equivalents on my Deferred Stock Units paid in cash on the dates dividends are paid on the Company's common stock.

____ I elect to have ____%* of the dividend equivalents on my Deferred Stock Units re-invested as additional stock units. For each dividend, the number of additional stock units will be determined by dividing the re-invested dividend by the closing price of a share of common stock on the trading day immediately preceding the date that the dividend is payable. All dividend equivalent stock units will be deferred automatically until you terminate your Board service.

*These percentages must total 100%.

Part II

CASH COMPENSATION DEFERRAL ELECTION

To be completed only by Directors opting to defer all or part of their cash compensation (retainer and meeting fees):

You may elect to defer receipt of all or a portion of your Board cash compensation (board and committee chair retainer, and board meeting and committee meeting fees) and to have the amount credited either to your stock units account under the Plan or to an interest-bearing account under the Deferred Compensation Plan for Members of the Board of Trustees of Consolidated Edison Company of New York, Inc. ("Deferred Compensation Plan"). All deferred compensation will be deferred until the date specified in your distribution election contained in the next section of this form.

____ I elect to defer receipt of ____% of my board and committee chair retainer and to have such amount credited as follows:

/ / ____%** to my Stock Units Account

/ / ____%** to an Interest Account

**These percentages must total 100%.

____ I elect to defer receipt of ____% of my board meeting and committee meeting fees and to have such amount credited as follows:

/ / ____%*** to my Stock Units Account

/ / ____%*** to an Interest Account

***These percentages must total 100%.

The number of stock units will be determined by dividing the amount of the compensation deferred by the closing price of a share of common stock on the

trading day immediately preceding the date that the compensation is payable.

CASH COMPENSATION DEFERRAL DISTRIBUTION ELECTION*

To be completed only by Directors opting to defer all or part of their cash compensation (retainer and meeting fees):

Stock Units Account

The distribution of the cash compensation stock units account will be deferred in accordance with the following election:

___ I elect to have cash compensation stock units distributed on the termination of my Board service.

or

___ I elect to have cash compensation stock units distributed on January 1, 20__

(A date that is at least 5 years from the date this form is signed or on the termination of my Board service, if earlier.)

Interest Account

The distribution of the cash compensation interest account will be deferred in accordance with the following election:

___ I elect to have cash compensation interest account distributed on the termination of my Board service.

or

___ I elect to have cash compensation interest account distributed on ___ __, 20__

(Month) (Day) (Year)

(A date that is at least 1 year from the date this form is signed).

----- SIGNATURE ----- DATE -----

NOTE: YOU MAY CHANGE YOUR ELECTION WITH RESPECT TO FUTURE DIVIDEND EQUIVALENTS AND COMPENSATION DEFERRAL. YOU WILL BE PROVIDED WITH A NEW ELECTION FORM PRIOR TO THE START OF EACH CALENDAR YEAR TO ALLOW YOU TO MAKE SUCH CHANGES.

*PRIOR TO THE DISTRIBUTION DATE YOU HAVE ELECTED, OR THE TERMINATION OF YOUR BOARD SERVICE, YOU WILL BE PROVIDED AN OPPORTUNITY TO DESIGNATE HOW YOU WANT YOUR ACCOUNTS THAT ARE DEFERRED TO BE DISTRIBUTED.

APPENDIX B

DISTRIBUTION ELECTION FORM

Name: _____

Pursuant to the terms of The Consolidated Edison, Inc. Deferred Compensation Plan for Non-Officer Directors ("Plan") Stock Units granted to you have been automatically deferred until the termination of your Board service. In addition, you may have elected to defer receipt of dividend equivalents related to your Stock Units and to have such amounts credited to your Stock Units account. You also may have elected to defer all or part of your cash compensation (retainer and meeting fees) and to have such amounts credited to your Stock Units account and deferred until your termination of Board service. Your account will be distributed in whole Shares of Company Common Stock. You must now elect how you want your Stock Unit account distributed.

If you do not make an election, your account will be distributed to you in a single one-time distribution of whole Share as soon as practicable following the termination of your Board service. If you want to receive your distributions in equal quarterly payments for up to ten years, then you must elect the specific time period over which you want to receive your distribution. The dividend equivalents that you continue to earn on the Stock Units in your account will be distributed in cash.

This form must be filed with the Secretary of the Company no later than the December 31 of the year prior to the year of your termination of Board service.

DISTRIBUTION OF STOCK UNITS ACCOUNT

THE CONSOLIDATED EDISON

RETIREMENT PLAN

EFFECTIVE AS OF JANUARY 1, 2001

THE CONSOLIDATED EDISON RETIREMENT PLAN

INTRODUCTION

Effective August 1, 1975, Consolidated Edison Company of New York, Inc. ("CECONY") adopted The Consolidated Edison Pension and Benefits Plan (the "Weekly Plan") to provide retirement benefits to its employees and their eligible surviving spouses. Effective January 1, 1983, CECONY adopted The Consolidated Edison Retirement Plan for Management Employees (the "Management Plan"), which established the bases upon which certain benefits, including benefits for service prior to January 1, 1983, would be provided to employees of CECONY on the management payroll of CECONY on or after December 31, 1982, to employees who retired prior to that date as management employees and to eligible surviving spouses of such management employees. Effective January 1, 1983, CECONY amended the Weekly Plan, which had theretofore included as participants the employees to be covered by the Management Plan, to avoid duplication of benefits and coverage. The Management Plan and the Weekly Plan, as amended, made provision for employees who transferred from the management to the weekly payroll, and vice versa.

The Management Plan and the Weekly Plan were subsequently amended and/or restated from time to time.

Effective January 1, 1998, Consolidated Edison, Inc. ("CEI"), a holding company, was formed, and CECONY became its wholly-owned subsidiary. From time to time, wholly-owned affiliates were formed, which became members of the same

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controlled group of which CEI is a member. In July 1999, CEI acquired Orange and Rockland Utilities, Inc. ("O&R"), which became a wholly-owned subsidiary of CEI.

Effective January 1, 2001, the Weekly Plan is being amended and renamed the Consolidated Edison Retirement Plan (the "Plan") to take into account, among other things, the impact the formation of the new controlled group has on the Plan; namely, that CEI is referred to throughout and serves as the Company, CECONY is the Plan Sponsor and an Employer and certain affiliates are, or will become, Participating Employers. Furthermore, effective January 1, 2001, the Management Plan and the Employees' Retirement Plan of Orange and Rockland Utilities, Inc. are being merged into the Plan as a single plan, as that term is defined in the Internal Revenue Code of 1986, as amended, (the "Code") Section 414(l).

The Plan takes into account:

- (a) the transfers, from time to time, of CECONY employees to O&R and vice versa;
- (b) the acquisition of certain power generation facilities of Western Massachusetts Electric Company by Consolidated Edison Energy Massachusetts, Inc. and the participation of certain employees of Consolidated Edison Energy Massachusetts, Inc. in the Plan;
- (c) the divestiture of CECONY's fossil fueled electricity generation facilities in New York City and certain rights and entitlements afforded those employees who transferred directly to the buyers of the divested generation facilities;
- (d) benefit formulas of the merged plans that take into account the provision of the collective bargaining agreements effective June 25, 2000, between CECONY and Local 1-2, Utility Workers Union of America, AFL-CIO, effective June 1, 2000, between O&R

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and Local 503, International Brotherhood of Electrical Workers, AFL-CIO, and effective June 24, 2001, between CECONY and Local 3, International Brotherhood of Electrical Workers, AFL-CIO; and

(e) a special increase in Pension Allowance, effective April 1, 2001, for certain CECONY Participants and their surviving spouses. Each provision has its own effective date that is stated in the Plan.

Except as otherwise specifically provided herein, the rights and benefits of any Participant who retires or whose employment is terminated are determined in accordance with the provisions of the Plan as in effect and operative at the time of such retirement or termination.

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ARTICLE I

DEFINITIONS

1.01 ACCREDITED SERVICE means service recognized for purposes of computing the amount of any Pension Allowance and is determined as provided in Section 3.02. Effective January 1, 2001, wherever the term "Accredited Service" appears, "Accredited Service" also means "Credited Service" as that term is applied to determine a benefit for an O&R Participant. For an O&R Participant, a Year of Credited Service is a Year of Vesting Service during the period of Plan participation.

1.02 ACCUMULATED CONTRIBUTIONS means the sum of an O&R Participant's contributions to the O&R Plan plus interest at the rate per annum, compounded annually, of 2 1/2 per centum prior to January 1, 1963; 3 per centum after December 31, 1962, and prior to January 1, 1976; 5 per centum after December 31, 1975, and prior to January 1, 1981; 6 per centum after December 31, 1980, and prior to January 1, 1986; 7 per centum after December 31, 1985, and prior to January 1, 1988, and after December 31, 1987, the interest rate determined pursuant to the provisions of Code Section 411(c)(2)(C) as in effect from time to time thereafter.

1.03 ACTUARIAL EQUIVALENT means equivalent value determined on the basis of the applicable factors set forth in Appendix A, Section A-1 for CECONY Participants, in Appendix A, Section A-2 for O&R Participants, and in Appendix A, Section A-3 for CEI Participants, except as otherwise specified in the Plan.

1.04 ADJUSTED IRS INTEREST RATE means, for a CECONY Participant, the rate of interest used in conjunction with the IRS Interest Rate in the calculation of the present

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value of benefits, to take account of prospective cost of living adjustments, pursuant to Section 11.02, which shall be determined by:

(a) dividing the IRS Interest Rate, as determined for a Participant's Annuity Starting Date, by 100;

(b) adding 1.0000 to the amount determined under (a);

(c) dividing the amount determined in (b) by the lesser of (x) the sum of (A) 0.9694, plus (B) the product of 0.7194 and the amount determined in (a), or (y) 1.0300;

(d) subtracting 1.0000 from the amount determined in (c); and

(e) multiplying the amount determined in (d) by 100, provided, however, that in no event shall the Adjusted IRS Interest Rate exceed the IRS Interest Rate as of any date of determination.

1.05 AFFILIATE means any company which is a member of a controlled group of corporations (as defined in Code Section 414(b)), which also includes as a member the Company, any trade or business under common control (as defined in Code Section 414(c)), with the Company, any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)), which includes the Company, and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). Notwithstanding the foregoing sentence, for purposes of determining the Maximum Benefit Limitation, as provided in Section 4.09 of the Plan, the definitions in Code Sections 414(b) and (c) shall be modified as provided in Code Section 415(h).

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1.06 ANNUAL BASIC STRAIGHT-TIME COMPENSATION means:

(a) for a CECONY Weekly Employee, his or her regular stated rate of pay in his or her last pay period in each calendar year, determined prior to any Pre-Tax Contributions, on which overtime and other premium payments are based, and, except as set forth in the definition of Final Average Pay, shall not include premium, overtime payments, or similar payments. In the case of an hourly-paid CECONY Weekly Employee, Annual Basic Straight-Time Compensation will be determined by multiplying the CECONY Weekly Employee's hourly rate by his or her regular weekly schedule of hours multiplied by fifty-two (52); and

(b) for a CECONY Management Participant and a CECONY Transferred Participant, his or her regular stated annual rate of salary in his or her last pay period in each calendar year, determined prior to any Pre-Tax Contributions, excluding premium pay, overtime pay, payments under deferred compensation, incentive, or other Employer benefit or compensation plans, and all other forms of special pay.

1.07 ANNUAL COMPENSATION means:

(a) for a CECONY Weekly Employee, his or her Annual Basic Straight-Time Compensation;

(b) for a CECONY Management Participant and a CECONY Transferred Participant, for Plan Years commencing prior to January 1, 1999, his or her Annual Basic Straight-Time Compensation;

(c) for a CECONY Management Participant, a CECONY Transferred Participant, and a CEI Participant, for Plan Years commencing on and after January 1, 1999, the sum of his or her Annual Basic Straight-Time Compensation and Annual Variable Pay Award;

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(d) for an O&R Management Employee, his or her Annual O&R Management Compensation; and

(e) for an O&R Hourly Employee, his or her Annual Rate of Compensation.

Commencing with the Plan Year beginning in 1994, Annual Compensation taken into account for any purpose under the Plan, including the determination of Final Average Salary and Final Average Pay, shall not exceed \$150,000, or for Plan Years on and after 2002, \$200,000 (as adjusted from time to time by the Secretary of the Treasury in accordance with Code Section 401(a)(17)(B)). Effective January 1, 1997, the compensation limit shall be applied without regard to the family aggregation provisions of Code Section 414(q)(6), as in effect prior to amendment by the Small Business Job Protection Act of 1996, in determining benefit accruals for Plan Years beginning on and after January 1, 1997, and, to the extent permissible under the IRS rules or regulations, for any earlier Plan Year.

1.08 ANNUAL O&R MANAGEMENT COMPENSATION means the regular remuneration paid to an O&R Management Employee on the basis of his or her regular workweek, determined prior to any Pre-Tax Contributions, and any awards paid to such O&R Management Employee after January 1, 1997, under the Orange and Rockland Utilities, Inc. Annual Team Incentive Plan ("ATIP") (such ATIP awards shall be credited to Annual O&R Management Compensation in the year in which paid). Annual O&R Management Compensation excludes any bonuses (other than ATIP awards), overtime, or other special pay and O&R's cost for any public or private employee benefit plan including the Plan. An O&R Management Employee receiving credit for Vesting Service and Credited Service on the basis of receipt of long-term disability benefits under the

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plan of such benefits sponsored by O&R shall be credited with Annual O&R Management Compensation for that period at the same rate he or she had been receiving when last actively at work. Notwithstanding anything to the contrary in this definition: (i) ATIP awards will only be considered as Annual O&R Management Compensation if paid in a year in which the O&R Management Employee is on the active payroll of the Company or an Affiliate; (ii) if the final day on which an O&R Management Employee is on such active payroll is prior to the ATIP award payment date in the year which contains such final day on the active payroll, the ATIP award paid to such O&R Management Employee in such year shall be deemed to have been received during his or her Credited Service for the purpose of determining his or her Pension Allowance; and (iii) when determining an O&R Management Employee's rate of Annual O&R Management Compensation as of a

particular date for the purpose of determining his or her deemed Annual O&R Management Compensation during a period of deemed Credited Service, the ATIP component of that Annual O&R Management Compensation rate shall be based upon the ATIP award paid to the O&R Management Employee in the year which contains the last date on which such O&R Management Employee is on the active payroll of the Company or an Affiliate.

1.09 ANNUAL RATE OF COMPENSATION means, for an O&R Hourly Employee paid at an hourly or weekly rate, the regular remuneration paid to an O&R Hourly Employee on the basis of his or her regular workweek, determined prior to any Pre-Tax Contributions, and excluding any bonuses, overtime, or special pay, O&R's cost for any public or private employee benefit plan including the Plan, for the last regular work week immediately preceding the date the Annual Rate of Compensation is being computed multiplied by 52.

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An O&R Hourly Employee receiving credit for Vesting Service and Credited Service on the basis of receipt of long-term disability benefits under the plan of such benefits sponsored by O&R shall be credited with Annual O&R Hourly Compensation for that period at the same rate he or she had been receiving when last actively at work.

1.10 ANNUAL VARIABLE PAY AWARD means the amount awarded, if any, to a Participant in a Plan Year under CECONY's variable pay compensation plan or O&R's ATIP. For an Employer other than CECONY or O&R, Annual Variable Pay Award means the amount awarded, if any, to a Participant in a Plan Year under the Employer's short-term incentive compensation plan that has been approved by the Plan Administrator. Effective November 15, 2001, the amount of any award to be counted under this Plan for a CECONY Transferred Participant or a CEI Participant shall not exceed 25% of the Participant's rate of base annual salary or pay in effect as of January 1 of the Plan Year in which the award is made. Any awards under a long-term incentive compensation plan shall not be includible in any "Annual Variable Pay Award." Commissions paid by an Employer also shall be considered to have been awarded pursuant to a short-term incentive compensation plan and shall be subject to the overall aggregate limit of 25% of base annual salary (exclusive of commissions).

1.11 ANNUITY STARTING DATE means, unless the Plan expressly provides otherwise, the first day of the first period in or for which an amount is due as an annuity or any other form.

1.12 APPROVED LEAVE OF ABSENCE means, for an O&R Employee, an absence from employment, granted to and approved by O&R in a uniform and non-discriminatory

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manner; it also means an absence for service in the Armed Forces or other governmental agency, provided that, and only so long as, reemployment rights are protected by law.

1.13 BENEFICIARY means the person, persons, or entity named by a Participant by written designation filed with the Plan Administrator to receive payments after the Participant's death.

1.14 BOARD means the Board of Trustees of CECONY, as from time to time constituted, or its delegate.

1.15 BREAK IN SERVICE means a Plan Year in which an Employee completes 500 or fewer Hours of Service.

1.16 CASH BALANCE ACCOUNT means a hypothetical bookkeeping account to which is credited the allocations and interest credits on behalf of a CEI Participant pursuant to Article IV. The benefit attributable to a CEI Participant's Cash Balance Account payable upon an Annuity Starting Date shall be equal to the Cash Balance Account at such Annuity Starting Date projected to Normal Retirement Date at the IRS Interest Rate and discounted back to the Annuity Starting Date at the IRS Interest Rate and assuming no mortality factor.

1.17 CASH BALANCE SINGLE SUM PAYMENT means a lump sum payment in the amount of the Participant's Cash Balance Account at the Participant's Annuity Starting Date.

1.18 CASH OUT means a lump sum distribution of the Actuarial Equivalent of 100% of the Participant's nonforfeitable accrued Pension Allowance, as more fully described in Section 5.02(b)(4).

1.19 CECONY means the Consolidated Edison Company of New York, Inc., and any successor by merger, purchase or otherwise.

1.20 CECONY MANAGEMENT PARTICIPANT means a participant in the CECONY Management Plan on or before December 31, 2000, a transferred O&R Management Participant, who by the terms and operation of Appendix C, becomes a CECONY Management Participant, and an Affected IP Employee (as defined in Appendix J) hired on or after January 1, 2001, on the management payroll of CECONY and who, but for this provision, would have been a CEI Participant.

1.21 CECONY MANAGEMENT PLAN means the Consolidated Edison Retirement Plan for Management Employees, as in effect on December 31, 2000.

1.22 CECONY PARTICIPANT means a CECONY Weekly Participant, a CECONY Management Participant and a CECONY Transferred Participant. CECONY Participant also means a former employee and/or retiree of CECONY who, as of December 31, 2000, had a vested right to a Pension Allowance from the CECONY Management Plan or the CECONY Weekly Plan.

1.23 CECONY RETIREE HEALTH PROGRAM means The Consolidated Edison Retiree Health Program as from time to time in effect.

1.24 CECONY TRANSFERRED PARTICIPANT means a CECONY Management Participant who transfers directly, without a break in employment, from the payroll of CECONY to the payroll of O&R, a CEI Affiliate or another Employer.

1.25 CECONY WEEKLY EMPLOYEE means an Eligible Employee employed by and on the weekly payroll of CECONY who is a member of the collective bargaining unit represented by Local 1-2 of the Utility Workers' Union of America, AFL-CIO, or a member of the collective bargaining unit represented by Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO.

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1.26 CECONY WEEKLY PARTICIPANT means a CECONY Weekly Employee who was a participant in the CECONY Weekly Plan or becomes a Participant in this Plan.

1.27 CECONY WEEKLY PLAN means the Consolidated Edison Pension and Benefits Plan as in effect on December 31, 2000.

1.28 CEI PARTICIPANT means an Eligible Employee of CECONY or O&R, hired on or after January 1, 2001, who is neither a CECONY Weekly Employee nor an O&R Hourly Employee nor an Affected IP Employee (as defined in Appendix J). CEI Participant also means an Eligible Employee of a CEI Affiliate, other than a CECONY Transferred Participant (without regard to his or her hire date), for whom the CEI Affiliate has elected to extend participation in the Plan, as set forth in Appendix B. CEI Participant also means an Eligible Employee of an Affiliate that becomes an Employer on or after January 1, 2001, and for whom such Employer, with the consent of CECONY, extends participation.

1.29 CEI AFFILIATE OR CEI AFFILIATES means one, more than one, or all, as the context indicates, of Consolidated Edison Communications, Inc. ("CEC"); Consolidated Edison Solutions, Inc. ("CES"); Consolidated Edison Energy, Inc. ("CEE"); Consolidated Edison Development, Inc. ("CED") Consolidated Edison Energy Massachusetts, Inc. ("CEEM"), and CED Operating Company, L.P. ("CEDOC").

1.30 CODE means the Internal Revenue Code of 1986, as amended from time to time.

1.31 COMPANY means Consolidated Edison, Inc. or any successor by merger, purchase or otherwise.

1.32 CONSOLIDATED RPA '94 LUMP SUM CONVERSION FACTORS means, effective January 1, 1997, the table of actuarial factors used to convert an immediate or deferred

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annuity, determined in accordance with or by reference to Section 4.02, into an actuarially equivalent lump sum. Such factors shall be based on the IRS Mortality Table and shall take into account the IRS Interest Rate for the period prior to a Participant's Normal Retirement Date and the Adjusted IRS Interest Rate for the period subsequent to the Participant's Normal Retirement Date. The enrolled actuary shall provide to the Plan Administrator tables of Consolidated RPA '94 Lump Sum Conversion Factors determined on the basis of the IRS Interest Rate in effect in each "lookback month" as that term is defined in the definition of IRS Interest Rate.

1.33 CREDITED SERVICE means each Plan Year in which the O&R Participant has earned or is credited with a Year of Vesting Service during Plan participation. Effective on and after January 1, 2001, in this Plan, Credited Service means Accredited Service.

1.34 DISABILITY means a total and permanent disability, which qualifies the Participant to receive Social Security disability benefits.

1.35 EFFECTIVE DATE means (i) August 1, 1975, for the CECONY Weekly Plan; (ii) January 1, 1983, for the CECONY Management Plan; (iii) February 1, 1954, for the O&R Plan; and (iv) January 1, 2001, for this Plan.

1.36 ELIGIBLE EMPLOYEE means, in the case of CECONY and O&R, an Employee. In the case of each CEI Affiliate, an Eligible Employee is a CECONY Transferred Participant and any other Employee to whom such CEI Affiliate has elected or elects, with the approval of CECONY, to extend participation in the Plan, as set forth in Appendix B. In the case of any other Employer, an Eligible Employee is only the person(s) to whom such Employer specifically elects or elected, with the approval of CECONY, to extend participation in this Plan, as set forth in Appendix B. An Eligible

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Employee does not mean a person working on a temporary or seasonal basis. An Eligible Employee is not a Leased Employee or a person who has entered into a written contract that provides he or she (a) is an independent contractor and not an Employee and/or (b) waives participation in the Plan. An independent contractor shall not be eligible to participate in the Plan during the period the written contract is in effect without regard to whether such person is reclassified as an Employee for such period by the Internal Revenue Service for tax withholding purposes.

1.37 EMPLOYEE means any individual who is employed by and a common law employee of the Company, an Employer, or an Affiliate or who is a Leased Employee. An Employee means a person who is receiving compensation other than a pension, severance pay, a retainer, or fee under contract.

1.38 EMPLOYER OR EMPLOYERS means one, more than one, or all, as the context so indicates, of CECONY, O&R, each CEI Affiliate, and each Affiliate to the extent that it has elected or elects, in the future, to participate in the Plan with the consent of CECONY as provided in Section 10.03.

1.39 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.40 FINAL AVERAGE PAY means, for purposes of a CECONY Weekly Employee, the average of Annual Basic Straight-Time Compensation, calculated to the nearest whole dollar, for the sixty (60) consecutive calendar months out of the last one hundred twenty (120) months of his or her Accredited Service which produce the highest average. If he or she has less than sixty (60) consecutive calendar months, Final Average Pay means the highest average of his or her Annual Basic Straight-Time Compensation during all

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months of Accredited Service. For a Local 3 Weekly Employee who has an effective retirement date after August 31, 1997 and before December 1, 2001, fifty percent (50%), and for a Local 1-2 Weekly Employee who has an effective retirement date after November 30, 2000 and for a Local 3 Weekly Employee who has an effective retirement date after November 30, 2001, one hundred percent (100%), of the aggregate amount of such CECONY Weekly Employee's pay attributable exclusively to Sunday premium pay and night shift and midnight shift differential premium pay during a calendar year shall be added to such Employee's Annual Basic Straight-Time Compensation for such calendar year for purposes of determining such Employee's Final Average Pay under the Final Average Pay pension benefit formula only. Solely for purposes of this Section, months of Accredited Service separated by a Break in Service shall be deemed consecutive.

1.41 FINAL AVERAGE SALARY means, for purposes of a CECONY Management Participant, the sum of (i) the average of Annual Basic Straight-Time Compensation calculated to the nearest whole dollar, during the sixty (60) consecutive calendar months in the last one hundred twenty (120) months of his or her Accredited Service which produce the highest average, or during all of the months of his or her Accredited Service if less than sixty (60) consecutive calendar months and (ii) the average of the five consecutive Annual Variable Pay Awards, calculated to the nearest whole dollar, in the ten-year period ending on the CECONY Management Participant's termination of employment during which such average is the highest. In calculating such average, the sum of the applicable Annual Variable Pay Awards shall always be divided by five, regardless of the

Participant. Solely for the purpose of this Section, months of Accredited Service separated by a Break in Service shall be deemed consecutive. The determination of Final Average Salary shall be subject to the provisions of Code Section 401(a)(17).

1.42 FMLA means the Family and Medical Leave Act of 1993, as amended from time to time.

1.43 HIGHLY COMPENSATED EMPLOYEE means any Employee, who, during the preceding Plan Year received compensation, as defined in Code Section 415(c), in excess of \$80,000, adjusted by the cost-of-living adjustment, as defined in Code Section 415, and was in the "top paid group." An Employee will be in the "top-paid group" if he or she is one of the 20% highest paid Employees.

1.44 HOUR OF SERVICE means:

(a) Each hour for which the Employee is paid or entitled to payment for the performance of duties for the Company or an Affiliate.

(b) An Hour of Service also is each hour for which an Employee is paid, or entitled to payment, by the Company or an Affiliate on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence.

(c) Notwithstanding subsection (b), no more than 501 Hours of Service are required to be credited to an Employee on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period).

(d) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required to be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, or unemployment compensation or disability insurance laws.

(e) Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee.

(f) A payment shall be deemed to be made by or due from the Company or an Affiliate regardless of whether such payment is made by or due from the Company or an Affiliate directly, or indirectly through, among others, a trust fund, or insurer, to which the Company or an Affiliate contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate.

(g) An Hour of Service is each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company or an Affiliate. The same Hours of Service shall not be credited both under subsection (a) or subsection (b), as the case may be, and under this subsection (g). Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in subsection (b) shall be subject to the limitations set forth in that paragraph.

(h) With regard to an Employee for whom a record of his or her Hours of Service is not maintained, (i) one day of employment equals 10 Hours of Service, (ii) one week of

employment equals 45 Hours of Service, and (iii) one month of employment equals 190 Hours of Service.

(i) Hours of Service shall be determined and calculated in accordance and compliance with the Department of Labor Regulations set forth in 29 CFR 2530.200b-2.

1.45 IRS INTEREST RATE means, effective January 1, 1997, the annual rate of

interest on 30-year Treasury Securities as specified by the Commissioner of Internal Revenue for the second full calendar month preceding the applicable Stability Period. Such second full calendar month preceding the applicable Stability Period shall be deemed the "Lookback Month." For purposes of a Cash Balance Account, the IRS Interest Rate means the annual rate of interest on 30-year Treasury Securities as specified by the Commissioner of Internal Revenue for the second full calendar month immediately preceding the calendar quarter in which the Interest Rate is credited.

1.46 IRS MORTALITY TABLE means, effective January 1, 1997, the mortality table prescribed by Secretary of the Treasury under Code Section 417(e)(3)(A)(ii)(I) as in effect on the first day of the applicable Stability Period.

1.47 LAYOFF means an Employee's separation from the active payroll of an Employer for lack of work or such other reason, in no way the fault of the Employee, as may be determined by the Employer.

1.48 LEASED EMPLOYEE means any person as so defined in Code Section 414(n).

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1.49 LIMITATION YEAR means the calendar year.

1.50 NAMED FIDUCIARY means the person or persons designated in accordance with Section 7.01 to serve as named fiduciaries, within the meaning of ERISA Section 4.02(a), with respect to the Plan.

1.51 NON-SUSPENDIBLE MONTH means a calendar month beginning either on or after (i) a Participant's Normal Retirement Date or (ii) a Participant has begun receiving a Pension Allowance during which the Participant does not complete at least 40 Hours of Service, as the term "Hours of Service" is defined in 29 CFR 2530.200b-2(a)(1) and (2).

1.52 NORMAL RETIREMENT AGE means an Eligible Employee's 65th birthday or, if later, the fifth anniversary of the date he or she becomes a Participant. Normal Retirement Age, for an O&R Management Employee who was hired on or before December 31, 2000, or for an O&R Hourly Employee, means his or her 65th birthday.

1.53 NORMAL RETIREMENT DATE means the first day of the calendar month immediately following an Employee's Normal Retirement Age.

1.54 O&R means Orange and Rockland Utilities, Inc. and its affiliates, Rockland Electric Company and Pike County Light and Power Company.

1.55 O&R EARLY RETIREMENT DATE means, the date of an O&R Participant's termination of employment from the Company or an Affiliate after the Participant attains his or her 55th birthday and completes ten (10) years of Vesting Service.

1.56 O&R EMPLOYEE means an Employee employed by and on the active payroll of O&R.

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1.57 O&R HOURLY EMPLOYEE means an Employee who is employed by and on the active payroll of O&R and a member of the collective bargaining unit represented by Local Union 503, International Brotherhood of Electrical Workers, AFL-CIO.

1.58 O&R MANAGEMENT EMPLOYEE means an O&R Employee on the management payroll of O&R as of December 31, 2000.

1.59 O&R PARTICIPANT means an O&R Management Employee and an O&R Hourly Employee who have met the participation requirements of Section 2.01, and any former O&R Employee who, as of December 31, 2000, has a vested Pension Allowance in the O&R Plan.

1.60 O&R PLAN means the Employees' Retirement Plan of Orange and Rockland Utilities, Inc. as in effect on December 31, 2000.

1.61 PARENTAL LEAVE means a period in which the Employee is absent from work immediately following his or her active employment because of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee, or for purposes of caring for that child for a period beginning immediately following birth or placement.

1.62 PARTICIPANT means a CECONY Participant, O&R Participant, CEI Participant

and any other person included in the participation of the Plan.

1.63 PENSION ALLOWANCE means a Participant's accrued benefit payable in the form of monthly payments as provided in Article 5. A Pension Allowance may be payable as a Normal Retirement Pension Allowance, an Early Retirement Pension Allowance, a Disability Pension Allowance or a Vested Pension Allowance. Pension Allowance also means a Cash-Out or a Cash Balance Single Sum Payment in those instances in which a

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Participant elects or is deemed to elect his or her Pension Allowance in the form of a lump-sum payment.

1.64 PLAN means The Consolidated Edison Retirement Plan, as set forth in this document, and as amended from time to time. The Consolidated Edison Retirement Plan is the renamed and amended CECONY Weekly Plan into which the CECONY Management Plan and the O&R Plan were merged.

1.65 PLAN ADMINISTRATOR means the person or persons designated by the Named Fiduciaries to administer and supervise the Plan as provided in Article 7.

1.66 PLAN YEAR means the calendar year.

1.67 PRE-TAX CONTRIBUTION means any pre-tax contributions to (a) a qualified "cash or deferred arrangement," as defined in Code Section 401(k), (b) a "cafeteria plan," as defined in Code Section 125, or (c) a "transportation reimbursement plan," as defined in Code Section 132.

1.68 PRIOR PLAN OR PRIOR PLANS mean one or more, as the context indicates, of the CECONY Weekly Plan, the CECONY Management Plan and the O&R Plan, as in effect on December 31, 2000.

1.69 RULE OF 75 PARTICIPANT means a CECONY Participant whose years of age and Accredited Service (each rounded to the nearest whole number) total at least 75 ("75 points") on the Annuity Starting Date.

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1.70 RULE OF 85 PARTICIPANT means an O&R Participant whose years of age and Vesting Service (on the Plan Year measurement basis only) total at least 85 on the O&R Participant's Early Retirement Date.

1.71 SOCIAL SECURITY RETIREMENT AGE means age 65 with respect to a Participant who was born before January 1, 1938; age 66 with respect to a Participant who was born after December 31, 1937, and before January 1, 1955; and age 67 with respect to a Participant who was born after December 31, 1954.

1.72 SOCIAL SECURITY TAXABLE WAGE BASE means the taxable wage base in effect under Section 230 of the Social Security Act at the beginning of the Plan Year in which occurs the Participant's termination of employment from the Company or an Affiliate.

1.73 SPOUSAL CONSENT means written consent given by a Participant's spouse to an election made by the Participant of a specified optional form of Pension Allowance or a designation of a specified Beneficiary as provided in Article 5. Spousal Consent shall be duly witnessed by a Plan representative or notary public and shall acknowledge the effect on the spouse of the Participant's election. The requirement for Spousal Consent may be waived by the Plan Administrator in the event that the Participant establishes to the Plan Administrator's satisfaction that he or she has no spouse, that such spouse cannot be located, or under such other circumstances as may be permitted under applicable Treasury Department regulations. Spousal Consent shall be applicable only to the particular spouse who provides such consent. Spousal Consent shall be applicable only to the specific optional form of Pension Allowance elected or the specific Beneficiary designated pursuant thereto, unless the spouse expressly waives the right to consent to future changes.

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1.74 STABILITY PERIOD means the calendar month in which occurs the Annuity Starting Date for the distribution.

1.75 SURVIVING SPOUSE means, for a CECONY Participant or a CEI Participant, the lawful spouse married to the Participant on the Participant's Annuity Starting Date. Surviving Spouse means, for an O&R Participant, the lawful spouse who has been married to the Participant throughout the one-year period ending on the Annuity Starting Date and surviving at the Participant's date of death.

1.76 TOTAL SALARY means the total Annual Basic Straight-Time Compensation, of a CECONY Participant for his or her years of Accredited Service, calculated to the nearest whole dollar, not to exceed the last 30 years of Accredited Service. The Annual Basic Straight-Time Compensation for any period of Accredited Service shall be deemed to be no less than such compensation as was applicable to the CECONY Participant for the 14th calendar year prior to the calendar year of his or her retirement, but in no event less than \$3,000. For a CECONY Participant whose Annual Basic Straight-Time Compensation at the time of retirement is at a rate of \$3,000 or less, the Annual Basic Straight-Time Compensation for any period of Accredited Service shall be deemed to be no less than an annual amount determined at the rate of his or her Annual Basic Straight-Time Compensation at the time of retirement.

1.77 TRUSTEE means the trustee or trustees by whom the funds of the Plan are held, as provided in Article 8.

1.78 TRANSFERRED O&R MANAGEMENT PARTICIPANT means an Employee described in Appendix C of the Plan.

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1.79 VESTING SERVICE means service recognized for purposes of determining a Participant's non-forfeitable right to a Pension Allowance under the Plan. Vesting Service is computed based on the Plan Year.

1.80 YEAR OF ACCREDITED SERVICE means 12 months of consecutive or non-consecutive Accredited Service.

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ARTICLE II

PARTICIPATION

2.01 PARTICIPATION REQUIREMENTS

(a) Each person who, on December 31, 2000, was a participant in a Prior Plan shall continue to be a Participant in the Plan.

(b) An Eligible Employee, other than an O&R Hourly Employee, who is hired on or after December 31, 2000, becomes either a CEI Participant, or in the case of a CECONY Weekly Employee, a CECONY Weekly Participant, as of the date he or she first completes an Hour of Service.

(c) An O&R Management Employee and an O&R Hourly Employee shall become a Participant on the first day of the month following the earlier of:

- (1) the first anniversary date of his or her employment if he or she completes 1,000 Hours of Service within the 12-month period measured from the date on which he or she first completes an Hour of Service; or
- (2) the end of the first Plan Year occurring immediately subsequent to the Plan Year in which he or she first completes an Hour of Service during which he or she completes 1,000 Hours of Service.

2.02 EVENTS AFFECTING PARTICIPATION

A Participant's participation in the Plan shall end when he or she is no longer employed by an Employer, the Company or an Affiliate and not entitled to a vested Pension Allowance. Participation shall continue while on an approved leave of absence or during a period while he or she is not an Eligible Employee but is in the employ of the Company or an Affiliate. Such Employee's benefit shall be determined in accordance

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with the provisions of the Plan in effect on the date he or she ceases to be an Eligible Employee.

2.03 PARTICIPATION UPON REEMPLOYMENT

If the participation of a CECONY Participant or a CEI Participant ends and he or she again becomes an Eligible Employee without incurring a Break in Service, he or she shall again become a Participant as of his or her date of restoration to service as an Eligible Employee. If an O&R Participant's participation ends, and he or she again becomes an Eligible Employee, her or she

shall not forfeit any benefits in which he or she was previously vested and he or she again becomes a Participant as of his or her date of restoration to service as an Eligible Employee once he or she has again met the participation requirements set forth in Section 2.01.

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ARTICLE III

SERVICE

3.01 VESTING SERVICE

(a) SPECIAL VESTING RULES

- (1) Vesting Service credited to an Employee under a Prior Plan as of December 31, 2000, shall be credited as Vesting Service under this Plan. Vesting Service shall not include any service that would have been disregarded under the break in service provisions of the Employee's Prior Plan.
- (2) Effective on the specific date set forth below, each of the following Participants shall be 100% vested in and have a nonforfeitable right to his or her Pension Allowance:
 - (i) pursuant to the "change in control" provision in the O&R Plan, only each O&R Participant who was on the payroll of O&R on August 20, 1998, (the date the shareholders of O&R approved the acquisition of O&R by the Company) shall be 100% vested as of August 20, 1998;
 - (ii) each "WMECO Participant," as defined in Appendix D, who was employed at the WMECO Facilities on July 19, 1999 shall be 100% vested as of July 19, 1999;
 - (iii) each "CECONY Participant at Divested Operations," as defined in Appendix H, shall be 100% vested as described in Appendix H; and
 - (iv) each "Affected IP Employee," as defined in Appendix J, shall be 100% vested on the date of the closing of the sale of Indian Point.

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(b) GENERAL VESTING RULES

- (1) Effective on and after January 1, 2001, except as otherwise provided in the Plan, Vesting Service begins on the date the Employee first completes an Hour of Service and ends on the Employee's termination of employment from the Company or an Affiliate.
- (2) A Participant, other than an O&R Participant, will be credited with a Year of Vesting Service in each Plan Year in which he or she is credited with 1000 Hours of Service or six months of service. An O&R Participant shall be credited with a year of Vesting Service in each Plan Year in which he or she is credited with 1000 Hours of Service. In determining an Employee's years of Vesting Service, if it should result in a grant of Vesting Service more favorable to the Employee, the equivalencies for determining Hours of Service shall be used, provided that such equivalencies are consistently applied.
- (3) An O&R Management Employee hired on or after August 20, 1998 and an O&R Hourly Employee who completes 1000 Hours of Service during the 12 months commencing with the month in which he or she first completes an Hour of Service and also during the Plan Year following the Plan Year in which he or she completed his or her first Hour of Service, shall be credited with two years of Vesting Service as of the end of the Plan Year following the Plan Year in which he or she completed his or her first Hour of Service.

(c) BREAK IN SERVICE RULES. Solely for purposes of determining if a Break in Service for participation and vesting purposes has occurred, an Employee who is absent from

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work because of Parental Leave or a leave under the FMLA shall receive credit for the number of Hours of Service that the Employee would normally have received but for such absence, or where such Hours cannot be determined, eight (8) Hours of Service for each day of absence, subject to a maximum of 501 Hours of Service for any one such absence. The Hours of Service will be credited to the Plan Year in which the absence began if the Employee would otherwise incur a Break in Service in such Plan Year, or if not, in the immediately following Plan Year. In order to receive Hours of Service credit for such absence, the Employee shall be required to provide such information or certification as to the nature of the absence as may be required by the Plan Administrator.

(d) Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u). If an Employee is absent because of service in the uniformed services of the United States and if he or she has returned to the service of the Company or an Affiliate or applied to return while his or her reemployment rights were protected by law, then, in that event, that absence shall not count as a Break in Service, but instead shall be counted as Vesting Service to the extent required by law.

(e) A period of absence due to a paid sick leave granted by the Company or an Affiliate, other than O&R, and one period up to a maximum of six months during a Participant's aggregate period of employment with the Company or an Affiliate, during which a Participant is on an approved leave of absence granted for any other reason will be considered Vesting Service.

(f) The first six months of a Parental Leave or an FMLA Leave for maternity or paternity reasons will constitute Vesting Service if the Participant returns to active

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employment for a period equal to the lesser of (i) the Parental Leave or FMLA Leave or (ii) six months.

(g) O&R shall credit an Approved Leave of Absence as Vesting Service, provided that upon conclusion of such "Approved Leave of Absence," the O&R Participant returns to employment with O&R or an Affiliate or is eligible to retire on a Normal Retirement Date or an Early Retirement Date.

3.02 ACCREDITED SERVICE

(a) Accredited Service and Credited Service credited to a Participant under a Prior Plan as of December 31, 2000, shall be treated as Accredited Service under this Plan. Accredited Service shall not include any service that would have been disregarded under the provisions of the applicable Prior Plan.

(b) Except as provided below, only active service with and on the payroll of an Employer as an Eligible Employee shall be Accredited Service under the Plan. Subject to the provisions below, a period between a Break in Service and a reemployment date, whether or not counted as Vesting Service, shall not be counted as Accredited Service. A Participant who has five years of Vesting Service or who becomes 100% vested, on account of operation of another provision in the Plan, will receive Accredited Service for all of his or her years and months of active service after becoming fully vested regardless of a subsequent Break in Service.

(c) Accredited Service shall include, to the extent required by law, any period of absence from service with the Company or an Affiliate due to a period of service in the uniformed services of the United States which is counted in a Participant's Vesting Service as provided in Section 3.01(b). The Participant shall be deemed to have earned Annual Compensation during the period of absence at the rate he or she would have

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received had he or she remained employed as an Eligible Employee for that period or, if such rate is not reasonably certain, on the basis of the Participant's rate of compensation during the 12-month period immediately preceding such period of absence (or if shorter, the period of employment immediately preceding such period).

(d) Accredited Service for a CECONY Participant shall include a period of absence due to a paid sick leave granted by CECONY. Effective July 1, 1996, Accredited Service for a CECONY Participant and a CEI Participant shall include one period, of up to a maximum of six months, during which a CECONY Participant or a CEI Participant is on an approved leave of absence granted for any reason other than sick leave. The first six months of such a Parental Leave or an FMLA

leave granted for maternity or paternity reasons shall constitute Accredited Service, if the Participant returns to active employment for a period equal to the lesser of (i) the Parental Leave or FMLA Leave or (ii) six months.

(e) Unless otherwise explicitly set forth in the Plan, Accredited Service shall not be credited for any period in which a Participant is not actively employed as an Eligible Employee. Any person, who enters into a written contract, that provides that he or she is an independent contractor and not an Employee, and waives participation in the Plan, shall not receive any Accredited Service for the period such written contract is in effect.

(f) An O&R Participant who has less than the normal number of Hours of Service for full-time employment in the first Plan Year of participation and in the Plan Year in which employment terminates, the fraction of each such Plan Year that will be recognized for Accredited Service shall not be less than the fraction, the numerator of what is the

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number of Hours of Service as a Participant and the denominator of which is the normal number of Hours of Service in a Plan Year for normal employment.

(g) Union Officer Service for O&R Hourly Participant. To the extent not already counted as Vesting Service and Accredited Service above--

- (1) The local union President of the union at O&R who on or after January 1, 1983 is absent from work at O&R without pay for proper union business, who would otherwise have been scheduled to work, with proper notification to O&R, shall be entitled to both Vesting Service and Accredited Service at the rate of eight (8) hours per day or 40 hours per week, not to exceed 100 days per calendar year for such periods of absence.
- (2) The local union Vice Presidents, Recording Secretaries, Financial Secretaries, Treasurers and the Unit Chairman, Unit Vice Chairman and Unit Recorder at O&R who on or after January 1, 1983 are absent from work, without pay for proper union business, who would otherwise have been scheduled to work, with proper notification to O&R, shall be entitled to both Vesting Service and Accredited Service at the rate of eight (8) hours per day or 40 hours per week, not to exceed 40 days per calendar year for such periods of absence.
- (3) Any other bargaining unit member at O&R who on or after January 1, 1983 is absent from work without pay and who is participating in a recognized O&R-union activity, with proper notification to O&R, shall be entitled to both Vesting Service and Accredited Service at the rate of eight (8) hours per day or 40 hours per week, not to exceed five (5) days per calendar year for such periods of absence.

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3.03 RE-EMPLOYMENT OF PARTICIPANT- SUSPENSION OF BENEFITS AND BREAK IN SERVICE RULES

(a) SUSPENSION OF BENEFITS. Effective January 1, 2001, any Participant who is receiving a Pension Allowance and restored to service with the Company or an Affiliate as an Employee, shall have the following apply:

- (1) The Participant's Pension Allowance shall be suspended for each month in which the Participant completes at least 40 Hours of Service.
- (2) Any Vesting Service to which the Participant was entitled when he or she retired or terminated service shall be restored to him or her.
- (3) If the Participant is employed by an Employer as an Eligible Employee, upon later retirement or termination, he or she shall be entitled to an additional Pension Allowance based on his or her initial benefit formula applicable to the Participant prior to re-employment and his or her Annual Compensation and Accredited Service credited to the person beginning after his or her re-employment date. The additional Pension Allowance shall be equal to the greater of:
 - (i) an amount determined in accordance with the benefit formula applicable to the re-employed Participant as if the Participant's date of re-employment were his or her first day

of employment as an Eligible Employee. (His or her Accredited Service prior to the date of re-employment shall not be taken into account in determining his or her number of Years of Accredited Service but shall be taken into account in determining the applicable percentage of the Participant's Final Average Salary or the Participant's Annual Compensation); or

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- (ii) an amount equal to the excess of (I) the present value of a Pension Allowance determined in accordance with the applicable benefit formula on the basis of his or her Accredited Service and Final Average Salary or Annual Compensation, each aggregated to include the periods before and after the date of restoration to service, over (II) the present value of the Pension Allowance payments received prior to his or her re-employment and, if applicable, during the period of reemployment. Any such amount shall be converted into an annuity. For the purpose of item (ii)(II) of the foregoing sentence, the present value of Pension Allowance payments shall be determined on the basis of the IRS Mortality Table and the Adjusted IRS Interest Rate applicable to the Participant.
- (4) The additional Pension Allowance shall be payable under any of the optional forms described in Section 5.02, as elected by the Participant in accordance with Section 5.03, regardless of the optional form in which the Pension Allowance that commenced prior to his or her reemployment is payable.
- (5) A Participant whose Pension Allowance is suspended in accordance with this Section 3.03 shall be provided with notice that his or her Pension Allowance is being suspended in accordance with the provisions of the Department of Labor Regulations Section 2530.203-3.

(b) RE-EMPLOYMENT WITHOUT BREAK IN SERVICE. If either a Participant with a deferred vested Pension Allowance, a former non-vested Participant, or an Employee who was never a Participant, is re-employed without having a Break in Service, his or her participation date, Vesting Service and Accredited Service shall be determined as

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provided in Sections 2.01, 3.01 and 3.02, respectively. If a former Participant received a Cash Out, the Accredited Service to which he or she was entitled at the time of his or her termination of service shall be restored to him or her only in accordance with the provisions of Section 3.03(c). Upon subsequent retirement, the Pension Allowance of a Participant whose Accredited Service has been restored pursuant to this subparagraph shall never be less than that which was accrued under the Plan through the date of prior termination.

(c) RE-EMPLOYMENT AFTER BREAK IN SERVICE. If a Participant with a deferred vested Pension Allowance or a former Participant who received a Cash Out, is restored to service as an Eligible Employee, after having had a Break in Service, the following shall apply:

- (1) The Vesting Service to which he or she was previously entitled shall be restored to him or her.
- (2) Any Accredited Service to which the Participant was entitled at the time of his or her termination of service shall be restored to him or her; provided, however, that in the case of a Participant who received a Cash Out, the Participant repays the amount of the Cash Out, if any, received upon his or her initial termination of service, together with interest on that amount at the rate prescribed by Code Section 411(a)(7)(C), to the date of repayment.
- (3) Upon later termination or retirement of a Participant whose previous Accredited Service has been restored under this Section 3.03(c), his or her Pension Allowance shall be based on the applicable benefit formula for the

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re-employed Participant and his or her total Annual Compensation and Accredited Service while an Eligible Employee.

(d) RE-EMPLOYMENT OF NON-VESTED PARTICIPANT AFTER BREAK IN SERVICE. If a former non-vested Participant is restored to service as an Eligible Employee or an Employee, after having had a Break in Service, the following shall apply:

- (1) If he or she is re-employed as an Eligible Employee, he or she shall again become a Participant as of his or her date of restoration to service as an Eligible Employee.
- (2) Upon his or her restoration to participation, the Vesting Service to which he or she was previously entitled shall be restored to him or her, if his or her period of Break in Service does not exceed five years, determined at the time of the Break in Service, excluding any Vesting Service disregarded by reason of any earlier Break in Service.
- (3) Any Accredited Service to which the Participant was entitled at the time of his or her termination of service which is included in the Vesting Service, so restored, shall be restored to him or her.
- (4) Upon later termination or retirement of a Participant whose previous Accredited Service has been restored, his or her Pension Allowance, if any, shall be based on the applicable benefit formula in effect at such later termination or retirement and his or her total Annual Compensation and Accredited Service while in the service of an Employer as an Eligible Employee.

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(e) RE-EMPLOYMENT OF FORMER EMPLOYEE AFTER BREAK IN SERVICE. If an Employee who was never a Participant is restored to service with the Company or an Affiliate, after having had a Break in Service, the Vesting Service to which he or she was previously entitled shall be restored to him or her, if his or her period of Break in Service does not exceed five years, excluding any Vesting Service disregarded by reason of any earlier Break in Service.

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ARTICLE IV

ELIGIBILITY FOR AND AMOUNT OF BENEFITS

4.01 NORMAL RETIREMENT

The right of a Participant to a normal retirement Pension Allowance shall be non-forfeitable as of his or her Normal Retirement Age. A Participant who has attained Normal Retirement Age may retire from service and receive a normal retirement Pension Allowance beginning on his or her Normal Retirement Date. An O&R Participant whose Normal Retirement Age is coincident with the first day of a calendar month may retire from service and receive a Normal Retirement Pension Allowance on the first day of the calendar month in which his or her Normal Retirement Age occurs. A Participant who postpones retirement shall be provided with notice that his or her Pension Allowance is being suspended in accordance with the provisions of Department of Labor Regulation Section 2530.203-3.

4.02 NORMAL RETIREMENT PENSION ALLOWANCE

(a) NORMAL RETIREMENT PENSION ALLOWANCE FOR A CECONY PARTICIPANT OR AN O&R PARTICIPANT. The annual normal retirement Pension Allowance payable on the Normal Retirement Date of each CECONY Participant and O&R Participant shall be determined in accordance with his or her applicable benefit formula, as set forth in Appendix F.

(b) NORMAL RETIREMENT PENSION ALLOWANCE FOR A CEI PARTICIPANT A CEI Participant shall have his or her Pension Allowance determined as a Cash Balance Account. Under the Cash Balance Account, the CEI Participant's Pension Allowance at Normal Retirement Date shall be equal to his or her Cash Balance Account as of the date

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of determination converted into a single life annuity using the IRS Interest Rate and IRS Mortality Table.

- (1) Compensation Credits to Cash Balance Account.

- (i) Allocation Date shall mean the last day of each calendar quarter in each Plan Year. As of the Allocation Date, a CEI

Participant shall receive an allocation to his or her Cash Balance Account in an amount determined in accordance with the following schedule:

PERCENTAGE
OF EXCESS
ANNUAL
ALLOCATION
- ANNUAL
PERCENTAGE
OF ANNUAL
COM- SUM OF
AGE AND
YEARS OF
ACCREDITED
COMPENSATION
PENSATION
IN CALENDAR
SERVICE
(EACH
ROUNDED TO
NEAREST
WHOLE IN
CALENDAR
QUARTER IN
EXCESS OF
SOCIAL
NUMBER) AS
OF
ALLOCATION
DATE
QUARTER.
SECURITY
TAXABLE
WAGE BASE -

-- Less
than 35 4%
4% At least
35 but less
than 50 5%
4% At least
50 but less
than 65 6%
4% 65 and
over 7% 4%

- (ii) The entire amount, if any, of a CEI Participant's Annual Variable Pay Award shall be included in the CEI Participant's Annual Compensation in the calendar quarter in which the Award is paid. Annual Compensation is determined based on the CEI Participant's rate of pay in the last pay period in each Calendar quarter.
- (iii) A CEI Participant whose termination of employment occurs in the first or second month of a calendar quarter shall receive an allocation for such calendar quarter equal to a pro rata quarterly allocation based on age and years of Accredited Service at his or her termination of employment and

the Annual Compensation he or she received in such calendar quarter multiplied by a fraction, the numerator of which is the number of months in the calendar quarter through the termination of employment and the denominator of which is three.

- (iv) For any period of an authorized, unpaid leave of absence for which the Participant receives Accredited Service, the Participant shall receive compensation credits to his or her Cash Balance Account. The compensation credits shall be determined on the assumption that the Participant continued to

receive during the leave period the Annual Compensation (excluding any Annual Variable Pay Award) in effect for such Participant immediately prior to such leave of absence.

- (2) Interest Credits to Cash Balance Account. As of the last day of each calendar quarter of each Plan Year, the Cash Balance Account shall be increased by an amount equal to one-fourth of the applicable IRS Interest Rate multiplied by the CEI Participant's Cash Balance Account as of the first day of such calendar quarter. Notwithstanding the foregoing, the interest rate taken into account as of the last day of any calendar quarter coinciding with or preceding the CEI Participant's Annuity Starting Date shall not be less than 0.75% or greater than 2.25%. In the event a CEI Participant terminates employment prior to the last day of a calendar quarter, he or she will receive a pro rata interest credit based on the number of months in that quarter prior to the Annuity Starting Date.

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- (3) Limitation on Credits. Notwithstanding the foregoing, in no event shall any interest credits be made to the account of any CEI Participant for any period on and after his or her Annuity Starting Date.
- (4) Death Benefit. For a CEI Participant who is entitled to a vested Pension Allowance, a death benefit equal to the Cash Balance Account shall be payable to the CEI Participant's Beneficiary upon the CEI Participant's death prior to the Annuity Starting Date. If the Beneficiary is the CEI Participant's Surviving Spouse, the immediately payable Cash Balance Account shall be converted into a life annuity, in accordance with Section 4.02 (b), payable to the Surviving Spouse. The Surviving Spouse may, in lieu of an immediate life annuity, elect a Cash Balance Single Sum Payment payable as soon as practicable after the CEI Participant's date of death, or a life annuity commencing at any time prior to what would have been the CEI Participant's Normal Retirement Date. If the Beneficiary is not the Surviving Spouse, a Cash Balance Single Sum Payment shall be paid as soon as practicable following the CEI Participant's date of death. If the CEI Participant is married, no designation of a Beneficiary, other than the CEI Participant's Spouse, shall be valid.
- (5) If the vested CEI Participant is not married at his or her death and there is no surviving Beneficiary or a Beneficiary has not been designated, the death benefit shall be payable to the CEI Participant's estate or legal representative.

4.03 LATE RETIREMENT

(a) If a Participant postpones his or her retirement beyond his or her Normal Retirement Date, upon his or her termination of employment, the Participant shall be

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entitled to a late retirement Pension Allowance beginning on the first day of the calendar month after the Plan Administrator receives his or her written application to retire. A Participant who has served a minimum of two years in a high-level executive or policymaking position immediately preceding retirement and who is entitled to a non-forfeitable, immediate, Company-provided annual retirement Pension Allowance from any source or combination of sources which is at least equal to a single life annuity of \$44,000 per year may be retired at the election of the Company at any time on or after his or her attainment of age 65.

(b) A Participant who remains in service after his or her Normal Retirement Date shall be entitled to a monthly retirement Pension Allowance for each month during the postponement period which is a Non-Suspendible Month. Upon retirement, the Participant shall be entitled to an immediate late retirement Pension Allowance beginning on the Participant's late retirement date. Subject to the provisions of Section 5.01, his or her late retirement Pension Allowance shall be equal to the amount determined in accordance with the applicable benefit formula for a CEI Participant set forth in Section 4.02, or for a CECONY Participant or an O&R Participant, as set forth in Appendix F, as of his or her late retirement date, reduced by an amount that is the Actuarial Equivalent of any Pension Allowance he or she previously received in any Non-Suspendible Month. If the Participant's actual late retirement date is later than the first day of the first Plan Year following his or her Normal Retirement Date, his or

her late retirement Pension Allowance shall be recomputed as of the first day of each subsequent Plan Year before the Participant's actual late retirement date (and as of his or her actual late retirement date) as if each such date were Participant's late retirement date. No reduction hereunder

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as of the date of any such re-computation shall reduce the Participant's late retirement Pension Allowance below the amount of late retirement Pension Allowance payable to the Participant prior to such re-computation. If the Participant's actual distribution date is later than the April 1st following the Plan Year in which the Participant attains age 70 1/2, the Participant's Pension Allowance will be actuarially adjusted to reflect the delay in distribution from that April 1st until her or her Annuity Starting Date.

(c) In the event a Participant commences receipt of his or her Pension Allowance while in active service in accordance with Code Section 401(a)(9)'s minimum distribution rules, after his or her Normal Retirement Date, such commencement date shall not be the Participant's Annuity Starting Date for purposes of Article 5 and the Participant shall receive a late retirement Pension Allowance commencing at late retirement in an amount determined as if he or she had retired on such date. As of each succeeding December 31 prior to the Participant's actual late retirement date, and as of his or her actual late retirement date, the Participant's Pension Allowance shall be recomputed to reflect additional accruals. The Participant's recomputed Pension Allowance shall then be reduced by the Actuarial Equivalent of the total payments of his or her late retirement Pension Allowance made with respect to monthly payments, other than payments for Non-Suspendible Months of continued employment, which were paid prior to each such re-computation to arrive at the Participant's late retirement Pension Allowance. No such reduction shall reduce the Participant's late retirement Pension Allowance below the amount of late retirement Pension Allowance payable to the Participant prior to the re-computation of such Pension.

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4.04 EARLY RETIREMENT

(a) CEI PARTICIPANTS A CEI Participant who is entitled to a vested Pension Allowance may elect to commence receipt of his or her vested Pension Allowance prior to his or her Normal Retirement Date. The vested Pension Allowance payable before Normal Retirement Date will equal his or her Cash Balance Account as of the CEI Participant's Annuity Starting Date projected to the CEI Participant's Normal Retirement Date at the IRS Interest Rate and discounted back to the Annuity Starting Date at the IRS Interest Rate and assuming no mortality factor.

(b) CECONY PARTICIPANTS A Rule of 75 Participant may retire and elect to commence receiving his or her Pension Allowance prior to his or her Normal Retirement Date. The amount of the early retirement Pension Allowance shall be determined below.

- (1) Attainment of Age 55 and 30 Years of Accredited Service. If the CECONY Participant has attained age 55 and completed at least 30 years of Accredited Service as of the Annuity Starting Date, the early retirement Pension Allowance shall equal the Normal Retirement Pension Allowance determined under the applicable benefit formula set forth in Appendix F, Section F.1 or F.2, as applicable; provided, however, that the portion of the Pension Allowance, if any, attributable to Appendix F, Section F.2(A)(a)(iii), shall be reduced by the appropriate discount factor in Table E of Section A.1 of Appendix A, based on the Participant's age as of his or her Annuity Starting Date.
- (2) Attainment of Age 60. If the Participant has attained age 60 as of the Annuity Starting Date, the early retirement Pension Allowance shall be

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calculated using the same methodology as if he or she had attained age 55 and completed 30 years of Accredited Service.

- (3) If the Participant has 75 points but does not meet either of the criteria set forth in (1) or (2) above as of the Annuity Starting Date, the early retirement Pension Allowance shall equal the normal retirement Pension Allowance determined under the applicable benefit formula set forth in Appendix F (other than the portion of the Pension Allowance, if any, for a CECONY Management Participant

attributable to Appendix F Section F.2 A(a)(iii)), multiplied by the appropriate discount factor in Appendix A, Section A.1, Table A based on the Participant's age as of the Annuity Starting Date. The portion of the normal retirement Pension Allowance, if any, for a CECONY Management Participant, attributable to Appendix F, Section F.2A(a)(iii) shall be reduced by the appropriate discount factor in Appendix A, Section A.1, Table E based on the Participant's age as of the Annuity Starting Date.

(c) O&R PARTICIPANTS.

- (1) Upon written application filed with the Plan Administrator prior to the commencement date, an O&R Participant who has not reached his or her Normal Retirement Date but who at the time of termination of employment has reached his or her Early Retirement Date shall be eligible to commence the receipt of benefits as of the later of:
(1) the first day of the calendar month which immediately follows his or her Early Retirement Date, or (2) subject to Section 5.03, the first day of the calendar month which is at least 30 days

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after the O&R Participant has received the information referred to in Section 5.03.

- (2) Subject to Section 4.04(c)(3), Section 4.09 and Article 5, the early retirement Pension Allowance shall be a benefit commencing immediately, computed in accordance with Appendix F, Section F.3A(a) without regard to when the Pension Allowance actually commences. The early retirement Pension Allowance, computed in accordance with Appendix F, Section F.3A(a) shall be a normal retirement Pension Allowance, with the amount computed in accordance with Appendix F, Section F.3A(a)(i) on the basis of the O&R Participant's Annual Compensation and Accredited Service to the time of his or her Early Retirement Date and the additional benefit for two (2) years of Accredited Service computed on the basis of his or her Annual Compensation at the rate being paid to him or her immediately prior to his or her Early Retirement Date, reduced by 1/3 of 1% for each complete calendar month by which the commencement date of his or her Pension Allowance precedes the date which is five (5) years prior to his or her Normal Retirement Date. The foregoing reduction for a commencement date preceding the date which is five (5) years prior to his or her Normal Retirement Date shall not be made if, at the O&R Participant's Early Retirement Date, the Participant is a Rule of 85 Participant. The early retirement Pension Allowance computed in accordance with Section 5.01(c)(2) shall be the Actuarial Equivalent of the early retirement Pension Allowance computed in accordance with the immediately preceding sentence.

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- (3) At the time of early retirement, an O&R Participant may elect in writing, filed with and acknowledged by the Plan Administrator, to defer receipt of an early retirement Pension Allowance. An election to defer will be deemed to have been made by an O&R Participant if a written deferral election is not received and written consent to receipt of an early retirement Pension Allowance is not filed with and acknowledged by the Plan Administrator within the 90-day period prior to the date as of which payments could otherwise begin under Section 4.04(c)(1). An O&R Participant whose early retirement Pension Allowance is deferred as provided above shall have his early retirement Pension Allowance commence as of his Normal Retirement Date. Subject to Section 4.09 and Article 5, the deferred early retirement Pension Allowance shall be computed in accordance with Appendix F, Section F.3A, on the basis of the Participant's Annual Compensation and Accredited Service to his or her Early Retirement Date and the additional benefit for two (2) years of Accredited Service computed on the basis of his or her Annual Compensation at the rate being paid to him or her immediately prior to his or her Early Retirement Date. Notwithstanding Section 4.05(c), an O&R Participant who defers commencement of an early retirement Pension Allowance may elect to receive a vested Pension Allowance under Section 4.05(c) commencing at any time prior to his Normal Retirement Date in lieu of any early retirement Pension Allowance under this Section 4.04(c).
- (4) A supplemental payment of six hundred dollars (\$600) a month shall be paid to a retired O&R Participant whose early retirement Pension

commencement date occurs on or after the date on which the O&R Participant attains age sixty (60) but prior to the Participant's attaining age sixty-two (62). The monthly supplemental payments will cease with the payment made on the earlier of the first day of the month in which occurs the retired Participant's death or attainment of age sixty-two (62). The monthly supplemental payments will be paid only to a retired O&R Participant who is eligible as set forth herein and shall not be subject to optional forms of payment or Spouse's or vested O&R Participant Spouse's Allowances. The monthly supplemental payments are not part of the retired Participant's monthly Pension Allowance and are not subject to the pension benefit adjustments, but are subject to cessation in the event of re-employment which results in cessation of the retired Participant's monthly Pension Allowance.

4.05 VESTING

(a) Each Participant shall be 100% vested in, and have a nonforfeitable right to, his or her Pension Allowance upon completion of five Years of Vesting Service. If the Participant's employment with the Company or an Affiliate is subsequently terminated for reasons other than retirement, death, or Disability, he or she shall be eligible for a deferred vested Pension Allowance payable on the Participant's Normal Retirement Date.

(b) A CECONY Participant who is not a Rule of 75 Participant, but who is entitled to a deferred vested Pension Allowance, may elect to commence receipt of his or her vested Pension Allowance prior to his or her Normal Retirement Date. The vested Pension Allowance shall equal the Actuarial Equivalent of his or her normal retirement Pension Allowance, based on the Adjusted IRS Interest Rate and the IRS Mortality Table in effect as of the Participant's Annuity Starting Date.

(c) An O&R Participant who has not satisfied the requirements for an early retirement Pension Allowance but has earned a vested Pension Allowance may elect to receive a vested Pension Allowance on or after attainment of age 55 and completion of 10 years of Vesting Service, as set forth below.

- (1) An O&R Participant who ceases to be employed by the Company or an Affiliate for reasons other than death, retirement or Approved Leave of Absence, and before he or she has completed at least five years of Vesting Service, will be entitled only to receive his or her Accumulated Contributions.
- (2) Subject to Section 4.09 and Article 5, the vested Pension Allowance shall be a deferred Pension Allowance commencing on the vested Participant's Normal Retirement Date and shall be computed in accordance with Appendix F, Section F.3A(a), as in effect on his or her date of termination, with the amount determined under Appendix F, Section F.3A(a)(i) computed on the basis of the Participant's Annual Compensation and Accredited Service immediately prior to his or her date of termination and the additional benefit for two (2) years of Accredited Service computed on the basis of his or her Annual Compensation at the rate being paid to him or her immediately prior to his or her date of termination.
- (3) Except as provided in Section 4.05(c)(4) if, on the date of termination, the vested O&R Participant has completed at least 10 years of Vesting Service but has not reached his or her 55th birthday, he or she shall be eligible to receive, commencing as of the first day of any calendar month following his

or her 55th birthday but not later than his Normal Retirement Date, as specified in an election in writing filed with and acknowledged by the Plan Administrator no more than 90 days prior to his or her Annuity Starting Date, a vested Pension Allowance which shall be an Allowance equal to the vested Pension Allowance computed in accordance with Section 4.05(c)(2) above reduced by 1/2 of 1% for each complete calendar month by which the date of commencement of the vested Participant's Pension Allowance precedes such Participant's Normal Retirement Date.

- (4) A vested O&R Participant who elects to receive his or her Accumulated Contributions will have his or her vested Pension Allowance reduced in accordance with Section 4.05(c)(5).
- (5) The vested Pension Allowance of an O&R Participant who has received his or her Accumulated Contributions will be reduced (but not below zero) by that portion of his or her accrued Pension Allowance which is attributable to such Participant's Accumulated Contributions. With respect to a Pension Allowance payable for life and computed in accordance with Appendix F, Section F.3A(a), the portion of such Participant's Pension Allowance attributable to his or her Accumulated Contributions shall be equal to his Accumulated Contributions which were withdrawn, plus hypothetical interest at the rate determined in accordance with the definition of Accumulated Contributions, in Section 1.02, at the date of withdrawal to the Participant's Normal Retirement Date, multiplied by a conversion factor. The conversion factor for a Pension Allowance commencing at Normal Retirement Date shall

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be determined pursuant to the provisions of Code Section 411(c)(2) and any related regulations as then in effect. With respect to a Pension Allowance payable and computed in accordance with Appendix F, Section F.3A(a), of Appendix F and Section 5.01(c)(2), the portion attributable to the Participant's Accumulated Contributions shall be the Actuarial Equivalent of the amount determined above.

4.06 DISABILITY PENSION ALLOWANCE - CECONY PARTICIPANTS

(a) Social Security Disability. If a CECONY Participant terminates active employment because of a Disability and has at least five Years of Vesting Service, he or she may elect to be treated as if he or she remained in active employment until the earliest of: the end of his or her Disability, date of commencement of any gainful employment or any self-employment or any activity of like nature in which the Participant receives wages or earned income, date of death, or Normal Retirement Date. The Pension Allowance of such CECONY Participant shall be determined as if his or her Annual Basic Straight Time Compensation at the point of his or her actual termination of active employment was his or her Annual Compensation for all future years. For that period of "deemed employment," Annual Compensation shall not include an Annual Variable Pay Award.

(b) Social Security Disability or Total and Permanent Disabilities Without Eligibility for Social Security Disability Benefits. A CECONY Participant who incurs a Disability while actively employed and a CECONY Participant who terminates employment due to a total and permanent disability, as determined by the Employer in accordance with its established procedures, may elect to commence benefits under the Plan at a date earlier than his or her Normal Retirement Date. If at the date of termination of employment or

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disability, whichever is earlier, the CECONY Participant has attained age 50 and completed at least 20 Years of Accredited Service, the Pension Allowance shall be determined in accordance with the applicable Normal Retirement Pension Allowance as set forth in Appendix F, Section F.1 or F.2. If he or she is a CECONY Management Participant, the portion of the Pension Allowance attributable to Section F.2A(a)(iii) of Appendix F shall be reduced by the discount factor in Table E, Section A.1 of Appendix A, based on the Participant's age as of the Annuity Starting Date. The portion of the Pension Allowance attributable to Section F1 or F.2A(i),(ii) and (iv) of Appendix F is not reduced for early commencement. If such CECONY Participant is a Rule of 75 CECONY Participant as of the Annuity Starting Date but has not attained age 50 and completed at least 20 years of Accredited Service as of termination of employment or Disability, whichever is earlier, the accrued Pension Allowance commencing at Normal Retirement Date shall be reduced by 1.5% for each year (prorated for months) that benefit commencement precedes attainment of age 60. If such CECONY Participant is not a Rule of 75 Participant as of the Annuity Starting Date, the benefit, if any, payable to such CECONY Participant shall be determined in accordance with Section 4.05(b).

4.07 DISABILITY - O&R PARTICIPANT

(a) Upon written application to the Plan Administrator, an O&R Participant who is disabled while in active service, has not reached his or her Normal Retirement Date, and has completed at least 10 years of Accredited Service will be retired on a Disability Pension Allowance. The Disability Pension Allowance

is in lieu of retirement under any other provision of the Plan and will be effective as of the first day of a calendar month not less than 30 nor more than 90 days next following the receipt by the Plan Administrator of such written application provided the Plan Administrator finds the

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Participant is disabled, as set forth herein ("Disability Retirement Date"). The Plan Administrator must find to his or her satisfaction either (i) that a physician designated by the O&R Participant and a physician designated by O&R have each certified an opinion that such O&R Participant is totally incapacitated, mentally or physically, from the further performance of his or her regular duties or duties comparable thereto, and that such incapacity occurred while the O&R Participant was in active service with the Company or an Affiliate, resulted in termination of employment with the Company or an Affiliate, and is likely to be permanent; or (ii) that such O&R Participant is eligible for and in receipt of a disability benefit under the Social Security Act, as amended from time to time, with respect to a disability within the meaning of subparagraph (i) above which occurred while in active service with the Company or an Affiliate and resulted in termination of employment with the Company or an Affiliate. If the opinions of the physicians designated above differ as to whether the O&R Participant is totally incapacitated as set forth therein, the certified opinion of a third physician, rendered after examination of the O&R Participant and, to the extent deemed appropriate by the third physician, consultation with the other two physicians, will determine whether the O&R Participant is totally incapacitated. The third physician will be selected by the O&R Participant from a list of three names of independent physicians provided by O&R. The fees and expenses of the third physician will be paid by O&R.

(b) The Disability Pension Allowance will be payable as of the Participant's Disability Retirement Date and thereafter subject to continuance of his or her disability as provided in Section 4.07(c) and will be equal to a Pension Allowance computed in accordance with Appendix F, Section F.3A(a) and Section 5.01(c), with the amount

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determined under Appendix F, Section F.3A.(a)(i) computed on the basis of the Participant's Annual Compensation and Accredited Service immediately prior to his or her date of termination and the additional benefit for two (2) years of Accredited Service computed on the basis of the Participant's Annual Compensation at the last regular rate being paid to him or her immediately prior to his or her date of termination.

(c) Once each year, the Plan Administrator may require an O&R Participant receiving a Disability Pension Allowance who has not reached his or her Normal Retirement Date to undergo a medical examination by a physician or physicians designated by the Plan Administrator, such examination to be made at the place of residence of such O&R Participant or other place mutually agreed upon. Should any such O&R Participant refuse to submit to such medical examination, the part of his or her Disability Pension Allowance provided by Employer contributions shall be discontinued until his or her withdrawal of such refusal, and should his or her refusal continue for a year, all rights in and to the Disability Pension Allowance shall cease and the election of an optional benefit, if one has been elected, shall be of no further effect. If the Plan Administrator finds from such medical examination or otherwise that the disability of an O&R Participant receiving a Disability Pension Allowance who has not reached his Normal Retirement Date has been removed and that he or she has regained his or her earning capacity, in whole or in part, or that he or she is no longer in receipt of a disability benefit under the Social Security Act, the part of his or her Disability Pension Allowance provided by Employer contributions shall be discontinued or reduced proportionately; provided that he or she shall be entitled to have his or her original Disability Pension Allowance restored in whole or in part prior to his or her Normal Retirement Date upon

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the Participant's again, or initially, receiving a disability benefit under the Social Security Act with respect to the total incapacity which originally entitled the O&R Participant to the Disability Pension Allowance, or if on the basis of the certified opinions of a physician designated by the O&R Participant and a physician designated by O&R, (with any difference in opinion as to whether the O&R Participant is totally incapacitated to be resolved by the opinion of the third physician selected as set forth in Section 4.07(a)), the Plan Administrator finds that the O&R Participant again meets the requirements for Disability Pension Allowance. In the event that such Participant's Disability Pension Allowance is discontinued as herein provided and he or she is not

restored to service as an Employee, he or she shall be entitled to receive a vested Retirement Allowance computed in accordance with Section 4.05(c)(2) or (3) or, if such O&R Participant was at least age 55 at the time of his or her Disability Retirement, an Early Retirement Pension Allowance computed in accordance with Section 4.04(c)(2) or (3), whichever applies.

4.08 SPOUSE'S PENSION

(a) If a married Participant:

- (1) dies vested and in active service; or
- (2) dies after retiring on any Pension Allowance, or after terminating service with entitlement to a vested Pension Allowance but before his or her Annuity Starting Date; or
- (3) terminates employment with entitlement to a vested Pension Allowance, and then dies before his or her Annuity Starting Date, then a spouse's Pension Allowance shall be payable to his or her Surviving Spouse for life.

(b) CECONY PARTICIPANTS.

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- (1) This Section 4.08(b)(1) applies to a Participant who, as of his or her date of death, was a Rule of 75 CECONY Participant and is survived by a spouse. The Surviving Spouse shall be entitled to receive a Pension Allowance in the form of a pre-retirement survivor annuity payable following the death of the Rule of 75 CECONY Participant. The pre-retirement survivor annuity shall be equal to 50% of the Pension Allowance which the deceased Rule of 75 CECONY Participant would have begun receiving if he or she had terminated employment on the date of death and had applied for a Pension Allowance commencing on the first day of the month immediately following his or her death. Payment of the annuity shall commence on the first day of the month following the Rule of 75 CECONY Participant's death unless the Surviving Spouse elects a later commencement date. Notwithstanding the foregoing, no Accredited Service shall be granted for any period following a Rule of 75 CECONY Participant's termination of employment.
- (2) This Section 4.08(b)(2) applies to a Participant who, as of date of death, was a CECONY Participant who was not a Rule of 75 Participant, was eligible for a Pension Allowance, and is survived by a spouse. The Surviving Spouse shall receive a pre-retirement survivor benefit of an immediate lump sum payment equal to 50% of the Cash Out, determined in accordance with Section 5.02(c), that the deceased Participant would have received if he or she had terminated employment and elected a Cash Out on his or her date of death ("Lump Sum PRSB"). If the Lump Sum PRSB amount exceeds \$5,000, it shall not be paid unless the Surviving Spouse consents to such

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payment in writing on a form provided by the Plan Administrator. If consent is required but not provided, the Surviving Spouse will receive an annuity. Unless the Surviving Spouse elects otherwise, such annuity will begin on the first day of the month following the Participant's death. The amount payable shall be the greater of (1) or (2) where (1) is determined by dividing the Lump Sum PRSB payable to the Surviving Spouse by an annuity conversion factor determined on the basis of the IRS Mortality Table, the Adjusted IRS Interest Rate and the Surviving Spouse's age as of the month of determination and (2) is determined by converting 50% of the Participant's normal retirement Pension Allowance into an annuity on the basis of the IRS Mortality Table, the Adjusted IRS Interest Rate and the Surviving Spouse's age as of the month of determination. If the Surviving Spouse elects to defer the commencement of such annuity, the amount thereof shall be increased so that the deferred annuity commencing on the date elected by the Surviving Spouse is the Actuarial Equivalent of the immediate annuity otherwise payable, on the basis of the IRS Mortality Table and the IRS Interest Rate. Notwithstanding the foregoing, no Accredited Service shall be granted for any period following a Participant's termination of employment.

- (3) For purposes of calculating the pre-retirement Surviving Spouse

benefits provided under Section 4.08(b)(1) or (2), there shall be no reduction in the amount of the deceased Participant's Pension Allowance as determined in accordance with the applicable benefit formula. An election by the Surviving Spouse to commence receiving payments prior to what would have been the

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Participant's Normal Retirement Date may be made during the 90-day period ending on the date the payments to the Surviving Spouse commence.

(c) O&R PARTICIPANTS.

- (1) Spousal Benefit for O&R Participant. In the case of the death of a married O&R Participant in active service prior to the O&R Participant's Normal Retirement Date and after completing five years of Vesting Service, or, regardless of the number of years of Vesting Service, after the Participant's Normal Retirement Date or after becoming fully vested, there shall be payable to the Participant's Surviving Spouse, a Spouse's Allowance ("O&R Surviving Spouse's Allowance").
- (2) The O&R Surviving Spouse's Allowance is equal to one-half of the benefit which would have been payable to the deceased O&R Participant on retirement under the provisions of Appendix F, Section F.3A (including the additional benefit for two years) as of the first day of the month coincident with or next following the Participant's date of death; provided that such amount shall be reduced by one per centum for each full year in excess of two years by which the deceased Participant's age exceeds the age of the Surviving Spouse and shall be adjusted to the Actuarial Equivalent thereof in the event the commencement of the O&R Surviving Spouse's Allowance is deferred.
- (3) Unless the election provided in Section 4.08 (c)(6) is in effect, upon the death of a married vested O&R Participant prior to his or her Annuity Starting Date, there shall be payable to the vested O&R Participant's Surviving

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Spouse a death benefit. This death benefit ("O&R Spouse's Death Benefit"), is calculated differently from the way in which the O&R Surviving Spouse's Allowance is calculated. The O&R Spouse's Death Benefit will be payable beginning as of the first day of the calendar month coincident with or next following the later of the Participant's death or the 65th anniversary of the Participant's birth; provided, however, that in the event of the death of a O&R Participant with at least 10 Years of Vesting Service, his or her Surviving Spouse may elect to begin receiving his or her O&R Spouse's Death Benefit as of the first day of the calendar month coincident with or next following the later of the O&R Participant's death or the O&R Participant's 55th birthday. The O&R Spouse's Death Benefit shall be paid monthly until the last monthly payment prior to his or her death. The death benefit is computed in accordance with Section 4.08 (c)(4).

- (4) The O&R Spouse's Death Benefit will be equal to the contingent annuitant's portion of the joint and 50% survivor annuity, as in Section 5.02 (c)(2) computed as a vested Pension Allowance, as provided in Section 4.05(c), with such amount being further reduced for each year from termination of employment to the date of death during which the O&R Participant is covered by the spouse's allowance protection determined on the same basis as in Section 4.08 (c)(6). The amount of reduction for each year's coverage is set forth in Appendix A.
- (5) Upon commencement of payment, the vested Pension Allowance payable to a vested O&R Participant under Section 4.05 (c)(2) or (3) shall also be reduced

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for each year the vested O&R Participant is covered by the vested O&R Spouse's Death Benefit protection during the period from termination of employment (or, if later, from the time that the vested O&R Participant has been given notice of his or her right to

waive the vested O&R Spouse's Death Benefit), to the date the vested Pension Allowance payments commence to the Participant. The amount of reduction for each year's coverage is set forth in Appendix A attached hereto.

- (6) An O&R Participant may elect at any time on or after termination of employment to waive coverage of the O&R Spouse's Death Benefit and avoid the reductions imposed for coverage for the O&R Spouse's Death Benefit protection. The election to waive coverage must be made by delivery of a properly completed written notice of such election to the Plan Administrator. Such election must be in the form prescribed by or acceptable to the Plan Administrator, and will be effective only upon filing with and acknowledgment of receipt by the Plan Administrator. Unless it is established to the satisfaction of the Plan Administrator that such consent cannot be obtained because there is no spouse, the spouse cannot be located, or there exist other reasons as may be prescribed in regulations of the Secretary of the Treasury, such election, in order to be valid, must have the signed written consent of the Participant's spouse to the waiver of the O&R Spouse's Death Benefit coverage, and such consent must specifically acknowledge the effect of the waiver election as well as the designation of someone other than his or her spouse as Beneficiary. The spouse's signature

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to such consent and acknowledgment must be witnessed by the Plan Administrator or a Plan Administrator's delegate, or must be notarized by a notary public. Any consent by a spouse (or establishment that the spouse's consent cannot be obtained) shall be effective only with respect to such spouse.

Any such waiver election may be revoked by written notice of the O&R Participant delivered to the Plan Administrator prior to the Participant's death. In such case, the coverage for the O&R Spouse's Death Benefit protection will again be effective upon filing of the written revocation notice with and acknowledgment of receipt by the Plan Administrator. Thereafter, additional elections to waive coverage may be made as described above, and similar revocations of such elections may be made.

In all cases, the elections to waive coverage and the revocations of such elections shall be prospective only, effective upon filing with and acknowledgement of receipt by the Plan Administrator.

The Plan Administrator shall give each O&R Participant a written notice explaining (i) the O&R Spouse's Death Benefit provisions, (ii) the financial effect thereof and the Participant's right to elect to waive such coverage, (iii) the necessity of the spouse's consent and acknowledgment in order to validate the Participant's election, and (iv) the right of the O&R Participant to make, and the effect of, a revocation of the waiver of the O&R Spouse's Death Benefit. The required notice, if not provided to the O&R Participant within the one-year period prior to the vested Participant's date of termination of employment, shall be provided to the vested O&R Participant during the one (1) year period following such date of termination.

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- (7) In the event of the death of an O&R Participant while coverage for the O&R Spouse's Death Benefit is not in effect, no Death Benefit will be payable with respect to such Participant. In the event of the death of a vested O&R Participant prior to the Annuity Starting Date with respect to the vested Pension Allowance and while coverage for the O&R Spouse's Death Benefit is not in effect or is waived, no Pension Allowance will be payable with respect to such vested Participant. If applicable, however, the provisions of Article XIII will apply.
- (8) In the event a married retired O&R Participant who has elected to defer commencement of the early retirement Pension Allowance dies before the Annuity Starting Date, there will be payable to the Participant's Surviving Spouse an O&R Surviving Spouse's Allowance. Such O&R Surviving Spouse's Allowance shall be equal to the contingent annuitant's portion of Section 5.02 (c)(2) computed as though the early retirement Pension Allowance had commenced in such optional form as of the first day of the month coincident with or next following the Participant's death. In the event a married retired O&R Participant who has elected to defer commencement of the early retirement Pension Allowance dies before the Annuity Starting Date with respect to such Allowance and the Spouse's

Allowance is not in effect or payable, no Spouse's Allowance shall be payable with respect to such Participant, but, if applicable, the provisions of Article XIII shall apply.

(d) CEI PARTICIPANTS. A married CEI Participant cannot designate someone other than the Spouse to receive this death benefit in the event the CEI Participant dies before

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his or her Annuity Date. In the case of the death of a married, vested CEI Participant prior to his or her Annuity Starting Date, there shall be payable to the CEI Participant's Surviving Spouse a death benefit equal to the CEI Participant's Cash Balance Account.

4.09 MAXIMUM BENEFIT LIMITATION

Notwithstanding any provision of the Plan to the contrary, the maximum annual Pension Allowance payable to a Participant under the Plan shall be subject to the limitations set forth in Code Section 415 and any regulations or rulings issued there under. If a Pension Allowance begins after January 1, 2002 and before the Participant's 62nd birthday, the dollar limitation described in Code Section 415(b)(1)(A) shall be the Actuarial Equivalent of the maximum benefit payable at age 62. If the Pension Allowance begins after the Participant's Social Security Retirement Age, or, beginning on January 1, 2002, after the Participant attains age 65, such dollar limitation shall be the Actuarial Equivalent, based on an interest rate of 5% per annum in lieu of the interest rate otherwise used in the determination of Actuarial Equivalent, to the maximum benefit payable at the Participant's Social Security Retirement Age, or payable at age 65, as the case may be. If the Pension Allowance is payable neither as a life annuity nor as a qualified joint and survivor annuity with the Participant's spouse as contingent annuitant, the maximum limitation shall be the Actuarial Equivalent of the maximum limitation otherwise applicable. Actuarial Equivalent for purposes of this Section 4.09 shall be determined in accordance with Code Section 415(b) and the regulations or rulings issued there under and using the IRS Mortality Table and an interest rate of 5%, except that the Actuarial Equivalent of a Pension Allowance payable in the form of a lump sum shall be determined on the basis of the IRS Mortality Table and the IRS Interest Rate.

4.10 TRANSFERS AND EMPLOYMENT WITH AN AFFILIATE

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(a) If a Participant becomes (i) employed by an Employer in any capacity other than as an Eligible Employee; (ii) employed by the Company or an Affiliate who is not an Employer; or (iii) a Leased Employee, he or she will retain any Accredited Service he or she has under this Plan but will not accrue additional Accredited Service. Upon his or her later retirement or termination of employment with the Company or an Affiliate (or upon benefit commencement in the case of a Leased Employee), any benefits to which the Participant is entitled under the Plan shall be determined under the Plan provisions in effect on the date he or she ceased to be on the active payroll of an Employer and an Eligible Employee and only on the basis of his or her Accredited Service accrued while he or she was an Eligible Employee.

(b) Subject to the Break in Service provisions of Article 3, and except as provided in an Appendix to the Plan, in the case of a person who was originally employed by or providing services to the Company or an Affiliate as a Leased Employee or in any capacity other than as an Eligible Employee and thereafter becomes a Participant, upon his or her later retirement or termination of employment, the benefits payable under the Plan shall be computed under the Plan provisions in effect at that time, and only on the basis of the Accredited Service accrued while he or she is an Eligible Employee.

(c) If a CECONY Participant's Accredited Service consists of Accredited Service as a CECONY Management Participant and as a CECONY Weekly Participant prior to January 1, 2001, his or her Pension Allowance shall be calculated as if he or she were credited with Accredited Service under one Prior Plan. The Pension Allowance of such Participant shall be calculated under the benefit formula applicable to such Participant as of his or her termination of employment with the Company or an Affiliate.

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4.11 MINIMUM BENEFITS

In no event shall the benefit payable to a Participant who was an

Eligible Employee on the Effective Date of this amendment and restatement of the Plan be less than the amount, if any, payable under the minimum benefit provisions in effect immediately prior thereto.

4.12 ADDITIONAL PROVISIONS

For additional provisions applicable to certain Participants, see the following Appendices:

- (a) Appendix C- For provisions applicable to O&R Participants transferred to or hired by CECONY or a CEI Affiliate.
- (b) Appendix D- For provisions applicable to Participants employed at facilities purchased from Western Massachusetts Electric Company.
- (c) Appendix G- For provisions applicable to a special adjustment in the Pension Allowance of certain Participants.
- (d) Appendix H- For provisions applicable to certain CECONY Participants at fossil-fueled divested operations.
- (e) Appendix I- For provisions applicable to O&R Participants under O&R's Pension Protection Program.
- (f) Appendix J- For provisions applicable to certain CECONY Participants and CEI Participants at divested nuclear operations.
- (g) Appendix K- For provisions applicable to CECONY Support Employees Re: Voluntary Retirement Incentive - Support Organizations.

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- (h) Appendix L For provisions showing illustrative calculations of the pension benefit adjustment for O&R Participants.
- (i) Appendix M For provisions applicable to certain Participants employed at the Lakewood facilities.

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ARTICLE V

AUTOMATIC FORM OF PAYMENT

5.01 AUTOMATIC FORM OF PAYMENT

(a) CEI PARTICIPANTS

- (1) If a CEI Participant is not married on his or her Annuity Starting Date, his or her Pension Allowance will be payable in monthly installments ending with the monthly payment for the month in which the CEI Participant dies. An unmarried CEI Participant may also elect an optional form of benefit as provided in Section 5.02.
- (2) If a CEI Participant is married on his or her Annuity Starting Date, and if he or she has not elected an optional form of benefit as provided in Section 5.02, the Pension Allowance shall be the Actuarial Equivalent of the Pension Allowance payable under Section 5.01(a)(1) above to an unmarried CEI Participant and shall be payable in the form of a qualified joint and survivor annuity, providing for a Pension Allowance payable during the life of the Participant and, after his or her death, one-half of that Pension Allowance payable during the life of, and to, his or her Surviving Spouse.
- (3) The CEI Participant's Cash Balance Account will be converted into either a single life annuity or qualified joint and survivor annuity, as applicable, based on the IRS Interest Rate and IRS Mortality Table in effect as of the Annuity Starting Date.
- (4) In the event the Cash Balance Account immediately payable to a CEI Participant or his or her Surviving Spouse or Beneficiary has a value of

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\$5,000 or less, such value shall be paid in a single lump sum to the CEI Participant, Surviving Spouse or Beneficiary in lieu of any other benefit under the Plan.

(b) CECONY PARTICIPANTS

- (1) If a CECONY Participant is not married on his or her Annuity Starting Date, his or her Pension Allowance will be payable in monthly installments ending with the last monthly payment for the month in which the CECONY Participant dies. An unmarried CECONY Participant may elect an optional form of benefit as provided in Section 5.02.
- (2) If a CECONY Participant is married on his or her Annuity Starting Date, and if he or she has not elected an optional form of benefit as provided in Section 5.02, the Pension Allowance payable shall be in the form of a qualified joint and survivor annuity, providing for a Pension Allowance during the life of the Participant and after his or her death, one half of that Pension Allowance payable during the life of, and to, the Participant's Surviving Spouse.
- (3) In the event that a Pension Allowance payable to a CECONY Participant or his or her Surviving Spouse has a present value of \$5,000 or less, such present value shall be paid in a single lump sum to the CECONY Participant or Surviving Spouse, in lieu of the Pension Allowance or annuity otherwise payable. The calculation of the present value of a Pension Allowance, for the purpose of the foregoing sentence, shall be made on the basis of the Consolidated RPA '94 Lump Sum Conversion Factor for the Participant's age, as in effect for the month in which payment is to be made; provided,

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however, that the resulting amount shall not be less than the present value of the annual Pension Allowance determined in accordance with the applicable benefit formula set forth in Appendix F, Section F.1 or F.2 taking into account only the Participant's employment and Annual Compensation prior to January 1, 1997, calculated on the basis of the lump sum factors set forth in Table B of Appendix A and the Participant's age as of the date of determination.

(c) O&R PARTICIPANTS

- (1) If an O&R Participant is not married on his or her Annuity Starting Date, his or her Pension Allowance shall be payable in monthly installments ending with the monthly payment for the month in which the O&R Participant dies. An unmarried O&R Participant may elect an optional form of benefit as provided in Section 5.02.
- (2) If an O&R Participant is married on his or her Annuity Starting Date, and if he or she has not elected an optional form of benefit as provided in Section 5.02, his or her Pension Allowance shall be the Actuarial Equivalent to such Pension Allowance payable in the form of a single life annuity, and shall be payable in the form of a qualified joint and survivor annuity, providing for a Pension Allowance payable to the O&R Participant during his or her life, and providing after his or her death, one-half of that Pension Allowance payable during the life of, and to, his or her Surviving Spouse.
- (3) In the event that a Pension Allowance payable to an O&R Participant or his or her Surviving Spouse shall have a present value of \$5,000 or less, such

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present value shall be paid in a single lump sum to the O&R Participant or Surviving Spouse, in lieu of the Pension Allowance or annuity otherwise payable. The calculation of the present value of a Pension Allowance, for the purpose of the foregoing sentence, will be the mortality table prescribed by the Secretary of the Treasury in accordance with Code Section 417(e)(3)(A)(ii)(I) in effect on the date of distribution and the interest rate will be the lesser of five percent (5%) or the annual rate of interest on thirty-year Treasury securities determined in accordance with Code Section 417(e)(3)(A)(ii)(II) for the second full calendar month preceding the first day of the Plan Year which contains the

distribution date.

(d) Special Rules Regarding Pension Allowances of Less Than \$5,000 The determination as to whether a lump sum payment is less than \$5,000 and immediately payable shall be made as soon as practicable following a Participant's termination of employment or death. To the extent permitted by law, in the event the present value of a Pension Allowance exceeds \$5,000 upon an initial determination as to its present value, the present value of the Pension Allowance shall be re-determined annually as of the first day of each subsequent Plan Year. Any lump sum benefit payable shall be made as soon as practicable following the determination that the amount qualifies for distribution under the provisions of this paragraph (d). In the event a Participant is not entitled to any Pension Allowance upon his or her termination of employment, he or she shall be deemed cashed-out as of the date he or she terminated service. If a non-vested Participant who is deemed cashed-out is subsequently re-employed under circumstances

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where the Participant's prior service is restored, he or she shall be deemed to have repaid such amount together with interest as described in Section 3.03.

5.02 OPTIONAL FORMS OF PAYMENT

(a) CEI PARTICIPANT. A CEI Participant may, subject to the provisions of Section 5.03, elect to receive his or her benefit in the form of a Cash Balance Single Sum Payment in lieu of any other benefit under the Plan.

(b) CECONY PARTICIPANT AND CEI PARTICIPANT. Unless specifically stated otherwise, effective as of December 1, 1996, a CECONY Participant and a CEI Participant may, subject to the provisions of Section 5.03, elect to convert the Pension Allowance otherwise payable to him or her as a single life annuity in the case of an unmarried CECONY Participant or unmarried CEI Participant, and a qualified joint and 50% surviving spouse annuity, in the case of a married CECONY Participant or married CEI Participant, into an optional benefit that is the Actuarial Equivalent, as provided in one of the options named below and the applicable factors set forth in Appendix A.

- (1) TWELVE YEAR CERTAIN AND LIFE ANNUITY OPTION. A modified Pension Allowance payable during the Participant's life, reduced by the appropriate factor in Appendix A, Section A-1, Table C, for an unmarried CECONY Participant or Table D for a married CECONY Participant, and in Appendix A, Section A-3, TABLE A, for a CEI Participant. If the Participant dies within 144 months after his or her Annuity Starting Date, the balance of those 144 monthly payments will be paid: (A) in the case of an unmarried Participant, to one or more Beneficiaries named by him or her when he or she elected the option, or to the Participant's estate if the Participant failed to designate a Beneficiary, or failed to designate a new Beneficiary if the designated

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Beneficiary predeceases the Participant and (B) in the case of a married Participant, to the Surviving Spouse, or if the Surviving Spouse does not survive the full 144 months following the Participant's Annuity Starting Date, to one or more Beneficiaries named by such Participant. The Participant's estate shall also receive any of the 144 guaranteed payments which remain to be paid following the death of the designated Beneficiary, provided that the Plan may, upon the request of the legal representative of the estate, pay to the estate the present value of all remaining payments, discounted by the rate utilized to calculate the appropriate factors set forth in Appendix A, Section A-1, Table C for an unmarried CECONY Participant and Table D for a married CECONY Participant or Appendix A, Section A-3, TABLE A for a CEI Participant, as in effect on the date of the Participant's death. If the Surviving Spouse is the Beneficiary, the Surviving Spouse will receive a surviving spouse annuity equal to 50% of the amount of the reduced twelve year certain annuity, commencing on the later of the expiration of the 144-month period or the Participant's death.

- (2) JOINT AND 100% SURVIVING SPOUSE ANNUITY. A modified Pension Allowance payable during the Participant's life, and after his or her death, payable during the life of, and to, his or her Surviving Spouse. At the election of the Participant, the option may include a pop-up feature, as described below:

- (i) If the Participant does not elect the pop-up feature, then the amount payable for the life of the Participant shall be equal to the Pension

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Allowance otherwise payable to the Participant, reduced by the appropriate factor in Appendix A, Section A-1, Table G, for a CECONY Participant or in Appendix A, Section A-3, Table B, for a CEI Participant and the Surviving Spouse shall receive for his or her life an annuity equal to the amount payable to the Participant (before giving effect to any option elected under Section 5.02(b)(3) below).

- (ii) If the Participant elects the pop-up feature, then the amount payable to the Participant during the period that both the Participant and his or her spouse are alive shall be the Pension Allowance otherwise payable to the Participant, reduced by the appropriate factor in Appendix A, Section A-1, Table H, for a CECONY Participant, or in Appendix A, Section A-3, Table C, for a CEI Participant. The amount payable to the Participant during any period subsequent to the death of his or her spouse shall be equal to the Pension Allowance otherwise payable to the Participant in the absence of an election under this paragraph, and the Participant's Surviving Spouse shall receive for his or her life an annuity equal to the amount payable to the Participant during the period that the Participant and his or her spouse were both alive. In the event the Participant elects the option under Section 5.02(b)(3) below, the amount payable to the Participant's Surviving Spouse shall be determined assuming the Participant had not made any election under Section 5.02(b)(3).

(3) LEVEL INCOME OPTION.

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- (i) A Participant who is eligible to commence a Pension Allowance and whose Annuity Starting Date precedes his or her attainment of the age at which he or she is eligible to receive unreduced Social Security benefits may elect to receive his or her Pension Allowance under the Level Income Option. He or she may further elect as a leveling month, for purposes of (ii) below, either the month following the month in which he or she reaches age 62 or the earliest month for which he or she is eligible to receive unreduced Social Security benefits. The election of this option may be made in addition to an election for a Twelve Year Certain and Life Option or a Joint and 100% Surviving Spouse Annuity, as referred to above.
- (ii) If a Participant elects this option, the amount payable to him or her during the period commencing with his or her Annuity Starting Date and ending with the month prior to the leveling month shall be increased and the amount payable during the period commencing with the leveling month and ending in the month of the Participant's death shall be decreased from the Pension Allowance otherwise payable to the Participant, based on factors specified in Appendix A, Section A-1, Table I, for a CECONY Participant or in Appendix A, Section A-3, Table D, for a CEI Participant. The present value of the benefit payable under this option shall be equal to the present value of the Pension Allowance otherwise payable to the Participant, determined on the actuarial bases specified in Appendix A,

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Section A-1, Table I, for a CECONY Participant, or in Appendix A, Section A-3, Table D, for a CEI Participant.

- (iii) The amounts payable under this option shall be determined on the basis of an estimate of the Social Security benefit that the Participant would be eligible to commence to receive in the leveling month so that the amount payable for the month next preceding the leveling month shall be approximately equal to the sum of the amount payable for the leveling month plus the estimated Social Security benefit commencing in the leveling month, without taking into account any prospective cost of living adjustment pursuant to Section 11.02 of the Plan.

- (iv) The amount payable to the Participant under this option shall not be adjusted after the Participant's Annuity Starting Date, and prior to the leveling month, regardless of any difference between the estimate taken into account in the determination thereof and the Social Security benefits actually paid or payable to the Participant, and regardless of whether the Participant elects to commence receipt of Social Security benefits in any month other than the leveling month. Commencing in the leveling month, the amount payable to a Participant shall be reduced by an amount equal to the product of (I) the estimated Social Security benefit taken into account for purposes of subparagraph (iii) and (II) a fraction, the numerator of which shall be the amount payable to the Participant in the month next preceding the leveling month, taking into account any cost of living adjustments pursuant to Section 11.02, and the denominator of

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which shall be the amount determined to be payable as of the Participant's Annuity Starting Date, in accordance with subparagraph (ii) above.

- (v) In the event that a Participant who elects to receive his or her Pension Allowance under this option has also made an election to receive either a Twelve Year Certain and Life Option or a Joint and 100% Surviving Spouse Annuity Option, then the amount of Pension Allowance taken into account in the determination under subparagraph (iii) above shall be the amount payable to the Participant after giving effect to his or her election for a Twelve Year Certain and Life Option or a Joint and 100% Surviving Spouse Annuity Option. In such event, the Participant's election to receive his or her Pension Allowance under this option shall have no effect on the amount payable to his or her Surviving Spouse or Beneficiary under any other election he or she has made. In the event that the amount payable to a Participant who has elected to receive his or her Pension Allowance under this option and also made an election to receive a Joint and 100% Surviving Spouse Annuity with a Pop-Up Feature is increased on account of the death of his or her spouse, the amount of such increase shall be disregarded for purposes of subparagraph (iv).

If a Participant dies after Pension Allowance payments have commenced, any payments continuing on to his or her Surviving Spouse or Beneficiary shall be distributed at least as rapidly as under the method of distribution being used as of the Participant's date of death.

(4) CASH OUT OPTION

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- (i) A CECONY Participant who is not a Rule of 75 Participant may elect to receive the Pension Allowance otherwise payable to him or her in the form of a Cash Out. The election to receive a Cash Out may be made at any time subsequent to the Participant's termination of employment and prior to the date on which the Participant becomes a Rule of 75 Participant and will be subject to the provisions of Section 5.03. A Participant will not be eligible to receive a Cash Out after he or she has become a Rule of 75 Participant, regardless of whether he or she was a Rule of 75 Participant at the time of his or her termination of employment from the Company or an Affiliate.
- (ii) The Cash Out is a lump sum payment representing the present value of the deferred vested Pension Allowance payable to the Participant at Normal Retirement Date. Effective January 1, 1997, the amount of a Cash Out will be the greater of (A) the product of the deferred vested Pension Allowance amount determined in accordance with Section 4.05(a) and the Consolidated RPA '94 Lump Sum Conversion Factor, as in effect for the Participant's Annuity Starting Date, for the Participant's age in such month, or (B) the product of the deferred vested Pension Allowance amount determined in accordance with Section 4.05(a), taking into account only the Participant's employment and Annual Basic Straight-Time Compensation prior to January 1, 1997, and the factor in

age in any month shall be his or her age on the birthday nearer in time to the first of such month.

- (iii) In lieu of the Cash Out, a Participant who is eligible to elect to receive a Cash Out may receive an immediate annuity, commencing in the month in which the Cash Out would otherwise have been payable, in accordance with the provisions of Section 5.03. The amount of such immediate annuity shall be the greater of (A) the amount determined by dividing the Cash Out, computed in accordance with paragraph (i)(A) above, by an annuity conversion factor determined on the basis of the IRS Mortality Table, the Adjusted IRS Interest Rate, and the Participant's age as of the month of determination; or (B) the product of the deferred vested Pension Allowance amount determined in accordance with paragraph (i)(B) above and a reduction factor for early commencement based on the same mortality and interest assumptions used in Appendix A, Section A-1, Table B, and the Participant's age as of the month of determination.

(c) O&R PARTICIPANT. An O&R Participant may, subject to Section 5.03, elect to convert his or her Pension Allowance otherwise payable into an Actuarial Equivalent optional form of benefit, in accordance with one of the options described below. If a person other than the spouse of the O&R Participant is named as the contingent annuitant under an option, the value of the Pension Allowance payable to the O&R Participant under the option will in no event be less than fifty-one percent of the total value of the benefits payable to the O&R Participant and contingent annuitant.

- (1) JOINT AND 100% SURVIVOR ANNUITY. A modified Pension Allowance payable during the O&R Participant's life, with the provision that, on his or her death, the modified Pension Allowance shall be paid during the life of, and to, the surviving contingent annuitant who was nominated by the Participant by written designation duly filed with, and receipt acknowledged by, the Plan Administrator when the O&R Participant elected the option.
- (2) JOINT AND 50% SURVIVOR ANNUITY. A modified Pension Allowance payable during the O&R Participant's life, with the provision that, after his or her death, a Pension Allowance at one half the rate of his or her modified Pension Allowance shall be paid during the life of, and to, the surviving contingent annuitant who was nominated by him or her by written designation duly filed with, and receipt acknowledged by, the Plan Administrator when he or she elected the option. This is the normal form of payment of the Normal Retirement Allowance for an O&R Participant who is married on his or her Annuity Starting Date, with the Participant's spouse as contingent annuitant, as provided in Section 5.01(c).
- (3) JOINT AND 100% SURVIVOR ANNUITY WITH POP-UP FEATURE. A modified Pension Allowance payable during the O&R Participant's life, with the provision that, on his or her death, it shall be paid during the life of, and to, the contingent annuitant nominated by him or her by written designation duly filed with, and receipt acknowledged by, the Plan Administrator when he or she elected the option, if the contingent annuitant is surviving at the time of the O&R Participant's death. If the designated contingent annuitant

predeceases the O&R Participant, the Pension Allowance payable to the O&R Participant for months following the death of the contingent annuitant will increase to the Pension Allowance payable for the O&R Participant's life with no further benefits payable following the O&R Participant's death; or

- (4) JOINT AND 50% SURVIVOR ANNUITY WITH POP-UP FEATURE. A modified Pension Allowance payable during the O&R Participant's life, with the provision that after his or her death a Pension Allowance at one-half the rate of his or her modified Pension Allowance will be paid during the life of, and to, the contingent annuitant nominated

by him or her by written designation duly filed with, and receipt acknowledged by, the Plan Administrator when he or she elected the option, if the contingent annuitant is surviving at the time of the O&R Participant's death. If the designated contingent annuitant predeceases the O&R Participant, the Pension Allowance payable to the O&R Participant for months following the death of the contingent annuitant will increase to the Pension Allowance payable for the O&R Participant's life with no further benefits payable following the O&R Participant's death.

- (5) The optional forms of benefit amounts set forth for an O&R Participant will be calculated in accordance with the actuarial tables in Appendix A, Section A-2, Tables A through F.

5.03 ELECTION OF OPTIONS

(a) A married Participant's election of any option is effective only if Spousal Consent to the election is received by the Plan Administrator, unless:

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- (1) the option provides for monthly payments to his or her spouse for life after the Participant's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under the option to the Participant, and
- (2) the option is no greater than the Actuarial Equivalent of the qualified joint and survivor annuity.

(b) An Employer shall furnish to each Participant a written explanation in non-technical language of the terms and conditions of the Pension Allowance payable to the Participant in the applicable normal and optional forms of Pension Allowance to the Participant. Such explanation shall include a general description of the eligibility conditions for, and the material features and amounts payable under, the optional forms of Pension Allowance under the Plan, any rights the Participant may have to defer commencement of his or her Pension Allowance, the requirement for Spousal Consent as provided in paragraph (a) above, and the right of the Participant to make, and to revoke, elections.

(c) Each Employer shall provide the written explanation required by Section 5.03(b) no more than 90 days and no less than 30 days prior to the Participant's Annuity Starting Date. A Participant's Annuity Starting Date may not occur less than 30 days after receipt of the notice. An election for an optional form shall be made on a form provided by the Plan Administrator and may be made during the 90-day period ending on the Participant's Annuity Starting Date, but not prior to the date the Participant receives such written explanation.

(d) Notwithstanding the provisions of paragraph (c) above, a CECONY Participant, other than a Rule of 75 CECONY Participant, may, after having received the written

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explanation, affirmatively elect to have his or her benefit commence, or to receive his or her benefit in the form of a Cash Out, as applicable, sooner than 30 days following his or her receipt of the written explanation provided all of the following requirements are met:

- (1) the Plan Administrator clearly informs the Participant that he or she has a period of at least 30 days after receiving the explanation to decide when to have his or her benefits begin and, if applicable, to choose a particular optional form of payment;
- (2) the Participant affirmatively elects a date for his or her benefits to begin and, if applicable, an optional form of payment, after receiving the explanation;
- (3) the Participant is permitted to revoke his or her election until the later of his or her Annuity Starting Date or seven days following the day he or she received the explanation;
- (4) payment does not commence less than seven days following the day after the explanation is received by the Participant; and
- (5) the Participant's Annuity Starting Date is after the date the explanation is provided.

(e) An election of an option may be revoked on a form provided by the Plan Administrator, and subsequent elections and revocations may be made at any time

and from time to time during the election period specified in paragraph (c) or (d) above, whichever is applicable. An election of an optional form of benefit shall be effective on the Participant's Annuity Starting Date and may not be modified or revoked after his or her Annuity Starting Date unless otherwise provided under paragraph (d). A revocation of any election shall be effective when the completed form is filed with the Plan

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Administrator. If a Participant who has elected an optional form of benefit dies before the date the election of the option becomes effective, the election shall be given effect. If the Beneficiary designated under an option dies before the date the election of the option becomes effective, the election shall be revoked.

5.04 COMMENCEMENT OF PAYMENTS

(a) Except as otherwise provided in Article 4 or this Article 5, payment of a Participant's Pension Allowance will begin as soon as administratively practicable following the latest of (i) the Participant's 65th birthday, (ii) the fifth anniversary of the date on which he or she became a Participant, or (iii) the date he or she terminates service with the Company or an Affiliate, (but not more than 60 days after the close of the Plan Year in which the latest of (i), (ii) or (iii) occurs).

(b) Notwithstanding the preceding paragraph, payment of any Participant's Pension Allowance will begin not later than April 1 of the calendar year following the later of the calendar year in which he or she attains age 70 1/2 or terminates employment.

5.05 DISTRIBUTION LIMITATION

Notwithstanding any other provision of this Article 5, all distributions from this Plan will conform to the regulations issued under Code Section 401(a)(9), including the incidental death benefit provisions of Code Section 401(a)(9)(G). Further, such regulations shall override any plan provision that is inconsistent with Code Section 401(a)(9). The life expectancies of Participants and their spouses shall not be recalculated.

5.06 DIRECT ROLLOVER OF CERTAIN DISTRIBUTIONS

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in

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the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) The following definitions apply to the terms used in this Section:

- (1) An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any distribution where all otherwise eligible distributions are expected to total less than \$200;
- (2) An "eligible retirement plan" is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a), that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the Surviving Spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity;

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- (3) A "distributee" includes an Employee or former Employee. In addition, the Employee's or former Employee's Surviving Spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), are distributees with regard to the interest of the spouse or former spouse; and
- (4) A "direct rollover" is a payment by the Plan to the eligible retirement plan specified by the distributee.

In the event that the provisions of this Section 5.06 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section or any applicable part thereof shall be ineffective without the necessity of further amendments to the Plan.

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ARTICLE VI CONTRIBUTIONS

6.01 EMPLOYERS' CONTRIBUTIONS

It is the intention of the Company and the Employers to continue the Plan, make the contributions that are necessary to maintain the Plan on a sound actuarial basis and to meet the minimum funding standards prescribed by law. However, subject to the provisions of Article X, an Employer may discontinue its contributions for any reason at any time. Any forfeitures shall be used to reduce the Employers' contributions otherwise payable.

6.02 RETURN OF CONTRIBUTIONS

(a) The contributions of the Employers to the Plan are conditioned upon their deductibility under Code Section 404. If all or part of the deductions of the Employers are disallowed by the Internal Revenue Service, the portion of the contributions to which that disallowance applies will be returned to the Employers without interest, but reduced by any investment loss attributable to those contributions. The return shall be made within one year after the date of the disallowance of the deduction.

(b) The Employers may recover without interest the amount of their contributions to the Plan made on account of a mistake in fact, reduced by any investment loss attributable to those contributions, if recovery is made within one year after the date of those contributions.

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6.03 NON-CONTRIBUTORY NATURE

No contributions by any Employee or Participant to the Plan shall be required or permitted hereunder.

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ARTICLE VII ADMINISTRATION OF PLAN

7.01 NAMED FIDUCIARIES

(a) The Board has appointed those persons who occupy the positions of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer of CECONY as the Named Fiduciaries of the Plan. The Named Fiduciaries shall have the joint authority to control and manage the operation and administration of the Plan, including the appointment of the Plan Administrator. The Named Fiduciaries may, in their sole and absolute discretion, designate one or more committees or individuals to serve as the Plan Administrator, or in other fiduciary capacities responsible for the management, operation and administration of the Plan and/or investment of the trust and the plan assets. CECONY also may designate other persons who, upon acceptance of such designation, shall serve as Named Fiduciaries either instead of or in addition to those holding the aforementioned offices. Any such designation and acceptance shall be in writing and retained by the Plan Administrator.

(b) The Named Fiduciaries may allocate fiduciary responsibilities among themselves, and may designate other persons to carry out fiduciary

responsibilities, other than those granted to the Trustee under the trust agreement adopted for use in implementing the Plan, in accordance with the following procedure:

- (1) The Chief Executive Officer of CECONY shall allocate fiduciary responsibilities among the Named Fiduciaries in writing, and the acceptance of such responsibilities by the Named Fiduciaries shall be in writing. Any designation by a Named Fiduciary of persons to carry out fiduciary

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responsibilities, other than those granted to the Trustee under the trust agreement adopted for use in implementing the Plan, shall be in writing, a copy of which shall be delivered to the designee, and shall specify the fiduciary responsibilities to be carried out by the designee. Written notice of any such designation shall be given to all other Named Fiduciaries by the Named Fiduciary making the designation. Any such allocations, acceptances and designations shall be retained by the Plan Administrator.

- (2) A Named Fiduciary, or a fiduciary designated by a Named Fiduciary, may employ one or more persons to render advice with regard to any responsibility such fiduciary has under the Plan.
- (3) One or more of the Named Fiduciaries may direct the Trustee to invest all or any part of the trust fund held by the Trustee in investments consistent and in accordance with the Plan's investment policy, including but not limited to, investments in insurance policies and contracts, including group annuity contracts, and in tax-exempt group trusts, and from time to time to liquidate any such investment in whole or in part.
- (4) The Named Fiduciaries shall have the powers granted to them under the trust agreement adopted for use in implementing the Plan.

7.02 DUTIES OF PLAN ADMINISTRATOR

(a) The Plan Administrator shall have such duties and powers as may be necessary to discharge its duties hereunder, including but not by way of limitation, the following:

- (1) to authorize any agent to execute or deliver any instrument or make any payment on its behalf;

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- (2) to retain counsel, employ agents and provide for such clerical, accounting, actuarial and consulting services as it may require in carrying out the provisions of the Plan;
- (3) to delegate to other persons all or such portion of its duties under the Plan, other than those granted to the Trustee under the trust agreement adopted for use in implementing the Plan, as the Plan Administrator, in his or her sole discretion, shall decide and in accordance with ERISA Section 405;
- (4) to decide all claims and questions of eligibility, and determine the amount, manner and time of payment of any benefit hereunder, and to construe and interpret the Plan or other plans as may be necessary in conjunction herewith;
- (5) to make and enforce such rules and regulations as the Plan Administrator deems necessary or proper for the efficient administration and operation of the Plan;
- (6) to prescribe procedures to be followed by Participants or Beneficiaries filing applications for benefits;
- (7) to exercise such authority and responsibility, and perform such duties, as may be required in order to comply with ERISA and governmental regulations issued there under regarding records of Participants' service, accrued benefits, and non-forfeitable benefits under the Plan;
- (8) to provide notifications to Participants, and file such annual reports as shall be required with the Internal Revenue Service, the Department of Labor and the Pension Benefit Guaranty Corporation;

- (9) to receive and review the annual actuarial valuation of the Plan made by the actuary, and the regular reports of the Trustee regarding the financial condition, receipts and disbursements of the trust fund;
- (10) to furnish to the Employers, upon request, such annual reports with respect to the administration of the Plan as are reasonable and appropriate;
- (11) to receive service of legal process, as agent for the Plan; and
- (12) to authorize the payment of reasonable and necessary expenses for the administration and operation of the Plan.

(b) The Plan Administrator shall have the authority to amend the Plan as follows:

- (1) in accordance with action by the Board, to amend Appendix B to specify that an Affiliate will become an Employer and to provide for any special terms and conditions applicable to Participants employed by the Employer;
- (2) to amend Appendix E to specify the method for determining and to determine the amount payable from the 401(h) Account for benefits under the Retiree Health Plan, pursuant to and for purposes of Section 12.06; and
- (3) to adopt certain amendments to the Plan, which are (a) required or desirable in order to implement corporate transactions such as mergers, acquisitions and divestitures; (b) required, necessary or recommended for compliance with ERISA, the Code or other laws; or (c) necessary or desirable for uniform or efficient administration. In all cases, any amendment(s) adopted by the Plan Administrator shall neither materially nor significantly increase the Employers' or the Company's obligations or adversely affect or reduce the accrued benefits of Participants.

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Any amendment adopted by the Plan Administrator pursuant to this Section shall be in writing and shall be effective as of the date specified by the Plan Administrator.

7.03 MEETINGS

The Plan Administrator will hold meetings upon such notice, at such place or places, and at such time or times as the Plan Administrator may from time to time determine.

7.04 COMPENSATION AND BONDING

The Named Fiduciaries and the Plan Administrator will not receive any compensation from the Plan for their services as such, and no bond or other security need be required of them in those capacities in any jurisdiction.

7.05 ESTABLISHMENT OF RULES

Subject to the limitations of the Plan, the Plan Administrator from time to time will establish rules for the administration of the Plan and the transaction of business. The Plan Administrator has discretionary authority to interpret the Plan and to make factual determinations including but not limited to, determination of an individual's eligibility for Plan participation, the right and amount of any benefit payable under the Plan and the date on which any individual ceases to be a Participant. The determination of the Plan Administrator as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law.

7.06 PRUDENT CONDUCT

The Named Fiduciaries and Plan Administrator will use that degree of care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

7.07 ACTUARY

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As an aid to the Employers in determining the amount of contributions payable to the Plan, the actuary designated by the Named Fiduciaries or the Plan Administrator will make annual actuarial valuations of the assets and liabilities of the Plan, and will submit to the Plan Administrator the rates of contribution which it recommends for use.

7.08 MAINTENANCE OF ACCOUNTS

The Plan Administrator will maintain accounts showing the fiscal transactions of the Plan and will keep in convenient form such data as may be necessary for actuarial valuations of the Plan.

7.09 SERVICE IN MORE THAN ONE FIDUCIARY CAPACITY

Any individual, entity or group of persons may serve in more than one fiduciary capacity with respect to the Plan and/or the funds of the Plan.

7.10 LIMITATION OF LIABILITY

The Company, the members of its board of directors, the Employers and the members of their board of trustees or directors, the Named Fiduciaries, the Plan Administrator, and any officer, employee or agent of the Company or an Affiliate shall not incur any liability individually or on behalf of any other individuals for any act, or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation does not act to relieve any such individual or the Company or any Affiliate from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I of ERISA.

7.11 INDEMNIFICATION

The Company, the members of its board of directors, the Employers and the members of their board of trustees or directors, the Named Fiduciaries, the Plan Administrator, and any officer, employee or agent of the Company or an Affiliate are

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indemnified against any and all liabilities arising by reason of any act, or failure to act, in relation to the Plan or the funds of the Plan, including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan or the funds of the Plan, and amounts paid in any compromise or settlement relating to the Plan or the funds of the Plan, except for actions or failures to act made in bad faith or which constitute a breach of fiduciary duty. The foregoing indemnification is from the funds of the Plan to the extent of those funds and to the extent permitted under applicable law; otherwise from the general assets of the Employers. The provisions are in addition to any other indemnification provision otherwise provided to any such individual by the Company or an Affiliate, provided that there is no duplication of benefits under this Section 7.11 and any such other provision.

7.12 APPOINTMENT OF INVESTMENT MANAGER

The Board of Trustees, in its sole discretion, determines the investment policy for the Plan. However, a Named Fiduciary may, in its sole discretion, and in accordance with the investment policy, appoint one or more investment managers to manage the assets of the Plan (including the power to acquire and dispose of all or part of such assets) as the Named Fiduciary designates. In that event, the authority over and responsibility for the management of the assets so designated is the sole responsibility of that investment manager.

For purposes of this Article, the term "investment manager" means an individual firm, or entity who:

- (a) has the power to manage, acquire or dispose of any asset of the Plan;

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- (b) is (i) registered as an investment advisor under the Investment Advisors Act of 1940, (ii) a bank, as defined in that Act, or (iii) an insurance company qualified to perform services described in paragraph (a) above; and

- (c) has acknowledged in writing that he, she or it is a fiduciary with respect to the Plan.

7.13 EXPENSES OF ADMINISTRATION

All reasonable expenses that arise in connection with the administration

of the Plan, including but not limited to the compensation of the Trustee, administrative expenses and proper charges and disbursements of the Trustee and reasonable compensation and other expenses and charges of any enrolled actuary, counsel, accountant, specialist, or other person who has been retained by the Employers, Named Fiduciaries or Plan Administrator in connection with the administration thereof, will be paid from the funds of the Plan held by the Trustee under the trust agreement adopted for use in implementing the Plan, to the extent not paid by the Employers. So long as such reimbursement is in accordance with Department of Labor Regulation 29 CFR 2550.408c-2(b)(3), the funds of the Plan may also reimburse the Employers for compensation paid by the Employers to employees of the Employers who perform services to the Plan.

7.14 CLAIMS AND REVIEW PROCEDURES

(a) Applications for benefits and inquiries concerning the Plan (or concerning present or future rights to benefits under the Plan) must be submitted in writing to the Plan Administrator. An application for benefits must be submitted on the prescribed form and signed by the Participant or, in the case of a benefit payable after his or her death, by his or her Beneficiary, or a duly authorized legal representative.

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(b) In the event that an application for benefits is denied in whole or in part, the Plan Administrator will notify the applicant in writing of the denial and of the right to review of the denial. The written notice will set forth, in a manner calculated to be understood by the applicant, specific reasons for the denial, specific references to the provisions of the Plan on which the denial is based, a description of any information or material necessary for the applicant to perfect the application, an explanation of why the material is necessary, and an explanation of the review procedure under the Plan. The written notice from the Plan Administrator will be given to the applicant within a reasonable period of time, not more than 90 days, after the Plan Administrator received the initial application, unless special circumstances require further time for processing and the applicant is advised of the need and reason for the extension within the first 90-day period. The applicant will also be informed of the date by which the Plan Administrator expects to render the decision. In no event will the initial decision be given more than 180 days after the Plan Administrator received the application. The Plan Administrator has the authority to act with respect to any appeal from a denial of benefits or a determination of benefit rights.

(c) An applicant whose application for benefits was denied in whole or part, or the applicant's duly authorized representative, may appeal the denial by submitting to the Plan Administrator a request for a review of the application within 60 days after receiving written notice of the denial from the Plan Administrator. The Plan Administrator will give the applicant or his or her representative an opportunity to review pertinent materials, other than legally privileged documents, in preparing the request for a review. The request for a review must be in writing and addressed to the Plan Administrator. The

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request for a review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant deems pertinent. The Plan Administrator may require the applicant to submit such additional facts, documents or other materials as it may deem necessary or appropriate in making its review.

(d) The Plan Administrator will act on each request for a review within 60 days after receipt, unless special circumstances require further time for processing by the Plan Administrator and the applicant is advised of the need and reason for the extension. In no event will the decision on review be rendered more than 120 days after the Plan Administrator received the request for a review. The Plan Administrator will give prompt written notice of its decision to the applicant. In the event that the Plan Administrator confirms the denial of the application for benefits in whole or in part, the notice will set forth, in a manner calculated to be understood by the applicant, the specific reasons for the decision and specific references to the provisions of the Plan on which the decision is based. The Plan Administrator has discretionary authority to administer the plan, including interpreting the terms, determining eligibility for, entitlement to and amount of benefits under the Plan, determining any facts and resolving any questions relevant to administration of the Plan and remedying and correcting any ambiguities, inconsistencies or omissions in the Plan. Any action taken by the Plan administrator pursuant to such discretionary authority shall be conclusive and binding on all participants, beneficiaries and others.

(e) The Plan Administrator shall adopt such rules, procedures and

interpretations of the Plan as deemed necessary or appropriate in carrying out the Plan Administrator responsibilities under this Section 7.14.

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(f) No legal action for benefits under the Plan may be brought unless and until the claimant:

- (i) has submitted a written application for benefits in accordance with paragraph (a),
- (ii) has been notified by the Plan Administrator that the application is denied,
- (iii) has filed a written request for a review of the application in accordance with paragraph (c), and
- (iv) has been notified in writing that the Plan Administrator has affirmed the denial of the application;

provided, however, that legal action may be brought after the Plan Administrator has failed to take any action on the claim within the time prescribed by paragraphs (b) and (d) above.

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ARTICLE VIII

MANAGEMENT OF FUNDS

8.01 TRUSTEE

All the funds of the Plan shall be held by a Trustee appointed from time to time by the Board under a trust instrument adopted, or as amended, by CECONY for use in providing the benefits of the Plan and paying its expenses not paid directly by the Employers. The assets of the Plan may be commingled by the Trustee with the assets of another qualified defined benefit plan maintained by an Affiliate; provided, however, that there shall be separate accounting for the beneficial interest of each such plan in the commingled assets. The beneficial interest of the trust fund under the Plan will be applied solely in accordance with the Plan and shall not be available to provide benefits under any other qualified defined benefit plan or for any other purpose. Expenses and taxes, to the extent paid from the commingled trust assets, will be equitably divided between the trust fund under the Plan and the trust fund under any other qualified defined benefit plan.

8.02 EXCLUSIVE BENEFIT RULE

Except as otherwise provided in the Plan, no part of the corpus or income of the funds of the Plan shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants and other persons entitled to benefits under the Plan and paying Plan expenses not otherwise paid by the Employers, before the satisfaction of all liabilities with respect to them. No person has any interest in or right to any part of the earnings of the funds of the Plan, or any right in, or to, any part of the assets held under the Plan, except as and to the extent expressly provided in the Plan.

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ARTICLE IX

GENERAL PROVISIONS

9.01 NONALIENATION

(a) Except as required by any applicable law, or by paragraph (c), no benefit under the Plan shall in any manner be anticipated, assigned or alienated, and any attempt to do so shall be void. However, payment may be made in accordance with the provisions of any judgment, decree, or order which creates for, or assigns to, a spouse, former spouse, child or other dependent of a Participant the right to receive all or a portion of the Participant's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that spouse, child or dependent, and:

- (1) is made pursuant to a State domestic relations law,
- (2) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan, and

- (3) otherwise meets the requirements of Section 206(d) of ERISA, as amended, as a qualified domestic relations order ("QDRO"), as determined by the Plan Administrator. The Plan shall have written procedures in effect for determining whether an order is a QDRO and, if so, for administering distributions under QDROs. The procedures shall notify each person, specified in the order who is entitled to payment of benefits under the Plan, of such procedures.

Notwithstanding the foregoing, a Participant whose benefit is in current pay status may elect to make a voluntary and revocable assignment of such benefit, not to exceed

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10% of any benefit payment, provided the assignment is not for the purpose of defraying administrative costs.

(b) If the present value of any series of payments under a QDRO amounts to \$5,000 or less, a lump sum payment that is the Actuarial Equivalent, determined in the manner described in Section 5.01, shall be made in lieu of the series of payments.

(c) A Participant's benefits under the Plan will be offset by the amount the Participant is required to pay to the Plan under the circumstances set forth in Code Section 401(a)(13)(C).

9.02 CONDITIONS OF EMPLOYMENT NOT AFFECTED BY PLAN

The establishment of the Plan does not confer any legal rights upon any Employee or other person for a continuation of employment, nor does it interfere with the right of the Employers (which right is hereby reserved) to discharge any Employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant in the Plan.

9.03 FACILITY OF PAYMENT

If the Plan Administrator finds that a Participant or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or because he or she is a minor, the Plan Administrator may direct, in his or her sole discretion, that any benefit due him or her, unless claim has been made for the benefit of the Participant by a duly appointed legal representative, be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit. Furthermore, if the Plan Administrator receives from a Participant a power of attorney valid under state law, the Plan Administrator will comply with the instructions of the named attorney to the

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extent that the Plan Administrator would comply with such instructions if given by the Participant and such instructions are consistent with the power of attorney.

9.04 INFORMATION

Each Participant or other person entitled to a benefit, before any benefit will be payable to him or her or on his or her account under the Plan, must file with the Plan Administrator information that the Plan Administrator requires to establish the Participant's or other person's rights and benefits under the Plan.

9.05 TOP-HEAVY PROVISIONS

(a) The following definitions apply to the terms used in this Section:

- (1) "applicable determination date" means the last day of the preceding Plan Year;
- (2) "top-heavy ratio" means the ratio of (A) the present value of the cumulative accrued benefits under the Plan for key employees to (B) the present value of the cumulative accrued benefits under the Plan for all key employees and non-key employees; provided, however, that if an individual has not performed services for the Company or Affiliate at any time during the 5-year period ending on the applicable determination date, any accrued benefit for such individual (and the account of such individual) shall not be taken

into account;

- (3) "applicable valuation date" means the date within the preceding Plan Year as of which annual Plan costs are or would be computed for minimum funding purposes;
- (4) "key employee" means an employee who is in a category of employees determined in accordance with the provisions Code Section 416(i)(1) and (5)

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and any regulations there under, and, where applicable, on the basis of the Employee's remuneration which, with respect to any Employee, shall mean the wages, salaries and other amounts paid in respect of such Employee by the Company or an Affiliate for personal services actually rendered, determined before any pre-tax contributions under a "qualified cash or deferred arrangement" (as defined under Code Section 401(k) and its applicable regulations) or under a "cafeteria plan" (as defined under Code Section 125 and its applicable regulations), and shall include, but not by way of limitation, bonuses, overtime payments and commissions; and shall exclude deferred compensation, stock options and other distributions which receive special tax benefits under the Code;

- (5) "non-key employee" means any employee who is not a key employee;
- (6) "average remuneration" means the average annual remuneration of a Participant for the five consecutive years of his or her Vesting Service during which he or she received the greatest aggregate remuneration, as limited by Code Section 401(a)(17), from the Company or an Affiliate, excluding any remuneration for service after the last Plan Year with respect to which the Plan is top-heavy;
- (7) "required aggregation group" means each other qualified plan of the Company or an Affiliate (including plans that terminated within the five-year period ending on the determination date) in which there are members who are key employees or which enables the Plan to meet the requirements of Code Section 401(a)(4) or 410; and

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- (8) "permissive aggregation group" means each plan in the required aggregation group and any other qualified plan(s) of the Company or an Affiliate in which all members are non-key employees, if the resulting aggregation group continues to meet the requirements of Code Sections 401(a)(4) and 410.

(b) For purposes of this Section, the Plan shall be "top-heavy" with respect to any Plan Year beginning on or after January 1, 1984, if as of the applicable determination date the top-heavy ratio exceeds 60%. The top-heavy ratio shall be determined as of the applicable valuation date in accordance with Code Section 416(g)(3) and (4)(B) on the basis of the 1983 Group Annuity Mortality Table and an interest rate of 5 1/2% per year compounded annually. For purposes of determining whether the Plan is top-heavy, the present value of accrued benefits under the Plan will be combined with the present value of accrued benefits or account balances under each other plan in the required aggregation group, and, in the Employer's discretion, may be combined with the present value of accrued benefits or account balances under any other qualified plan(s) in the permissive aggregation group. The accrued benefit of a non-key employee under the Plan or any other defined benefit plan in the aggregation group shall be (i) determined under the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Company or an Affiliate, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule described in Code Section 411(b)(1)(C).

(c) The following provisions shall be applicable to Participants for any Plan Year with respect to which the Plan is top-heavy:

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- (1) In lieu of the vesting requirements specified in Section 4.05, a Participant shall be vested in, and have a non-forfeitable right to, a percentage of his or her accrued benefit, as set forth in the following vesting schedule:

YEARS OF

VESTING	
SERVICE	
PERCENTAGE	
VESTED	
Less than	
2 years	0%
2 years	
3 years	20%
4 years	40%
5 years	60%
10 years	100%

(2) The accrued benefit of a Participant who is a non-key employee shall not be less than 2% of his or her average remuneration multiplied by the number of years of his or her Vesting Service, not in excess of 10, during the Plan Years for which the Plan is top-heavy. That minimum benefit shall be payable at a Participant's Normal Retirement Date. If payments commence at a time other than the Participant's Normal Retirement Date, the minimum accrued benefit shall be the Actuarial Equivalent of that minimum benefit.

(3) The multiplier "1.25" in Code Sections 415(e)(2)(B)(i) and (3)(B)(i) shall be reduced to "1.0", and the dollar amount "\$51,875" in Code Section 415(e)(6)(B)(i)(I) shall be reduced to "\$41,500".

(d) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:

(1) The accrued benefit in any such subsequent Plan Year shall not be less than the minimum accrued benefit provided in paragraph (c)(ii) above, computed as of the end of the most recent Plan Year for which the Plan was top-heavy.

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(2) If a Participant has completed three years of Vesting Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting schedule set forth in paragraph (c)(i) above shall continue to be applicable.

(3) If a Participant has completed at least two, but less than three, years of Vesting Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting provisions of Section 4.05 shall again be applicable; provided, however, that in no event shall the vested percentage of a Participant's accrued benefit be less than the percentage determined under paragraph (c)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

9.06 CONSTRUCTION

(a) The Plan shall be construed, regulated and administered under ERISA as in effect from time to time, and the laws of the State of New York, except where ERISA controls.

(b) The titles and headings of the Articles and Sections in this Plan are for convenience only. In case of ambiguity or inconsistency, the text rather than the titles or headings shall control.

9.07 PREVENTION OF ESCHEAT

If the Plan Administrator cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Plan Administrator may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person as shown on the records of the Plan Administrator or the Employer. If such person has not made written claim therefore within three months of the date of the mailing, the Plan Administrator may, if it so elects and upon receiving

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advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be cancelled on the records of the Plan and the amount thereof applied to reduce the contributions of the Employer. Upon such cancellation, the Plan has no further liability therefore except that, in

the event such person or his or her Beneficiary later notifies the Plan Administrator of his or her whereabouts and requests the payment or payments due to him or her under the Plan, the amount so applied will be paid to him or her in accordance with the provisions of the Plan, without interest.

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ARTICLE X

AMENDMENT, MERGER AND TERMINATION

10.01 AMENDMENT OF PLAN

(a) CECONY, by action of its Board, or pursuant to authority granted by its Board, reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate, to amend in whole or in part any or all of the provisions of the Plan. However, no amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of persons entitled to benefits under the Plan, before the satisfaction of all liabilities with respect to them. No amendment will be made which has the effect of decreasing the accrued benefit or reducing the nonforfeitable percentage of the accrued benefit of a Participant below the nonforfeitable percentage computed under the Plan as in effect on the date on which the amendment is adopted or, if later, the date on which the amendment becomes effective.

(b) The Plan Administrator has the authority to amend the Plan to the extent and in the manner described in Section 7.02(b).

10.02 MERGER, CONSOLIDATION, OR TRANSFER

The Board may, in its sole discretion, merge this Plan with another qualified plan, subject to any applicable legal requirements. However, the Plan may not be merged or consolidated with, and its assets or liabilities may not be transferred to, any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer

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which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

10.03 ADDITIONAL PARTICIPATING COMPANIES

(a) With the consent of CECONY, an Affiliate may adopt this Plan for some or all of its Employees. Upon the effective date of the adoption of the Plan by an Affiliate, the Affiliate shall be an Employer and shall delegate all fiduciary and administrative responsibilities (including the appointment and removal of fiduciaries) under the Plan to the Named Fiduciaries and the Plan Administrator of the Plan. An Employer may adopt the Plan for some or all of its employees upon appropriate action by such Employer, and with the consent of CECONY, and the employees for whom the Plan is adopted shall be described in Appendix B to the Plan.

(b) An Employer may terminate its participation in the Plan upon appropriate action. The funds of the Plan held on account of Participants in the employ of that Employer will be determined by the Plan Administrator and will be applied as provided in Section 10.04 if the Plan should be terminated, or will be segregated by the Trustee as a separate trust, pursuant to certification to the Trustee by the Plan Administrator, continuing the Plan as a separate plan for the employees of that company under which the board of directors of that company will succeed to all the powers and duties of the board of trustees, including the appointment of named fiduciaries.

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10.04 TERMINATION OF PLAN

CECONY, by action of its Board, may terminate the Plan for any reason at any time. In case of termination of the Plan, the rights of Participants to their benefits accrued under the Plan as of the date of the termination, to the extent then funded or protected by law, if greater, shall be nonforfeitable. The funds of the Plan shall be used for the exclusive benefit of persons entitled to benefits under the Plan as of the date of termination, except as provided in Section 6.02. However, any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation will be returned to

the Employers. In addition, after the satisfaction of all liabilities for benefits to which Participants and other persons may be entitled under the Plan, and satisfaction of all liabilities for expenses under by the Plan, in the event there are remaining plan assets, upon termination of the Plan, such excess assets shall revert to the Employers. The Plan Administrator will determine on the basis of actuarial valuation the share of the funds of the Plan allocable to each person entitled to benefits under the Plan in accordance with Section 4044 of ERISA, or corresponding provision of any applicable law in effect at the time. In the event of a partial termination of the Plan, the provisions of this Section will be applicable to the Participants affected by that partial termination.

10.05 LIMITATION CONCERNING HIGHLY-COMPENSATED EMPLOYEES AND HIGHLY-COMPENSATED FORMER EMPLOYEES

(a) The provisions of this Section shall apply (i) in the event the Plan is terminated, to any Participant who is a highly-compensated employee or highly-compensated former employee (as those terms are defined in Code Section 414(q)) of the Company or an Affiliate and (ii) in any other event, to any Participant who is one of the 25 highly-compensated employees or highly-compensated former employees of the Company or

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Affiliate with the greatest compensation in any Plan Year. The amount of the annual payments to any one of the Participants to whom this Section applies will not be greater than an amount equal to the annual payments that would be made on behalf of the Participant during the year under a single life annuity that is the Actuarial Equivalent of the sum of the Participant's accrued benefit and the Participant's other benefits under the Plan.

(b) If, (i) after payment of Pension Allowance or other benefits to any one of the Participants to whom this Section applies, the value of Plan assets equals or exceeds 110% of the value of current liabilities (as that term is defined in Code Section 412(l)(7)) of the Plan, (ii) the value of the accrued benefit and other benefits of any one of the Participants to whom this Section applies is less than 1% of the value of current liabilities of the Plan, or (iii) the value of the benefits payable to a Participant to whom this Section applies does not exceed the amount described in Code Section 411(a)(11)(A), the provisions of paragraph (a) above will not be applicable to the payment of benefits to such Participant.

(c) If any Participant to whom this Section applies elects to receive a lump sum payment in lieu of his or her Pension Allowance and the provisions of paragraph (b) above are not met with respect to such Participant, the Participant will be entitled to receive his or her benefit in full provided he or she agrees to repay to the Plan any portion of the lump sum payment which would be restricted by operation of the provisions of paragraph (a), and shall provide adequate security to guarantee that repayment.

(d) Notwithstanding paragraph (a) of this Section, in the event the Plan is terminated, the restriction of this Section is not applicable if the benefit payable to any highly-compensated

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employee and any highly-compensated former employee is limited to a benefit that is nondiscriminatory under Code Section 401(a)(4).

(e) If it should subsequently be determined by statute, court decision acquiesced in by the Commissioner of Internal Revenue, or ruling by the Commissioner of Internal Revenue, that the provisions of this Section are no longer necessary to qualify the Plan under the Code, this Section shall be ineffective without the necessity of further amendment to the Plan.

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ARTICLE XI

COST-OF-LIVING ADJUSTMENTS

11.01 ELIGIBILITY-CECONY PARTICIPANTS

All Pension Allowances payable to CECONY Participants under the Plan for the month of April in a calendar year which commenced prior to December 31 of the prior calendar year shall be eligible for an adjustment hereunder. In the case of an annuity payable to a Surviving Spouse of a retired CECONY Participant, the Surviving Spouse's annuity shall be deemed to have commenced on

the date the retired CECONY Participant's Pension Allowance commenced. No CEI Participant or the Surviving Spouse or Beneficiary of a CEI Participant is eligible for a cost-of-living adjustment to his or her Cash Balance Account Pension Allowance.

11.02 ANNUAL ADJUSTMENT-CECONY PARTICIPANTS

All eligible Pension Allowances of CECONY Participants being paid from time to time under the Plan shall be increased annually by the percentage determined under Section 11.03. Such adjustment shall be made for the month of April each year and for each month thereafter, until further changed or terminated in accordance with provisions of this Plan.

11.03 PERCENTAGE OF ADJUSTMENT-CECONY PARTICIPANTS

Each annual adjustment shall equal 75% of the percentage increase, rounded to the nearest 1/10 of one percent (0.001), in the Index specified in Section 11.05 for the preceding December over the Index for the next-preceding December; provided, however, that such annual adjustment shall not:

- (a) exceed 3%, or
- (b) be less than 0% of the eligible Pension Allowance.

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11.04 LIMITATION ON ADJUSTMENTS-CECONY PARTICIPANTS

No adjustment in a Pension Allowance provided under this Article XI may cause such Pension Allowance, as adjusted, to be greater than the product of (a) the amount of such Pension Allowance paid for the month of December 1986 or the later month in which the Pension Allowance commenced ("Commencement Month"), multiplied by (b) a fraction, the numerator of which shall be the Index for the December immediately preceding the month of April in which the adjustment is to be made, and the denominator of which shall be the Index for the December immediately preceding the Commencement Month. Any increase pursuant to this Article XI shall be reduced to the extent required to satisfy the limitation set forth in this Section 11.04.

11.05 INDEX-CECONY PARTICIPANTS

The Index to be used for purposes of this Article XI shall be the Consumer Price Index, All Urban Consumers - US City Average ("CPI-U"), as published by the United States Department of Labor. If at any time such Index is revised or discontinued, or if the Named Fiduciaries determine that a different index, device, or other form of measurement more accurately measures the impact of inflation on the purchasing power of retirees, the Named Fiduciaries may substitute such other index, device, or other form of measurement as they, in their discretion, determine to be appropriate.

11.06 ELIGIBILITY AND ADJUSTMENT-O&R PARTICIPANTS

Beginning as of July 1 of the year for which the cumulative percentage change in the CPI-U, defined below, exceeds 20%, but not earlier than July 1, 1993, and as of each July 1 thereafter, the monthly Pension Allowance then being received by a retired O&R Participant, or a vested O&R Participant whose employment terminates after January 1, 1993,

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shall be increased by a pension benefit adjustment ("PBA"), not less than zero, determined by multiplying:

(a) the gross monthly Pension Allowance as of the Annuity Starting Date, or as of June 1, 1993 for a retired O&R Participant whose Annuity Starting Date occurred prior to January 1, 1989, or in both cases such other gross monthly Pension Allowance, then being paid to the extent it is not a PBA under this Section 11.06, by

(b) a percentage (rounded to the nearest 100th of a percent) equal to 75% of the "cumulative percentage change" in the CPI-U for the year in excess of 20%, but not more than the applicable "cumulative maximum percentage," as defined below.

11.07 ELIGIBLE SPOUSE OR CONTINGENT ANNUITANT OF O&R PARTICIPANT

The monthly Pension Allowance being received by a Surviving Spouse, including a former spouse treated as the spouse under a QDRO, unless the QDRO provides otherwise, or a contingent annuitant under a joint and survivor annuity

or contingent annuitant option with respect to a retired O&R Participant or vested O&R Participant whose employment terminates on or after January 1, 1993, shall be increased by a PBA, not less than zero, on July 1 of each year, beginning:

(a) as of the July 1 coincident with or next following the spouse's or contingent annuitant's Annuity Starting Date if the retired O&R Participant or vested O&R Participant had previously received one or more PBAs under Section 11.06 above, or

(b) as of the July 1, on or after July 1, 1993, of the year for which the "cumulative percentage change in the CPI-U" first exceeds 20%.

11.08 PENSION BENEFIT ADJUSTMENT AMOUNT FOR SPOUSE OR CONTINGENT ANNUITANT OF O&R PARTICIPANT

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(a) The PBA for the spouse or contingent annuitant shall be calculated by multiplying the percentage in Section 11.06(ii) above, determined using the deceased Participant's Annuity Starting Date, by the spouse's or contingent annuitant's gross monthly Pension Allowance as of the spouse's or contingent annuitant's Annuity Starting Date, or as of June 1, 1993 for a spouse or contingent annuitant whose Annuity Starting Date occurred prior to January 1, 1989, excluding any portion of such Pension Allowance which represents PBAs to the retired Participant's or vested Participant's Pension Allowance pursuant to Section 11.06 above.

(b) The monthly O&R Surviving Spouse's Pension Allowance, or O&R Spouse's Death Benefit Allowance with respect to a vested O&R Participant whose employment terminates after January 1, 1993, then being received by a spouse, including a former spouse treated as the spouse under a QDRO unless the QDRO provides otherwise, shall be increased by a PBA, not less than zero, on July 1 of the year for which the "cumulative percentage change in the CPI-U" exceeds 20%, but not earlier than July 1, 1993, and as of each July 1 thereafter. The PBA shall be calculated by multiplying the percentage in Section 11.06(ii) above, determined using the spouse's Annuity Starting Date, by the spouse's gross monthly Pension Allowance, as of the spouse's Annuity Starting Date, or June 1, 1993 for a spouse whose Annuity Starting Date occurred prior to January 1, 1989.

11.09 PENSION BENEFIT ADJUSTMENT FOR ALTERNATE PAYEE OF AN O&R PARTICIPANT

(a) The monthly Pension Allowance then being received by an alternate payee, within the meaning of ERISA Section 206(d) and Code Section 414(p), under a QDRO who does not otherwise share in an increase by reason of Section 11.06, Section 11.07 or

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Section 11.08 above, and is not subject to the exception in the last sentence hereof, shall be increased by a PBA, not less than zero, on each July 1 beginning

- (1) as of the July 1 coincident with or next following the alternate payee's Annuity Starting Date if the QDRO is effective after the O&R Participant's Annuity Starting Date and the O&R Participant had previously received one or more PBAs under Section 11.06 above, or
- (2) as of the first July 1, on or after July 1, 1993, of the year for which the "cumulative percentage change in the CPI-U" first exceeds 20%.

(b) The PBA shall be calculated by multiplying the percentage in Section 11.06(ii) above, determined using the alternate payee's Annuity Starting Date if the QDRO is effective on or before the O&R Participant's Annuity Starting Date and using the O&R Participant's Annuity Starting Date if the QDRO is effective after the O&R Participant's Annuity Starting Date, by the alternate payee's gross monthly Pension Allowance as of the alternate payee's Annuity Starting Date, or as of June 1, 1993 for an alternate payee whose Annuity Starting Date occurred prior to January 1, 1989, excluding any portion of such Pension Allowance which represents PBAs to the O&R Participant's Pension Allowance pursuant to Section 11.06 above. This paragraph shall not apply if the QDRO states that the PBA shall not apply and further shall not apply in any event to any Pension Allowance paid with respect to a Vested O&R Participant whose employment terminated prior to January 1, 1993. For purposes of applying the provisions of Section 5.02(c)(3) and (4) which provide for the monthly Pension Allowance of a retired O&R Participant or vested O&R Participant to be increased

after the death of the contingent annuitant, such increase, if made on a date other than a July 1, shall include the PBA which would

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have applied under paragraph (a) above if the retired O&R Participant or vested O&R Participant had been receiving the Pension Allowance as a single life annuity as of the immediately preceding July 1. A retired O&R Participant (including a O&R Participant who remains in service but has commenced his or her Allowance because of attainment of age 70-1/2) or a vested O&R Participant will be considered, for purposes of this Section only, to have multiple Annuity Starting Dates if the Pension Allowance as of the Annuity Starting Date is adjusted thereafter as a result of future Annual Compensation and Accredited Service. The initial Annuity Starting Date, which is the date as of which a Pension Allowance first begins to the retired or vested O&R Participant from the Plan, applies to the portion of the Pension Allowance attributable to Annual Compensation and Accredited Service prior to such initial Annuity Starting Date. Thereafter, each subsequent date as of which an Pension Allowance is adjusted after the initial Annuity Starting Date by reason of Annual Compensation or Accredited Service thereafter shall be considered, for purposes of this Section only, as the Annuity Starting Date with respect to the portion of the Pension Allowance attributable to Annual Compensation and Accredited Service since the previous Annuity Starting Date.

(c) The terms specified below which are used in Sections 11.06, 11.07, 11.08 and 11.09 shall have the meanings set forth below, unless the context clearly dictates another meaning.

- (1) CPI-U means the annual average figure under the Consumer Price Index for All Urban Consumers, U.S. City Average of All Items (1982-1984=100), or its successor, as published by the United States Bureau of Labor Statistics.

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- (2) Cumulative Percentage Change in the CPI-U for a year is calculated by dividing the difference between the CPI-U for the prior year and the CPI-U for the year prior to the year in which the applicable Annuity Starting Date occurred by the CPI-U for the year prior to the year in which the Annuity Starting Date occurred, and rounding to the nearest 100th of a percent (e.g., for purposes of determining the cumulative percentage change in the CPI-U for 1993 for a retired O&R Participant whose Annuity Starting Date occurred in 1990, subtract the CPI-U for 1989 from the CPI-U for 1992, then divide the result by the CPI-U for 1989 and round to the nearest 100th of a percent). Notwithstanding any provisions of Sections 11.06, 11.07, 11.08 and 11.09 to the contrary, in all cases when the Annuity Starting Date occurred before January 1, 1989, the cumulative percentage change in the CPI-U for a year shall be calculated by dividing the difference between the CPI-U for the prior year and the CPI-U for 1991 by the CPI-U for 1991, rounding to the nearest 100th of a percent, and adding 20%.

- (3) Cumulative Maximum Percentage. For purposes of Section 11.06, Section 11.08 and, Section 11.07, if the O&R Participant had not previously received any PBA under Section 11.06, and Section 11.09, if the alternate payee's Annuity Starting Date is used to determine the PBA, cumulative maximum percentage is 3% for the first year in which a PBA is made and for each succeeding year is 3% plus 103% of the prior year's cumulative maximum percentage, rounded to the nearest 100th of a percent (e.g., 3% for the first year, 6.09% for the second year, 9.27% for the third year). For purposes of

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Section 11.06, if the O&R Participant had previously received a PBA under Section 11.06, and Section 11.09, if the Member's Annuity Starting Date is used to determine the PBA, the maximum for the first year is 3% plus 103% of the prior year's cumulative maximum percentage applicable to the Participant, rounded to the nearest 100th of a percent, and for each succeeding year is 3% plus 103% of the prior year's cumulative maximum percentage, rounded to the nearest 100th of a percent.

(d) Appendix L attached hereto contains sample illustrations which are intended solely to aid in the interpretation and application of the provisions of Sections 11.06, 11.07, 11.08 and 11.09.

ARTICLE XII

401(h) ACCOUNT

12.01 ESTABLISHMENT

Effective January 1, 1986, a "401(h) Account" was established in the CECONY Management Plan and the CECONY Weekly Plan in order to fund post-retirement medical benefits to CECONY Management Participants and CECONY Weekly Participants who meet certain criteria (and the spouses/dependents of such CECONY Participants) and who retire under the terms of this Plan, pursuant to the Retiree Health Plan. The provisions of the Retiree Health Plan previously were set forth in the CECONY Management Plan and the CECONY Weekly Plan. Effective January 1, 2001, the provisions of the Retiree Health Plan are set forth in a separate document. CECONY Participants who are or were in any prior Plan Year "key employees" (as that term is defined in Code Section 416(i)), their spouses and dependents shall not be eligible for the payment of any Retiree Health Plan benefits from the 401(h) Account.

12.02 TERMS AND CONDITIONS

Effective January 1, 2001, a "401(h) Account" is established under this Plan, and the Retiree Health Plan is maintained by CECONY to provide post-retirement medical, hospital, vision care, and prescription drug benefits to certain retired CECONY Management Participants, CECONY Weekly Participants and CEI Participants who retired from CECONY (and the spouses/dependents of such Participants).

12.03 CONTRIBUTIONS

The 401(h) Account shall be funded by the contributions of CECONY, in its sole discretion, which shall be deposited with the Trustee. CECONY may also require that Participants make contributions to the Retiree Health Plan and CECONY shall determine

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whether such contributions shall be deposited in the 401(h) Account or any other funding vehicle which CECONY may sponsor to fund benefits provided by the Retiree Health Plan. All such contributions to the 401(h) Account may be commingled with Plan assets for investment and custody purposes, but all contributions to the 401(h) Account and earnings thereon, if any, together with all disbursements from the 401(h) Account, shall be recorded and accounted for in one or more separate accounts relating solely to the Retiree Health Plan. If CECONY makes a contribution to the trust fund which includes amounts allocable both to the Plan and to the 401(h) Account, CECONY shall clearly specify the portion of such contribution allocable to the Plan and the portion allocable to the 401(h) Account. In the event that a Participant's interest in the 401(h) Account is forfeited prior to termination of the Plan, an amount equal to the amount of the forfeiture shall be applied as soon as possible to reduce any contributions by CECONY to the 401(h) Account.

12.04 USE OF ASSETS

Assets in this 401(h) Account shall be used solely for the purpose of providing retiree health benefits, in accordance with Section 12.06, for those individuals who are determined to be entitled thereto in accordance with the terms of the Retiree Health Plan and to pay any necessary or appropriate expenses attributable to the administration of the 401(h) Account. The benefits provided by the 401(h) Account shall be subordinate to the pension benefits provided by the Plan. No part of the corpus or income of the 401(h) Account shall be used for, or diverted to, any purposes other than the provision of health coverage at any time prior to the satisfaction of all liabilities for health coverage hereunder. Upon the satisfaction of all liabilities incurred pursuant to the Retiree Health

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Plan any amount which may remain in the 401(h) Account shall be returned to CECONY by the Trustee.

12.05 MODIFICATION, AMENDMENT, AND TERMINATION

CECONY reserves the right to modify, amend, or terminate the Retiree Health Plan at any time. The establishment and operation of the 401(h) Account does not obligate CECONY in any way to continue to maintain any health care

plans of any nature or to provide post-retirement health care coverage of any kind. In the event that CECONY terminates health coverage for retirees, this Plan shall have no liability to provide further health coverage for current or future retirees, for purposes of determining the amount to be returned to CECONY under Section 12.04. No amendment, modification, or termination of the Retiree Health Plan, nor change in CECONY contributions thereunder, shall retroactively, adversely affect any Participant's benefit under the Retiree Health Plan.

12.06 ALLOCATION OF RESPONSIBILITY FOR PAYMENT

Benefits under the Retiree Health Plan are provided through the 401(h) Account, through other funding mechanisms, and through contributions by covered retirees and Surviving Spouses. The amount payable from the 401(h) Account shall be determined in accordance with the provisions of Appendix E, as in effect from time to time.

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ARTICLE XIII

RETURN OF CONTRIBUTIONS TO AN O&R PARTICIPANT

13.01 VESTED O&R PARTICIPANT

An O&R Participant who is entitled to a vested Pension Allowance, upon ceasing to be employed by the Company or an Affiliate for any cause other than death, Approved Leave of Absence, or retirement, may elect to receive in one sum within six months thereafter the amount of his or her Accumulated Contributions, if any, at the time he or she ceased to be so employed. If the present value of his or her Accumulated Contributions exceeds \$5,000 the O&R Participant must consent and if married, his or her spouse must provide Spousal Consent to a distribution. The consent and Spousal Consent must apply to the form and the timing of the distribution.

13.02 AN O&R PARTICIPANT NOT VESTED

An O&R Participant who is not entitled to a Pension Allowance shall, upon ceasing to be employed by the Company or an Affiliate for any cause other than death, Approved Leave of Absence, or retirement under the Plan, be paid his or her Accumulated Contributions, if any, within six months after the date he or she ceases to be so employed. If the present value of his or her Accumulated Contributions exceeds \$5,000 the O&R Participant must consent and if married, his or her spouse must provide Spousal Consent to a distribution. The consent and Spousal Consent must apply to the form and the timing of the distribution.

13.03 DEATH OF O&R PARTICIPANT

Upon receipt of proof, satisfactory to the Plan Administrator, of the death of an O&R Participant prior to his or her Annuity Starting Date, provided no other benefit is

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payable on his or her account, the amount of his or her Accumulated Contributions at the time of his or her death shall be payable in one sum to his or her designated beneficiary, if living, otherwise to such Participant's legal representatives.

13.04 CESSATION OF PENSION ALLOWANCE

Upon the cessation of payments of the Pension Allowance or other benefit payable to or on account of an O&R Participant or the Surviving Spouse of an O&R Participant, the excess, if any, of an O&R Participant's Accumulated Contributions at retirement or prior to death over the total benefit payments made to him or her or on his or her account shall be paid in one sum to the O&R Participant's beneficiary, if living, otherwise to the legal representatives of the person last in receipt of such Pension Allowance or other benefit.

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(iv)

AMENDMENT NO.1

TO THE

CONSOLIDATED EDISON RETIREMENT PLAN

DATED: DECEMBER , 2001

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Pursuant to the authority delegated by the Board of Trustees to the Plan Administrator, as set forth in Article VII, ADMINISTRATION OF THE PLAN, Section 7.02, AUTHORITY OF PLAN ADMINISTRATOR, the undersigned hereby approves, the following administrative amendments to the Consolidated Edison Retirement Plan:

1. Article IV, ELIGIBILITY FOR AND AMOUNT OF BENEFITS, Section 4.09, MAXIMUM BENEFIT LIMITATION, is amended, effective January 1, 1988, by adding at the end of such Section the following sentence:

As of January 1 of each calendar year on or after January 1, 1988, the dollar limitation as determined by the Commissioner of Internal Revenue for that calendar year shall become effective as the maximum permissible dollar amount of benefits payable under the Plan during that calendar year, including benefits payable to Participants who retired prior to that calendar year, in lieu of the otherwise previous maximum permissible amount.

2. Article V, AUTOMATIC FORM OF PAYMENT, Section 5.02, OPTIONAL FORMS OF PAYMENT, Subsection (b), CECONY PARTICIPANT AND CEI PARTICIPANT, Sub subsection (1), TWELVE YEAR CERTAIN AND LIFE ANNUITY OPTION, is amended, effective November 15, 2001, by changing the second sentence to read as follows:

If the Participant dies within 144 months after his or her Annuity Starting Date, the balance of those 144 monthly payments will be paid: (A) in the case of an unmarried Participant, to one or more primary Beneficiaries

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named by him or her when he or she elected the option, or to the Participant's estate if the Participant failed to designate a Beneficiary, or failed to designate a contingent Beneficiary if the designated primary Beneficiary predeceases the Participant or if the designated primary Beneficiary does not survive the full 144 months following the Participant's Annuity Starting Date and (B) in the case of a married Participant, to the Surviving Spouse, or if the Surviving Spouse does not survive the full 144 months following the Participant's Annuity Starting Date, to one or more Beneficiaries named by such Participant.

IN WITNESS WHEREOF, the undersigned has executed this instrument this _____ day of December, 2001.

Richard P. Cowie
Vice President, Human Resources
Consolidated Edison Company of
New York, Inc. and Plan Administrator

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THE CONSOLIDATED EDISON

THRIFT SAVINGS PLAN*

EFFECTIVE AS OF JANUARY 1, 2001
 AMENDED AS OF MAY 8, 2002
 FOR INCLUSION OF THE
 EMPLOYEE STOCK OWNERSHIP PLAN

*INCLUDES

THE CONSOLIDATED EDISON OF NEW YORK, INC.
 TAX REDUCTION ACT STOCK OWNERSHIP PLAN

THE CONSOLIDATED EDISON THRIFT SAVINGS PLAN

INTRODUCTION

The purpose of the Consolidated Edison Thrift Savings Plan (the "Plan") is to establish a convenient way for each eligible employee of the parent company, Consolidated Edison, Inc. (the "Company" and/or "CEI") and of certain of the controlled group affiliates of CEI, to supplement his or her retirement income by saving on a regular and long-term basis, while concurrently offering each employee an additional incentive to continue his or her career with the Company. The Plan is intended to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), Sections 401(k) and 401(m) and to qualify under Section 401(a). The trust established under and as a part of the Plan is intended to qualify under Code Section 501(a). The Plan and its trust provide each Participant with an opportunity to defer a portion of his or her compensation and to invest and reinvest that deferred savings under the Plan on a tax-deferred basis. It is intended that a Participant's Pre-Tax contributions, as defined in the Plan, shall constitute payments by each Employer as contributions to the trust fund on behalf of the Participant, within the meaning of Code Section 401(k).

The Plan was originally established and made effective on January 1, 1987, by the Consolidated Edison Company of New York, Inc. ("CECONY") as the Consolidated Edison Retirement Income Savings Plan for Weekly Employees ("CECONY Weekly Plan"). Thereafter, the CECONY Weekly Plan was amended from time to time. On December 1, 1996, the CECONY Weekly Plan was amended and restated in its entirety, among other

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reasons, to make a transition from Bankers Trust Company as trustee and record keeper to Vanguard Fiduciary Trust Company.

Effective January 1, 1998, CEI was formed and CECONY became a subsidiary corporation of CEI. From time to time thereafter, wholly-owned affiliates of CEI were formed and together with CEI create a controlled group, as defined in Code Section 414(b), in which CEI is the parent corporation. In July 1999, CEI acquired Orange and Rockland Utilities, Inc. ("O&R").

On July 20, 2000, for administrative ease, to facilitate the transfer of employees from one affiliate to another, and to reduce the cost of operational expenses, the Board of Trustees of CECONY and the Board of Directors of O&R approved the merger ("Merger"), effective January 1, 2001, of the following plans into the CECONY Weekly Plan:

- (i) the Consolidated Edison Thrift Savings Plan for Management Employees (the "CECONY Management Plan");
- (ii) the Orange and Rockland Utilities, Inc. Management Employees Savings Plan (the "O&R Management Plan") and
- (iii) the Orange and Rockland Utilities, Inc. Hourly Group Savings Plan (the "O&R Hourly Plan").

The CECONY Weekly Plan, the CECONY Management Plan, the O&R Management Plan and the O&R Hourly Plan are called the Prior Plans.

The CECONY Weekly Plan, renamed the Consolidated Edison Thrift Savings Plan, was also amended, effective January 1, 2001, to take into account the Merger, among other things, and restated constitutes the single plan and a continuation of each one of the Prior Plans.

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In the Plan, CEI is the Company, CECONY is the Plan Sponsor and an Employer, O&R is an Employer, and certain existing and future affiliates are, or will become, Employers.

The Plan is amended for the Family and Medical Leave Act of 1993, the Uniformed Services Employment and Reemployment Rights Act of 1993, the Retirement Protection Act of 1994, as enacted under the Uruguay Round Agreements Act (General Agreement on Tariffs and Trade), the Small Business Job Protection Act of 1996, and the Taxpayer Relief Act of 1997, and certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amended Plan is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, the provisions effectuating EGTRRA will be effective beginning January 1, 2002. The EGTRRA amendments supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of the EGTRRA amendments.

Additionally, the Plan document serves as the official plan document for the Consolidated Edison Company of New York, Inc. Tax Reduction Act Stock Ownership Plan ("TRASOP"). The TRASOP is a plan separate from the Plan. CECONY has entered into a separate trust agreement with Vanguard Financing Trust Company under the TRASOP. Participation in the TRASOP is frozen.

The Plan is amended to take into account the changes made by the collective bargaining agreement covering employees who are members of Local 1-2 of the Utility Workers Union of America, AFL-CIO, as effective June 24, 2000, Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO, as effective June 24, 2001, and

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the collective bargaining agreement for Local 503 of the International Brotherhood of Electrical Workers, AFL-CIO, as effective June 20, 2000.

Except as otherwise specifically provided herein, the rights and benefits of any Participant who retires or whose employment is terminated are determined in accordance with the provisions of the Plan as in effect and operative at the time of such retirement or termination.

Effective May 8, 2002, the Company amended the Plan to incorporate, as a separate part, an employee stock ownership plan ("ESOP"). All Participants are eligible to participate in the ESOP. Any Participant who elects as an Investment Fund, the Company Stock Fund for his or her Employer Contributions, will be deemed to be an ESOP Participant. Only Employer Contributions will be contributed to the ESOP.

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ARTICLE I

DEFINITIONS

The following words and phrases have the following meanings in the Plan unless a different meaning is plainly required by the context:

1.01 ACCOUNT BALANCE means the amount credited to a Participant consisting of one or more of his or her Subaccounts, as the case may be, including his or her Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, Employer Contributions Subaccount, TRASOP, Transferred Employer and Employee PAYSOP Contributions Subaccount, ESOP Account and other amounts transferred to the Plan which are accounted for under the Plan under such classification.

1.02 ACTUAL DEFERRAL PERCENTAGE means, for each Highly Compensated Employee who is a Participant, the ratio, expressed as a percentage, of (1) the amount of Pre-Tax Contributions (including Excess Pre-Tax Contributions) for the current Plan Year to (2) the Highly Compensated Participant's Statutory Compensation for the entire Plan Year (whether or not the Eligible Employee was a Participant for the entire Plan Year). The Actual Deferral Percentage of each Non-highly Compensated Employee who is a Participant is the ratio, expressed as a percentage, of (1) the amount of Pre-Tax Contributions (excluding Excess

Pre-Tax Contributions) for the prior Plan Year to (2) the Non-Highly Compensated Employee's Statutory Compensation for the portion of the prior Plan Year in which the Participant was an Eligible Employee. For purposes of computing the Actual Deferral Percentage, an Eligible Employee who would be a Participant but for the failure to make Pre-Tax Contributions shall be treated as a Participant on whose behalf no Pre-Tax Contributions are made. The Actual Deferral Percentage of each Eligible Employee shall be rounded to the

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nearest 100th of 1% of each such Eligible Employee's Statutory Compensation. For purposes of determining the Actual Deferral Percentage for a Plan Year, Pre-Tax Contributions may be taken into account for a Plan Year only if they:

(a) relate to compensation that either would have been received by the Eligible Employee in the Plan Year but for the deferral election, or are attributable to services performed by the Eligible Employee in the Plan Year and would have been received by the Eligible Employee within 2 1/2 months after the close of the Plan Year but for the deferral election;

(b) are allocated to the Eligible Employee as of a date within that Plan Year and the allocation is not contingent on the participation or performance of service after such date; and (c) are actually paid to the Trustee no later than 12 months after the end of the Plan Year to which the contributions relate.

1.03 AFFILIATE means any company that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that also includes as a member the Company; any trade or business under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). Notwithstanding the foregoing, the definitions in Code Sections 414(b) and (c) shall be modified as provided in Code Section 415(h).

1.04 AFTER-TAX CONTRIBUTION means a contribution made by a Participant of amounts after income taxes have been withheld on the amount and all dividends, income, gains and losses attributable thereto. After-Tax Contributions include Participating

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Contributions and Non-participating Contributions. In the case of an O&R Participant, After-Tax Contributions include Transferred Employee PAYSOP Contributions.

1.05 AFTER-TAX CONTRIBUTIONS SUBACCOUNT means the account into which is credited all of a Participant's After-Tax Contributions within which shall be separately accounted, if applicable, a Participant's Participating Contributions and Non-Participating Contributions.

1.06 ANNUAL DOLLAR LIMIT means, effective January 1, 1994, in accordance with Code Section 401(a)(17), \$150,000, except that, if for any calendar year from 1994 to 2001 the Cost-of-Living Adjustment is equal to or greater than \$10,000, then the Annual Dollar Limit for any Plan Year beginning January 1, 1995, shall be increased by the amount of such Cost-of-Living Adjustment, rounded to the next lowest multiple of \$10,000. Effective January 1, 2002, the Annual Dollar Limit is increased to \$200,000 and increased each subsequent Plan Year by the Cost-of-Living Adjustment equal to or greater than \$5,000.

1.07 ANNUITY STARTING DATE means the first day of the first period for which an amount is paid following a Participant's retirement or other termination from employment.

1.08 AVERAGE CONTRIBUTION PERCENTAGE means, with respect to a specified group of Eligible Employees for a Plan Year, the average of the actual Contribution Percentages (calculated separately for each Participant in each specified group). The Contribution Percentage for each group of Eligible Employees will be calculated to the nearest one-hundredth of one percent.

1.09 AVERAGE ACTUAL DEFERRAL PERCENTAGE means, with respect to a specified group of Eligible Employees, the average of the Actual Deferral Percentages (calculated separately for each Participant in each specified group). The Actual Deferral Percentage for

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each group of Eligible Employees will be calculated to the nearest one

one-hundredth of one percent.

1.10 BENEFICIARY means the person or persons, trust or other recipient determined in accordance with the provisions of Section 11.03 to succeed to a Participant's Account Balance under the Plan in the event of the death of such Participant prior to the entire distribution of such Account Balance.

1.11 BOARD means the Board of Trustees of CECONY.

1.12 BREAK IN SERVICE means a Plan Year in which an Employee completes 500 or fewer Hours of Service. Solely for purposes of determining whether a Break-in-Service has occurred, an Employee who is absent from work on account of the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of that child by the Employee, for purposes of caring for that child or for a Family and Medical Leave Act ("FMLA"), shall be deemed to have earned at least 501 Hours of Service in the Plan Year in which he or she is absent from work or the immediately following Plan Year, whichever Plan Year is necessary to first avoiding a Break in Service.

1.13 CECONY means the Consolidated Edison Company of New York, Inc., and any successor by merger, purchase or otherwise.

1.14 CECONY MANAGEMENT EMPLOYEE means an Employee employed by and on the management payroll of CECONY.

1.15 CECONY MANAGEMENT PARTICIPANT means a CECONY Management Employee who is a Participant.

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1.16 CECONY MANAGEMENT PLAN means the Con Edison Thrift Savings Plan for Management Employees, as in effect and prior to January 1, 2001.

1.17 CECONY PARTICIPANT means a CECONY Management Participant and/or a CECONY Weekly Participant.

1.18 CECONY WEEKLY EMPLOYEE means an Employee employed by and on the payroll of CECONY who is (a) a member of the collective bargaining unit represented by Local 1-2 of the Utility Workers' Union of America, AFL-CIO or (b) a member of the collective bargaining unit represented by Local 3 of the International Brotherhood of Electrical Workers, AFL-CIO.

1.19 CECONY WEEKLY PARTICIPANT means a CECONY Weekly Employee who is a Participant.

1.20 CECONY WEEKLY PLAN means the Con Edison Retirement Income Savings Plan for Weekly Employees, as in effect on December 31, 2000.

1.21 CEI means Consolidated Edison, Inc.

1.22 CEI AFFILIATE OR CEI AFFILIATES means one, more than one or all, as the context indicates, of Consolidated Edison Communications, Inc. (CEC); Consolidated Edison Solutions, Inc. (CES); Consolidated Edison Energy, Inc. (CEE); Consolidated Edison Development, Inc. (CED); Consolidated Edison Energy Massachusetts, Inc. (CEEM); CED Operating Company, L.P. ("CEDOC") and any future Affiliate who becomes an Employer.

1.23 CEI EMPLOYEE means an Employee of a CEI Affiliate.

1.24 CEI PARTICIPANT means a CEI Employee who is a Participant in the Plan.

1.25 CODE means the Internal Revenue Code of 1986, as amended from time to time.

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1.26 COMPANY means Consolidated Edison, Inc. or any successor by merger, purchase or otherwise, that assumes the obligations of this Plan with respect to its Eligible Employees.

1.27 COMPANY STOCK FUND shall have the meaning set forth in Plan Section 5.03.

1.28 COMPENSATION means

(a) for a CECONY Weekly Employee, straight time wages, paid for a Payroll Period and determined prior to any reduction for --

- (i) Pre-Tax Contributions,
- (ii) Section 125 Contributions, and
- (iii) Section 132 Contributions.

Compensation is determined by excluding bonuses, overtime pay, premium pay, incentive compensation, severance pay, deferred compensation and all other forms of special pay;

(b) for a CECONY Management Employee, a CEI Participant or an O&R Management Employee, base salary in a payroll period, determined prior to any reduction for:

- (i) Pre-Tax Contributions,
- (ii) Section 125 Contributions, or
- (iii) Section 132 Contributions.

Compensation is determined by excluding bonuses, overtime pay, incentive compensation, commissions, severance pay, deferred compensation and all other forms of special pay; and

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(c) for an O&R Hourly Employee who is not a part-time Employee, forty times the base hourly wage to an Eligible Employee in a week determined prior to any reduction for Pre-Tax Contributions and Section 125 Contributions. Compensation shall not include bonus, overtime, severance pay or other special pay, or any other employer contributions to another deferred compensation plan or employee welfare benefit plan. In the case of an O&R Participant who is a part-time Eligible Employee, twenty shall be substituted for forty in the preceding sentence.

(d) Compensation for a Plan Year in excess of the Annual Dollar Limit for such Plan Year shall be disregarded.

1.29 CONTRIBUTION PERCENTAGE for a Highly Compensated Employee is the ratio, expressed as a percentage, of After-Tax Contributions and Employer Contributions on behalf of the Highly Compensated Employee for the current Plan Year to the Highly Compensated Employee's Statutory Compensation for such Plan Year (whether or not the Employee was a Participant for the entire Plan Year). Contribution Percentage for a Non-Highly Compensated Employee is the ratio, expressed as a percentage, of After-Tax Contributions and Employer Contributions on behalf of the Non-Highly Compensated Employee for the prior Plan Year to the Non-Highly Compensated Employee's Statutory Compensation for the portion of such Plan Year in which the Participant was an Eligible Employee. However, Employer Contributions shall not be taken into account to the extent they are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Pre-Tax Contributions, Excess Contributions, or Excess Aggregate Contributions. The Contribution Percentage of each Eligible Employee shall be rounded to the nearest one-hundredth of one percent of such Employee's Statutory Compensation.

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1.30 COST-OF-LIVING ADJUSTMENT means the cost of living adjustment prescribed by the Secretary of the Treasury under Code Section 415(d) and applied to such items and in such manner as the Secretary shall provide.

1.31 DISABILITY means total and permanent physical or mental disability, as evidenced by (a) receipt of a Social Security disability pension or (b) waiver of premium under an Employer's group term life insurance plan.

1.32 EARNINGS means the amount of income, if any, to be returned to an affected Participant with any Excess Pre-Tax Contributions, Excess Contributions or Excess Aggregate Contributions. Earnings on Excess Pre-Tax Contributions and Excess Contributions shall be determined by multiplying the income earned on the Subaccount of the Participant for the Plan Year by a fraction, the numerator of which is the Excess Pre-Tax Contributions or Excess Contributions, as the case may be, for the Plan Year and the denominator of which is the Subaccount balance at the end of the Plan Year, disregarding any income or loss occurring during the Plan Year. Earnings on Excess Aggregate Contributions shall be determined in a similar manner by substituting the sum of the Employer Contributions Subaccount and After-Tax Contributions Subaccount for the Pre-Tax Subaccount, and the Excess Aggregate Contributions for the Excess Pre-Tax Contributions and Excess Contributions in the preceding sentence.

1.33 ELIGIBLE EMPLOYEE means a CECONY Weekly Employee, CECONY Management Employee, an O&R Hourly Employee, an O&R Management Employee, and a CEI Employee.

1.34 EMPLOYEE means an individual who is employed by and a common law employee of the Company or an Affiliate and receives Compensation other than a pension,

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severance pay, retainer or fee under contract. The term Employee excludes any Leased Employee.

1.35 EMPLOYER means one, more than one, or all, as the context requires of CECONY, O&R, and each CEI Affiliate. Employer also means each newly created, future established or acquired Affiliate to the extent that such Affiliate elects to participate and CECONY approves its participation in the Plan.

1.36 EMPLOYER CONTRIBUTION means a contribution to the Trust Fund made by an Employer on behalf of a Participant.

1.37 EMPLOYER CONTRIBUTIONS SUBACCOUNT means the Subaccount into which is credited a Participant's Employer Contributions.

1.38 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.39 ESOP means, effective on the ESOP Effective Date, the Consolidated Edison Employee Stock Ownership Plan ("ESOP"), which is incorporated into and becomes a separate plan within this Plan.

1.40 ESOP EFFECTIVE DATE means May 8, 2002.

1.41 ESOP TRUST FUND means that part of the Trust Fund held exclusively for the ESOP Accounts of the ESOP Participants.

1.42 EXCESS AGGREGATE CONTRIBUTIONS means with respect to any Plan Year, the excess of:

(a) The actual Contribution Percentage(s) taken into account in computing the numerator of the Average Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

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(b) The maximum actual Contribution Percentages permitted by the Average Contribution Percentage test determined by reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentage beginning with the highest of such percentage.

Such determination shall be made after first determining Excess Pre-Tax Contributions and then Excess Contributions. In no case shall the amount of Excess Aggregate Contributions with respect to any Highly Compensated Employee exceed the amount of After-Tax Contributions and Employer Contributions made on behalf of such Highly Compensated Employee for the Plan Year.

1.43 EXCESS CONTRIBUTIONS means, with respect to any Plan Year, the excess of:

(a) the aggregate amount of Employer Contributions actually taken into account in computing the Average Actual Deferral Percentage of Highly Compensated Employees for such Plan Year, over

(b) the maximum amount of Employer's contributions permitted by the Average Actual Deferral Percentage test (determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual average Deferral Percentages, beginning with the highest of such percentages).

In no case shall the amount of Excess Contributions for a Plan Year with respect to any Highly Compensated Employee exceed the amount of Pre-Tax Contributions made on behalf of such Highly Compensated Employee for the Plan Year.

1.44 EXCESS DEFERRAL PERCENTAGE means the excess of:

(a) the Average Deferral Percentage for the group of eligible Highly Compensated Employees, over

(b) the Average Deferral Percentage limit permissible to such group of Highly Compensated Employees.

1.45 EXCESS PRE-TAX CONTRIBUTIONS means those Pre-Tax Contributions that are includible in a Participant's gross income under Code Section 402(g) to the extent the Participant's Pre-Tax Contributions exceed the dollar limitation under Code Section 402(g).

1.46 HIGHLY COMPENSATED EMPLOYEE means any Employee of the Company or an Affiliate (whether or not an Eligible Employee) who during the look-back year received Statutory Compensation in excess of \$80,000, adjusted by the Cost-of-Living Adjustment and, at the election of the Company or CECONY, was in the "Top Paid Group." The term "Top Paid Group" includes all Employees who are among the 20% highest paid. A Highly Compensated Management Employee means a Highly Compensated Employee who is a CECONY Management Employee, an O&R Management Employee, or a CEI Employee who is not covered by a collective bargaining agreement. A Highly Compensated Union Employee is a Highly Compensated Employee who is a Local 1-2 Employee, Local 3 Employee, and an O&R Hourly Employee who is covered by a collective bargaining agreement.

1.47 HOUR OF SERVICE means, with respect to any applicable computation period,

- (a) each hour for which:
- (i) the Employee is paid or entitled to payment for the performance of duties for the Company or an Affiliate;
 - (ii) the Employee is paid or entitled to payment by the Company or an Affiliate on account of a period during which no duties are performed, whether or not the employment relationship has terminated, due to

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vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence; and

- (iii) back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company or an Affiliate, excluding any hour credited under (a)(i) or (ii), which shall be credited to the computation period or periods to which the award, agreement or payment pertains rather than to the computation period in which the award, agreement or payment is made.

(b) No hours shall be credited on account of any period during which the Employee performs no duties and receives payment solely for the purpose of complying with unemployment compensation, workers' compensation or disability insurance laws. Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically-related expenses incurred by the employee. The Hours of Service credited shall be determined as required by Title 29 of the Code of Federal Regulations, Sections 2530.200b-2(b) and (c).

(c) With regard to an Employee for whom a record of his or her Hours of Service is not maintained,

- (i) One day of employment equals 10 Hours of Service;
- (ii) One week of employment equals 45 Hours of Service; and
- (iii) One month of employment equals 190 Hours of Service.

1.48 INVESTMENT FUND means an investment fund available under the Plan for investment of assets held in the Trust Fund or the ESOP Trust Fund.

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1.49 INVESTMENT MANAGER means an investment manager as defined in ERISA Section 3(38), which is appointed by the Named Fiduciaries.

1.50 LEASED EMPLOYEE means any person performing services for the Company or an Affiliate as a leased employee as defined in Code Section 414(n). In the case of any person who is a Leased Employee before or after a period of service as an Employee, the entire period during which he or she has performed services

as a Leased Employee shall be counted as service as an Employee for all purposes of the Plan, except that he or she shall not, by reason of that status, become a Participant of the Plan.

1.51 LOAN RESERVE shall have the meaning set forth in Section 9.08.

1.52 LOCAL 1-2 EMPLOYEE means an Employee represented by Local 1-2, Utility Workers' Union of America, AFL-CIO.

1.53 LOCAL 3 EMPLOYEE means an Employee represented by Local 3, International Brotherhood of Electrical Workers, AFL-CIO.

1.54 NAMED FIDUCIARIES means the persons designated as named fiduciaries of the Plan pursuant to Section 10.01.

1.55 NON-HIGHLY COMPENSATED MANAGEMENT EMPLOYEE means any CECONY Management Employee, O&R Management Employee or CEI Employee who is not covered by a collective bargaining agreement and not a Highly Compensated Employee.

1.56 NON-PARTICIPATING CONTRIBUTION means the portion of a CECONY Participant's or CEI Participant's Pre-Tax Contributions or After-Tax Contributions that is not matched by Employer Contributions.

1.57 O&R means Orange and Rockland Utilities, Inc.

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1.58 O&R EMPLOYEE means an Employee employed by and on the active payroll of O&R. A person designated by O&R as a co-op employee or employed in a co-op capacity, as such term is defined by O&R, and any employee employed on a temporary or seasonal basis shall not be considered an O&R Employee or an Eligible Employee.

1.59 O&R HOURLY EMPLOYEE means an Employee employed by and on the active payroll of O&R who is a member of the collective bargaining unit represented by Local 503 of the International Brotherhood of Electrical Workers, AFL-CIO.

1.60 O&R HOURLY PLAN means the Orange and Rockland Utilities, Inc. Hourly Group Savings Plan, as in effect on December 31, 2000.

1.61 O&R MANAGEMENT EMPLOYEE means an Employee employed by and on the active management payroll of O&R and is not an O&R Hourly Employee.

1.62 O&R MANAGEMENT PLAN means the Orange and Rockland Utilities, Inc. Management Employees' Savings Plan, as in effect on December 31, 2000.

1.63 O&R PARTICIPANT means an O&R Hourly Employee and an O&R Management Employee who is participating in the Plan.

1.64 PARTICIPANT means any person who has an Account Balance in the Plan.

1.65 PARTICIPATING CONTRIBUTION means the portion of the Participant's Pre-tax Contributions or After-Tax Contributions for which there is a matching Employer Contribution.

1.66 PAYROLL PERIOD means

(a) for a CECONY Weekly Employee, a one week period commencing on a Sunday and ending on the next following Saturday;

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(b) for a CECONY Management Employee, a one month period commencing on the first and ending on the last day of the month;

(c) for an O&R Participant, the dates that O&R provides payroll information to the Trustees in order to determine the amounts that should be withheld from an O&R Participant's pay as Pre-Tax Contributions and/or After-Tax Contributions and the amounts that should be rendered by O&R to the Trustee on behalf of an O&R Participant as an Employer Contribution; and

(d) for a CEI Participant, the prevailing payroll period for that CEI Affiliate.

1.67 PLAN means the Consolidated Edison Thrift Savings Plan, as amended from time to time, as set forth herein.

1.68 PLAN ADMINISTRATOR means the Plan Administrator appointed pursuant to Section 10.01 to administer the Plan and the ESOP.

1.69 PLAN YEAR means the calendar year.

1.70 PRE-TAX CONTRIBUTION means an Employer's contributions made to the Plan at the election of the Participant, in lieu of cash compensation and before income taxes have been withheld on the amount, and includes contributions made pursuant to a salary reduction agreement. In the case of an O&R Participant, Pre-Tax Contributions include those Transferred Employer PAYSOP-Contributions that were transferred to the O&R Plan. Pre-Tax Contributions includes amounts deemed as Pre-Tax Contributions pursuant to an election under a cafeteria plan maintained by CECONY.

1.71 PRE-TAX CONTRIBUTIONS SUBACCOUNT means the Subaccount into which is credited all of a Participant's Pre-Tax Contributions and within which are separately accounted for as Participating Contributions and Non-Participating Contributions.

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1.72 PRIOR PLAN OR PRIOR PLANS means one, more than one, or all, as the context requires, of the CECONY Management Plan, the CECONY Weekly Plan, the O&R Hourly Plan and the O&R Management Plan.

1.73 RECORD KEEPER means the individual(s) or firm selected by the Plan Administrator to provide record keeping and Participant accounting services for the Plan, including maintenance of separate accounts for Participants in accordance with the provisions of Section 5.04.

1.74 RETIREMENT means termination of employment by a Participant under circumstances in which he or she is entitled to receive an early retirement pension allowance, normal retirement pension allowance or late retirement pension allowance under any Employer defined benefit plan. Retirement means termination from employment on or after his or her sixty-fifth birthday.

1.75 ROLLOVER CONTRIBUTIONS means amounts contributed pursuant to Plan Section 3.08.

1.76 ROLLOVER CONTRIBUTIONS SUBACCOUNT means the account credited with a Participant's Rollover Contributions and earnings on those contributions. Effective for Rollover Contributions received on or after January 1, 2002, a Rollover Contributions Subaccount may include a separately accounted for after-tax rollover Subaccount attributable to after-tax rollover contributions directly transferred to this Plan.

1.77 SECTION 125 CONTRIBUTIONS means Employee contributions made pursuant to a salary reduction agreement under a cafeteria plan as that term is defined in Code Section 125.

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1.78 SECTION 132 CONTRIBUTIONS means Employee contributions made for qualified transportation expenses under a transportation reimbursement account.

1.79 SHARES means issued and outstanding shares of common stock of the Company and shall include fractional shares of such common stock.

1.80 STATUTORY COMPENSATION means the wages, salaries, and other amounts paid in respect of an Employee for services actually rendered to the Company or an Affiliate, including by way of example, shift premiums, bonuses, overtime payments and similar payments, but excluding non-taxable contributions to deferred compensation plans, taxable non-qualified stock options and other distributions which receive special tax benefits under the Code. Statutory Compensation includes Pre-Tax Contributions, Section 125 Contributions and Section 132 Contributions. Statutory Compensation may not exceed the Annual Dollar Limit. To the extent that the above definition does not satisfy the non-discrimination requirements, Statutory Compensation may be redefined, by the Plan Administrator, to meet an alternative definition of compensation, including within Code Section 415(c)(3).

1.81 TOP HEAVY GROUP means any required aggregation group (as defined in Section 12.03) or any permissive aggregation group (as defined in Section 12.03) in which more than 60% of the sum of (a) the aggregate account balances under all plans in the group and (b) the aggregate present value of accrued benefits under all plans in the group is allocated to key employees. For the purpose of this definition, present value shall be determined on basis of the applicable interest rate and applicable mortality table as set forth in the Company's defined benefit plan.

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1.82 TOP-HEAVY PLAN means any defined contribution plan or defined benefit plan of an Employer or the Company under which more than 60% of the sum of (a) its aggregate account balances and (b) the present value of its aggregate accrued benefits is allocated to key employees. For the purposes of this definition present value shall be determined on the basis of the applicable interest rate and applicable mortality table as set forth in the Company's defined benefit plan.

1.83 TRANSFERRED EMPLOYER AND EMPLOYEE PAYSOP CONTRIBUTIONS means those amounts transferred to the O&R Management Plan or the O&R Hourly Plan on behalf of an O&R Employee from the terminated Orange and Rockland Utilities, Inc. Payroll-Based Employee Stock Ownership Plan.

1.84 TRASOP means the Tax Reduction Act Stock Ownership Plan of Consolidated Edison Company of New York, Inc., as included within this plan document, effective as of July 1, 1988.

1.85 TRASOP ACCOUNT means an account maintained under the TRASOP by the Trustee of the TRASOP Trust Fund for an Employee.

1.86 TRASOP TRUST FUND means the Trust Fund established solely for the TRASOP Accounts.

1.87 TRUST FUND means the trust fund described in Article 5.

1.88 TRUSTEE means the trustee appointed and acting as trustee of the Trust Fund, the TRASOP Trust Fund and the ESOP Trust Fund.

1.89 VESTED PORTION means the portion of an Account Balance in which the Participant has a nonforfeitable interest as provided in Article 6.

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1.90 YEAR OF SERVICE means each Plan Year in which an Employee is credited with at least 1000 Hours of Service. An Employee is credited with a Year of Service in the month in which he or she completes 1000 Hours of Service. An Employee will be credited with a Year of Service in each Plan Year in which the Employee is absent on account of qualified military service, in accordance with Code Section 414(u).

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ARTICLE II

ELIGIBILITY AND PARTICIPATION

2.01 ELIGIBILITY

(a) Any person who was a Participant in a Prior Plan will continue to be a Participant in this Plan.

(b) Each Eligible Employee is eligible to participate in the Plan.

(c) Each Eligible Employee who was a Participant in, and had an account under the TRASOP on December 31, 2000, will continue to participate in the TRASOP and have a TRASOP Account. As of July 1, 1988, the TRASOP was closed to new Eligible Employees.

2.02 PARTICIPATION

(a) An Eligible Employee becomes a Participant by satisfying the service requirements, if any, as described herein, and by completing the enrollment process described below or such other enrollment process as may be prescribed by the Plan Administrator. An Eligible Employee must elect to make contributions to the Trust Fund in an amount or percentage as permitted by Section 3.01. In general, a Participant's contributions are made by regular payroll deductions authorized from time to time by such Participant in such manner and on such conditions as may be prescribed by the Plan Administrator.

(1) CECONY Weekly Employee. A CECONY Weekly Employee may become a Participant after completing 3 months of service. Participation may begin with the next immediately following Payroll Period by making an enrollment election not later than the day specified by the Plan Administrator.

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- (2) CECONY Management Employee or CEI Employee. A CECONY Management Employee or a CEI Employee may become a Participant in a calendar month following his or her date of hire by making an enrollment election on or before the 20th day of the first calendar month of hire or any subsequent calendar month.
- (3) O&R Hourly Employee. An O&R Hourly Employee may become a Participant in any month following the completion of one Year of Service. Thereafter, an O&R Hourly Employee may participate by making an election on or before the 24th day of any month. Participation will become effective on the first day of the first Payroll Period in the month following the month in which the election is made.
- (4) O&R Management Employee. An O&R Management Employee may become a Participant in any month upon the completion of six months of service and making an election on or before the 24th day of that sixth month or any month thereafter. Participation will become effective on the first day of the first Payroll Period in the month immediately following the month in which the election is made. Six months of participation means a six-month period in which an O&R Management Employee is credited with at least five hundred Hours of Service. Such six-month period will commence on the date the O&R Management Employee first completes an Hour of Service.
- (5) Other Eligible Employees. To the extent that a person becomes an Eligible Employee and is not otherwise covered by a designated classification, he or she may become a Participant in the month in which his or her Employer

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adopts the Plan as provided in the Plan Section 11.05 and satisfies whatever eligibility requirements, if any, his or her Employer selects.

2.03 REEMPLOYMENT OF FORMER EMPLOYEES AND FORMER PARTICIPANTS

Any person reemployed as an Eligible Employee, who previously was eligible to become a Participant, will become a Participant upon making an effective enrollment election as may be prescribed by the Plan Administrator.

2.04 TRANSFERRED PARTICIPANTS

A Participant who remains in the employ of the Company or an Affiliate but ceases to be an Eligible Employee will continue to be a Participant in the Plan but will not be eligible to make After-Tax Contributions or Pre-Tax Contributions or have Employer Contributions made on his or her behalf while his or her employment status is other than as an Eligible Employee.

2.05 TERMINATION OF PARTICIPATION

A Participant's participation terminates on the date he or she is no longer employed by the Company or Affiliate and no longer has an Account Balance.

2.06 PARTICIPATION IN ESOP

In accordance with Article XIV, and effective on the ESOP Effective Date, each Participant who receives an Employer Contribution is eligible to participate in the ESOP.

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ARTICLE III

CONTRIBUTIONS

3.01 CONTRIBUTION ELECTION

(a) CECONY WEEKLY PARTICIPANT. A CECONY Weekly Participant may elect to contribute for each of his or her basic straight-time Hours of Service not in excess of 40 in a Payroll Period, in one cent multiples or in the maximum permissible amount if such maximum is not a multiple of one cent, as follows: (i) for a Local 3 Employee for any Payroll Period beginning on or after: (x) January 1, 2000, and before January 1, 2001, not in excess of \$3.52 per hour; (y) January 1, 2001, and before January 1, 2002, not in excess of \$3.72 per hour; and (z) January 1, 2002, not in excess of \$20.00 per hour; and (ii) for a Local 1-2 Employee for any Payroll Period beginning on or after: (x) January 1, 2000, and before January 1, 2001, not in excess of \$3.52 per hour; (y) January

1, 2001, not in excess of \$6.75 per hour; and (z) January 1, 2002, not in excess of \$20.00 per hour. In any case, effective January 1, 2002, a CECONY Weekly Participant may contribute up to but no more than the lesser of \$20.00 per hour or 50% of basic straight-time pay. Such maximum amount of contributions shall be subject to limitations imposed under the Code. At the time a CECONY Weekly Participant elects a contribution amount, he or she shall, in such manner and on such conditions as may be prescribed by the Plan Administrator, designate which portion is to be Pre-Tax Contributions and which is to be After-Tax Contributions. A CECONY Weekly Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she elects to make Pre-Tax Contributions. Pre-Tax Contributions and After-Tax Contributions are further limited as provided below and in Article 8.

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(b) CECONY MANAGEMENT AND A CEI PARTICIPANT. For Plan Years beginning before January 1, 2002, a CECONY Management Participant and a CEI Participant may elect to reduce his or her Compensation payable while a Participant by at least 1% and not more than 18%, in multiples of 1%, and have that amount contributed to the Plan as Pre-Tax Contributions and/or After-Tax Contributions. A CECONY Management Participant or CEI Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she has elected to make Pre-Tax Contributions. An amount contributed to the Plan pursuant to the election of a CECONY Management Participant under a cafeteria plan under Code Section 125 may be designated as a Pre-Tax Contribution or an After-Tax Contribution. The maximum total percentage of Compensation which the CECONY Management Participant and CEI Participant may elect to contribute in the aggregate as Pre-Tax Contributions and After-Tax Contributions is 18%. Pre-Tax Contributions and After-Tax Contributions are further limited as provided below and in Article 8. For Plan Years beginning on and after January 1, 2002, a CECONY Management Participant and a CEI Participant may elect to contribute up to 50% of his or her Compensation as Pre-Tax Contributions and/or After-Tax Contributions, subject to the maximum annual addition limit set forth in Section 8.03 of the Plan.

(c) O&R HOURLY PARTICIPANT. An O&R Hourly Participant may elect to reduce his or her Compensation by at least 2% and not more than 20%, in multiples of 1%, and have that amount contributed to the Plan as Pre-Tax Contributions. Pre-Tax Contributions are further limited as provided below and in Article 8.

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(d) O&R MANAGEMENT PARTICIPANT. For Plan Years beginning before January 1, 2002, an O&R Management Participant may elect to reduce his or her Compensation payable while a Participant by at least 2% and not more than 15%, in multiples of 1%, and have that amount contributed to the Plan. Effective January 1, 2002, an O&R Management Participant may contribute up to 50% of his or her Compensation. At the time an O&R Management Participant elects a contribution amount, he or she will designate which portion is to be Pre-Tax Contributions and which is to be After-Tax Contributions. An O&R Management Participant may elect to make Pre-Tax Contributions whether or not he or she elects to make After-Tax Contributions and may elect to make After-Tax Contributions whether or not he or she elects to make Pre-Tax Contributions. Pre-Tax Contributions and After-Tax Contributions are to be further limited as provided below and in Article 8.

3.02 PRE-TAX CONTRIBUTION DOLLAR LIMITATION AND RE-CHARACTERIZATION

In no event will a Participant's Pre-Tax Contributions made on his or her behalf by the Company or an Affiliate to all plans, contracts or arrangements, subject to the provisions of Code Section 402(g), in any calendar year exceed \$7,000 multiplied by the Cost-of-Living Adjustment. The Pre-Tax Contribution limit will be increased for calendar year 2002 to \$11,000; for calendar year 2003 to \$12,000; for calendar year 2004 to \$13,000; for calendar year 2005 to \$14,000; and for calendar year 2006 to \$15,000. Beginning in calendar year 2006, the \$15,000 limit will be multiplied by the Cost-of-Living Adjustment, increasing in \$500 increments. Once a Participant's Pre-Tax Contributions in a calendar year reach the applicable dollar limitation, his or her election of Pre-Tax Contributions for the remainder of the calendar year will be canceled. If so elected by a Participant, other than for an O&R Hourly Participant, excess Pre-Tax Contributions will be re-characterized as After-Tax Contributions at the same rate as was previously in effect for Pre-Tax Contributions. Each

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Participant affected by this Section 3.02 may elect to change or suspend the rate at which he or she makes After-Tax Contributions. As of the first Payroll Period of the calendar year following such cancellation, the Participant's election of Pre-Tax Contributions will again become effective at the rate in accordance with his or her most recent election.

3.03 RETURN OF EXCESS PRE-TAX CONTRIBUTIONS

In the event that the sum of the Pre-Tax Contributions and similar contributions to any other qualified defined contribution plan maintained by the Company or an Affiliate exceed the dollar limitation in Code Section 402(g) for any calendar year, the Participant will be deemed to have elected a return of Pre-Tax Contributions in excess of such limit ("Excess Pre-Tax Contributions") from this Plan. Unless Excess Pre-Tax Contributions are characterized as After-Tax Contributions, Excess Pre-Tax Contributions, together with Earnings, will be returned to the Participant no later than the April 15th following the end of the calendar year in which the Excess Pre-Tax Contributions were made. The amount of Excess Pre-Tax Contributions to be returned for any calendar year will be reduced by any Pre-Tax Contributions previously returned to the Participant under Section 8.01 for that calendar year. In the event any Pre-Tax Contributions returned under this Section 3.03 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions. In the event any Pre-Tax Contributions returned under this Section 3.03 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions.

3.04 EXCESS DEFERRALS TO OTHER PLANS

If a Participant makes tax-deferred contributions under another qualified defined contribution plan maintained by an employer other than the Company or an Affiliate for any

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calendar year and those contributions when added to his or her Pre-Tax Contributions result in Excess Pre-Tax Contributions, the Participant may allocate all or a portion of the Excess Pre-Tax Contributions to this Plan. In that event, the Excess Pre-Tax Contributions, together with Earnings, will be returned to the Participant no later than the April 15th following the end of the calendar year in which the Excess Pre-Tax Contributions were made. The Plan is not required to return Excess Pre-Tax Contributions unless the Participant notifies the Plan Administrator, in writing, by March 1st of the following calendar year of the amount of the Excess Pre-Tax Contributions allocated to this Plan. The amount of Excess Pre-Tax Contributions to be returned for any calendar year will be reduced by any Pre-Tax Contributions previously returned to the Participant under Section 8.01 for that calendar year. In the event any Pre-Tax Contributions returned under this Section 3.04 were matched by Employer Contributions, those Employer Contributions, together with Earnings, will be forfeited and used to reduce future Employer Contributions.

3.05 PARTICIPATING CONTRIBUTIONS ELIGIBLE FOR EMPLOYER CONTRIBUTIONS

(a) CECONY WEEKLY PARTICIPANT A Participating Contribution means that amount of a Participant's contribution which is matched by an Employer Contribution. In the instance of a CECONY Weekly Participant who is a Local 1-2 Employee, his or her contribution may not exceed: (1) 97 cents per hour for any Payroll Period beginning on or after January 1, 2000, (2) \$1.02 per hour for any Payroll Period beginning on or after January 1, 2001, (3) \$1.07 per hour for any Payroll Period beginning on or after January 1, 2002, (4) \$1.12 per hour for any Payroll Period beginning on or after January 1, 2003, or (5) \$1.17 per hour for any Payroll Period beginning on or after January 1, 2004. Such contribution will be the Local 1-2 Employee's Participating Contribution for such Payroll Period. A Local 3 Employee's contribution may not exceed (1) \$1.02 per hour for any

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Payroll Period beginning on or after January 1, 2001, (2) \$1.07 per hour for any Payroll Period beginning on or after January 1, 2002, (3) \$1.12 per hour for any Payroll Period beginning on or after January 1, 2003, (4) \$1.17 per hour for any Payroll Period beginning on or after January 1, 2004, or (5) \$1.22 per hour for any Payroll Period beginning on or after January 1, 2005. Such contributions shall be the Local 3 Employee's Participating Contribution for such Payroll Period. The amount, if any, by which a CECONY Weekly Participant's contribution for a Payroll Period exceeds his or her Participating Contribution will be his or her Non-Participating Contribution for such Payroll Period.

CECONY will contribute on behalf of a CECONY Weekly Participant who elects to make Pre-Tax Contributions or After-Tax Contributions for a Payroll Period an

amount equal to 50% of the aggregate Participating Contributions made by the CECONY Weekly Participant for such Payroll Period matching first Pre-Tax Contributions and then After-Tax Contributions. Employer Contributions are made expressly conditional on the Plan satisfying the provisions of Article VIII. If any portion of the Pre-Tax Contribution or After-Tax Contribution to which the Employer Contribution relates is returned to the CECONY Weekly Participant under Section 3.01, 8.01, 8.02 or 8.03, the corresponding Employer Contribution will be forfeited, and if any amount of the Employer Contribution is deemed an Excess Aggregate Contribution under Section 8.03, such amount will be forfeited in accordance with the provisions of that Section.

(b) CECONY MANAGEMENT PARTICIPANT AND CEI PARTICIPANT CECONY and each CEI Affiliate will contribute on behalf of each CECONY Management Participant or CEI Participant, as the case may be, who elects to make Pre-Tax Contributions or After-Tax Contributions an amount equal to 50% of the sum of the Pre-Tax Contributions and After-Tax

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Contributions made on behalf of or by the CECONY Management Participant or the CEI Participant to the Plan during each month, not to exceed 6% of Compensation for such month, to be matched first on Pre-Tax Contributions, and then on After-Tax Contributions. Employer Contributions for a month will not exceed 3% of the Participant's Compensation for such month. Employer Contributions are made expressly conditional on the Plan satisfying the provisions of Article VIII. If any portion of the Pre-Tax Contribution or After-Tax Contribution to which an Employer Contribution relates is returned to the CECONY Management Participant or CEI Participant under Section 3.01, 8.01, 8.02 or 8.03, the corresponding Employer Contribution will be forfeited, and if any amount of the Employer Contribution is deemed an Excess Aggregate Contribution under Section 8.03, the Excess Aggregate Contribution will be forfeited in accordance with the provisions of Section 8.03. In the event a CECONY Management Participant or CEI Participant elects to make Pre-Tax Contributions and/or After-Tax Contributions in an amount which, when taking into account his or her Employer Contributions, exceeds the maximum annual additions, as defined and determined in Section 8.03 of the Plan, the Employer will contribute an additional Employer contribution on behalf of such Participant ("CECONY/CEI True- Up Contribution"). The CECONY/CEI True- Up Contribution, will be made as soon as administratively possible after the end of the Plan Year, for each such CECONY Management Participant and CEI Participant who is employed at year end. The CECONY/CEI True-Up Contribution will equal the difference between 3% of such Participant's Compensation on an annual basis minus his or her total Employer Contributions made during the year.

(c) O&R HOURLY PARTICIPANT O&R will contribute on behalf of each O&R Hourly Participant who elects to make Pre-Tax Contributions an amount equal to 50% of

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Pre-Tax Contributions up to the first "x" percent of Compensation of the O&R Hourly Participant during each month, where beginning: (1) January 1, 2000, "x" equals 3; (2) January 1, 2003, "x" equals 4; and (3) January 1, 2004, "x" equals 5 of the O&R Hourly Participant's Compensation for such month. In addition, as soon as administratively possible after the end of the Plan Year, O&R will contribute, as of the end of the Plan Year, for each O&R Hourly Participant who is employed at year end and who in the prior Payroll Periods during that Plan Year had made Pre-Tax Contributions at a rate in excess of, beginning (1) January 1, 2000, 3%; (2) January 1, 2003, 4%; or (3) January 1, 2004, 5%; of the O&R Hourly Participant's Compensation, an Employer Contribution equal to 50% of the O&R Hourly Participant's Pre-Tax Contributions that were not previously matched ("True-Up Contributions"). True-Up Contributions will not exceed such amount as will result in the total O&R Employer Contributions, both those made previously during the year and those as of year end, exceeding 50% of a O&R Hourly Participant's Pre-Tax Contributions that do not exceed, beginning: (1) January 1, 2000, 3%; (2) January 1, 2003, 4%; or (3) January 1, 2004, 5%, of the O&R Hourly Participant's Compensation on an annual basis.

(d) O&R MANAGEMENT PARTICIPANT O&R will contribute on behalf of each O&R Management Participant who elects to make Pre-Tax Contributions an amount equal to 50% of the Pre-Tax Contributions made on behalf of or by the O&R Management Participant to the Plan during each month not to exceed 3% of his or her Compensation for the month. In addition, as soon as administratively possible after the end of the Plan Year, O&R will contribute, as of the end of the Plan Year, for each O&R Management Participant who is employed at year end and who in the prior Payroll Periods during that Plan Year had made Pre-Tax Contributions at a rate in excess of 3% of his or her Compensation, a True-Up

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Contribution equal to 50% of his or her Pre-Tax Contributions. True-Up Contributions will not exceed such amount as will result in the total O&R Employer Contributions, both those made previously during the year and those as of year end, exceeding 50% of a O&R Management Participant's Pre-Tax Contributions that do not exceed 3% of his or her Compensation on an annual basis.

3.06 ROLLOVER CONTRIBUTIONS

(a) Subject to such terms and conditions as the Plan Administrator may determine to be appropriate, applied in a uniform and non-discriminatory manner to all Eligible Employees, and without regard to any limitations on contributions set forth in this Article 3, the Plan may receive from an Eligible Employee for credit to his or her Rollover Contributions Subaccount, in cash, any amount previously distributed (or deemed to have been distributed) to him or her from a qualified plan or, beginning January 1, 2002, a traditional individual retirement account ("IRA"), a government plan subject to Code Section 457 or a Code Section 403(b) tax sheltered annuity. The Plan may receive such amount either from the Eligible Employee or in the form of a direct rollover. Notwithstanding the foregoing, the Plan shall not accept any amount unless such amount is eligible to be rolled over in accordance with applicable law and the Eligible Employee provides evidence satisfactory to the Plan Administrator that such amount qualifies for rollover treatment. Unless received by the Plan in the form of a direct rollover, the rollover contribution must be paid to the Trustee on or before the 60th day after the day it was received by the Eligible Employee or be rolled over from an IRA. Effective January 1, 2002, an eligible rollover distribution from an IRA is the amount of a distribution from an IRA that is includible in gross income, including amounts attributable to an Employee's personal IRA contributions made outside of a qualified plan. At the time received by the Plan, the Eligible Employee

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shall, in such manner and on such conditions as may be prescribed by the Plan Administrator, elect to invest the Rollover Contribution in the investment funds then available under the Plan to a Participant. If the Eligible Employee fails to make an investment election, 100% of the Rollover Contribution shall be invested in the Fixed Income Fund.

(b) The Plan may also accept from a former Employee who is a Participant a rollover or a direct rollover of an amount received from a defined benefit plan sponsored by an Employer or from the TRASOP.

(c) Subject to terms and conditions as the Plan Administrator may determine to be appropriate, applied in a uniform and non-discriminatory manner to all Participants, the Plan may receive on behalf of Participant a trust-to-trust transfer from another qualified plan. Any Participant whose benefits are the subject of a trust-to-trust transfer from another qualified plan to this Plan will be entitled to receive benefits, rights and features from the Plan that are no less than the benefits, rights and features he would be entitled to receive from the other qualified plan immediately preceding the transfer. To the extent feasible, such transfer shall be made on an in-kind basis. To the extent such transfer is made in the form of cash, at the time received by the Plan the Participant shall, in such manner and on such terms as may be prescribed by the Plan Administrator, elect to invest the cash in the Investment Funds then available under the Plan other than the Company Stock fund.

3.07 CHANGES IN CONTRIBUTIONS

A Participant may increase, reduce, suspend or resume his or her contributions within the limits prescribed by Sections 3.01 and/or 3.02, effective as of the next first Payroll Period, by making a new election, on or before the date set by the Plan Administrator, in such manner and on such conditions as may be prescribed by the Plan Administrator. A Participant may make changes in contribution levels once a month.

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3.08 PAYMENT TO TRUST

Amounts contributed by Participants will be paid by each Employer to the Trustee promptly and credited by the Trustee to their Accounts in accordance with the certification of each Employer as to the names of the contributing Participants and the respective amounts contributed by each Participant as Participating Contributions, Non-Participating Contributions, Pre-Tax Contributions, After-Tax Contributions and Rollover Contributions.

3.09 NO CONTRIBUTIONS TO TRASOP

No contributions to the TRASOP by any Employer or by Participants are permitted.

3.10 CATCH-UP CONTRIBUTIONS

(a) Effective January 1, 2002, or at such later time as the Plan Administrator may determine to implement, each "Catch-Up Participant," as defined below, may contribute for each "Catch-Up Year," as defined below, an amount not to exceed the lesser of the "Catch-Up Contribution," as defined below, or the Catch-Up Participant's compensation reduced by any other Pre-Tax Contributions for that Catch-Up Year.

(b) Definitions:

(i) CATCH-UP PARTICIPANT means a Participant who has attained age 50 by the last day of a Catch-Up Year and for whom no additional Pre-Tax Contributions can be made for that Catch-Up Year because of the application of the calendar year annual dollar limit set forth in Code Section 402(g) or any other limitations in the Plan.

(ii) CATCH-UP YEAR means Plan Year beginning January 2, 2002 ("CUY 2002"), January 1, 2003 ("CUY 2003"), January 1, 2004 ("CUY 2004"), January 1, 2005 ("CUY 2005"), or January 1, 2006 ("CUY 2006").

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(iii) CATCH-UP CONTRIBUTION means a Pre-Tax Contribution in the amount of \$1,000 for CUY 2002, \$2,000 for CUY 2003, \$3,000 for CUY 2004, \$4,000 for CUY 2005, and \$5,000 for CUY 2006. For Plan Years beginning after CUY 2006, the \$5,000 Catch-Up Contribution is adjusted by the Cost of Living Adjustment, increasing, when applicable, in \$500 increments. Catch-Up Contributions are not taken into account for purposes of determining the Actual Deferral Percentage or Average Actual Deferral Percentage.

3.11 EMPLOYER CONTRIBUTIONS TO ESOP

Employer Contributions made on behalf of an ESOP Participant are automatically contributed to the ESOP.

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ARTICLE IV

INVESTMENT ELECTIONS - TIMING AND FREQUENCY

4.01 EMPLOYER CONTRIBUTIONS ELECTION

A Participant may elect to have Employer Contributions allocated to his or her Employer Contributions Subaccount invested, in multiples of 1%, in one or more of the Investment Funds, including the Company Stock Fund. Effective May 8, 2002, Employer Contributions allocated to the Company Stock Fund are made to the ESOP. If the Participant fails to make an election as to the Investment Fund(s) for his or her Employer Contributions, 100% of such Contributions shall be invested in the Fixed Income Fund. Any such election shall be made in such manner and on such conditions as may be prescribed by the Plan Administrator.

4.02 PARTICIPANT PRE-TAX CONTRIBUTIONS, AFTER-TAX CONTRIBUTIONS AND ROLLOVER CONTRIBUTIONS

A Participant may elect to have his or her Pre-Tax Contributions, After-Tax Contributions, and Rollover Contributions invested, in multiples of 1%, in any Investment Fund other than the Company Stock Fund. If the Participant fails to make an election as to the Investment Fund(s) for his or her contributions, 100% of such contributions will be invested in the Fixed Income Fund.

4.03 CHANGE OF ELECTION

Subject to possible restrictions imposed on certain Funds by the Trustee or an Investment Fund Manager, a Participant may change his or her investment election regarding future contributions once a month and his or her existing Account Balance once a day. Any

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election will be made in such manner and on such conditions as may be prescribed by the Plan Administrator and subject to any restrictions imposed on an Investment Fund.

4.04 CERTIFICATION TO COMPANY

For each Payroll Period, the Recordkeeper will certify to each Employer the amount of Employer Contributions to be made on behalf of each Participant.

4.05 FORFEITURES

The total amount of the Trust Fund forfeited by Participants pursuant to Section 7.02 or otherwise, will be invested in such Investment Fund as may be specified by the Plan Administrator and will be applied to reduce future Employer Contributions due under the Plan. The Trustee will promptly advise the Employers of any such forfeiture and the amount thereof.

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ARTICLE V

THE TRUST FUND - INVESTMENTS

5.01 TRUST AGREEMENT

Contributions are held in a Trust Fund by the Trustee under a written trust agreement between CECONY and the Trustee. TRASOP Accounts are held in a TRASOP Trust Fund under a written trust agreement between CECONY and the Trustee. ESOP Accounts are held in the ESOP Trust Fund which is included in, but a separate part of the Trust Fund. No person has any rights to or interest in the Trust Fund except as provided in the Plan. The provisions of the trust agreement between CECONY and the Trustee shall be considered an integral part of the Plan as if fully set forth herein.

5.02 INVESTMENT OF TRUST FUND

(a) The Trust Fund shall be invested and reinvested in Investment Funds in accordance with the Participant's investment directions. The Plan is intended to be an ERISA Section 404(c) plan within the meaning of regulations issued pursuant to such section. Each Participant shall have the opportunity, on a daily basis, to give investment instructions to the Trustee, or other fiduciary who is appointed and assumes such fiduciary responsibility, with an opportunity to obtain written confirmation of such instructions as to his or her existing Account Balance among the Investment Funds. The Plan Administrator, the Trustee and the Record keeper or their delegate, will comply with such instructions except as otherwise provided in the ERISA Section 404(c) regulations. The Plan Administrator will prescribe the form and manner in which such directions will be made, as well as the frequency with which such directions may be made or changed, and the dates as of which they will be effective, in a manner consistent with the foregoing. Transfers to or

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from an Investment Fund may be restricted or limited by the manager of such Investment Fund or by the terms of the Trust Agreement.

(b) The Named Fiduciaries shall select a range of Investment Funds as described by ERISA Section 404(c) and applicable regulations. The Investment Fund categories shall give each Participant a reasonable opportunity to:

- (i) Materially affect the potential return on and the degree of risk of assets over which the Participant exercises investment control;
- (ii) Choose from at least three investment alternatives, each of which is diversified and has materially different risk and return characteristics;
- (iii) Enable a Participant to achieve a portfolio with risk and return characteristics at any point within the range normally appropriate by choosing among the core alternatives; and
- (iv) Diversify investments so as to minimize the risk of large losses.

(c) The Named Fiduciaries may establish new Investment Funds without the necessity of an amendment to the Plan and shall have the objectives prescribed

by the Named Fiduciaries. The Named Fiduciaries may eliminate one or more Investment Fund existing at any time without the necessity of an amendment to the Plan. The Named Fiduciaries may establish rules and procedures governing the transfer of portions of Participant's Account Balance in the event that existing Investment Funds are changed or new Investment Funds added. The Named Fiduciaries may appoint an Investment Manager to manage an Investment Fund.

5.03 COMPANY STOCK FUND

For Plan Years beginning before January 1, 2002 and for Plan Year 2002 until May 8, 2002, all funds invested in the Company Stock Fund, are invested as a Participant's

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Employer Contributions Subaccount, and subject to this Section 5.03(a), (b) and (c). Effective as of the ESOP Effective Date, a Participant who invests some, all, or any part of his or her Employer Contributions in the Company Stock Fund will be an ESOP Participant subject to Article XIV.

(a) INVESTMENTS IN FUND The Trustee shall regularly purchase Shares for the Company Stock Fund in accordance with a non-discretionary purchasing program. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the Participants. Dividends, interest and other income received on assets held in the Company Stock Fund shall be reinvested in the Company Stock Fund. All funds to be invested in the Company Stock Fund shall be invested by the Trustee in one or more transactions promptly after receipt by the Trustee, subject to any applicable requirement of law affecting the timing or manner of such transactions. All brokerage commissions and other direct expenses incurred by the Trustee in the purchase or sale of Shares under the Plan will be borne by the Account investing and/or trading in the Company Stock Fund.

(b) UNITS The interests of Participants in the Company Stock Fund shall be measured in Units, the number and value of which shall be determined daily.

(c) VOTING OF SHARES Each Participant shall be entitled to direct the Trustee as to the manner in which any Shares or fractional Share allocated to the Participant's Account Balance are to be voted. Any such Shares or fractional Share for which the Participant does not give voting directions shall be voted by the Trustee in the same manner and proportions as all other Shares held by the Trustee for which voting directions are given by Participants.

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The Trustee shall keep confidential a Participant's voting instructions and information regarding a Participant's purchases, holdings and sales of Shares. The Plan Administrator shall be responsible for monitoring the Trustee's performance of its confidentiality obligations.

5.04 ACCOUNTS AND SUBACCOUNTS

The Recordkeeper will maintain a daily evaluation at current market values, as determined by the Trustee. The Recordkeeper will also maintain a separate TRASOP Account for each eligible Participant and a separate Account Balance for each Participant, and within each such Account Balance, as applicable, a Pre-Tax Contributions Subaccount, an After-Tax Contributions Subaccount, a Rollover Contributions Subaccount, an ESOP Account and an Employer Contributions Subaccount. The Recordkeeper will keep a separate record of the respective amounts of each Participant in the Trust Fund, including each Investment Fund and the Loan Reserve, attributable to amounts credited to a Participant's Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, ESOP Account, and Employer Contributions Subaccount.

5.05 STATEMENTS OF ACCOUNT

As soon as practicable after each calendar quarter, the Recordkeeper will cause to be sent to each Participant a written statement showing, as of such date, the respective amounts of the Participant's Account Balance, including each Investment Fund and the Loan Reserve, attributable to the Participant's Pre-Tax Contributions Subaccount, After-Tax Contributions Subaccount, Rollover Contributions Subaccount, Employer Contributions Subaccount and TRASOP Account, if any. With respect to the Participant's After-Tax Contributions Subaccount, the statement will show separately the amount of the Participant's own contributions (less any withdrawal) credited to his or her After-Tax Subaccount. The Plan

Administrator may direct the Recordkeeper from time to time to issue comparable statements to Participants as of other dates during the calendar year.

5.06 RESPONSIBILITY FOR INVESTMENT

Each Participant is solely responsible for the selection of his or her Investment Funds. The Trustee, the Recordkeeper, any Investment Manager, the Named Fiduciaries, the Plan Administrator, the Company, each Employer and the trustees, officers and other Employees of each entity are not empowered to advise a Participant as to the decision in which his or her Account Balance is invested. The fact that an Investment Fund is available to Participants for investment under the Plan is not to be construed as a recommendation for a particular Participant to invest in the Investment Fund.

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ARTICLE VI

VESTING

6.01 PARTICIPANT CONTRIBUTIONS

The amount to the credit of a Participant's Account Balance attributable to his or her Pre-Tax Contributions, After-Tax Contributions, Rollover Contributions and TRASOP Account is 100% vested at all times.

6.02 EMPLOYER CONTRIBUTIONS

(a) **CECONY WEEKLY PARTICIPANT** The amount to the credit of a CECONY Weekly Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, made with respect to any Payroll Period ending in a calendar year (the Contribution Year) shall become 100% vested, subject to Article 8, on the earlier of the last day of the third calendar year following the close of the Contribution Year or the first day of the month in which the CECONY Weekly Participant completes five Years of Service. Once a CECONY Weekly Participant completes five years of Vesting Service, each Employer Contribution made on behalf of the CECONY Weekly Participant becomes 100% vested. Effective January 1, 2002, each CECONY Weekly Participant shall be 100% fully vested on the first day of the month in which he or she completes three Years of Vesting service. All amounts to the credit of a CECONY Weekly Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, not yet vested will become 100% vested upon attainment of age 65, death, Disability, Retirement or termination of employment by the

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Company for reasons other than cause. Employer Contributions not yet vested are subject to forfeiture as provided in Section 7.01.

(b) **CECONY MANAGEMENT OR CEI PARTICIPANT** The amount to the credit of a CECONY Management or CEI Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, shall become 100% vested, subject to Article 8, on the first day of the calendar month in which the CECONY Management or CEI Participant completes three years of Vesting Service. Once a CECONY Management or CEI Participant completes three years of Vesting Service, each Employer Contribution made on behalf of the CECONY Management Participant or CEI shall be 100% vested. All amounts to the credit of a CECONY Management or CEI Participant's Account Balance attributable to Employer Contributions, including those allocated to his or her ESOP Account, if applicable, not yet vested will become 100% vested upon attainment of age 65, Disability, death, retirement or termination of employment by the Company for reasons other than cause. Employer Contributions otherwise are subject to forfeiture as provided in Section 7.01.

(c) **O&R HOURLY PARTICIPANT** An O&R Hourly Participant's Account Balance is 100% vested at all times.

(d) **O&R MANAGEMENT PARTICIPANT** An O&R Management Participant's Account Balance is 100% vested at all times.

6.03 SPECIAL VESTING RULES

(a) Each person employed at the electric power generating facilities purchased from Western Massachusetts Electric Company ("WMECO Facilities") on

July 19, 1999, the date of the Closing of the purchase of the WMECO Facilities by a CEI Affiliate, was 100% vested as of July 19, 1999, in his or her Account Balance.

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(b) Each CECONY Participant at the fossil-fueled electricity generating facilities in New York City or at the nuclear-fueled electricity generating facilities at Indian Point divested by CECONY ("Divested Operations") who became employed by the respective buyers of the Divested Operations were 100% vested as of the Date of the Closing of each Divested Operation.

(c) Each person employed at the natural gas fueled electricity generating facility known as the Lakewood Cogeneration Facility ("Lakewood Plant") purchased by a CEI Affiliate and who became an Employee of such CEI Affiliate, was 100% vested in his or her Account Balance as of June 1, 2000.

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ARTICLE VII

DISTRIBUTIONS, WITHDRAWALS AND FORFEITURES

7.01 VOLUNTARY TERMINATION OR TERMINATION BY THE COMPANY - FORFEITURES

(a) If a CECONY or CEI Participant's service is terminated by the Company for cause or if the CECONY or CEI Participant voluntarily terminates his or her service other than by reason of Retirement, at on or after attainment of age 65, or Disability the non-vested portion of the CECONY or CEI Participant's Employer Contributions Subaccount and ESOP Account shall not be forfeited until the CECONY or CEI Participant incurs a five-year Break in Service. The vested portion of such CECONY or CEI Participant's Account Balance (including any amount due under any outstanding loan pursuant to Article 9) will be distributed to such CECONY or CEI Participant in accordance with Section 7.08. Termination of service for cause shall be determined by the Plan Administrator under rules uniformly applied to all CECONY or CEI Participants. If the CECONY Participant is not reemployed by the Company or an Affiliate before he or she incurs five one-year Breaks in Service or receives a distribution, the non-vested portion of his or her Employer Contributions Subaccount and ESOP Account will then be forfeited.

(b) If an amount to the credit of a Participant's Employer Contributions Subaccount and ESOP Account has been forfeited in accordance with paragraph (a) above, such amount shall subsequently be restored to his or her Employer Contributions Subaccount and ESOP Account by the Company provided; however, that within five years after his or her reemployment date if he or she makes a lump sum payment to the Trust Fund in cash in an amount equal to that portion of the distribution received which represents the Participant's

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Participating Contributions relating directly to Employer Contributions which were forfeited at the time of distribution. The amount restored will vest in accordance with Section 6.02 as an Employer Contribution and shall be credited to the Participant's Employer Contributions Subaccount and ESOP Account. The lump sum payment by the Participant is immediately 100% vested and will be credited to the Participant's Account Balance and ESOP Account.

(c) If any amounts to be restored to a Participant's Employer Contributions Subaccount and ESOP Account have been forfeited under paragraph (a) above, those amounts will be taken first from any forfeitures which have not as yet been applied against Employer Contributions and if any amounts remain to be restored, the Employer will make a special Employer Contribution equal to those amounts.

(d) A Participant shall elect how to invest the repayment at the time of the repayment.

7.02 DEATH

Upon the death of a Participant, the entire amount to the credit of his or her Account Balance (including any amount due under any outstanding loan pursuant to Article 9) will be distributed to his or her Beneficiary in accordance with Section 11.03 as soon as practicable after the calendar month in which his or her death occurs.

7.03 WITHDRAWALS

(a) A CECONY OR CEI PARTICIPANT may request an in-service cash withdrawal from his or her vested Account Balance of amounts other than Pre-Tax Contributions, by making a withdrawal application in such manner and on such conditions as may be prescribed by the Plan Administrator. In-service withdrawals of Pre-Tax Contributions are restricted, as described herein. Payment of the amount withdrawn will be made as soon as practicable after such application has been completed and processed. Withdrawal requests

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by CECONY or CEI Participants are permitted up to four times in any calendar year and only in accordance with the following terms: Withdrawals will be made on an average cost basis within each category below and pro rata from the CECONY or CEI Participant's Account Balance available for withdrawal. A CECONY or CEI Participant may at any time withdraw an amount up to the entire vested amount to the credit of his or her After-Tax and Employer Contribution Subaccounts, and ESOP Account except that a CECONY Weekly Participant may not withdraw an amount attributable to an Employer Contribution until December 31st, of the third calendar year - and a CECONY Management Participant or CEI Participant, of the second calendar year - beginning after the calendar month for which the Employer Contribution was made. A CECONY or CEI Participant will not be permitted to make any such withdrawal amounting to less than \$300 unless the maximum amount available under this paragraph is less than \$300 in which case the CECONY or CEI Participant will only be permitted to withdraw such maximum amount. Withdrawals will be made in the following order from a CECONY or CEI Participant's Account Balance:

- (1) If the CECONY or CEI Participant requests a nontaxable withdrawal:
 - (i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon, and
 - (ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon.
- (2) If the CECONY or CEI Participant requests a taxable withdrawal, without incurring a suspension as provided below:
 - (i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

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- (ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;
 - (iii) Non-Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;
 - (iv) Participating After-Tax Contributions made on or after January 1, 1987, that have been in the Account for two full calendar years after the year contributed for a CECONY Management or CEI Participant and three full calendar years after the year contributed for a CECONY Weekly Participant, including any earnings thereon;
 - (v) Any earnings attributable to Non-Participating After-Tax Contributions made before January 1, 1987;
 - (vi) Any earnings attributable to Participating After-Tax Contributions made before January 1, 1987; and
 - (vii) Employer Contributions that have not been in the CECONY Weekly Participant's Account for three, or in a CECONY Management or CEI Participant's Account for two, full calendar years after the contribution year, including any earnings thereon.
- (3) If the CECONY or CEI Participant requests a taxable withdrawal resulting in a suspension as provided below:
 - (i) Non-Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;
 - (ii) Participating After-Tax Contributions made before January 1, 1987, excluding any earnings thereon;

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- (iii) Non-Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;
- (iv) Participating After-Tax Contributions made on or after January 1, 1987, including any earnings thereon;
- (v) Any earnings attributable to Non-Participating After-Tax Contributions made before January 1, 1987;
- (vi) Any earnings attributable to Participating After-Tax Contributions made before January 1, 1987; and
- (vii) Employer Contributions that have not been in the Account for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY Management or CEI Participant, after the contribution year, including any earnings thereon.

A CECONY or CEI Participant who has withdrawn at least the entire amount available in his or her After-Tax, Employer Contribution Subaccount and ESOP Account without incurring a suspension may at any time withdraw an amount up to the entire amount to the credit of his or her Rollover Contribution Subaccount.

A CECONY or CEI Participant who has attained the age of fifty-nine and one-half and who has withdrawn at least the entire vested amount available for withdrawal in his or her After-Tax Contribution Subaccount, Employer Contribution Subaccount, ESOP Account and Rollover Contribution Subaccount without incurring a suspension, may withdraw an amount up to the entire amount to the credit of his or her Pre-tax Contribution Subaccount in the following order:

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- (4) If the CECONY or CEI Participant requests a withdrawal, without resulting in a suspension:
 - (i) Non-Participating Pre-Tax Contributions, including any earnings thereon, and
 - (ii) Participating Pre-Tax Contributions that have been in the Account for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the year contributed, including any earnings thereon.
- (5) If the CECONY or CEI Participant requests a withdrawal resulting in a suspension:
 - (i) Participating After-Tax Contributions, made on or after January 1, 1987 that have been in the Account for less than three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the contribution year, including any earnings thereon;
 - (ii) Non-Participating Pre-Tax Contributions, including any earnings thereon; and
 - (iii) Participating Pre-Tax Contributions including any earnings thereon.

A CECONY or CEI Participant shall not be permitted to make any such withdrawal amounting to less than \$300 unless the maximum amount available is less than \$300 in which case the CECONY or CEI Participant shall only be permitted to withdraw such maximum amount.

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Notwithstanding the preceding subparagraphs, a CECONY or CEI Participant may not withdraw any amount that would cause his or her Account Balance to be less than the minimum amount required under Section 9.12.

In the event a CECONY or CEI Participant withdraws any amounts which represent After-Tax Participating Contributions made at any time during the three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant, preceding the calendar year in which the withdrawal is made, the CECONY or CEI Participant's right to make any contributions to the Plan shall be suspended throughout all Payroll Periods commencing during the six full calendar months as soon as practicable following

the withdrawal. To resume contributions following such suspension, the CECONY or CEI Participant must elect on or before such day, in such manner and on such conditions as may be prescribed by the Plan Administrator, to resume making contributions.

(b) AN O&R HOURLY PARTICIPANT who has attained the age of fifty-nine and one-half may request an in-service cash withdrawal. He or she may withdraw all or a portion of his or her Account Balance attributable to Pre-Tax Contributions and Rollover Contributions and income credited thereon (other than any portion of his or her Account Balance attributable to an outstanding loan balance), except that he or she may not withdraw such amount to the extent that under applicable state law such contributions and/or earnings, whether or not withdrawn, would be subject to state income tax if such O&R Hourly Participant had the right to withdraw it from his or her Account Balance. Such request may be made only once each twelve-month period and may not be for an amount of less than \$500 or the entire amount available for withdrawal. Effective January 1, 2002, withdrawals

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may be made up to four times in a year and the minimum amount that may be withdrawn is reduced to \$300.

(c) AN O&R MANAGEMENT PARTICIPANT may request a withdrawal from his or her Account Balance which is attributable to After-Tax Contributions in such manner and on such conditions as may be prescribed by the Plan Administrator. Additionally, an O&R Management Participant who is at least age fifty-nine and one-half may withdraw during employment all or a portion of his or her Account Balance which is attributable to Pre-Tax Contributions and Rollover Contributions and income credited thereon (except for any portion of his or her Account Balance attributable to an outstanding loan balance), except that he or she may not withdraw such amount to the extent that under applicable state law such contributions and/or earnings, whether or not withdrawn, would be subject to state income tax if such O&R Management Participant had the right to withdraw it from his or her Account Balance. Such requests may be made only once each twelve month period and may not be for an amount of less than \$500 or the entire amount available for withdrawal. Effective January 1, 2002, withdrawals, when available, may be made up to four times in a year and the minimum amount that may be withdrawn is reduced to \$300.

7.04 HARDSHIP WITHDRAWALS

A Participant may, in the event of hardship, withdraw all or any part of the amount of Pre-Tax Contributions to the credit of the Account Balance of the Participant (excluding any earnings after December 31, 1998, attributable to Pre-Tax Contributions) in excess of any minimum Account Balance required under Section 9.09. An O&R Participant may also withdraw the income credited after December 31, 1988, attributable to Transferred Employer PAYSOP Contributions and Rollover Contributions and income attributable to After-Tax Contributions if such income is subject to the restrictions on withdrawal pursuant to Section 7.03.

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A Participant may apply for a hardship withdrawal in such manner and on such conditions as may be prescribed by the Plan Administrator. A Participant shall be deemed to have a hardship if the Participant has an immediate and heavy financial need and if the withdrawal is necessary to satisfy such financial need as set forth below. The Plan Administrator or his or her delegate shall determine whether the Participant satisfies the requirements for a hardship and the amount of any hardship withdrawal. Any withdrawal under this Section shall be made pro-rata from the Participant's balances in the Investment Funds from which withdrawal may be made as provided in Section 7.03. A withdrawal pursuant to this Section 7.04 shall not be subject to the limitations on number of withdrawals permitted under Section 7.03.

(a) IMMEDIATE AND HEAVY FINANCIAL NEED. A Participant will be deemed to have an immediate and heavy financial need if the withdrawal is to be made on account of any of the following:

- (1) Medical expenses described in Code Section 213(d) previously incurred by the Participant, the Participant's spouse or any dependent, (as defined in Code Section 152), of the Participant, or expenses necessary for those persons to obtain medical care described in Code Section 213(d);
- (2) Costs directly related to the purchase, excluding mortgage payments, of a principal residence for the Participant;

- (3) Payment of tuition, related educational fees, and room and board expenses for the next twelve-months of post-secondary education for the Participant, or the Participant's spouse, children or dependents;

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- (4) Payment of amounts necessary to prevent the eviction of the Participant from his or her principal residence or to avoid foreclosure on the mortgage of the Participant's principal residence;
- (5) Payment of funeral expenses for a family member;
- (6) Any other need added to the foregoing items of deemed immediate and heavy financial needs by the Commissioner of the Internal Revenue Service through the publication of revenue rulings, notices and other documents of general availability, rather than on an individual basis.
- (7) A Participant shall not be permitted to make a withdrawal in the event of a hardship on account of any reason other than as set forth above.

(b) NECESSARY TO SATISFY SUCH NEED. The requested withdrawal will not be treated as necessary to satisfy the Participant's immediate and heavy financial need to the extent that the amount of the requested withdrawal is in excess of the amount required to relieve the financial need or to the extent such need may be satisfied from other sources that are reasonably available to the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the hardship withdrawal. The Participant must request, on such form or otherwise as the Plan Administrator or his or her delegate may prescribe, that the Plan Administrator or his or her delegate made its determination of the necessity for the withdrawal solely on the basis of the Participant's certification, without any supporting documents. In the event the Plan Administrator or his or her delegate shall make such determination provided all of the following requirements are met: (1) the Participant has obtained all distributions and withdrawals, other than distributions available only on account

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of hardship, and all nontaxable loans currently available under all plans of the Company and Affiliates, (2) the Participant is prohibited from making Pre-Tax Contributions and After-Tax Contributions to the Plan and all other plans of the Company and Affiliates under the terms of such plans or by means of an otherwise legally enforceable agreement for at least 12 months, or beginning on or after January 1, 2002, six months, after receipt of the distribution, and (3) the limitation described in Section 3.02 under all plans of the Company and Affiliates for the calendar year following the year in which the distribution is made must be reduced by the Participant's Pre-Tax Contributions made prior to such distribution in the calendar year of the distribution for hardship. All other plans of the Company and Affiliates means all qualified and non-qualified plans of deferred compensation maintained by the Company and Affiliates and includes a stock option, stock purchase (including the Company's Discount Stock Purchase Plan), qualified and non-qualified deferred compensation plans and such other plans as may be designated under regulations issued under Code Section 401(k), but shall not include health and welfare benefit plans.

7.05 DISTRIBUTION FROM COMPANY STOCK FUND

Where an amount to be distributed pursuant to Section 7.02, 7.03 or 14.10 is represented in part by Units, the distributee may elect, in such manner and on such conditions as may be prescribed by the Plan Administrator, to have distributed the number of whole Shares represented by such Units, together with an amount of dollars representing the balance of the current value of such Units. In the absence of such an election, the distribution shall be made entirely in cash. Withdrawals for hardships or loans to be made from the Company Stock Fund shall be made entirely in cash.

7.06 LEAVES OF ABSENCE

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If a Participant is granted an unpaid leave of absence by an Employer, such event will not be deemed a termination of service, but such Participant's Pre-Tax Contributions and After-Tax Contributions under this Plan will be

suspended as of the last day of the Payroll Period in which such leave commences. Such Participant may resume making Pre-Tax Contributions and After-Tax Contributions, as of a Payroll Period following the termination of such leave of absence, by making a new payroll deduction authorization in such manner and on such conditions as may be prescribed by the Plan Administrator. Notwithstanding the preceding sentence, and the provisions of Section 7.04, if a Participant makes a hardship withdrawal while on a leave of absence, any suspension of such Participant's right to make Pre-Tax or After-Tax Contributions which shall result from such withdrawal shall begin with the first Payroll Period beginning after such leave of absence.

7.07 AGE 70 1/2 REQUIRED DISTRIBUTION

(a) A Participant who attains age 70 1/2 on or after January 1, 2000, shall begin his or her distribution of his or her Account Balance no later than the April 1st following the later of the calendar year in which he or she attains age 70 1/2 or the calendar year in which the Participant terminates employment.

(b) In the event a Participant in active service was required prior to January 1, 2000 to begin receiving payments while in service under the provisions of a Prior Plan, the Plan shall distribute to the Participant in each distribution calendar year the minimum amount required to satisfy the provisions of Code Section 401(a)(9) provided; however, that the payment for the first distribution calendar year shall be made on or before April 1 of the following calendar year. Such minimum amount will be determined on the basis of the joint life expectancy of the Participant and his or her Beneficiary. Such life expectancy will be recalculated once each year; however, the life expectancy of the Beneficiary will not be

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recalculated if the Beneficiary is not the Participant's spouse. The amount of the withdrawal shall be allocated among the Investment Funds in proportion to the value of the Account Balance as of the date of each withdrawal. The commencement of payments under this Section shall not constitute an Annuity Starting Date for purposes of Code Sections 72, 401(a)(11) and 417. Upon the Participant's subsequent termination of employment, payment of the Participant's Account Balance shall be made in accordance with the provisions of Section 7.08.

(c) With respect to distributions under the Plan made in calendar years beginning on or after January 1, 2000, the Plan will apply the minimum distribution requirements of Code Section 401(a)(9) that were proposed in January 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Code Section 401(a)(9) or such other date specified in guidance published by the Internal Revenue Service.

7.08 FORM AND TIMING OF DISTRIBUTIONS

(a) TIMING OF DISTRIBUTIONS. Upon termination from employment with the Company and any Affiliate service, distributions will be made as follows:

- (1) if the vested portion of the Participant's Account Balance equals \$5000 or less, his or her Account Balance will be distributed in a single lump sum as soon as practicable but not later than 60 days after the end of the calendar year in which the Participant's termination from employment occurs; or
- (2) unless the Participant consents to a distribution upon termination from employment, if the vested portion of the Participant's Account Balance exceeds \$5000, distribution will be deferred until April 1 of the calendar year

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following the calendar year in which the Participant attains age 70 1/2 unless, and until, the Participant elects an earlier distribution under Section 7.08(b).

- (3) Termination of employment entitling a Participant to a distribution does not occur in the event of a corporate transaction in which there is a transfer of the Account Balances of Participants affected by the corporate transaction to a plan maintained or created by the affected Participant's new employer.

(b) The Participant may elect an immediate or deferred distribution, subject to Code Section 401 (a)(9), Article XIV, if applicable, and, in such

manner and on such conditions as may be prescribed by the Plan Administrator, any of the following:

- (1) a distribution of the Participant's Vested Account Balance in a single lump sum;
- (2) monthly, quarterly or annual periodic installment payments in a fixed dollar amount or fixed percentage amount, up to a 15-year period; or
- (3) a distribution of all or part of the Participant's Vested Account Balance.

(c) If a Participant's distribution is deferred until April 1 of the calendar year following the calendar year in which the Participant attains again 70 1/2, the Participant may elect, in such manner and on such conditions as may be presented by the Plan administrator;

- (1) a distribution in a single lump sum, or
- (2) a distribution in the required minimum amounts and over the applicable distribution period prescribed under the Code's minimum distribution rules. If the Participant fails to make an election, the distribution shall be made in a single lump sum;

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(d) Any distribution of less than all of a Participant's Vested Account Balance shall be made pro-rata from the Investment Funds in which the Account Balance is invested.

7.09 PROOF OF DEATH AND RIGHT OF BENEFICIARY OR OTHER PERSON

The Plan Administrator may require and rely upon such proof of death and such evidence of the right of any Beneficiary or other person to receive the value of the vested Account Balance of a deceased Participant as the Plan Administrator may deem proper, and his or her determination of the right of that Beneficiary or other person to receive payment will be conclusive.

7.10 DISTRIBUTION LIMITATION

Notwithstanding any other provision of this Article 7, all distributions from this Plan shall conform to the regulations issued under Code Section 401(a)(9), including the incidental death benefit provisions of Code Section 401(a)(9)(G). Such regulations override any Plan provision that is inconsistent with Code Section 401(a)(9).

7.11 DIRECT ROLLOVER OF CERTAIN DISTRIBUTIONS

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, in such manner and on such conditions as may be prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover. The following definitions apply to the terms used in this Section:

(a) ELIGIBLE ROLLOVER DISTRIBUTION means any distribution of all or any portion of the balance to the credit of the Distributee. An Eligible Rollover Distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the

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joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more or any distribution to the extent such distribution is required under Code Section 401(a)(9). Any amount that is distributed on account of hardship is not an Eligible Rollover Distribution. The Distributee may not elect to have any portion of a hardship distribution paid directly to an Eligible Retirement Plan. Effective beginning January 1, 2002, a distribution does not fail to be an Eligible Rollover Distribution solely because it includes after-tax employee contributions that are not includible in gross income. The portion attributable to after-tax contributions may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(b) ELIGIBLE RETIREMENT PLAN means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a) that is a defined contribution plan, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity. Effective January 1, 2002, Eligible Retirement Plan also means an annuity plan described in Code Section 403(b), and an eligible plan under Code Section 457(b) maintained by a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately

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account for amounts transferred into such plan from this Plan, including separately accounting for the portion of such distribution that is includible in gross income and the portion of such distribution that is not so includible.

(c) DISTRIBUTEES means an Employee, former employee, the surviving spouse of the Employee or Former Employee, spouse or former spouse of an Employee or Former Employee who is the alternate payee under a qualified domestic relations order as defined in Code Section 414(p), are Distributees.

(d) DIRECT ROLLOVER means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

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ARTICLE VIII

NON-DISCRIMINATION AND LIMITATION

8.01 ACTUAL DEFERRAL PERCENTAGE TEST

(a) Separate Testing Groups. Solely for purposes of determining whether the Plan satisfies the Average Actual Deferral Percentage tests, the Plan will be tested as if it were four separate plans ("Testing Plan"): (1) a Plan covering CECONY Management Employees, O&R Management Employees and CEI Employees ("Management Employees"), (2) a Testing Plan covering O&R Hourly Employees ("O&RU"), (3) a plan covering Local 1-2 Employees ("Local 1-2U") and, (4) a plan covering Local 3 Employees ("Local 3U"). Each employee in the O&RU, Local 1-2U, and Local 3U is referred to as a "Union Employee." Solely for purposes of determining whether a Testing Plan satisfies the Actual Deferral Percentage Test, an Employee who is under age 21 or has less than one Year of Service is not taken into account as an Eligible Employee.

(b) The Average Actual Deferral Percentage for both Highly Compensated Management Employees ("HCMES") and for Highly Compensated Union Employees ("HCUES"), respectively, who are, or are eligible to become, Participants may not exceed the greater of:

- (i) the Average Actual Deferral Percentage for Non-Highly Compensated Management Employees ("NHCMEs") or Non-Highly Compensation Union Employees ("NHCUES"), respectively, who are, or eligible to become, Participants multiplied by 1.25; or
- (ii) the Average Actual Deferral Percentage for HCMES or HCUES, respectively, multiplied by 2.0, but not more than 2 percentage points in

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excess of the Average Actual Deferral Percentage for the NHCMEs or NHCUES, respectively.

(c) During a Plan Year, the Plan Administrator may implement rules limiting the Pre-Tax Contributions which may be made on behalf of some or all of either the HCMES or HCUES so that this limitation is satisfied. If the Plan Administrator determines that the limitation has been exceeded in any Plan Year, the following provisions apply:

- (1) The amount of Pre-Tax Contributions made by either the HCMES or HCUES, as applicable, will be reduced by a leveling process under which the Pre-Tax Contributions of the HCME or HCUE, as applicable, with the highest dollar amount of Pre-Tax Contributions shall be

reduced to the extent necessary to completely eliminate the excess Pre-Tax Contribution or cause such Pre-Tax Contributions to equal the amount of such contributions of the HCME or HCUE, as applicable, with the next highest dollar amount of Pre-Tax Contribution. This process will be repeated until the excess Pre-Tax Contribution is eliminated.

- (2) Excess Pre-Tax Contributions, together with Earnings, will be paid to the Participant before the close of the Plan Year following the Plan Year in which the excess Pre-Tax Contributions were made and, to the extent practicable, within 2 1/2 months of the close of the Plan Year in which the Excess Pre-Tax Contributions were made. However, any Excess Pre-Tax Contributions for any Plan Year will be reduced by any Pre-Tax Contributions previously returned to the Participant for that Plan Year. If any returned Excess Pre-Tax Contributions were matched by Employer Contributions, such corresponding

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Employer Contributions, with Earnings will be forfeited and used to reduce Employer Contributions. The Participant, other than an O&R HCUE, may elect, in lieu of a return of the Excess Pre-Tax Contributions to have the Plan treat all or a portion of the Excess Pre-Tax Contributions to the Plan as After-Tax Contributions for the Plan Year in which the Excess Pre-Tax Contributions were made, subject to the limitations of Section 3.01. Re-characterized Excess Pre-Tax Contributions shall be considered After-Tax Contributions made in the Plan Year to which the Excess Pre-Tax Contributions relate for purposes of Section 8.02 and shall be subject to the withdrawal provisions applicable to After-Tax Contributions under Article 7. The Participant's election to re-characterize Excess Pre-Tax Contributions shall be made within 2 1/2 months of the close of the Plan Year in which the Excess Pre-Tax Contributions were made or within such shorter period as the Plan Administrator may prescribe. In the absence of a timely election by the Participant, the Plan shall return Excess Pre-Tax Contributions.

8.02 ACTUAL CONTRIBUTION PERCENTAGE TEST

(a) Solely for purposes of determining whether the Plan satisfies the Average Contribution Percentage test, the Plan will not test Union Employees. The Plan will test only the Management Employees.

(b) The Average Contribution Percentage for HCMEs who are, or eligible to become, Participants may not exceed the Average Contribution Percentage of NHCMEs who are, or are eligible to become, Participants multiplied by 1.25. If the Average Contribution Percentage for the HCMEs does not meet the foregoing test, the Average Contribution Percentage for HCMEs may not exceed the Average Actual Contribution Percentage of

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NHCMEs who are, or eligible to become, Participants by more than two percentage points, and the Average Contribution Percentage for HCMEs may not be more than 2.0 times the Average Contribution Percentage for NHCMEs (or such lesser amount as the Plan Administrator shall determine to satisfy the provisions of Section 8.03). During a Plan Year, the Plan Administrator may implement rules limiting the After-Tax Contributions which may be made by some or all HCMEs so that this limitation is satisfied. If the Plan Administrator determines that the limitation under this Section 8.02 has been exceeded in any Plan Year, the following provisions shall apply:

- (1) The amount of After-Tax Contributions and Employer Contributions made by or on behalf of some or all HCMEs in the Plan Year shall be reduced in the same leveling manner as Excess Pre-Tax Contributions are reduced.
- (2) Any Excess Aggregate Contributions will be reduced and allocated in the following order:
 - (i) Non-Participating After-Tax Contributions, to the extent of the Excess Aggregate Contributions, will be paid to the Participant; and then, if necessary,
 - (ii) so much of the Participating After-Tax Contributions and corresponding Employer Contributions, as is necessary to meet the test will be reduced, with the After-Tax Contributions, together with Earnings, being paid to the Participant and the

Employer Contributions, together with Earnings, being reduced, with vested Employer Contributions being paid to the Participant and Employer Contributions which are forfeitable under the

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Plan being forfeited and applied to reduce Employer Contributions; then if necessary,

- (iii) so much of the Employer Contributions, together with Earnings, as is necessary to equal the balance of the Excess Aggregate Contributions will be reduced, with vested Employer Contributions being paid to the Participant and Employer Contributions which are forfeitable under the Plan being forfeited and applied to reduce Employer Contributions.

(c) Any repayment or forfeiture of Excess Aggregate Contributions will be made before the close of the Plan Year following the Plan Year for which the Excess Aggregate Contributions were made and, to the extent practicable, any repayments or forfeiture will be made within 2 1/2 months of the close of the Plan Year in which the Excess Aggregate Contributions were made.

8.03 SEPARATE NON-DISCRIMINATION TESTING

Effective for Plan Years beginning on and after January 1, 2002, solely for purposes of determining whether the Thrift Plan and the ESOP satisfy the Average Actual Deferral Percentage Test and the Average Contribution Percentage all Employer Contributions allocated to the Company Stock Fund are treated as contributions to the ESOP and tested separately.

8.04 MAXIMUM ANNUAL ADDITIONS

(a) Except to the extent permitting Catch-Up Contributions in accordance with Code Section 414(v), the annual addition to a Participant's Account Balance for any Plan Year, (the "Limitation Year") when added to the Participant's annual addition for the Limitation Year under any other qualified defined contribution plan of the Company or an Affiliate, may not exceed the lesser of (1) 25% or, for Plan Years beginning on January 1, 2002,

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100%, of his or her Compensation for the Plan Year or (2) the greater of \$30,000 or, for Plan Years beginning on January 1, 2002, \$40,000, as adjusted for increases in the Cost-Of-Living Adjustment.

(b) For purposes of this Section, the annual addition to a Participant's Account Balance under this Plan or any other qualified defined contribution plan maintained by the Company or an Affiliate will be the sum of:

- (1) the total contributions, including Pre-Tax Contributions, made on the Participant's behalf by each Employer and all Affiliates,
- (2) all After-Tax Contributions, exclusive of any Rollover Contributions,
- (3) all Employer Contributions; and
- (4) forfeitures, if applicable, that have been allocated to the Participant's Account Balance under this Plan or his or her accounts under any other such qualified defined contribution plan. Any Pre-Tax Contributions distributed under Section 8.01 and any Employer Contributions or After-Tax Contributions distributed or forfeited under the provisions of Section 3.01, 8.01, 8.02 or 8.03 shall be included in the annual addition for the year allocated.

(c) If the annual addition to a Participant's Account Balance for any Plan Year, prior to the application of the limitation set forth in paragraph (a) above, exceeds that limitation due to a reasonable error in estimating a Participant's Compensation or in determining the amount of Pre-Tax Contributions that may be made with respect to a Participant under Code Section 415, or as the result of the allocation of forfeitures, the amount of contributions credited to the Participant's Account Balance in that Plan Year shall

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be adjusted to the extent necessary to satisfy that limitation in accordance

with the following order of priority:

- (1) The Participant's Non-Participating After-Tax Contributions shall be reduced to the extent necessary. The amount of the reduction shall be returned to the Participant, together with any earnings on the contributions to be returned.
- (2) The Participant's Non-Participating Pre-Tax Contributions shall be reduced to the extent necessary. The amount of the reduction shall be returned to the Participant, together with any earnings on the contributions to be returned.
- (3) The Participant's Participating After-Tax Contributions and corresponding Employer Contributions shall be reduced to the extent necessary. The amount of the reduction attributable to the Participant's Participating After-Tax Contributions shall be returned to the Participant, together with any earnings on those contributions to be returned, and the amount attributable to the Employer Contributions shall be forfeited and used to reduce subsequent contributions payable by the affected Employer.
- (4) The Participant's Participating Pre-Tax Contributions and corresponding Employer Contributions shall be reduced to the extent necessary. The amount of the reduction attributable to the Participant's Participating Pre-Tax Contributions shall be returned to the Participant, together with any earnings on those contributions to be returned, and the amount attributable to the Employer Contributions shall be forfeited and used to reduce subsequent contributions payable by the affected Employer.

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(d) Any Pre-Tax Contributions returned to a Participant under this paragraph (d) shall be disregarded in applying the dollar limitation of Pre-Tax Contributions under Section 3.01(b), and in performing the Actual Deferral Percentage Test under Section 8.01. Any After-Tax Contributions returned shall be disregarded in performing the Actual Contribution Percentage Test under Section 8.02.

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ARTICLE IX

LOANS

9.01 LOANS PERMITTED

Upon terms and conditions set forth in this Article 9, and in accordance with such uniform rules as the Plan Administrator may adopt, a Participant who is not on a leave of absence and remains on the active payroll may borrow from his or her Account Balance. The Plan Administrator or his or her delegate is authorized to administer the loan program under this Article 9. Any Participant who is an Employee, a former Employee, or a Beneficiary of an O&R Participant, and who is also a "party-in-interest" (as defined in Section 3(14) of ERISA) to the Plan, may borrow from his or her Account Balance.

9.02 AMOUNT OF LOANS

The minimum amount of any loan is \$1,000 for a CECONY or CEI Participant and \$500 for an O&R Participant. Effective January 1, 2002, the minimum amount of a loan for a CECONY or CEI Participant will be \$500. The amount of any loan to a Participant may not exceed the lesser of (a) or (b), where (a) is \$50,000 reduced by the excess (if any) of (i) the highest outstanding balance of loans to the Participant from the Plan during the one-year period ending on the day before the date on which such loan is made, over (ii) the outstanding balance of loans to the Participant from the Plan on the date on which such loan is made, and (b) is one-half of the vested portion of the Participant's Account Balance. Outstanding balance of loans means the outstanding amount of all loans from the Plan and any other qualified plans of the Company or an Affiliate.

9.03 SOURCE OF LOANS

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(a) Funds for loans from a Participant's Account Balance shall be taken from the Participant's Subaccounts in the following order:

- (1) For a CECONY Participant:

- (i) Non-Participating Pre-Tax Contributions and Earnings;
- (ii) Participating Pre-Tax Contributions and Earnings;
- (iii) Rollover Contributions and Earnings;
- (iv) Vested Employer Contributions and Earnings that have been in the Account Balance for three full calendar years for a CECONY Weekly Participant and two full calendar years for a CECONY or CEI Management Participant after the contribution year and Earnings;
- (v) Non-Participating After-Tax Contributions and Earnings; and
- (vi) Participating After-Tax Contributions and Earnings.

(2) For an O&R Participant:

- (i) Pre-Tax Contributions and Earnings;
- (ii) Rollover Contributions and Earnings; and
- (iii) After-tax Contributions and Earnings.

(b) No loan will be made from a Subaccount or a part of a Subaccount until the entire balance in the Subaccount or part of the Subaccount preceding it on the above list has been exhausted. Within each Subaccount or part thereof, funds for loans will be taken on an average cost basis and pro-rata from each Investment Fund within the Subaccount or part of the Subaccount, and such pro-rata portion of each Investment Fund will be converted to cash for the loan based upon the market value of the investment on the date of conversion.

9.04 INTEREST RATE

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The interest rate to be charged on loans will be a reasonable rate of interest determined from time to time by the Plan Administrator. In determining such rate the Plan Administrator seeks to provide to the Plan a rate of return commensurate with the interest rates charged by persons in the business of lending money for loans that would be made under similar circumstances on the date the loan is approved. The interest rate will be fixed for the entire term of the loan.

Effective for loans originating before January 1, 2001, the interest rate to be charged to an O&R Participant is the effective interest rate charged by the Orange and Rockland Employees' Federal Credit Union for a 48 month share-secured loan. The interest rate to be charged for a principal residence loan to an O&R Management Participant will be based upon Federal National Mortgage Association mortgage rates. Effective for loans originating after January 1, 2001, the interest rate to be charged to an O&R Participant will be the same interest rate applicable to a CECONY Participant.

9.05 REPAYMENT

The Participant may select a period of one, two, three, four or five years for repayment of a loan, except that the Participant may, at his or her option, select a longer period of whole years, not exceeding ten, (20 in the case of an O&R Management Participant) for repayment of a loan for the purpose of purchasing his or her principal residence. Repayment will be made by level payments, not less frequently than quarterly, in such amount as shall be sufficient to pay the principal and interest thereon over the period for repayment. Repayment shall be made by payroll deductions, except that in the case of a Participant who is not on the active payroll, repayments may continue to be made by check or other similar means as the Plan Administrator shall determine. Prepayment by a CECONY Weekly Participant of a loan in full, without penalty, may be made only after 52

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weekly payments have been made. Prepayment by an O&R Participant of a loan in full, without penalty, and prepayment by a CECONY Management or CEI Participant of a loan in full or in part, without penalty, may be made at any time by personal check or money order. The amount of each loan payment shall be placed into the Investment Funds, except the Company Stock Fund, in accordance with the most recent investment election made by the Participant with respect to the Participant's Contributions. Notwithstanding the foregoing, a loan which is made

to a Participant who is an Employee shall become due and payable in full upon the Employee's termination of employment; provided, however, that if a Participant becomes an employee of a buyer or one of its affiliates following the sale of the Company's or an Affiliate's assets, and if the Participant's Account is transferred to a qualified plan maintained by the buyer or one of its affiliates (the "Buyer's Plan"), any outstanding loan at his or her termination of employment with the Company will not be due and payable in full at termination but will instead be transferred to the Buyer's Plan.

9.06 MULTIPLE LOANS

A CECONY Weekly Participant may not have more than one loan outstanding at a time. A CECONY Management or CEI Participant may not have more than one loan granted in a calendar year unless all earlier loans made in the same calendar year to the Participant shall have been repaid in full. An O&R Participant may not have more than one loan outstanding at any time and may make a request for a loan only once in a twelve month period.

9.07 PLEDGE

The vested portion of the Participant's Account Balance shall be pledged as security for all loans to the Participant. The amount pledged shall not be greater than fifty percent of the Participant's vested portion. If a default occurs in the repayment of a loan, the entire

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unpaid principal balance plus accrued interest, if any: (i) will be charged, when the Participant becomes eligible to receive a distribution, against that portion of the Participant's vested portion which serves as security for the loan; (ii) will be deducted, if a distribution is to be made, from the amount payable to the Participant or the Participant's Beneficiary; or (iii) if neither (i) nor (ii) applies, will continue to encumber that portion of the Participant's vested portion that serves as security for the loan.

9.08 LOAN RESERVE

The amount of each loan to a Participant will be transferred from the portion of the Trust Fund held for the Participant's Account Balance and invested pursuant to Section 5.02 to a special Loan Reserve maintained for such Participant's Account Balance. Such Loan Reserve will be invested solely in the loan or loans made to the Participant. Payments on any such loan will reduce the Participant's Loan Reserve and will be reinvested for the Participant's Account Balance in accordance with Section 9.05.

9.09 MINIMUM ACCOUNT BALANCE

So long as any amount of a loan remains outstanding to a Participant, the Participant may not make any withdrawal from his or her Account Balance that would reduce the value of his or her vested portion to less than his or her Loan Reserve.

9.10 OTHER TERMS

Each loan will be evidenced by a promissory note payable to the Trustee. The terms and conditions of any loan may be adjusted at any time, to the extent determined by the Plan Administrator, to be necessary for compliance with law or to maintain the qualification of the Plan under the Code.

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ARTICLE X

ADMINISTRATION OF THE PLAN, ESOP AND TRASOP

10.01 NAMED FIDUCIARIES AND PLAN ADMINISTRATOR OF PLAN ESOP AND TRASOP

The following persons from time to time occupying the following offices of CECONY are hereby designated as Named Fiduciaries: Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. CECONY may designate other persons who, upon acceptance of such designation, shall serve as Named Fiduciaries either instead of or in addition to those named above. Any such designation and acceptance shall be in writing and retained by the Plan Administrator. The Named Fiduciaries shall act by majority rule. The Named Fiduciaries shall appoint from among the officers of CECONY a Plan Administrator who shall serve at the discretion of the Named Fiduciaries. The Plan Administrator shall serve without compensation for his or her services as such and shall act solely in the interest of the Participants and their Beneficiaries.

Solely in this Article X, the term Plan includes the Thrift Savings Plan, the ESOP and the TRASOP unless the context clearly designates otherwise.

10.02 AUTHORITY OF PLAN ADMINISTRATOR

The Plan Administrator has the discretionary authority to control and manage the operation and administration of the Plan ESOP and, without limiting the generality of the foregoing, shall interpret the Plan, ESOP,, determine eligibility for benefits under the Plan, determine any facts or resolve any questions relevant to the administration of the Plan, ESOP, and TRASOP and, in connection therewith, may remedy and correct any ambiguities, inconsistencies, or omissions in the Plan, ESOP and TRASOP. Any such action taken by the

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Plan Administrator shall be conclusive and binding on all Participants, ESOP Participant, Beneficiaries and other persons. The Plan Administrator is authorized to make any changes to the Plan, ESOP and TRASOP that he or she, in his or her sole discretion, determines are necessary or desirable to carry out (a) the transition to Vanguard Fiduciary Trust Company as Trustee, record keeper and Investment Manager for the O&R Hourly Plan and the O&R Management Plan, (b) the addition of new Investment Funds, (c) the merger of the CECONY Management Plan, the O&R Hourly Plan and O&R Management Plan into this Plan, ESOP and TRASOP, and (d) to make any other changes to facilitate administration of the Plan, ESOP and TRASOP.

The Plan Administrator also has the authority to adopt certain amendments to the Plan, ESOP and TRASOP, which are (a) required or desirable in order to implement corporate transactions such as mergers, acquisitions and divestitures; (b) required, necessary or recommended for compliance with ERISA, the Code or other laws; or (c) necessary or desirable for uniform or efficient administration. In all cases, any amendment(s) adopted by the Plan Administrator shall neither materially nor significantly increase the Employers' or the Company's obligations or adversely affect or reduce the Account Balance of any Participant.

10.03 RELIANCE ON REPORTS

The Named Fiduciaries and the Plan Administrator are entitled to rely upon any opinions, reports, or other advice that will be furnished by specialists, subject to fiduciary responsibilities imposed by ERISA.

10.04 DELEGATION OF AUTHORITY

With approval of the Named Fiduciaries, the Plan Administrator may designate one or more persons to exercise any power, or perform any duty, of the Plan Administrator. Any

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such designation will be in writing and signed by the Plan Administrator and the Named Fiduciaries and a copy thereof will be delivered to the Trustee.

10.05 ADMINISTRATION EXPENSES

All expenses arising in connection with the operation and administration of the Plan will be paid by the Plan, ESOP or TRASOP, as applicable.

The expenses of administration of the TRASOP shall include, without limitation, transfer taxes, postage, brokerage commissions and other direct selling expenses incurred by the Trustee in the sale of Shares pursuant to Article XIII, losses incurred by the Trustee on funds invested pursuant to Article XIII, and fees of the Trustee in connection with the administration of TRASOP, including fees for legal services rendered to the Trustee (whether or not rendered in connection with a judicial or administrative proceeding and whether or not incurred while it is acting as Trustee), but shall exclude brokerage fees and commissions for purchases of Shares pursuant to Section 13.02, which brokerage fees and commissions shall be paid out of the dividends being reinvested thereby. Such expenses of administration of TRASOP will, to the extent permitted by law, be paid:

- (i) first, out of any available income of TRASOP;
- (ii) second, out of any available dividends received by the Trustee on Shares allocated to Participants pursuant to Section 13.02, which dividends have not then been applied to the purchase of additional Shares pursuant to Section 13.02; and

In no event shall the amounts paid by the Trustee during such Plan Year pursuant to clauses "first" and "second" above, exceed the smaller of: the sum of (x)10 percent of the first \$100,000 and (y) 5 percent of an amount in excess of \$100,000 of the income from

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dividends paid to the Trustee with respect to common stock of the Company during such Plan Year or \$100,000.

10.06 FIDUCIARY INSURANCE

The Employers may purchase and carry fiduciary responsibility insurance under which each member of the Board, each Named Fiduciary, the Plan Administrator, and any person, including each employee, to whom there may be delegated any responsibility in connection with the administration of the Plan, including the Trustee, will be indemnified against any cost or expense (including counsel's fees) or liability which may be incurred arising out of any act or failure to act in the administration of this Plan, except for gross negligence or willful misconduct.

10.07 CLAIM REVIEW

(a) Upon receipt from a Participant or Beneficiary of an initial claim for benefits, the Plan Administrator shall respond in writing and deliver or mail to the Participant or Beneficiary within 90 days following the date on which the initial claim is filed. If the initial claim is denied, in part or totally, the Plan Administrator shall set forth the specific reasons for the denial, written in a plain and understandable manner, with specific reference to pertinent Plan, ESOP and TRASOP provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim, an explanation of why such material or information is necessary, and an explanation of the Plan's ESOP and TRASOP claim review procedure. If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim was filed. Such an extension may not exceed a period of 90 days beyond the end of the initial period. If the claim has not been granted, and if written notice of the denial of the

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claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(b) CLAIM REVIEW PROCEDURE. A Participant, Beneficiary, or the authorized representative of either shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Plan Administrator. The Plan Administrator shall give the Participant, Beneficiary, or the authorized representative of either an opportunity to appear to review pertinent documents, to submit issues and comments in writing, and to present evidence supporting the claim. Not later than 60 days after receipt of the request for review, the Plan Administrator shall render and furnish to the claimant a written decision which shall include specific reasons for the decision, and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Plan Administrator shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim will be deemed to have been denied on review.

(c) EXHAUSTION OF REMEDY. No claimant shall institute any action or proceeding in any state or federal court of law or equity, or before any administrative tribunal or arbitrator, for a claim for benefits under the Plan until he or she has first exhausted the procedures set forth in this section.

10.08 APPOINTMENT OF TRUSTEE

The Trustee will be appointed by the Board.

10.09 LIMITATION OF LIABILITY

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The Company, the Board, the Named Fiduciaries, the Plan Administrator, the Employers and any officer, Employee or agent of the Company and each Employer shall not incur any liability individually or on behalf of any other individuals or on behalf of the Company or Employers for any act or failure to act, made in good faith in relation to the Plan or the funds of the Plan. However, this limitation shall not act to relieve any such individual or the Company or Employers from a responsibility or liability for any fiduciary responsibility, obligation or duty under Part 4, Title I, of ERISA.

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ARTICLE XI

MISCELLANEOUS

11.01 EXCLUSIVE BENEFIT - AMENDMENTS

It shall be impossible for any part of the corpus or income of the Trust Fund, ESOP Trust Fund or the TRASOP Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of Participants or Beneficiaries entitled to benefits under the Plan and for paying the expenses of the Plan. No person has any interest in, or right to, any part of the Trust Fund except as and to the extent expressly provided in the Plan. Subject to the foregoing, the Plan may be amended, in whole or in part, at any time and from time to time by the Board or pursuant to authority granted by the Board and any amendment may be given such retroactive effect as the Board or its duly authorized delegate may determine. If an Employer, other than CECONY, wishes to amend the Plan as to its participating employees, that Employer will present a resolution of its board of directors approving the proposed amendment and requesting CECONY to amend the Plan. CECONY shall have the sole discretion whether to amend the Plan as requested by an Employer.

Solely in this Article XI, the term Plan includes the Thrift Savings Plan, the ESOP and the TRASOP and reference to the Trust Fund includes the ESOP Trust Fund and the TRASOP Trust Fund, unless the context clearly designates otherwise.

11.02 TERMINATION - SALE OF ASSETS OF SUBSIDIARY

(a) The Plan may be partially or fully terminated or contributions may be permanently discontinued for any reason at any time by the Board. In the event of a partial or total termination of the Plan or permanent discontinuance of contributions under the Plan:

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(i) no contribution will be made thereafter except for a Payroll Period the last day of which coincides with or precedes such termination or discontinuance; (ii) no distribution shall be made except as provided in the Plan; (iii) the rights of all Participants to the entire amounts to the credit of their Account Balances as of the date of such termination or partial termination or discontinuance shall become 100% vested; (iv) no person shall have any right or interest except with respect to the Trust Fund; (v) any remaining forfeitures shall be considered a special Employer Contribution and shall be allocated on a pro-rata basis, based on Account Balance, to all Participants with an Account Balance as of the date of termination, partial termination or discontinuance; and (vi) the Trustee shall continue to act until the Trust Fund shall have been distributed in accordance with the Plan.

(b) Upon termination of the Plan, Pre-Tax Contributions, with Earnings, will be distributed to Participants only if neither the Company, Employers nor an Affiliate establishes or maintains a successor defined contribution plan. For purposes of this paragraph, a "successor defined contribution plan" is a defined contribution plan, other than an employee stock ownership plan as defined in Code Section 4975(e)(7) or a simplified employee pension as defined in Code Section 408(k) which exists at the time the Plan is terminated or within the 12-month period beginning on the date all assets are distributed. A defined contribution plan will not be deemed a successor plan if fewer than two percent of the Employees who are eligible to participate in the Plan at the time of its termination are or were eligible to participate under another defined contribution plan of the Company or an Affiliate (other than an ESOP or a SEP) at any time during the period beginning 12 months before and ending 12 months after the date of the Plan's termination.

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11.03 BENEFICIARIES

Upon the death of a Participant, his or her Account Balance shall be payable in a lump sum to his or her surviving spouse. If there is no surviving spouse or the surviving spouse has consented, in the manner provided in this Section 11.03, to a designation of a Beneficiary in addition to or instead of such spouse, and such designation is in effect at the time of the Participant's death, the Participant's Account Balance will be paid to such Beneficiary. Effective beginning June 1, 2002, the surviving spouse or Beneficiary(ies) may elect to take a distribution in monthly, quarterly or yearly installments up to but not exceeding a 15-year period; providing, however, that any distribution election is consistent with Code Section 401(a)(9) and the regulations promulgated thereunder. Each Participant may designate a primary or contingent Beneficiary or Beneficiaries in the event of the death of the Participant prior to distribution of such benefits. The Participant may file a written designation with the Plan, on a form furnished by the Plan Administrator, or his or her delegate. Such designation shall be effective only if (1) such designation is accompanied by the written consent of the Participant's spouse which acknowledges the effect on the spouse of the designation and it witnessed by a notary public, or (2) the Participant if not married. Any such designation made by an unmarried Participant shall become null and void in the event the unmarried Participant marries before his or her Annuity Starting Date. Any consent of a spouse shall be effective only with respect to such spouse. If, at the time of a Participant's death, there is no surviving spouse of the Participant and no designation of a Beneficiary by such Participant is in effect, then the Participant's benefits shall be payable to his or her estate or legal representative. A Participant may revoke a designation made pursuant to this Section 11.03 by signing and filing with the Plan Administrator or his or her delegate a written instrument to that effect, in such manner and on such conditions as may be

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prescribed by the Plan Administrator, or by filing a new designation pursuant to this Section 11.03. The consent of a Participant's spouse may not be revoked, but such spouse's consent shall be required for every designation of a Beneficiary other than the Participant's spouse and for every change in any such designation. The requirement for spousal consent may be waived by the Plan Administrator if he or she believes there is no spouse, or the spouse cannot be located, or because of such other circumstances as may be established by applicable law.

11.04 ASSIGNMENT OF BENEFITS

(a) No Participant or Beneficiary shall have the right to assign, transfer, alienate, pledge, encumber or subject to lien any benefits to which he or she is entitled under the Plan. Nothing in this Section shall preclude payment of Plan benefits pursuant to a qualified domestic relations order as defined in Code Section 414(p) and Section 206(d) of ERISA. The Plan Administrator will establish a written procedure to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders.

(b) Notwithstanding anything herein to the contrary, if the amount payable to the alternate payee under the qualified domestic relations order is \$5,000 or less, such amount shall be paid in one lump sum as soon as practicable following the qualification of the order. If the amount exceeds \$5,000, it may be paid as soon as practicable following the qualification of the order if the alternate payee consents thereto; otherwise it may not be payable before the earliest of (1) the Participant's termination of employment, (2) the time such amount could be withdrawn under Article 7 or (3) the Participant's attainment of age 50.

(c) A Participant's Account Balance may be offset against the amount owed to the Plan as a result of a breach of fiduciary duty to the Plan or criminality involving the Plan.

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The participant's Account Balance will be reduced to satisfy liabilities of the Participant to the Plan due to: (1) the Participant being convicted of committing a crime involving the Plan; (2) a civil judgment (or consent order or decree) being entered by a court in an action brought in connection with a violation of ERISA's fiduciary duty rules; or (3) a settlement agreement between the Secretary of Labor and the Participant in connection with a violation of ERISA's fiduciary rules. If the Participant is married at the time at which the offset is to be made, either the Participant's spouse must consent in writing to these offset (unless there is no spouse, the spouse cannot be located, or due to other circumstances prescribed by the Secretary pursuant to Code Section 417(a)(2)(B)), or a spousal waiver of survivor benefits must be in effect for

the offset to take place. Spousal consent is not required if the spouse is ordered or required by the judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of Part 4 of Title I of ERISA. Spousal consent is not required where, in the judgment, order, decree, or settlement, the spouse retains the right to receive a 50% survivor annuity under a qualified joint and survivor annuity and under a qualified pre-retirement survivor annuity. The amount of a benefit that is so offset is includible in income on the date of the offset.

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11.05 MERGER

The Plan may not be merged or consolidated with, or its assets or liabilities may not be transferred to any other plan unless each person entitled to benefits under the Plan would, if the resulting plan were then terminated, receive immediately after the merger or consolidation, or transfer of assets or liabilities, a benefit which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had then terminated.

In the event of a corporate transaction, divestiture of assets or an Affiliate, or other corporate reorganization in which one or a group of Participants are transferred to another employer, the Plan Administrator, in his or her sole discretion, may effectuate a trust-to-trust transfer of affected Participants' Account Balance to the other employer's qualified defined contribution plan.

In the event of a corporate acquisition, merger, or other corporate reorganization in which one or a group of persons become Employees, the Plan Administrator, in his or her sole discretion, or if CECONY so requires, may accept a trust-to-trust transfer of the affected persons' Account Balance from another employer's qualified defined contribution plan to the Plan.

11.06 CONDITIONS OF EMPLOYMENT NOT AFFECTED BY PLAN

The establishment and maintenance of the Plan shall not confer any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Employers to discharge any Employee and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant of the Plan.

11.07 FACILITY OF PAYMENT

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If the Plan Administrator finds that a Participant or other person entitled to a benefit is unable to care for his or her affairs because of illness or accident or is a minor, the Plan Administrator may direct that any benefit due him or her, unless claim has been made by a duly appointed legal representative, be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides. Any payment so made shall be a complete discharge of the liabilities of the Plan for that benefit.

11.08 INFORMATION

Each Participant, Beneficiary or other person entitled to a benefit, before any benefit is payable to him or her/on his or her account under the Plan, shall file with the Plan Administrator the information that the Plan Administrator requires to establish his or her rights and benefits under the Plan.

11.09 ADDITIONAL PARTICIPATING EMPLOYERS

(a) If any entity is or becomes an Affiliate, the Board may include the employees of that Affiliate in the participation of the Plan upon appropriate action by that Affiliate necessary to adopt the Plan. If any person becomes an Employee as the result of a merger, a consolidation, or an acquisition of all or part of the assets or business of another company, the Board shall determine to what extent, if any, previous service with the other entity will be recognized under the Plan, subject to the continued qualification of the trust for the Plan as tax-exempt under the Code.

(b) An Employer may terminate its participation in the Plan upon appropriate action. In that event, the funds of the Plan held on account of Participants in the employ of that Affiliate, and any unpaid Account Balances of Participants who have separated from the employ of that Affiliate, shall be determined by the Plan Administrator. Those funds will be distributed as provided in and permitted under Section 11.02 if the Plan, as to that employer,

is terminated, or segregated by the Trustee to a separate trust, pursuant to certification to the Trustee by the Plan Administrator, continuing the Plan as a separate plan for the employees of that Affiliate under which the board of directors of that Affiliate will succeed to all the powers and duties of the Board, including the appointment of named fiduciaries and plan administrator.

11.10 IRS DETERMINATION

All contributions made to the Trust Fund, and all loans made pursuant to Article 9, which are made prior to the receipt of a determination from the Internal Revenue Service to the effect that the Plan is a qualified plan under Code Sections 401 (a) and 401(k) or the refusal of the IRS in writing to issue such a determination, shall be made on the express condition that such determination is received. In the event the Internal Revenue Service determines that the Plan is not so qualified or refuses in writing to make such determination, such contributions, increased by any earnings thereon, and reduced by any losses thereon and by the outstanding balance (principal and interest) on any loans made under Article 9, shall be returned to the Employer(s) and Participants, as appropriate, as promptly as practicable after such determination. In the event the Internal Revenue Service requires reductions in such contributions and/or changes in the terms and conditions of such loans as a condition of its determination that the Plan is so qualified, the required reductions in contributions, increased by any earnings and reduced by any losses attributable thereto, shall be returned to the Employer(s) and Participants, as appropriate, and/or the amounts and terms and conditions of any such outstanding loans shall be modified to meet Internal Revenue Service requirements, as promptly as practicable after notification from the Internal Revenue Service. If all or part of an Employer's deductions under Code Section 404 for Employer Contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the

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Employer Contributions to which the disallowance applies shall be returned to that Employer without earnings thereon, but reduced by any losses attributable thereto. The return shall be made within one year after the denial of qualification or disallowance of deduction, as the case may be.

11.11 MISTAKEN CONTRIBUTIONS

Any contribution made by mistake of fact shall be returnable, without any earnings thereon but reduced by any losses attributable thereto, to the Employer(s) and/or Participants, as appropriate within one year after the payment of the contribution.

11.12 PREVENTION OF ESCHEAT

If the Plan Administrator cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Plan Administrator may, no earlier than three years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person, as shown on the records of the Plan or Employer. If such person has not made written claim therefor within three months of the date of the mailing, the Plan Administrator may, if he or she so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the applicable Employer. Upon such cancellation, the Plan and the Trust shall have no further liability therefor except that, in the event such person or his or her beneficiary later notifies the Plan Administrator of his or her whereabouts and requests the payment or payments due to him under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

11.13 CONSTRUCTION

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The Plan shall be construed, regulated and administered under ERISA and the laws of the State of New York, except where ERISA controls. In the event a claimant institutes an action or proceeding in any state or federal court of law or equity, the applicable "statute of limitations" for such action will be New York State statute for actions brought in contract matters.

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TOP-HEAVY PROVISIONS

12.01 APPLICATION OF TOP-HEAVY PROVISIONS

This Article XII shall apply for purposes of determining whether the plan is a top-heavy plan under Code Section 416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefit requirements of Code Section 416(c) for such years.

12.02 MINIMUM BENEFIT FOR TOP-HEAVY YEAR

(a) KEY EMPLOYEE. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Company or Affiliate having Annual Compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) beginning after December 31, 2002, a 5-percent owner of the Company or Affiliate or a 1-percent owner of the Company or Affiliate having Annual Compensation of more than \$150,000. The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(b) DETERMINATION OF PRESENT VALUES AND AMOUNTS. This section 12.02(b) shall apply for purposes of determining the present values of accrued benefits and the amounts of Account Balances of Employees as of the determination date.

- (i) Distributions during the year ending on the determination date. The present values of accrued benefits and the amounts of Account Balances of an Employee as of the determination date shall be increased by the

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distributions made with respect to the Employee under the Plan and any Plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distribution under a terminated plan which, had it not been terminated, would have been aggregated with the plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

- (ii) Employees not performing services during year ending on the determination date. The accrued benefits and Account Balances of any individual who has not performed services for the Company or an Affiliate during the 1-year period ending on the determination date shall not be taken into account.

12.03 MINIMUM BENEFITS

Matching Contributions. Employer Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(C)(2) and the Plan. Employer Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes for the Actual Contribution Percentage Test and other requirements of Code Section 401(m).

12.04 AGGREGATION GROUPS

(a) Notwithstanding anything to the contrary herein, this Plan shall not be a Top-Heavy Plan if it is part of either a "required aggregation group" or a "permissive aggregation group" that is not a Top-Heavy Group.

- (b) The "required aggregation group" consists of:

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- (i) Each Defined Contribution Plan or Defined Benefit Plan in which at least one Key Employee participates; and
- (ii) Each other Defined Contribution Plan or Defined Benefit Plan which enables a plan referred to in the preceding subparagraph (i) to meet the nondiscrimination requirements of Section 401(a)(4) or 410 of the Code.

- (c) A "permissive aggregation group" consists of the plans included in

the "required aggregation group" plus any one or more other Defined Contribution Plans or Defined Benefit Plans which, when considered as a group with the "required aggregation group", would continue to meet the nondiscrimination requirements of Section 401(a)(4) and 410 of the Code.

12.05 SPECIAL BENEFIT LIMITS

For any Plan Year for which this Article 12 is applicable the definitions of "Defined Benefit Plan Fraction" and "Defined Contribution Plan Fraction" in Sections 1.20 and 1.22, respectively, shall be modified in each case by substituting "1.0" for "1.25".

12.06 SPECIAL DISTRIBUTION RULE

For any Plan Year for which this Article 12 is applicable, Section 7.08(a) shall apply to Key Employees.

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ARTICLE XIII

TAX REDUCTION ACT STOCK OWNERSHIP PLAN

13.01 PURPOSE - SEPARATE ENTITY

(a) The TRASOP, is a stock bonus plan, established under the Tax Reduction Act of 1975 was intended to give eligible participants an equity interest in CECONY and encourage those participants to remain in the employ of CECONY. The TRASOP is invested in Shares and in a short-term investment fund of cash and cash equivalents. Applicable laws do not permit additional contributions to the TRASOP. CECONY desires to continue the TRASOP Accounts of Participants having such accounts. Effective as of July 1, 1988, all TRASOP Accounts were transferred to this Plan, and all TRASOP provisions which continue to be applicable were added to this Plan and shall, together with other applicable provisions of this Plan, govern the TRASOP Accounts.

(b) Participant's Plan Account Balances and TRASOP Accounts shall be administered separately, although they shall be held as part of the same Trust Fund. There shall be no transfers between TRASOP Accounts and Plan Accounts.

(c) All matters relating to the TRASOP which relate to or arise out of facts, circumstances or conditions in effect prior to July 1, 1988, shall be governed by the provisions of the TRASOP as in effect on June 30, 1988 prior to the merger, unless expressly otherwise provided in this Plan.

(d) Effective on or after January 1, 2002, the Economic Growth and Tax Reduction Recovery Act of 2001 amended the definition of applicable dividend to allow a deduction for dividends paid on applicable employer securities with respect to which participants or beneficiaries are provided an election to have the dividend paid to an ESOP

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and distributed in cash, or reinvested in qualifying employer securities. The deduction is available both with respect to dividends that are reinvested and paid out in cash. Accordingly, effective January 1, 2002, the TRASOP is being amended to provide participants or beneficiaries with the election to have dividends paid in cash or reinvested, as set forth below.

13.02 TRASOP ACCOUNTS - APPLICATION OF DIVIDENDS

(a) The TRASOP Account of each Participant in TRASOP who remained in the employ of CECONY on July 1, 1988 was transferred to this Plan effective as of July 1, 1988. Each such Participant shall continue to have a nonforfeitable right to all Shares allocated and all amounts credited to such Participant's TRASOP Account.

(b) All dividends received by the Trustee with respect to Shares allocated to the TRASOP Accounts of Participants shall be applied to the purchase of additional Shares. Such purchases shall be made promptly after the receipt of each such dividend. The Trustee shall purchase, in one or more transactions, the maximum number of whole Shares obtainable at then prevailing prices, including brokerage commissions and other reasonable expenses incurred in connection with such purchases. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interest of the Participants. The Trustee shall complete such purchases as soon as practical after receipt of such dividends, having due regard for any applicable

requirements of law affecting the timing or manner of such purchases. The additional Shares so purchased shall be allocated among the respective TRASOP Accounts of the Participants in proportion to the number of Shares in each TRASOP Account at the record date for the payment of the dividend so applied. Such allocation shall be made as

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promptly as practicable but for purposes of determining the time at which such additional Shares shall become distributable pursuant to Section 13.04, the additional Shares so allocated to each Participant's TRASOP Account shall be deemed to have been allocated as of the respective allocation dates of the Shares in such TRASOP Account at such record date, in proportion to the number of such Shares previously allocated as of each such allocation date.

(c) For Plan Years beginning on and after January 1, 2002, dividends received by the Trustee with respect to Shares allocated to the TRASOP accounts of Participants, in accordance with the election of the Participant, will be either paid in cash to Participants not later than 90 days after the close of the Plan Year in which the dividends are paid, or applied by the Trustee for the purchase of additional shares. A Participant will be given a reasonable opportunity before a dividend is paid or distributed to make the election and can change a dividend election at least annually. If there is a change in the Plan governing the manner in which the dividends are paid or distributed to Participants, each Participant will be given a reasonable opportunity to make an election under the new Plan terms prior to the date on which the first dividend subject to the new Plan terms is paid or distributed. A Participant who fails to make an election as to whether to receive his or her dividend in cash or have such dividend reinvested will be treated as if he or she elected to have his or her dividend reinvested until such time that he or she makes an affirmation election for a distribution of the dividend. Dividends that are distributed will be held and invested in a short-term investment fund or like kind of cash account until distributed.

13.03 VOTING RIGHTS, OPTIONS, RIGHTS, AND WARRANTS

(a) Each Participant shall be entitled to direct the Trustee as to the manner in which any Shares or fractional Shares allocated to the Participant's TRASOP Account are to

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be voted.

(b) In the event that any option, right, or warrant shall be granted or issued with respect to any Shares allocated to the Participant's TRASOP Account, each Participant shall be entitled to direct the Trustee whether to exercise, sell, or deal with such option, right, or warrant.

(c) The Trustee shall keep confidential the Participant's voting instructions and instructions as to any option, right or warrant and any information regarding a Participant's purchases, holdings and sales of Shares.

13.04 DISTRIBUTION OF SHARES

(a) Each Share allocated to a Participant's TRASOP Account shall be available for distribution to such Participant promptly after the earlier of the death, disability or termination of employment of such Participant.

(b) Each Share which shall become distributable to a Participant by reason of clause (a)(i) above is herein called, from the time such Share shall become so distributable, an Unrestricted Share. Notwithstanding the provisions of the aforesaid clause A.(i), Unrestricted Shares shall be distributed to Participants as follows:

- (i) From time to time, a Participant may request, in such manner and on such conditions as may be prescribed by CECONY, that Unrestricted Shares held in the Participant's TRASOP Account be distributed to the Participant. If such Participant is married, the written application shall include written consent of the Participant's spouse witnessed by a Notary Public. Spousal consent shall not be required with respect to withdrawal requests made on or after March 1, 1994. Applications made in a calendar month shall be effective as of the last day of such calendar

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month. Any such request must be for whole Shares only and must be for at least ten Shares or the number of whole Unrestricted Shares in the TRASOP Account, whichever is less.

- (ii) Certificates for Unrestricted Shares requested in accordance with the preceding paragraph B(a) shall be delivered, or a cash distribution in respect of such Unrestricted Shares if elected by the Participant pursuant to Section 13.04D below shall be made, to the Participant as soon as practicable after the effective date of the application.
- (iii) Any Unrestricted Share which shall become distributable by reason of any provision of this Plan other than clause A.(i) above (including, without limitation, provision for distribution upon the death, disability or termination of employment of the Participant) shall be distributed in accordance with such provision.

(c) In the case of death of a Participant, distributions in respect of Shares allocated to the Participant's TRASOP Account shall be made to the Participant's Beneficiary. In the case of disability or termination of employment with the Company or an Affiliate of a Participant, distributions in respect of Shares allocated to the Participant's TRASOP Account shall be made to the Participant.

All distributions under the TRASOP will begin, subject to Section 7.08 and Subsection 13.04.F, not later than the 60th day after the close of the Plan Year in which the latest of the following events occurs: (1) the Participant attains age 65, (2) the 10th anniversary of the year in which the Participant commenced participation in TRASOP, or (3)

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the Participant becomes disabled, dies or terminates employment with the Company or an Affiliate.

(d) All distributions from a Participant's TRASOP Account shall be made in Shares; provided, however, that a Participant or Beneficiary shall have the right to elect, on a form furnished by and submitted to CECONY, to receive a distribution, other than a distribution upon termination of TRASOP, in cash. Except in the case of a final distribution from a Participant's TRASOP Account and a distribution of the Participant's entire TRASOP Account balance after such time as all Shares in a Participant's TRASOP Account have become Unrestricted Shares, all distributions from such TRASOP Account shall be made in respect of whole Shares only, and any fractional Share which is otherwise distributable shall be retained in such TRASOP Account until it can be combined, in whole or in part, with another fractional Share which shall subsequently become distributable, so as to make up a whole Share. In the case of a final distribution from a Participant's TRASOP Account (except a distribution upon termination of the TRASOP) or in the case of a distribution of the Participant's entire TRASOP Account balance after such time as all of the Shares in the Participant's TRASOP Account have become Unrestricted Shares, such distribution shall be made in respect of the number of whole Shares then remaining in the Participant's TRASOP Account, together with a cash payment in respect of any fractional Share based on the closing price of a Share as reported on the New York Stock Exchange consolidated tape on the last trading day of the month immediately preceding the month in which such final distribution is made. The Trustee, in each such case, shall purchase such fractional Share from the Participant at a price equal to the cash payment to be made to the Participant. Whenever the Trustee requires funds for the purchase of fractional Shares, such funds shall be drawn from

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the accumulated income of the TRASOP Trust Fund, if any, and otherwise shall be advanced by CECONY upon the Trustee's request, subject to reimbursement from future income of the TRASOP Trust. All fractional Shares so purchased by the Trustee shall be allocated to the TRASOP Accounts of the remaining Participants at such intervals as shall be determined by the Plan Administrator, but no later than the end of the next succeeding Plan Year. The Trustee shall sell any Shares in respect of which a cash distribution is to be made. The Trustee may make such sales on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions. Such sales may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the Participants. The Trustee shall complete such sales as soon as practical under the circumstances having due regard for any applicable requirements of law affecting the timing or manner of such sales. All brokerage commissions and other direct selling expenses incurred by the Trustee in the sale of Shares under this Subsection 13.04D shall be paid as provided in

(e) Upon any termination of TRASOP pursuant to Section 11.02, the Trust shall continue until all Shares which have been allocated to Participants' TRASOP Accounts have been distributed to the Participants, unless the Board directs an earlier termination of the TRASOP Trust Fund. Upon the final distribution of Shares, or at such earlier time as the Board shall have fixed for the termination of the TRASOP Trust Fund, the Plan Administrator shall direct the Trustee to allocate to the Participants any Shares then held by the Trustee and not yet allocated, and the Trustee shall distribute to the Participants any whole Shares which have been allocated to their TRASOP Accounts but which have not been distributed, shall sell all fractional Shares and distribute the proceeds to the respective

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Participants entitled to such fractional Shares, shall liquidate any remaining assets (other than Shares) held by the TRASOP Trust Fund, and shall apply the proceeds of such liquidation and any remaining funds held by the Trustee, the disposition of which is not otherwise provided for, to a distribution to all Participants then receiving a final distribution of Shares, in proportion to the whole and fractional Shares to which each is entitled; and the TRASOP Trust Fund shall thereupon terminate.

(f) Notwithstanding any other provision of this Plan, unless a Participant otherwise elects in writing on a form furnished by CECONY:

- A. Distribution of a Participant's TRASOP Account balance will commence not later than one
 - (1) year after the close of the Plan Year (1) in which the Participant terminates employment with the Company or an Affiliate by reason of Retirement upon or after attainment of Normal Retirement Age, death, or disability, or
 - (2) which is the fifth Plan Year following the Plan Year in which the Participant terminates employment for any other reason, and the Participant is not reemployed before such Plan Year.
- B. Distribution of the Participant's TRASOP Account balance will be in five (5) annual distributions as promptly as practicable after the end of each Plan Year; provided, however, that a TRASOP Account balance that equals \$5,000 or less shall be distributed in a single distribution as soon as practicable, but not later than 60 days after the close of the Plan Year in which the Participant's termination of employment occurs. Each such annual distribution shall be in respect of the number of Shares, rounded down to the

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nearest number of whole Shares, which most closely approximates the entire balance in the Participant's TRASOP Account as of December 31 of the previous year divided by the number of annual distributions remaining to be made under this subsection, except that the fifth such distribution shall be respect of the entire balance in the Participant's TRASOP Account as of the preceding December 31. Each such annual distribution shall be taken pro rata from all contribution years in Participant's TRASOP Account.

- C. A Participant whose employment with the Company or an Affiliate is terminated by reason of Retirement, disability or any other reason (other than death) may elect in such a manner and on such conditions as may be prescribed by CECONY to have his TRASOP Account balance distributed in one of the following forms:
 - (i) a single lump sum distribution as soon as practicable, but not later than 60 days after the end of the Calendar Year in which the Participant's termination of employment occurs; or
 - (ii) a distribution deferred until the last day of a calendar month not later than the calendar month in which the Participant attains age 70, as designated by the Participant, in which event the distribution of the Participant's TRASOP Account balance as of the last day of the calendar month so designated by the Participant shall be made in a single lump sum as soon as practicable after such calendar month.

(a) DEFINITIONS: The following terms shall have the following meanings for purposes of this Section 13.05:

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- (i) Qualified Participant shall mean a Participant who has a TRASOP Account and has attained at least age 55 and completed at least 10 years of participation in TRASOP.
- (ii) Qualified Election Period shall mean the first ninety (90) days following the end of each Plan Year.
- (iii) Eligible Shares shall mean Shares added to a Participant's TRASOP Account after December 31, 1986.
- (iv) Diversifiable Amount shall, with respect to any Qualified Election Period, mean twenty-five percent (25%) of the number of Eligible Shares in the Participant's TRASOP Account as of the end of the preceding Plan Year. However, if the Diversifiable Amount for any Qualified Election Period shall have a value which may be deemed de minimis under regulations issued by the Secretary of the United States Department of the Treasury, then there shall be no Diversifiable Amount available for such Qualified Election Period.

(b) ELIGIBILITY FOR DIVERSIFICATION: Each Qualified Participant shall have the right to elect to diversify, by means of a distribution of whole Eligible Shares only, all or some portion of the Diversifiable Amount in his TRASOP Account during each of the six (6) consecutive Qualified Election Periods following the Plan Year in which such Participant first became a Qualified Participant, provided, however, that, notwithstanding subsection 13.05.A.(d), the Diversifiable Amount in the sixth Qualified Election Period for each Qualified Participant shall be fifty percent (50%) of the number of Eligible Shares in his TRASOP Account as to the end of the preceding Plan Year. A distribution pursuant to this

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Article 13.05 must be a minimum of ten (10) Shares, or all Whole Shares comprising the Diversifiable Amount for such Qualified Election Period if less than 10. Each Qualified Participant who desires to elect diversification under this Section shall, during the Qualified Election Period, complete and execute a diversification election and consent form provided by CECONY. Such election may be revoked or modified or a new election may be made in its stead within the Qualified Election Period, upon the expiration of which the diversification election shall be irrevocable.

(c) DIVERSIFICATION PROCEDURE

- (i) The TRASOP shall, within the 90 day period following each Qualified Election Period, distribute to each Qualified Participant who has elected to diversify under this Section, the number of whole Eligible Shares which most closely approximates, but does not exceed, the number of Eligible Shares duly elected to be diversified by each such Qualified Participant. Failure by a Qualified Participant to provide required consents to distribution of any Diversifiable Amount, shall relieve the TRASOP of all obligation to make any such distribution.
- (ii) To the extent a Qualified Participant has Eligible Shares which are Unrestricted Shares in his TRASOP Account, such Unrestricted Shares shall be distributed pursuant to this Section 13.05. Only upon exhaustion of all such Unrestricted Shares may additional Eligible Shares then be distributed hereunder.

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ARTICLE XIV

EMPLOYEE STOCK OWNERSHIP PLAN

14.01 PURPOSE - SEPARATE ENTITY

(a) Effective as of the ESOP Effective Date, the Company established the Consolidated Edison Employee Stock Ownership Plan ("ESOP") as a portion of, included within and separate from the Thrift Plan. The ESOP affords special

rights and has specific requirements which must be satisfied that are distinct from the Thrift Plan, such as the right of an ESOP Participant to: (1) vote his or her allocated Shares; (2) request his or her distribution be in the form of Shares; (3) diversify his or her ESOP Account; (4) elect to take dividends in cash or have dividends reinvested; and, (5) be 100% fully invested immediately in those Shares purchased by reinvested dividends. Each of these distinct ESOP rights and requirements is set forth in the Thrift Plan and obligations in the Thrift Plan such as those requirements regarding eligibility to participate, vesting, distributions, in-service distributions, operational, administrative and fiduciary requirements continue to apply to the ESOP and are deemed incorporated into and so are not repeated in this Article XIV. The ESOP is intended to be an employee stock ownership plan within the meaning of Code Section 4975(e)(7). The ESOP is intended to give ESOP Participants an equity interest in CEI and encourage ESOP Participants to remain in the employ of CEI.

(b) Effective as of the ESOP Effective Date, the part of a Participant's Employer Contributions Subaccount invested in the Company Stock Fund in the Thrift Plan was transferred to the ESOP and ESOP Trust Fund and established and included into the Participant's ESOP Account.

(c) Participants' ESOP Accounts will be held in the ESOP Trust Fund and

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administered separately, although they shall be held as part of the same Trust Fund. Participants are permitted to transfer assets to and from their ESOP Accounts to their Thrift Plan Accounts within the ESOP Trust Fund and the Trust Fund.

14.02 SPECIAL DEFINITIONS FOR ESOP

(a) The following terms shall have the following meanings for purposes of the ESOP:

(i) ESOP ACCOUNT means the account into which is credited a Participant's Employer Contributions' invested in the Company Stock Fund and dividends paid on these Shares and comprising the following Subaccounts:

- (1) the Participant's TRANSFERRED ESOP SUBACCOUNT which is the Participant's Company Stock Fund that was transferred from the Thrift Plan to the ESOP as of the ESOP Effective Date;
- (2) a Participant's DIVIDEND SUBACCOUNT which, for a Participant who is credited with less than three Years of Service, consists solely of Shares purchased with reinvested dividends after the ESOP Effective Date and are 100% fully vested at all times; and
- (3) a Participant's ESOP SUBACCOUNT which is the account into which is credited a Participant's Employer Contributions contributed to the ESOP after the ESOP Effective Date.
- (4) Once a Participant is credited with at least three Years of Vesting Service, his or her Dividend Subaccount will be merged into his or her ESOP Subaccount. After the ESOP Effective Date, a Participant's ESOP Subaccount will include any Employer Contributions invested in the other Investment Funds to the extent such amounts were ever at any time invested in the ESOP after the ESOP Effective Date.

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(ii) ESOP EFFECTIVE DATE means May 8, 2002.

(iii) ESOP PARTICIPANT means a Participant in the Thrift Plan who has elected to invest some or all of his or her Employer Contributions in the Company Stock Fund.

(iv) DIVERSIFIABLE ESOP AMOUNT, with respect to any Qualified ESOP Election Period, means 25% of the number of Shares in the Participant's ESOP Account as of the end of the preceding Plan Year. However, if the Diversifiable ESOP Amount for any Qualified ESOP Election Period has a value which may be deemed de minimis under regulations issued by the Secretary of the United States Department of the Treasury, then there will be no Diversifiable ESOP Amount available for such Qualified ESOP Election Period.

(v) QUALIFIED ESOP PARTICIPANT shall mean an ESOP Participant who has an ESOP Account, attained at least age 55 and completed at least 10 years of participation in the ESOP. Years of participation in the

Thrift Plan will be taken into account in determining whether a Qualified ESOP Participant has completed 10 years of participation.

- (vi) QUALIFIED ESOP ELECTION PERIOD shall mean the first 90 days following the end of each Plan Year.

14.03 PARTICIPATION IN ESOP

Each Participant in the Thrift Plan who elects to have his or her Employer Contributions invested in the Company Stock Fund will automatically become an ESOP Participant in the ESOP. Each ESOP Participant will have his or her ESOP Account held in the ESOP Trust Fund.

14.04 EMPLOYER CONTRIBUTIONS

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Only Employer Contributions and dividends issued on Shares held in the ESOP Trust Fund will be contributed to the ESOP.

14.05 PURCHASE OF SHARES PURCHASES FOR ESOP TRUST FUND. The Trustee shall regularly purchase Shares for the ESOP Trust Fund in accordance with a non-discretionary purchasing program. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the ESOP Participants. Interest and other income received on assets held in the ESOP Trust Fund shall be reinvested in the ESOP Trust Fund. All funds to be invested shall be invested by the Trustee in one or more transactions promptly after receipt by the Trustee, subject to any applicable requirement of law affecting the timing or manner of such transactions. All brokerage commissions and other direct expenses incurred by the Trustee in the purchase of sale of Shares under the ESOP will be borne by the ESOP Account investing and/or trading in Shares.

(b) UNITS. The interests of an ESOP Participant in his or her ESOP Account shall be measured in Units, the number and value of which shall be determined daily.

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14.06 DIVIDENDS

Beginning on and after the ESOP Effective Date, and for all Plan Years thereafter, dividends received by the Trustee with respect to Shares allocated to the ESOP Accounts, in accordance with the election of each ESOP Participant, will be either paid in cash to the ESOP Participant as soon as practicable following the declaration date but in any case not later than 90 days after the close of the Plan Year in which the dividends are paid or applied by the Trustee for the purchase of additional Shares.

An ESOP Participant will be given a reasonable opportunity before a dividend is paid or distributed to make the election. The ESOP Participant will have a reasonable opportunity to change a dividend election at least annually. If there is a change in the ESOP governing the manner in which the dividends are paid or distributed to ESOP Participants, each ESOP Participant will be given a reasonable opportunity to make an election under the new ESOP terms prior to the date on which the first dividend subject to the new ESOP terms is paid or distributed. An ESOP Participant who fails to make an election as to whether to receive his or her dividend in cash or have such dividend reinvested will be treated as if he or she elected to have his or her dividend reinvested until such time that he or she makes an affirmation election for a distribution of the dividend. If dividends are reinvested and applied to the purchase of additional Shares, such purchases shall be made promptly after the receipt of each such dividend. The Trustee shall purchase, in one or more transactions, the maximum number of whole Shares obtainable at then prevailing prices, including brokerage commissions and other reasonable expenses incurred in connection with such purchases. Such purchases may be made on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interest of the ESOP

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Participants. The Trustee shall complete such purchases as soon as practical after receipt of such dividends, having due regard for any applicable requirements of law affecting the timing or manner of such purchases. The additional Shares so purchased shall be allocated among the respective ESOP Accounts of the Participants in proportion to the number of Shares in each ESOP

Account at the record date for the payment of the dividend so applied. Such allocation shall be made as promptly as practicable but for purposes of determining the time at which such additional Shares shall become distributable, the additional Shares so allocated to each ESOP Participant's ESOP Account shall be deemed to have been allocated as of the respective allocation dates of the Shares in such ESOP Account at such record date, in proportion to the number of such Shares previously allocated as of each such allocation date.

14.07 VOTING RIGHTS, OPTIONS, RIGHTS, AND WARRANTS

(a) Each ESOP Participant is entitled to direct the Trustee as to the manner in which any Shares or fractional Shares allocated to the ESOP Participant's ESOP Account are to be voted. Any such Shares or fractional Share for which the Participant does not give voting directions shall be voted by the Trustee in the same manner and proportions as all other Shares held by the Trustee for which voting directions are given by ESOP Participants.

(b) In the event that any option, right, or warrant shall be granted or issued with respect to any Shares allocated to the ESOP Participant's ESOP Account, each ESOP Participant shall be entitled to direct the Trustee whether to exercise, sell, or deal with such option, right, or warrant.

(c) The Trustee shall keep confidential the ESOP Participant's voting instructions and instructions as to any option, right or warrant and any information regarding an ESOP

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Participant's purchases, holdings and sales of Shares. The Plan Administrator shall be responsible for monitoring the Trustee's performance of its confidentiality obligations.

14.08 TRANSFERABILITY

A Participant may transfer all or any part of his or her existing ESOP Account once a day to any other Investment Funds in the Trust Fund. Any election will be made in such manner and on such conditions as may be prescribed by the Plan Administrator and subject to any restrictions imposed on an Investment Fund by the Trustee or Investment Manager.

14.09 DIVERSIFICATION

(a) Each Qualified ESOP Participant shall have the right to elect to diversify, by means of a distribution of whole ESOP Shares only, all or some portion of the Diversifiable Amount in his ESOP Account during each of the six consecutive Qualified ESOP Election Periods following the Plan Year in which such Participant first became a Qualified ESOP Participant. The Diversifiable ESOP Amount in the sixth Qualified ESOP Election Period for each Qualified ESOP Participant shall be 50% of the number of Eligible ESOP Shares in his or her ESOP Account as of the end of the preceding Plan Year. A distribution pursuant to this must be a minimum of ten Shares, or all Whole Shares comprising the Diversifiable ESOP Amount for such Qualified ESOP Election Period if less than 10. Each Qualified ESOP Participant who desires to elect diversification under this Section shall, during the Qualified ESOP Election Period, complete and execute a diversification election and consent form provided by his or her Employer. Such election may be revoked or modified or a new election may be made in its stead within the Qualified ESOP Election Period, upon the expiration of which the diversification election shall be irrevocable.

(b) Diversification Procedure. The ESOP shall, within the 90-day period following each Qualified ESOP Election Period, distribute to each Qualified ESOP Participant who has

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elected to diversify under this Section, the number of whole Shares which most closely approximates, but does not exceed, the number of ESOP Shares duly elected to be diversified by each such Qualified ESOP Participant. Failure by a Qualified ESOP Participant to provide required consents to distribution of any Diversifiable ESOP Amount, shall relieve the ESOP of all obligation to make any such distribution.

14.10 DISTRIBUTION OF SHARES

(a) An ESOP Participant's ESOP Account shall be available for distribution to such ESOP Participant promptly after the earlier of the death, disability or termination of employment of such ESOP Participant.

(b) If an ESOP Participant elects a distribution in Shares, certificates

for such Shares shall be delivered to the ESOP Participant as soon as practicable after the effective date of the application.

(c) In the case of death of an ESOP Participant, distributions in respect of Shares allocated to his or her ESOP Account shall be made to his or her Beneficiary. In the case of disability or termination of employment with the Company or an Affiliate, distributions in respect of Shares allocated to the ESOP Participant's ESOP Account shall be made unless the ESOP Participant elects otherwise.

(d) All distributions from an ESOP Participant's ESOP Account shall be made in Shares; provided, however, that an ESOP Participant or Beneficiary shall have the right to elect, on a form furnished by and submitted to his or her Employer, to receive a distribution, other than a distribution upon termination of the ESOP, in cash. Except in the case of a final distribution from an ESOP Participant's ESOP Account and a distribution of the entire ESOP Account balance, all distributions from such ESOP Account made in Shares shall be made in respect of whole Shares only, and any fractional Share which is otherwise distributable shall

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be retained in such ESOP Account until it can be combined, in whole or in part, with another fractional Share which shall subsequently become distributable, so as to make up a whole Share. A final distribution from an ESOP Account (except a distribution upon termination of the ESOP) shall be made in respect of the number of whole Shares then remaining in the ESOP Account, together with a cash payment in respect of any fractional Share based on the closing price of a Share as reported on the New York Stock Exchange consolidated tape on the last trading day of the month immediately preceding the month in which such final distribution is made. The Trustee, in each such case, shall purchase such fractional Share from the ESOP Participant at a price equal to the cash payment to be made to the ESOP Participant.

(e) Whenever the Trustee requires funds for the purchase of fractional Shares, such funds shall be drawn from the accumulated income of the ESOP Trust Fund, if any, and otherwise shall be advanced by the Employer upon the Trustee's request, subject to reimbursement from future income of the ESOP Trust Fund. All fractional Shares so purchased by the Trustee shall be allocated to the ESOP Accounts of the remaining Participants at such intervals as shall be determined by the Plan Administrator, but no later than the end of the next succeeding Plan Year. The Trustee shall sell any Shares in respect of which a cash distribution is to be made. The Trustee may make such sales on any securities exchange where Shares are traded, in the over-the-counter market, or in negotiated transactions. Such sales may be on such terms as to price, delivery and otherwise as the Trustee may determine to be in the best interests of the ESOP Participants. The Trustee shall complete such sales as soon as practical under the circumstances having due regard for any applicable requirements of law affecting the timing or manner of such sales.

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(f) Upon any termination of the ESOP, the ESOP Trust Fund shall continue until all Shares which have been allocated to ESOP Participants' ESOP Accounts have been distributed to the ESOP Participants, unless the Board directs an earlier termination of the ESOP Trust Fund. Upon the final distribution of Shares, or at such earlier time as the Board shall have fixed for the termination of the ESOP Trust Fund, the Plan Administrator shall direct the Trustee to allocate to the ESOP Participants any Shares then held by the Trustee and not yet allocated, and the Trustee shall distribute to the ESOP Participants any whole Shares which have been allocated to their ESOP Accounts but which have not been distributed, shall sell all fractional Shares and distribute the proceeds to the respective ESOP Participants entitled to such fractional Shares, shall liquidate any remaining assets (other than Shares) held by the ESOP Trust Fund, and shall apply the proceeds of such liquidation and any remaining funds held by the Trustee, the disposition of which is not otherwise provided for, to a distribution to all ESOP Participants then receiving a final distribution of Shares, in proportion to the whole and fractional Shares to which each is entitled; and the ESOP Trust Fund shall thereupon terminate.

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APPENDIX A

PARTICIPATING EMPLOYERS

A. LIST OF PARTICIPATING EMPLOYERS

The following list sets forth:

- (i) the Participating Employers,
- (ii) the effective date of each Employer's participation, and
- (iii) the designation of those employees who will become Participants or continue their participation in the Plan.

EFFECTIVE DATE
OF NAME OF
COMPANY
PARTICIPATION
ELIGIBLE
EMPLOYEES
Consolidated
Edison May 1,
1996 All
otherwise
Eligible
Employees.
Development,
Inc.
Consolidated
Edison May 1,
1997 All
otherwise
Eligible
Employees.
Solutions, Inc.
Consolidated
Edison February
1, 1999 All
otherwise
Eligible
Employees.
Communications,
Inc.
Consolidated
Edison Energy,
March 1, 1998
All otherwise
Eligible
Employees. Inc.
Orange and
Rockland
Utilities,
January 1, 2001
All otherwise
Eligible
Employees Inc.
Consolidated
Edison Energy
July 18, 1999
Employees
working at the
Western
Massachusetts
Massachusetts,
Inc. Electric
Cogeneration
Facility. CED
Operating
Company, June
1, 2000
Employees
working at the
Lakewood
Cogeneration
L.P. Facility

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CONSOLIDATED EDISON, INC.

RATIO OF EARNINGS TO FIXED CHARGES
NINE MONTHS ENDED
(Thousands of Dollars)SEPTEMBER
2002 -----

 EARNINGS
 Net Income
 for Common
 Stock \$
 527,715
 Preferred
 Dividends
 9,627
 Income Tax
 325,902 ---

 Total
 Earnings
 Before
 Federal
 Income Tax
 863,244
 FIXED
 CHARGES*
 333,507 ---

 Total
 Earnings
 Before
 Federal
 Income Tax
 and Fixed
 Charges \$
 1,196,751
 =====

* Fixed
 Charges
 Interest on
 Long-Term
 Debt \$
 286,499
 Amortization
 of Debt
 Discount,
 Premium and
 Expense
 9,311
 Interest on
 Component
 of Rentals
 10,445
 Other
 Interest
 27,252 ----

 Total Fixed
 Charges \$
 333,507
 =====
 Ratio of
 Earnings to
 Fixed
 Charges
 3.59

CONSOLIDATED EDISON, INC.

RATIO OF EARNINGS TO FIXED CHARGES
TWELVE MONTHS ENDED

(Thousands of Dollars)

SEPTEMBER
DECEMBER
2002 2001 --

EARNINGS Net
Income for
Common Stock

\$ 652,825 \$
682,242

Preferred
Dividends

13,025
13,593

Income Tax
402,043

442,631 ----

Total
Earnings

Before
Federal

Income Tax
1,067,893

1,138,466

FIXED
CHARGES*

448,368
457,554 ----

Total
Earnings

Before
Federal

Income Tax
and Fixed

Charges \$
1,516,261 \$

1,596,020

=====

* Fixed
Charges

Interest on
Long-Term

Debt \$
382,073 \$

384,422

Amortization
of Debt

Discount,
Premium and

Expense
12,536

12,526

Interest on
Component of

Rentals
13,927

18,783 Other
Interest

39,832
41,823 -----

Total Fixed
Charges \$

448,368 \$
457,554

=====

Ratio of
Earnings to

Fixed
Charges 3.38

3.49

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

I, Eugene R. McGrath, the Chief Executive Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene R. McGrath

Eugene R. McGrath

Dated: November 13, 2002

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

I, Joan S. Freilich, the Chief Financial Officer of Consolidated Edison, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joan S. Freilich

Joan S. Freilich

Dated: November 13, 2002

EXECUTION COPY

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

AND

THE BANK OF NEW YORK,
as Trustee

FIRST SUPPLEMENTAL TRUST INDENTURE

Dated as of October 1, 2002

to

TRUST INDENTURE

Dated as of June 1, 2001

relating to

\$224,600,000 Facilities Revenue Bonds, Series 2001A
(Consolidated Edison Company of New York, Inc. Project)

=====

THIS FIRST SUPPLEMENTAL TRUST INDENTURE, made and dated as of October 1, 2002 (the "Supplemental Indenture") to the TRUST INDENTURE made and dated as of June 1, 2001 (the "Indenture"), by and between NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the "Authority"), a body corporate and politic, constituting a public benefit corporation, and The Bank of New York, as trustee (together with any successor trustee appointed in accordance with the terms of such Indenture, hereinafter referred to as the "Trustee"), a banking corporation organized and existing under and by virtue of the laws of the State of New York, with its corporate trust office located in New York, New York,

W I T N E S S E T H T H A T:

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power company to participate in the construction of facilities to be used for the furnishing of electric energy to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources and aesthetics; and

WHEREAS, pursuant to the Act, the Authority has also been empowered to extend credit and make loans from bond and note proceeds to any person for the construction, acquisition and installation of, or for the reimbursement to any person for costs not limited to, any land, works, system, building or other improvement, and all real and personal properties of any nature or any interest in any of them which are suitable for or related to the furnishing, generation or production of energy or the conversion of oil-burning facilities to alternate fuel; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient monies for achieving its corporate purposes including the refunding of outstanding

obligations of the Authority; and

WHEREAS, the Authority is also authorized under the Act to enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes; and

WHEREAS, the Authority and Consolidated Edison Company of New York, Inc. (the "Company") have entered into a Participation Agreement, dated as of June 1, 2001 (the "Agreement"), providing for the refunding of 7 1/2% Electric Facilities Revenue Bonds, Series 1991 A (Consolidated Edison Company of New York, Inc. Project) and 6 3/4% Facilities Revenue Bonds, Series 1992 A (Consolidated Edison Company of New York, Inc. Project) (collectively, the "Prior Bonds") of the Authority which were issued to finance the acquisition, construction and installation of certain additional facilities for the furnishing of electric energy within the

Company's service area and as part of such participation, that the Authority issue bonds pursuant to the Act to provide funds to refund the Prior Bonds; and

WHEREAS, on June 6, 2001, the Authority issued its Facilities Revenue Bonds, Series 2001A (Consolidated Edison Company of New York, Inc. Project) in an aggregate principal amount of \$224,600,000 (the "Bonds") under and pursuant to the Indenture for the purpose of paying a portion of the redemption price of the Prior Bonds; and

WHEREAS, Section 14.02 of the Indenture provides that the Authority and the Trustee may, in accordance with the terms thereof, modify, amend or supplement the Indenture; and

WHEREAS, the Company has requested that the Indenture and the Agreement be amended to provide that a Liquidity Facility shall not be required while Bonds bear interest at a Term Rate for a Calculation Period of greater than 13 months and to clarify certain terms of the Indenture; and

WHEREAS, simultaneously with the execution and delivery of this Supplemental Indenture, the Authority and the Company have executed and delivered the First Supplemental Participation Agreement, dated as of October 1, 2002, to the Agreement (the "Supplemental Agreement"); and

WHEREAS, all acts, conditions and things necessary or required by the Constitution and statutes of the State of New York or otherwise, to exist, happen, and be performed as prerequisites to the execution of this Supplemental Indenture, do exist, have happened, and have been performed;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Authority agrees with the Trustee and with the respective owners, from time to time, of the Bonds or any part thereof as follows:

ARTICLE I

AUTHORIZATION; DEFINITIONS

Section 1.01. SUPPLEMENTAL INDENTURE. This Supplemental Indenture is amendatory of and supplemental to, and is entered into in accordance with Article XIV of the Indenture; and except as modified, amended and supplemented by this Supplemental Indenture, the provisions of the Indenture are in all respects ratified and confirmed and shall remain in full force and effect.

(2)

ARTICLE II

AMENDMENTS TO THE INDENTURE

Section 2.01. AMENDMENT TO SECTION 1.01 OF THE INDENTURE. Clause (f) of the definition of "Calculation Period" in Section 1.01 is hereby amended to read in its entirety as follows:

(f) during any Term Rate Period, any period of not less than 365 days from and including a Business Day to and including any day (established by the Authority, at the request of the Company, pursuant to Section 4.01.1) not later than the day prior to the Stated Maturity.

Section 2.02. AMENDMENT TO SECTION 1.01 OF THE INDENTURE. Clauses (g) and (h) of the definition of "Interest Payment Date" in Section 1.01 are hereby amended to read in their entirety as follows:

(g) during each Term Rate Period, the April 1 or October 1 next succeeding the first day of a Calculation Period and each April 1 or October 1 thereafter; provided, however, that if the April 1 or October 1 next succeeding the first day of a Calculation Period occurs less than twenty-one (21) days after the first day of such Calculation Period, the first Interest Payment Date shall be the second such date following the first day of such Calculation Period;

(h) the April 1 or October 1 next succeeding a Fixed Rate Conversion Date and each April 1 or October 1 thereafter; provided, however, that if the April 1 or October 1 next succeeding a Fixed Rate Conversion Date occurs less than twenty-one (21) days after such Fixed Rate Conversion Date, the first Interest Payment Date shall be the second such date following the first day of such Fixed Rate Conversion Date;

Section 2.03. AMENDMENT TO SECTION 3.01 OF THE INDENTURE. Section 3.01 is hereby amended to add the following subsection at the end of such section:

10. Notwithstanding anything in this Indenture to the contrary, if Bonds have been in a Term Rate Period and there has been a failure to pay the Purchase Price of such Bonds on the Business Day immediately following a Calculation Period, such Bonds shall continue, to the extent permitted by applicable law, to bear interest at the then-existing Term Rate until such Purchase Price has been paid.

Section 2.04. AMENDMENT TO SECTION 4.01 OF THE INDENTURE. Section 4.01 is hereby amended to read in its entirety as follows:

1. At the times specified below, the Bonds, in whole or in part, shall cease to bear interest at the Adjustable Rate or the Fixed Rate then borne by the Bonds and shall bear interest at such Adjustable Rate as shall be specified by the Authority, at the request

(3)

of the Company, in a written notice delivered at least 30 days prior to the proposed effective date of the Change in the Interest Rate Mode to the Trustee, the Remarketing Agent, the Registrar and Paying Agent and the Company (and to the Auction Agent and the Securities Depository if such Change in the Interest Rate Mode is to or from an Auction Rate) in substantially the form attached hereto as, or containing substantially the information contained in Exhibit A hereto. A Change in the Interest Rate Mode may only be effected on a day on which the affected Bonds may be redeemed at the option of the Authority. A notice of Change in the Interest Rate Mode shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the proposed effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes.

In the case of any Change in the Interest Rate Mode to a Term Rate, the notice required by this section shall specify the length of the Calculation Period and, unless otherwise specified, such Calculation Period shall thereafter apply to the Bonds until a Change in the Interest Rate Mode effected pursuant to Section 4.01 or Section 4.02. Notwithstanding the foregoing, no Calculation Period shall be established during a Term Rate Period unless the Trustee shall receive by 2:00 p.m., New York City time, on the first day of such Calculation Period, evidence satisfactory to it that the Bonds shall be rated at least "A" by S&P or "A" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency on such date. Any change in the Calculation Period during a Term Rate Period shall be deemed an optional conversion pursuant to this Section 4.01 and may not be made unless all the requirements of a conversion pursuant to this Section 4.01 are met.

2. The Trustee shall mail, or cause the Registrar and Paying Agent to mail, the notice received pursuant to subsection 1 of this Section 4.01 on or before the third Business Day after receipt thereof to the Bondholders.

3. A Change in the Interest Rate Mode to an Adjustable Rate shall be effective pursuant to Subsection 1 of this Section 4.01 only if

(A) with respect to any Change in the Interest Rate Mode from an Auction Rate or from a Fixed Rate to an Adjustable Rate, the Trustee and the Auction Agent (if any) shall receive:

(i) a certificate of an Authorized Company Representative by no later than the tenth day prior to the effective date of such Change in the Interest Rate Mode stating that a written agreement between the Company and the Remarketing Agent to remarket the Bonds on such effective date at a price of 100% of the principal amount thereof has been entered into, which agreement (i) may be subject to such reasonable terms and

(4)

conditions agreed to by the Remarketing Agent which in the judgment of the Remarketing Agent reflect the current market standards regarding investment banking risk and (ii) must include a provision requiring payment by the Remarketing Agent in same-day funds for any Bond tendered or deemed tendered; and that a Liquidity Facility is in effect or has been obtained by the Company with respect to the Bonds and shall be in effect prior to such Change in the Interest Rate Mode and thereafter for a period of at least 364 days;

(ii) by 11:00 a.m. (New York City time) on the second Business Day prior to the effective date of such Change in the Interest Rate Mode by telecopy or other similar means, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, EXHIBIT B hereto, from the Authority on behalf of the Company (y) authorizing the establishment of the new Adjustable Rate and (z) confirming that Bond Counsel has advised the Authority that it expects to be able to give an opinion on the effective date of such Change in the Interest Rate Mode to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the affected Bonds from gross income for federal income tax purposes; and

(B) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to an Auction Rate), shall receive by 4:00 p.m., New York City time, on the effective date of such Change in the Interest Rate Mode, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, EXHIBIT C hereto, from an Authorized Company Representative that all of the Bonds tendered or deemed tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance with the Remarketing Agreement, from the proceeds of a Support Facility, or from funds deposited with the Trustee or the Registrar and Paying Agent;

(C) with respect to any Change in the Interest Rate Mode, the Trustee (and the Auction Agent in the case of any Change in the Interest Rate Mode to or from an Auction Rate) shall receive, by 9:30 a.m. (New York City time) on the effective date of such Change in the Interest Rate Mode, an Opinion of Bond Counsel to the effect that such Change in the Interest Rate Mode is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes;

(5)

(D) with respect to any Change in the Interest Rate Mode to an Adjustable Rate (other than to an Auction Rate or a Term Rate for a Calculation Period of greater than 13 months), the Trustee shall receive a Liquidity Facility meeting the requirements of this Indenture and the Participation Agreement on or prior to the effective date of such Change in the Interest Rate Mode which is, by its terms, in effect on or prior to such effective date; and

(E) with respect to any Change in the Interest Rate Mode to an Adjustable Rate, the Trustee shall receive by 2:00 p.m., New York City time, on the effective date of such Change in the Interest Rate Mode, evidence satisfactory to it that the Bonds shall be rated at least "A" by S&P or "A" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency on the effective date of such Change in the Interest Rate Mode.

If any of the conditions referred to in (A)(i) or (ii) above is not met with respect to any Change in the Interest Rate Mode from an

Auction Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Auction Rate Bonds. If the condition referred to in (B) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate as determined on such Auction Date. If any of the conditions referred to in (C) or (D) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate, the Auction Rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined on such Auction Date. If any of the conditions referred to in (B), (C) or (D) above is not met with respect to any Change in the Interest Rate Mode from a Term Rate or a Fixed Rate, the Bonds shall continue to bear interest at the current Term Rate or Fixed Rate, as the case may be, and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such current Term Rate or Fixed Rate, as the case may be. If any of the conditions referred to in (B), (C) or (D) above is not met with respect to any Change in the Interest Rate Mode from an Adjustable Rate (other than an Auction Rate or a Term Rate), the Bonds shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such Current Adjustable Rate; provided, however, that notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase on the date that would have been the effective date of the new interest rate mode if all of such conditions were met on such date. If any of the foregoing conditions for a Change in the Interest Rate Mode from a Term Rate or a Fixed Rate is not met, the Trustee shall mail, or cause the Registrar and Paying Agent to mail to the Authority, the Company and the Holders notice thereof in substantially the form attached hereto as, or containing substantially the information contained in, EXHIBIT D hereto within 3 Business Days after the failure to meet any of such conditions.

(6)

Section 2.05. AMENDMENT TO SECTION 4.02 OF THE INDENTURE. Section 4.02.3 is hereby amended to read in its entirety as follows:

1. A Fixed Rate shall take effect only if

(A) with respect to a change to a Fixed Rate from an Auction Rate, the Trustee and the Auction Agent shall receive:

(i) a certificate of an Authorized Company Representative by no later than the tenth day prior to a Fixed Rate Conversion Date stating that a written agreement has been entered into by the Company and the Remarketing Agent to remarket the Bonds affected on a Fixed Rate Conversion Date at a price of not less than 100% of the principal amount thereof, which written agreement (i) may be subject to reasonable terms and conditions imposed by the Remarketing Agent which in the judgment of the Remarketing Agent reflect current market standards regarding investment banking risk and (ii) must include a provision requiring payment by the Remarketing Agent in same-day funds for any Auction Rate Bonds tendered or deemed tendered; and

(ii) by 11:00 a.m. (New York City time) on the second Business Day prior to a Fixed Rate Conversion Date, by telecopy or other similar means, a certificate in substantially the form attached hereto as, or containing substantially the information contained in, EXHIBIT B hereto, from the Authority (y) authorizing the establishment of a Fixed Rate and (z) confirming that Bond Counsel expects to be able to give an opinion on a Fixed Rate Conversion Date to the effect that the change to a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(B) with respect to any change to a Fixed Rate the Trustee (and the Auction Agent in the case of any change to a Fixed Rate from an Auction Rate) receives on a Fixed Rate Conversion Date:

(i) by 9:30 a.m. (New York City time) an Opinion of Bond Counsel to the effect that the conversion to a Fixed Rate is authorized by this Indenture, is permitted under the Act and will not have an adverse effect on the exclusion of interest on such Bonds from gross income for federal income tax purposes;

(ii) by 4:00 p.m. (New York City time) a certificate in substantially the form attached hereto as, or containing substantially the information contained in, EXHIBIT C hereto, from an Authorized Company Representative that all of the Bonds tendered or deemed

tendered have been purchased at a price equal to the principal amount thereof plus premium, if any, plus any accrued and unpaid interest with funds provided from the remarketing of such Bonds in accordance

(7)

with the Remarketing Agreement, from the proceeds of a Support Facility, or from funds deposited with the Trustee or the Registrar and Paying Agent; AND

(iii) by 2:00 p.m. (New York City time) evidence satisfactory to it that the Bonds shall be rated at least "A" by S&P or "A" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency on the Fixed Rate Conversion Date.

If any of the conditions referred to in (A) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate to a Fixed Rate, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures applicable to the Auction Rate Bonds. If any of the conditions referred to in (B) above is not met with respect to any Change in the Interest Rate Mode from an Auction Rate to a Fixed Rate, the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate as determined as of such Auction Date. If any of the conditions referred to in (B) above is not met with respect to any Change in the Interest Rate Mode from a Term Rate to a Fixed Rate, the Bonds shall continue to bear interest at the current Term Rate and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such current Term Rate. If any of the conditions referred to in (B) above is not met with respect to any other Change in the Interest Rate Mode from an Adjustable Rate (other than an Auction Rate or a Term Rate) to a Fixed Rate, the Bonds shall continue to bear interest at the Current Adjustable Rate and be subject to the provisions of this Indenture applicable thereto while the Bonds bear interest at such Current Adjustable Rate; provided, however, that notwithstanding the failure to meet such conditions, the Bonds shall remain subject to mandatory tender for purchase on the date that would have been the effective date of the Fixed Rate if all of such conditions were met on such date. If any of the foregoing conditions for a Change in the Interest Rate Mode from a Term Rate to a Fixed Rate is not met, the Trustee shall mail, or cause the Registrar and Paying Agent to mail to the Authority, the Company and the Holders notice thereof in substantially the form attached hereto as, or containing substantially the information contained in, EXHIBIT D hereto within 3 Business Days after the failure to meet any of such conditions.

Section 2.06. AMENDMENT TO SECTION 5.01 OF THE INDENTURE. Paragraph (g) of Section 5.01 is hereby amended to read in its entirety as follows:

During any Term Rate or Fixed Rate Period, such Bonds shall be subject to redemption in whole or in part at any time as follows: after the No-Call Period shown below, which shall begin on the first day of the Calculation Period applicable to such Bonds or on a Fixed Rate Conversion Date, as the case may be, at a redemption price equal, initially, to the principal amount thereof, plus a premium equal to the percentage of the principal amount to be redeemed shown in the Initial Premium column, plus accrued and unpaid interest if paid on a Business Day other than an Interest Payment Date. The premium percentage, if any, shall decline by the percentage shown in the Reduction in Premium

(8)

column on each anniversary of the date on which such Bonds are first redeemable until the Bonds shall be redeemable without premium.

Calculation Period or Period to Maturity
APPLICABLE TO SUBJECT BONDS

Equal to
or But
Less No
Call
Initial
Reduction
Greater
Than
Than
Period
Premium
in
Premium

 18 years
 N/A 8
 Years 1
 1/2%
 1/2% 12
 years 18
 Years 6
 Years 1
 1/2 7
 Years 12
 Years 3
 Years 0
 0 5
 Years 7
 Years 2
 Years 0
 0 4
 Years 5
 Years 2
 Years 0
 0 3
 Years 4
 Years 2
 Years 0
 0 0
 Years 3
 Years
 Not
 callable

If upon establishment of a Term Rate Period or a Fixed Rate Period, as the case may be, the Remarketing Agent certifies to the Trustee, Bond Counsel and the Authority in writing that the foregoing schedule is not consistent with then-prevailing market conditions, the Authority at the request of the Company may revise the foregoing Initial Premium, Reductions in Premium and No-Call Periods without the approval of the Holders to reflect then-prevailing market conditions, upon receipt of an opinion of Bond Counsel to the effect that any revisions pursuant to this paragraph, either by itself or in conjunction with the establishment of a Calculation Period or a Fixed Rate, as the case may be, are made in accordance with this Indenture, is permitted under the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 2.07. AMENDMENT TO SECTION 6.01 OF THE INDENTURE. The first paragraph of Section 6.01(1) is hereby amended to read in its entirety as follows:

The Company has obtained the Initial Support Facility. Pursuant to the Participation Agreement, the Company has agreed not to request that the interest rate mode applicable to the Bonds be adjusted to an Adjustable Rate or a Fixed Rate unless on the effective date of the applicable Change in the Interest Rate Mode the Bonds shall be rated at least "A" by S&P or "A" by Moody's or "A" by Fitch or an equivalent rating by any nationally recognized rating agency. Such rating of the Bonds may, but is not required to, be achieved by obtaining a Support Facility which meets the requirements of this Article VI. The Company has further agreed to maintain a Liquidity Facility meeting the requirements of the Participation Agreement with respect to the Bonds at all times, except with respect to Bonds bearing interest at an Auction Rate, a Term Rate for a Calculation Period of greater than 13 months or a Fixed Rate. A Liquidity Facility also must be in effect on or prior to the effective date of (i) any Change in the Interest Rate Mode from an Auction Rate or a Term Rate for a Calculation Period of greater than 13 months to another Adjustable Rate (other than a Change in the Interest Rate Mode to an Auction

Rate or a Term Rate for a Calculation Period of greater than 13 months), and (ii) any change in the Interest Rate Mode from a Fixed Rate to an Adjustable Rate (other than a Change in the Interest Rate Mode to an Auction Rate or a Term Rate for a Calculation Period of greater than 13

months). The Trustee shall be furnished with a certified copy of any Support Facility obtained pursuant to this Section 6.01.

Section 2.08. AMENDMENT TO SECTION 9.03 OF THE INDENTURE. The first paragraph of Section 9.03.2 is hereby amended to read in its entirety as follows:

Pursuant to Section 4.02(d) of the Participation Agreement, the Company has agreed that the Company shall provide funds to the Registrar and Paying Agent for deposit in the Bond Purchase Fund and credit to the Company Account therein established under the Bond Purchase Trust Agreement to be applied to the payment of the Purchase Price of any Bond pursuant to the Bond Purchase Trust Agreement to the extent not otherwise provided from the sources described in the Bond Purchase Trust Agreement.

Section 2.09. AMENDMENT OF SECTION 14.02 OF THE INDENTURE. The last paragraph of Section 14.02 is hereby amended to read in its entirety as follows:

Notwithstanding anything in this Indenture to the contrary, the consent of the Holders of the required amount of Bonds shall be deemed given with respect to a Supplemental Indenture if:

(a) (i) the Supplemental Indenture takes effect on a date on which all of the Bonds that are affected by such Supplemental Indenture are subject to mandatory tender for purchase in accordance with this Indenture, (ii) any modification or amendment effected thereby is consented to in writing by the Remarketing Agent, if any, for such Bonds on or prior to such effective date and (iii) the Bonds so tendered are purchased;

(b) (i) not less than 30 days before the effective date of the Supplemental Indenture, the Trustee sends a notice of the proposed modification or amendment to the Holders of the Bonds that are affected by such Supplemental Indenture and the Holders of such Bonds have the right to tender their Bonds for purchase pursuant to Section 5.03 hereof before such effective date, (ii) the Remarketing Agent, if any, for such Bonds consents in writing to the proposed modification or amendment on or prior to such effective date and (iii) the Bonds so tendered are purchased; or

(c) (i) not less than 30 days before the effective date of the Supplemental Indenture, the Trustee sends a notice of the proposed modification or amendment to the Holders of the Auction Rate Bonds that are affected by such Supplemental Indenture and the Auction Rate determined for such Auction Rate Bonds at the Auction immediately preceding such effective date is a Winning Bid Rate, and (ii) the Broker-Dealer(s), if any, for such Auction Rate Bonds consent

(10)

in writing to the proposed modification or amendment on or prior to such effective date; provided, however, that, notwithstanding anything to the contrary in this Indenture, any Auction Rate Bonds that are not the subject of a specific Hold Order or Bid shall be deemed to be subject to a Sell Order at the Auction immediately preceding such effective date.

Section 2.10. AMENDMENT OF SECTION 14.07 OF THE INDENTURE. The second paragraph of Section 14.07 is hereby amended to read in its entirety as follows:

Notwithstanding anything in this Indenture to the contrary, the consent of the Holders of the required amount of Bonds shall be deemed given with respect to any Supplemental Participation Agreement or amendment to the Participation Agreement if:

(a) (i) the Supplemental Participation Agreement or amendment to the Participation Agreement takes effect on a date on which all of the Bonds that are affected by such Supplemental Participation Agreement or amendment to the Participation Agreement are subject to mandatory tender for purchase in accordance with this Indenture, (ii) any modification or amendment effected thereby is consented to in writing by the Remarketing Agent, if any, for such Bonds on or prior to such effective date and (iii) the Bonds so tendered are purchased;

(b) (i) not less than 30 days before the effective date of the Supplemental Participation Agreement or amendment to the Participation Agreement, the Trustee sends a notice of the proposed modification or amendment to the Holders of the Bonds that are affected by such modification or amendment and the Holders of such Bonds have the right to tender their Bonds for purchase pursuant to Section 5.03 hereof

before such effective date, (ii) the Remarketing Agent, if any, for such Bonds consents in writing to the proposed modification or amendment on or prior to such effective date and (iii) the Bonds so tendered are purchased; or

(c) (i) not less than 30 days before the effective date of the Supplemental Participation Agreement or amendment to the Participation Agreement, the Trustee sends a notice of the proposed modification or amendment to the Holders of the Auction Rate Bonds that are affected by such Supplemental Participation Agreement or amendment to the Participation Agreement and the Auction Rate determined for such Auction Rate Bonds at the Auction immediately preceding such effective date is a Winning Bid Rate, and (ii) the Broker-Dealer(s), if any, for such Auction Rate Bonds consent in writing to the proposed modification or amendment on or prior to such effective date; provided, however, that, notwithstanding anything to the contrary in this Indenture, any Auction Rate Bonds that are not the subject of a specific Hold

(11)

Order or Bid shall be deemed to be subject to a Sell Order at the Auction immediately preceding such effective date.

Section 2.11. CHANGE IN THE INTEREST RATE MODE TO A TERM RATE ON OCTOBER 10, 2002. Notwithstanding Sections 3.01, 4.01.1, 5.04.3 and 5.04.4 of the Indenture and subject to the satisfaction of the conditions specified in Section 4.01.3 of the Indenture, the interest rate mode applicable to the Bonds shall be changed from a Weekly Rate to a Term Rate of 4.70% effective on October 10, 2002 and the Bonds shall bear interest at such Term Rate during a Calculation Period commencing on October 10, 2002 and ending on and including September 30, 2012. If any of the conditions specified in Section 4.01.3 of the Indenture is not met on October 10, 2002, the Bonds (i) shall continue to bear interest at a Weekly Rate and be subject to the provisions of the Indenture while the Bonds bear interest at a Weekly Rate and (ii) notwithstanding Section 4.01.3, shall not be subject to mandatory tender for purchase on such date.

Notwithstanding Section 5.08 of the Indenture, if the Change in the Interest Rate Mode to a Term Rate pursuant to the preceding paragraph is effective on October 10, 2002 in accordance with the Indenture, the Bonds shall not be subject to mandatory tender for purchase pursuant to Section 5.08 of the Indenture due to the termination, expiration or substitution of the Initial Support Facility after such effective date.

ARTICLE III

MISCELLANEOUS

SECTION 5.01. CONSENT TO SUPPLEMENTAL AGREEMENT. The Trustee hereby consents to the execution and delivery of the Supplemental Agreement.

SECTION 5.02. EFFECTIVE DATE; COUNTERPARTS. This Supplemental Indenture may be simultaneously executed in counterparts. Each such counterpart so executed shall be deemed to be an original, and all together shall constitute but one and the same instrument. This Supplemental Indenture shall become effective upon execution and delivery on October 9, 2002 in accordance with, and satisfaction of other requirements and conditions of, the Indenture. Notwithstanding the date of such execution and delivery, for convenience and purposes of reference this Supplemental Indenture shall be dated as of October 1, 2002 and may be cited and referred to as the "First Supplemental Trust Indenture dated as of October 1, 2002".

SECTION 5.03. ACCEPTANCE. The Trustee accepts the trusts created by the Indenture, as amended and supplemented by this Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as so amended and supplemented. The Trustee shall not be responsible in any manner whatsoever for the due execution of this Supplemental Indenture by the Authority or for or in respect of the recitals contained herein, all of which are made by the Authority solely.

[Signature Page of this Agreement Follows]

(12)

IN WITNESS WHEREOF, the Authority has caused this Supplemental Indenture to be executed by its President and its corporate seal to be hereunto affixed and attested by its Assistant Secretary, and the Trustee has caused this Supplemental Indenture to be executed by its duly authorized officer, all as of the date first above written.

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

By

President

(SEAL)

Attest:

Assistant Secretary

THE BANK OF NEW YORK,
as Trustee

By

Name: Christopher W. Palermo
Title: Assistant Treasurer

[Signature Page of Supplemental Indenture]

EXECUTION COPY

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

AND

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

FIRST SUPPLEMENTAL PARTICIPATION AGREEMENT

Dated as of October 1, 2002

to

PARTICIPATION AGREEMENT

Dated as of June 1, 2001

relating to

\$224,600,000 Facilities Revenue Bonds, Series 2001A
(Consolidated Edison Company of New York, Inc. Project)

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THIS FIRST SUPPLEMENTAL PARTICIPATION AGREEMENT, made and dated as of October 1, 2002 (the "Supplemental Agreement") to the PARTICIPATION AGREEMENT made and dated as of June 1, 2001, by and between NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the "Authority"), a body corporate and politic, constituting a public benefit corporation, and CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., a corporation duly organized and existing and qualified to do business as a public utility under the laws of the State of New York (the "Company"),

W I T N E S S E T H T H A T:

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the Authority has been established as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power company to participate in the construction of facilities to be used for the furnishing of electric energy to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources and aesthetics; and

WHEREAS, pursuant to the Act, the Authority is also authorized to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation, reconstruction, improvement, maintenance, equipping, furnishing or leasing of any special energy project (as defined in the Act) including, but not limited to, facilities for the distribution of steam or for the reimbursement to any person for costs incurred in connection with a special energy project completed or not completed at the time of such credit or loan, which credits or loans may, but need not, be secured by mortgages, contracts, leases or other instruments, upon such terms and conditions as the Authority shall determine reasonable in connection with such credits or loans; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient monies for achieving its corporate purposes including the refunding of outstanding obligations of the Authority; and

WHEREAS, the Authority is also authorized under the Act to enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes; and

WHEREAS, the Authority and the Company have entered into the Participation Agreement, dated as of June 1, 2001 (the "Agreement"), providing for the refunding of 7 1/2% Electric Facilities Revenue Bonds, Series 1991 A (Consolidated Edison Company of New York, Inc. Project) and 6 3/4% Facilities Revenue Bonds, Series 1992 A (Consolidated Edison Company of New York, Inc. Project) (collectively, the "Prior Bonds") of the Authority which were issued to finance the acquisition, construction and installation of certain additional facilities for the furnishing of electric energy within the Company's service area and as part of such participation,

(1)

that the Authority issue bonds pursuant to the Act to provide funds to refund the Prior Bonds; and

WHEREAS, on June 6, 2001, the Authority issued its Facilities Revenue Bonds, Series 2001A (Consolidated Edison Company of New York, Inc. Project) in an aggregate principal amount of \$224,600,000 (the "Bonds") under and pursuant to the Trust Indenture dated as of June 1, 2001 (the "Indenture"), between the Authority and The Bank of New York, as trustee (the "Trustee"), for the purpose of paying a portion of the redemption price of the Prior Bonds; and

WHEREAS, Section 8.04 of the Agreement and Section 14.07 of the Indenture provide that the Authority and the Company may, in accordance with the terms thereof, modify, amend or supplement the Agreement; and

WHEREAS, the Company has requested that the Indenture and the Agreement be amended to provide that a Liquidity Facility shall not be required while Bonds bear interest at a Term Rate for a Calculation Period of greater than 13 months and to clarify certain terms of the Indenture; and

WHEREAS, simultaneously with the execution and delivery of this Supplemental Agreement, the Authority and the Trustee have executed and delivered the First Supplemental Trust Indenture, dated as of October 1, 2002, to the Indenture (the "Supplemental Indenture"); and

WHEREAS, all acts, conditions and things necessary or required by the Constitution and statutes of the State of New York or otherwise, to exist, happen, and be performed as prerequisites to the execution of this Supplemental Agreement, do exist, have happened, and have been performed;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Authority agrees with the Company, with the written consent of the Trustee, as follows:

ARTICLE I

AUTHORIZATION; DEFINITIONS

Section 1.01. SUPPLEMENTAL AGREEMENT. This Supplemental Agreement is amendatory and supplemental to the Agreement, and is entered into in accordance with Section 8.04 of the Agreement and Article XIV of the Indenture; and except as modified, amended and supplemented by this Supplemental Agreement, the provisions of the Agreement are in all respects ratified and confirmed and shall remain in full force and effect.

(2)

ARTICLE II

AMENDMENTS TO THE AGREEMENT

SECTION 2.01 AMENDMENT TO SECTION 4.09 OF THE AGREEMENT. Section 4.09 is hereby amended to read in its entirety as follows:

The Company agrees not to request that the interest rate mode applicable to the Bonds be adjusted to an Adjustable Rate or a Fixed Rate unless on the effective date of the applicable Change in the Interest Rate Mode the Bonds shall be rated at least "A" by S&P or "A" by Moody's or "A" by Fitch or an

equivalent rating by any nationally recognized rating agency. Such rating of the Bonds may, but is not required to, be achieved by obtaining a Support Facility which meets the requirements of Article VI of the Indenture.

The Company further agrees that it will maintain a Liquidity Facility issued by a financial institution rated not less than "A" by at least one nationally recognized rating agency in effect with respect to the Bonds at all times, except with respect to Bonds bearing an Auction Rate, a Term Rate for a Calculation Period of greater than 13 months or a Fixed Rate.

ARTICLE III

MISCELLANEOUS

Section 3.01. CONSENT TO SUPPLEMENTAL INDENTURE. The Company hereby consents to the execution and delivery of the Supplemental Indenture.

Section 3.02. EFFECTIVE DATE; COUNTERPARTS. This Supplemental Agreement may be simultaneously executed in counterparts. Each such counterpart so executed shall be deemed to be an original, and all together shall constitute but one and the same instrument. This Supplemental Agreement shall become effective upon execution and delivery on October 9, 2002 in accordance with, and satisfaction of other requirements and conditions of, the Agreement and the Indenture. Notwithstanding the date of such execution and delivery, for convenience and purposes of reference this Supplemental Agreement shall be dated as of October 1, 2002 and may be cited and referred to as the "First Supplemental Participation Agreement dated as of October 1, 2002".

[Signature Page of this Agreement Follows]

(3)

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be duly executed as of the day and year first written above.

NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY

By

President

(SEAL)

Attest:

Assistant Secretary

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

By

Name:
Title:

(SEAL)

Attest:

Assistant Secretary

[Signature Page of Supplemental Participation Agreement]

(4)

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

RATIO OF EARNINGS TO FIXED CHARGES
NINE MONTHS ENDED
(Thousands of Dollars)

SEPTEMBER
2002 -----

EARNINGS
Net Income
\$ 516,163
Income Tax
302,173 ---

Total
Earnings
Before
Income Tax
818,336

FIXED
CHARGES*
289,126 ---

Total
Earnings
Before
Income Tax
and Fixed
Charges \$
1,107,462

=====

* Fixed
Charges
Interest on
Long-Term
Debt \$
247,724

Amortization
of Debt
Discount,
Premium and
Expense
9,311

Interest on
Component
of Rentals
9,191 Other
Interest
22,900 ----

Total Fixed
Charges \$
289,126

=====

Ratio of
Earnings to
Fixed
Charges
3.83

RATIO OF EARNINGS TO FIXED CHARGES
TWELVE MONTHS ENDED
(Thousands of Dollars)

SEPTEMBER
DECEMBER
2002 2001 --

EARNINGS Net
Income \$
625,286 \$
663,061

Income Tax
374,755
427,168 -----

Total
Earnings
Before
Income Tax
1,000,041
1,090,229
FIXED
CHARGES*
392,433
409,588 -----

Total
Earnings
Before
Income Tax
and Fixed
Charges \$
1,392,474 \$
1,499,817

=====
* Fixed
Charges
Interest on
Long-Term
Debt \$
334,099 \$
347,260
Amortization
of Debt
Discount,
Premium and
Expense
12,536
12,527
Interest on
Component of
Rentals
12,254
17,478 Other
Interest
33,544
32,323 -----

Total Fixed
Charges \$
392,433 \$
409,588
=====

=====
Ratio of
Earnings to
Fixed
Charges 3.55
3.66

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

I, Eugene R. McGrath, the Chief Executive Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene R. McGrath

Eugene R. McGrath

Dated: November 13, 2002

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

I, Joan S. Freilich, the Chief Financial Officer of Consolidated Edison Company of New York, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joan S. Freilich

Joan S. Freilich

Dated: November 13, 2002

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

I, Stephen B. Bram, the Chief Executive Officer of Orange and Rockland Utilities, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen B. Bram

Stephen B. Bram

Dated: November 13, 2002

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

I, Edward J. Rasmussen, the Chief Financial Officer of Orange and Rockland Utilities, Inc. (the "Company") certify that the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which this statement accompanies, (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Edward J. Rasmussen

Edward J. Rasmussen

Dated: November 13, 2002