

Orange and Rockland Utilities, Inc.
Consolidated Financial Statements (Unaudited)
Third Quarter 2024



Report of Independent Auditors

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

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated interim financial information of Orange and Rockland Utilities, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of September 30, 2024, and the related consolidated statements of income, comprehensive income, and shareholder's equity, for the three-month and nine-month periods ended September 30, 2024 and 2023 and the consolidated statement of cash flows for the nine-month periods ended September 30, 2024 and 2023, including the related notes (collectively referred to as the "consolidated interim financial information").

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Consolidated Interim Financial Information

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

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet (presented herein) and statement of capitalization (not presented herein) of Orange and Rockland Utilities, Inc. and its subsidiaries as of December 31, 2023, and the related consolidated statements of income, comprehensive income, shareholder's equity, and cash



flows for the year then ended (not presented herein), and in our report dated March 7, 2024, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2023, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

New York, New York
November 13, 2024

Orange and Rockland Utilities, Inc.
Consolidated Financial Statements (Unaudited)
Third Quarter 2024

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

<i>(Millions of Dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
OPERATING REVENUES				
Electric	\$293	\$246	\$662	\$588
Gas	36	35	193	215
TOTAL OPERATING REVENUES	329	281	855	803
OPERATING EXPENSES				
Purchased power	101	77	224	191
Gas purchased for resale	7	11	51	82
Other operations and maintenance	104	96	294	283
Depreciation and amortization	30	26	87	78
Taxes, other than income taxes	24	23	72	69
TOTAL OPERATING EXPENSES	266	233	728	703
OPERATING INCOME	63	48	127	100
OTHER INCOME				
Allowance for equity funds used during construction	1	1	4	3
Other income, net	7	11	20	33
TOTAL OTHER INCOME	8	12	24	36
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	71	60	151	136
INTEREST EXPENSE (INCOME)				
Interest on long-term debt	14	13	40	37
Other interest expense	4	1	8	3
Allowance for borrowed funds used during construction	(1)	(1)	(4)	(2)
NET INTEREST EXPENSE	17	13	44	38
INCOME BEFORE INCOME TAX EXPENSE	54	47	107	98
INCOME TAX EXPENSE	12	11	25	23
NET INCOME	\$42	\$36	\$82	\$75

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

<i>(Millions of Dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
NET INCOME	\$42	\$36	\$82	\$75
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	(1)	(1)	(5)	(1)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAXES	(1)	(1)	(5)	(1)
COMPREHENSIVE INCOME	\$41	\$35	\$77	\$74

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<i>(Millions of Dollars)</i>	For the Nine Months Ended September 30,	
	2024	2023
OPERATING ACTIVITIES		
Net income	\$82	\$75
PRINCIPAL NON-CASH CHARGES (CREDITS) TO INCOME		
Depreciation and amortization	87	78
Deferred income taxes	39	32
Rate case amortization and accruals	16	14
Other non-cash items, net	(9)	2
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, net	(5)	4
Accounts receivable to affiliated companies	(20)	(21)
Materials and supplies, including gas in storage	(4)	2
Unbilled revenue	(5)	31
Revenue decoupling mechanism receivable	(1)	(2)
Prepayments	(22)	(20)
Other receivables, net and other current assets	(3)	(26)
Accounts payable	32	(10)
Accounts payable to affiliated companies	(7)	(18)
Pensions and retiree benefits obligations, net	12	1
Accrued taxes	—	1
Accrued taxes to affiliated companies	(10)	(5)
System benefit charge	3	—
Deferred charges, noncurrent assets, leases, net and other regulatory assets	(95)	(12)
Deferred credits, noncurrent liabilities and other regulatory liabilities	39	(7)
Other current liabilities	(8)	8
NET CASH FLOWS FROM OPERATING ACTIVITIES	121	127
INVESTING ACTIVITIES		
Utility construction expenditures	(221)	(203)
Cost of removal less salvage	(5)	(5)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(226)	(208)
FINANCING ACTIVITIES		
Net issuance of short-term debt	3	23
Issuance of long-term debt	125	—
Debt issuance costs	(1)	—
Capital contribution by Con Edison	45	100
Dividend to Con Edison	(51)	(48)
NET CASH FLOWS FROM FINANCING ACTIVITIES	121	75
CASH AND TEMPORARY CASH INVESTMENTS		
NET CHANGE FOR THE PERIOD	16	(6)
BALANCE AT BEGINNING OF PERIOD	23	35
BALANCE AT END OF PERIOD	\$39	\$29
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid during the period for:		
Interest, net of capitalized interest	\$36	\$33
Income taxes	\$16	\$16
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	\$26	\$19

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

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

<i>(Millions of Dollars)</i>	September 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$38	\$22
Accounts receivable – customers, net allowance for uncollectible accounts of \$12 and \$7 in 2024 and 2023, respectively	111	106
Other receivables, net allowance for uncollectible accounts of \$3 and \$5 in 2024 and 2023, respectively	12	8
Accrued unbilled revenue	48	53
Accounts receivable from affiliated companies	30	10
Gas in storage, at average cost	10	14
Materials and supplies, at average cost	41	33
Prepayments	54	32
Regulatory assets	31	26
Revenue decoupling mechanism receivable	25	11
Fair value of derivative assets	2	3
Other current assets	12	12
TOTAL CURRENT ASSETS	414	330
INVESTMENTS	23	22
UTILITY PLANT, AT ORIGINAL COST		
Electric	2,364	2,263
Gas	1,129	1,073
General	329	305
TOTAL	3,822	3,641
Less: Accumulated depreciation	1,037	972
Net	2,785	2,669
Construction work in progress	299	274
NET UTILITY PLANT	3,084	2,943
OTHER NONCURRENT ASSETS		
Regulatory assets	345	294
Pension and retiree benefits	74	86
Fair value of derivative assets	1	—
Other deferred charges and noncurrent assets	29	28
TOTAL OTHER NONCURRENT ASSETS	449	408
TOTAL ASSETS	\$3,970	\$3,703

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

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

<i>(Millions of Dollars)</i>	September 30, 2024	December 31, 2023
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Notes payable	\$49	\$46
Accounts payable	139	115
Accounts payable to affiliated companies	17	24
Customer deposits	15	17
Accrued taxes	3	3
Accrued taxes to affiliated companies	—	10
Accrued interest	15	11
Accrued wages	12	11
Fair value of derivative liabilities	14	14
Regulatory liabilities	72	48
System benefit charge	41	37
Other current liabilities	29	43
TOTAL CURRENT LIABILITIES	406	379
NONCURRENT LIABILITIES		
Provision for injuries and damages	6	4
Pensions and retiree benefits	59	50
Superfund and other environmental costs	92	92
Deferred income taxes and unamortized investment tax credits	460	414
Regulatory liabilities	474	497
Fair value of derivative liabilities	14	12
Other deferred credits and noncurrent liabilities	83	75
TOTAL NONCURRENT LIABILITIES	1,188	1,144
LONG-TERM DEBT	1,242	1,118
SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	1,134	1,062
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$3,970	\$3,703

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

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

<i>(In Millions/Except Share Data)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
BALANCE AS OF DECEMBER 31, 2022	1,000	\$—	\$439	\$474	\$18	\$931
Net income				31		31
Common stock dividend to Con Edison				(16)		(16)
Capital contribution by Con Edison			90			90
BALANCE AS OF MARCH 31, 2023	1,000	\$—	\$529	\$489	\$18	\$1,036
Net income				8		8
Common stock dividend to Con Edison				(16)		(16)
BALANCE AS OF JUNE 30, 2023	1,000	\$—	\$529	\$481	\$18	\$1,028
Net income				36		36
Common stock dividend to Con Edison				(16)		(16)
Capital contribution by Con Edison			10			10
Other comprehensive loss					(1)	(1)
BALANCE AS OF SEPTEMBER 30, 2023	1,000	\$—	\$539	\$501	\$17	\$1,057
BALANCE AS OF DECEMBER 31, 2023	1,000	\$—	\$539	\$506	\$17	\$1,062
Net income				37		37
Common stock dividend to Con Edison				(17)		(17)
Capital contribution by Con Edison			20			20
Other comprehensive loss					(4)	(4)
BALANCE AS OF MARCH 31, 2024	1,000	\$—	\$559	\$526	\$13	\$1,098
Net income				3		3
Common stock dividend to Con Edison				(17)		(17)
BALANCE AS OF JUNE 30, 2024	1,000	\$—	\$559	\$512	\$13	\$1,084
Net income				42		42
Common stock dividend to Con Edison				(17)		(17)
Capital contribution by Con Edison			25			25
Stock awards			1			1
Other comprehensive loss					(1)	(1)
BALANCE AS OF SEPTEMBER 30, 2024	1,000	\$—	\$585	\$537	\$12	\$1,134

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

Notes to the Financial Statements (Unaudited)

General

These notes accompany and form an integral part of the consolidated financial statements of Orange and Rockland Utilities, Inc., a New York corporation, and its subsidiaries (the Company or O&R). The Company is a regulated utility, the equity of which is owned entirely by Consolidated Edison, Inc. (Con Edison). O&R has one regulated utility subsidiary: Rockland Electric Company (RECO). For the nine months ended September 30, 2024 and 2023, operating revenues for RECO were 22.5 percent and 19.8 percent, respectively, of O&R's consolidated operating revenues. O&R, along with RECO, provides electric service in southeastern New York and northern New Jersey, and gas service in southeastern New York.

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

The interim consolidated financial statements of the Company as of September 30, 2024 and for the three and nine month periods ended September 30, 2024 and 2023 (the Third Quarter Financial Statements) are unaudited but, in the opinion of the Company's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair statement of the results for the interim periods presented. The Third Quarter Financial Statements should be read together with the audited consolidated financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, including the notes thereto and the separate unaudited consolidated financial statements of the Company as of March 31, 2024 and for the three month periods ended March 31, 2024 and 2023 including the notes thereto and as of June 30, 2024 and for the three and six month periods ended June 30, 2024 and 2023, including the notes thereto.

Subsequent Events

The Company has, pursuant to the accounting rules for subsequent events, evaluated events or transactions that occurred after September 30, 2024 through the posting on its website (November 13, 2024) of the Third Quarter Financial Statements for potential recognition or disclosure in the Third Quarter Financial Statements.

Note A – Summary of Significant Accounting Policies

Accounting Policies

The accounting policies of the Company conform to generally accepted accounting principles in the United States of America (GAAP). For the Company, these accounting principles include the accounting rules for regulated operations and the accounting requirements of the FERC and the state regulators having jurisdiction.

Reclassification

Certain prior period amounts have been reclassified to conform with the current period presentation.

Notes to the Consolidated Financial Statements (Unaudited) - continued

Note B – Regulatory Matters

O&R – New York

In November 2024, O&R, the New York State Department of Public Service (NYSDPS) and other parties entered into a joint proposal for new electric and gas rate plans for the three-year period January 2025 through December 2027 (the Joint Proposal). The Joint Proposal is subject to NYSPSC approval. The following tables contain a summary of the Joint Proposal.

O&R New York – Electric

Effective period	January 2025 – December 2027
Base rate changes	Yr. 1 – \$(13.1) million (a) Yr. 2 – \$24.8 million (a) Yr. 3 – \$44.1 million (a)
Amortizations to income of net regulatory (assets) and liabilities	Yr. 1 – \$(4.5) million Yr. 2 – \$(5.4) million Yr. 3 – \$(6.4) million
Other revenue sources	Potential earnings adjustment mechanism incentives for energy efficiency and other potential incentives of up to: Yr. 1 – \$3.9 million Yr. 2 – \$4.7 million Yr. 3 – \$5.8 million
Revenue decoupling mechanisms	Continuation of reconciliation of actual to authorized electric delivery revenues.
Recoverable energy costs	Continuation of current rate recovery of purchased power and fuel costs.
Negative revenue adjustments	Potential charges if certain performance targets relating to service, reliability, safety and other matters are not met: Yr. 1 – \$7.6 million Yr. 2 – \$8.5 million Yr. 3 – \$11.5 million
Regulatory reconciliations	Reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (b), energy efficiency program (c), major storms, low-income bill credits, uncollectible expenses (d), late payment charges (d), and certain other costs to amounts reflected in rates.
Net utility plant reconciliations	Target levels reflected in rates: Electric average net plant target Yr. 1 – \$1,398 million Yr. 2 – \$1,471 million Yr. 3 – \$1,737 million
Average rate base	Yr. 1 – \$1,293 million Yr. 2 – \$1,393 million Yr. 3 – \$1,646 million
Capital Investments	Yr. 1 – \$311 million Yr. 2 – \$349 million Yr. 3 – \$315 million
Weighted average cost of capital (after-tax)	Yr. 1 – 7.25 percent Yr. 2 – 7.28 percent Yr. 3 – 7.31 percent
Authorized return on common equity	9.75 percent
Earnings sharing	Most earnings above an annual earnings threshold of 10.25 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year.
Cost of long-term debt	Yr. 1 – 4.95 percent Yr. 2 – 5.01 percent Yr. 3 – 5.08 percent
Common equity ratio	48 percent

Notes to the Consolidated Financial Statements (Unaudited) - continued

- (a) The Joint Proposal recommends that these base rate changes may be implemented with no change in Yr. 1 and increases of \$17.7 million in each of Yr. 2 and Yr. 3.
- (b) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a maximum number of basis points impact on return on common equity: Yr. 1 - 10.0 basis points; Yr. 2 - 7.5 basis points; and Yr. 3 - 5.0 basis points.
- (c) Energy efficiency costs are deferred as regulatory assets and amortized over a 15-year period. Balances are reconciled to the revenue requirement effect of actual level of cost incurred to the rate plan targets. If the NYSPSC authorizes modified energy efficiency spending budgets over the course of the rate plan, O&R will defer the impact of any variance between the level in rates and the authorized budgets for collection or refund to customers in the next base rate case.
- (d) Reconciliation of uncollectible expenses and late payment charges are subject to a combined annual threshold of \$0.9 million. Once the threshold is met, O&R will defer the variance between actual uncollectible expense and late payment charge, and the level set forth in rates that is above the threshold. Recovery/refunds will be made via surcharge/sur-credit. Surcharge recovery is subject to an annual cap that produces no more than a 0.5 percent total customer bill impact.

O&R New York – Gas

Effective period	January 2025 – December 2027
Base rate changes	Yr. 1 – \$3.6 million (a) Yr. 2 – \$18.0 million (a) Yr. 3 – \$16.5 million (a)
Amortization to income of net regulatory liabilities	Yr. 1 – \$8.4 million Yr. 2 – \$8.2 million Yr. 3 – \$8 million
Other revenue sources	Potential positive rate adjustment for gas safety and performance of up to: Yr. 1 – \$1 million Yr. 2 – \$1.1 million Yr. 3 – \$1.2 million
Revenue decoupling mechanisms	Continuation of reconciliation of actual to authorized gas delivery revenues.
Recoverable energy costs	Continuation of current rate recovery of purchased gas costs.
Negative revenue adjustments	Potential charges if performance targets relating to service, safety and other matters are not met: Yr. 1 – \$8.4 million Yr. 2 – \$9.4 million Yr. 3 – \$11.1 million
Regulatory reconciliations	Reconciliation of expenses for pension and other postretirement benefits, environmental remediation costs, property taxes (b), energy efficiency program (c), low-income bill credits, uncollectible expenses (d), late payment charges (d), and certain other costs to amounts reflected in rates.
Net utility plant reconciliations	Target levels reflected in rates: Gas average net plant target Yr. 1 – \$877 million Yr. 2 – \$934 million Yr. 3 – \$1,010 million
Average rate base	Yr. 1 – \$720 million Yr. 2 – \$791 million Yr. 3 – \$863 million
Capital Investments	Yr. 1 – \$121 million Yr. 2 – \$127 million Yr. 3 – \$110 million
Weighted average cost of capital (after-tax)	Yr. 1 – 7.25 percent Yr. 2 – 7.28 percent Yr. 3 – 7.31 percent
Authorized return on common equity	9.75 percent
Earnings sharing	Most earnings above an annual earnings threshold of 10.25 percent are to be applied to reduce regulatory assets for environmental remediation and other costs accumulated in the rate year.
Cost of long-term debt	Yr. 1 – 4.95 percent Yr. 2 – 5.01 percent Yr. 3 – 5.08 percent
Common equity ratio	48 percent

- (a) The Joint Proposal recommends that these base rate changes may be implemented with increases of: Yr. 1 – \$10.4 million; Yr. 2 – \$10.4 million; and Yr. 3 – \$10.4 million.
- (b) Deferrals for property taxes are limited to 90 percent of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a maximum number of basis points impact on return on common equity: Yr. 1 - 10.0 basis points; Yr. 2 - 7.5 basis points; and Yr. 3 - 5.0 basis points.
- (c) Energy efficiency costs are deferred as regulatory assets and amortized over a 15-year period. Balances are reconciled to the revenue requirement effect of actual level of cost incurred to the rate plan targets. If the NYSPSC authorizes modified energy efficiency spending budgets over the course of the rate plan, O&R will defer the impact of any variance between the level in rates and the authorized budgets for collection or refund to customers in the next base rate case.
- (d) Reconciliation of uncollectible expenses and late payment charges are subject to a combined annual threshold of \$0.5 million. Once the threshold is met, O&R will defer the variance between actual uncollectible expense and late payment charge, and the level set forth in rates that is above the threshold. Recovery/refunds will be made via surcharge/sur-credit. Surcharge recovery is subject to an annual cap that produces no more than a 0.5 percent total customer bill impact.

Notes to the Consolidated Financial Statements (Unaudited) - continued

RECO

Pursuant to RECO's rate plan effective January 2022, storm costs for each storm may qualify for deferred accounting if it meets certain criteria. Typically, storm costs that do not qualify for deferred accounting are expensed in the quarter the storm occurred. For the three months ended September 30, 2024 and 2023, RECO expensed \$2.9 million and \$1.2 million of storm costs, respectively, and deferred \$1.8 million and an immaterial amount of storm costs, respectively. For the nine months ended September 30, 2024 and 2023, RECO expensed \$7.8 million and \$5.5 million of storm costs, respectively, and deferred \$3.3 million and an immaterial amount of storm costs, respectively.

Bill Relief Program

In March 2024, the Company received \$9 million pursuant to a New York State bill relief program funded by the state that provided a one-time bill credit for electric and gas customers. The program was established to partially offset the costs all customers pay to fund utility energy affordability programs.

Other Regulatory Matters

In January 2018, the NYSPSC issued an order initiating a focused operations audit of the Company's financial accounting for income taxes. The audit is investigating the Company's inadvertent understatement of a portion, the amount of which may be material, of its calculation of total federal income tax expense for ratemaking purposes related to the calculation of plant retirement-related cost of removal. As a result of such understatement, the Company accumulated significant income tax regulatory assets (\$14 million as of September 30, 2024 and \$18 million as of December 31, 2023, which are not earning a return). While the Company has properly calculated and paid its federal income taxes and there is no uncertain tax position related to this matter, this understatement of historical income tax expense materially reduced the amount of revenue collected from the Company's customers in the past relative to what it should have been. The Company's rate plans have reflected the correct amount of federal income taxes recoverable from customers, including a proportionate recovery of the regulatory asset, beginning with O&R's rate plans effective November 2015. As part of the audit, the Company plans to pursue a private letter ruling from the Internal Revenue Service (IRS) confirming that the Company's inadvertent understatement of prior years' income tax expense constitutes a normalization violation that can be cured through an increase in future years' revenue requirements until such time as the regulatory asset is fully recovered in rates, and not through a write-down of all or a portion of the Company's regulatory asset. Under Accounting Standards Codification Topic (ASC) 740, the Company recorded an unfunded deferred federal income tax liability (with a gross-up amount) and a corresponding regulatory asset. The income tax regulatory assets are netted against the related regulatory liability for future income tax and are shown in the line "Future income tax" in the following table of Regulatory Assets and Liabilities and on the Company's consolidated balance sheet, in the line "Regulatory liabilities." Management's assessment is that the income tax regulatory assets as of September 30, 2024 are probable of collection through future rates. The IRS provides safe harbor relief for inadvertent normalization violations through the jurisdictional rate setting process of including in rates adequate revenue to fully recover the deferred tax balance. However, the Company

Notes to the Consolidated Financial Statements (Unaudited) - continued

would record a liability or impair a portion of the regulatory assets associated with this understatement if the NYSpsc were to issue an order that required the Company to write off all or a portion of its existing regulatory asset. The Company is unable to estimate the amount or range of its possible loss, if any, related to this matter. At September 30, 2024, the Company has not accrued a liability related to this matter.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at September 30, 2024 and December 31, 2023 were comprised of the following items:

<i>(Millions of Dollars)</i>	2024	2023
Regulatory assets		
Deferred storm costs	\$102	\$91
Environmental remediation costs	83	83
Energy efficiency and EV program	54	33
Revenue taxes	22	20
Deferred derivative losses - long-term	16	16
Legacy meters (a)	15	17
COVID-19 pandemic deferrals	12	7
Low income aggregation program	11	3
Pension and other postretirement benefits deferrals	—	8
Other	30	16
Regulatory assets – noncurrent	345	294
Deferred derivative losses - short-term	13	15
Recoverable energy costs - short-term	18	11
Regulatory assets – current	31	26
Total Regulatory Assets	\$376	\$320
Regulatory liabilities		
Allowance for cost of removal less salvage	\$202	\$190
Future income tax *	113	118
Pension and other postretirement benefits deferrals	58	51
Unrecognized pension and other postretirement costs (b)	48	75
Late payment charge deferral	6	6
System benefit charge carrying charge	5	4
Property tax reconciliation costs	4	5
Revenue levelization	3	14
Other	35	34
Regulatory liabilities – noncurrent	474	497
Refundable energy costs	38	40
Revenue decoupling mechanism	33	5
Deferred derivative gains - short term	1	3
Regulatory liabilities – current	72	48
Total Regulatory Liabilities	\$546	\$545

* See "Other Regulatory Matters" above.

(a) Pursuant to its rate plan, the Company is recovering the costs of legacy meters over a 12-year period beginning January 1, 2022.

(b) Unrecognized pension and other postretirement costs represent the deferrals associated with the accounting rules for retirement benefits.

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

average cost of capital once the liability is included in rate base. The Other Customer-Provided Capital rate for the nine months ended September 30, 2024 and 2023 was 5.95 percent and 5.20 percent, respectively.

In general, the Company is receiving or being credited with a return on its regulatory assets for which a cash outflow has been made (\$221 million and \$182 million at September 30, 2024 and December 31, 2023, respectively). Regulatory assets of RECO for which a cash outflow has been made (\$24 million at September 30, 2024 and December 31, 2023) are not receiving or being credited with a return. RECO recovers regulatory assets over a period of up to four years or until they are addressed in its next base rate case in accordance with the rate provisions approved by the NJBPU. Regulatory liabilities are treated in a consistent manner.

Regulatory assets that represent future financial obligations and were deferred in accordance with the Company's rate plans or orders issued by state regulators do not earn a return until such time as a cash outlay has been made. Regulatory liabilities are treated in a consistent manner. At September 30, 2024 and December 31, 2023, regulatory assets that did not earn a return consisted of the following items:

Regulatory Assets Not Earning a Return*

<i>(Millions of Dollars)</i>	2024	2023
Environmental remediation costs	\$83	\$83
Revenue taxes	24	20
Deferred derivative losses - long term	16	16
Deferred derivative losses - short-term	13	15
COVID-19 deferral of uncollectible accounts receivable	7	3
Other	12	1
Total	\$155	\$138

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

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

The Company recovers unrecognized pension and other postretirement costs over 10 years, and the portion of investment gains or losses recognized in expense over 15 years, pursuant to NYSPSC policy.

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

The Company recovers deferred derivative losses – current within one year, and noncurrent generally within three years.

Notes to the Consolidated Financial Statements (Unaudited) - continued

Note C – Capitalization

In September 2024, the Company issued \$125 million aggregate principal amount of 5.41 percent debentures, due 2054.

The carrying amounts and fair values of long-term debt at September 30, 2024 and December 31, 2023 were:

<i>(Millions of Dollars)</i>	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt (including current portion) (a)	\$1,242	\$1,164	\$1,118	\$1,008

(a) Amounts shown are net of unamortized debt expense and unamortized debt discount of \$8 million and \$7 million at September 30, 2024 and December 31, 2023, respectively.

The fair values of the Company's long-term debt have been estimated primarily using available market information and at September 30, 2024 are classified as Level 2 liabilities (See Note L).

Note D – Short-Term Borrowing

At September 30, 2024 and December 31, 2023, O&R had \$49 million and \$46 million of commercial paper outstanding, respectively. The weighted average interest rate at September 30, 2024 and December 31, 2023 was 5.0 and 5.5 percent. At September 30, 2024 and December 31, 2023, no loans or letters of credit were outstanding for O&R under the 2023 Credit Agreement (Credit Agreement). The Company was in compliance with its significant debt covenants at September 30, 2024. In March 2024, the termination date of the Credit Agreement was extended from March 2028 to March 2029. In March 2024, the Company also entered into a First Amendment to the Credit Agreement that, among other things, amended the mechanics relating to determining the interest rate to be paid with respect to a “term SOFR loan.”

Note E – Pension Benefits

Total Periodic Benefit Expense (Credit)

The components of the Company's total periodic benefit expense (credit) for the three and nine months ended September 30, 2024 and 2023 were as follows:

<i>(Millions of Dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost – including administrative expenses	\$3	\$3	\$8	\$8
Interest cost on projected benefit obligation	9	9	28	28
Expected return on plan assets	(13)	(14)	(39)	(39)
Recognition of net actuarial loss (gain)	—	(3)	1	(10)
Recognition of prior service cost	1	1	2	2
TOTAL PERIODIC BENEFIT CREDIT	\$—	\$(4)	\$—	\$(11)
Cost capitalized	(1)	(1)	(3)	(3)
Reconciliation to rate level	3	5	8	15
Total expense recognized	\$2	\$—	\$5	\$1

Notes to the Consolidated Financial Statements (Unaudited) - continued

Components of net periodic benefit credit other than service cost are presented outside of operating income on the Company's consolidated income statements, and only the service cost component is eligible for capitalization. Accordingly, the service cost component is included in the line "Other operations and maintenance" and the non-service cost components are included in the line "Other income, net" in the Company's consolidated income statement.

Expected Contributions

Based on estimates as of September 30, 2024, O&R expects to make contributions to the pension plans during 2024 of \$3 million. O&R's policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible and to also contribute to the non-qualified supplemental pension plan. No funding is anticipated for the qualified plan during 2024, and during the first nine months of 2024, the Company contributed \$2 million to the non-qualified supplemental pension plans.

Note F – Other Postretirement Benefits

Total Periodic Benefit Credit

The components of the Company's total periodic other postretirement benefit credit for the three and nine months ended September 30, 2024 and 2023 were as follows:

<i>(Millions of Dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost – including administrative expenses	\$—	\$1	\$2	\$2
Interest cost on projected other postretirement benefit obligation	2	2	5	6
Expected return on plan assets	(3)	(4)	(10)	(11)
Recognition of net actuarial gain	(2)	(2)	(4)	(6)
Recognition of prior service credit	—	—	(1)	(1)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT CREDIT	\$(3)	\$(3)	\$(8)	\$(10)
Cost capitalized	—	—	(1)	(1)
Reconciliation to rate level	1	1	2	4
Total credit recognized	\$(2)	\$(2)	\$(7)	\$(7)

For information about the presentation of the components of other postretirement benefit credit, see Note E.

Expected Contributions

Based on estimates as of September 30, 2024, O&R does not expect to make a contribution to the other postretirement benefit plans in 2024. O&R's policy is to fund the total periodic benefit cost of the plans to the extent tax deductible.

Note G – Environmental Matters

Superfund Sites

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

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

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

The accrued liabilities and regulatory assets related to Superfund Sites at September 30, 2024 and December 31, 2023 were as follows:

<i>(Millions of Dollars)</i>	2024	2023
Accrued Liabilities:		
Manufactured gas plant sites	\$91	\$91
Other Superfund Sites	1	1
Total	\$92	\$92
Regulatory assets	\$83	\$83

The Superfund Sites have been investigated. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As information pertaining to the required remediation becomes available, the Company expects that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Company defers prudently incurred site investigation and remediation costs as regulatory assets (for subsequent recovery through rates).

For the three and nine months ended September 30, 2024 and 2023, environmental investigation and remediation costs incurred related to Superfund Sites were immaterial.

No insurance or other third-party recoveries were received by the Company for the three and nine months ended September 30, 2024 and 2023.

Notes to the Consolidated Financial Statements (Unaudited) - continued

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

Asbestos Proceedings

Suits have been brought in New York State and federal courts against O&R and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various O&R premises. The suits that have been resolved, that are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to the Company. The amounts specified in all the remaining suits total billions of dollars; however, the Company believes that these amounts are greatly exaggerated, based on the disposition of previous claims. At September 30, 2024 and December 31, 2023, the Company accrued its estimated aggregate undiscounted potential liability of \$1 million with a corresponding regulatory asset for these suits and additional suits that may be brought through 2035. The estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Courts have applied, and may continue to apply, different standards for determining liability in asbestos suits than the standard that applied historically. As a result, the Company currently believes that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Company is unable to estimate the amount or range of such loss. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. The Company defers as regulatory assets (for subsequent recovery through rates) costs incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants.

Note H – Income Tax

O&R's income tax expense was \$12 million and \$11 million for the three months ended September 30, 2024 and September 30, 2023, respectively. The increase in income tax expense is primarily due to higher income before income tax expense, offset in part by a greater reduction in the allowance for uncollectible accounts.

O&R's income tax expense was \$25 million and \$23 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. The increase in income tax expense is primarily due to higher income before income tax expense.

Reconciliations of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes for the three and nine months ended September 30, 2024 and 2023 are as follows:

Notes to the Consolidated Financial Statements (Unaudited) - continued

<i>(% of Pre-tax income)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
STATUTORY TAX RATE				
Federal	21%	21%	21%	21%
Changes in computed taxes resulting from:				
State income tax, net of federal income taxes	5	6	6	6
Cost of removal	2	2	2	2
Allowance for uncollectible accounts, net of COVID-19 assistance	(2)	(1)	(1)	—
Amortization of excess deferred federal income taxes	(3)	(4)	(5)	(5)
Other	(1)	(1)	—	(1)
Effective tax rate	22%	23%	23%	23%

In April 2023, the IRS released Revenue Procedure 2023-15, which provides a safe harbor method of accounting that taxpayers may use to determine whether certain expenditures to maintain, repair, replace, or improve natural gas transmission and distribution property must be capitalized as improvements by the taxpayer or currently deducted for federal income tax purposes. This revenue procedure also provides procedures for taxpayers to obtain automatic consent to change their method of accounting to the safe harbor method of accounting permitted by this revenue procedure. Con Edison adopted the safe harbor rules on its 2023 federal and state returns. As a result, O&R recorded a reduction in its current tax payable and an increase in accumulated deferred tax liabilities of \$39 million to reflect the cumulative impact of this change in accounting method.

Uncertain Tax Positions

Under the accounting rules for income taxes, O&R is not permitted to recognize the tax benefit attributable to a tax position unless such position is more likely than not to be sustained upon examination by taxing authorities, including resolution of any related appeals and litigation processes, based solely on the technical merits of the position.

At September 30, 2024, the estimated liability for uncertain tax positions for O&R was an immaterial amount. O&R recognizes interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in O&R's consolidated income statement. In the nine months ended September 30, 2024 and 2023, O&R recognized no interest expense or penalties for uncertain tax positions in its consolidated income statement.

In February 2024, New York State completed its examination of Con Edison and its subsidiaries' New York State income and franchise tax returns for tax years 2015 through 2021 with no changes. Con Edison and its subsidiaries' return for tax year 2022 remains open under the statute of limitations.

Notes to the Consolidated Financial Statements (Unaudited) - continued

Note I – Revenue Recognition

The following table presents, for the three and nine months ended September 30, 2024 and 2023, revenue from contracts with customers as defined in ASC 606, "Revenue from Contracts with Customers," as well as additional revenue from sources other than contracts with customers, disaggregated by major source.

	For the Three Months Ended September 30, 2024			For the Three Months Ended September 30, 2023		
<i>(Millions of Dollars)</i>	Revenues from contracts with customers	Other revenues (a)	Total operating revenues	Revenues from contracts with customers	Other revenues (a)	Total operating revenues
Electric	\$309	\$(16)	\$293	\$242	\$4	\$246
Gas	7	29	36	31	4	35
Total	\$316	\$13	\$329	\$273	\$8	\$281

- (a) This includes primarily revenue or negative revenue adjustments from alternative revenue programs, such as the revenue decoupling mechanisms under the New York electric and gas rate plans, as well as net earnings adjustment mechanisms (EAMs) and positive incentives primarily for achieving energy efficiency goals.

	For the Nine Months Ended September 30, 2024			For the Nine Months Ended September 30, 2023		
<i>(Millions of Dollars)</i>	Revenues from contracts with customers	Other revenues (a)	Total operating revenues	Revenues from contracts with customers	Other revenues (a)	Total operating revenues
Electric	\$688	\$(26)	\$662	\$574	\$14	\$588
Gas	173	20	193	211	4	215
Total	\$861	\$(6)	\$855	\$785	\$18	\$803

- (a) This includes primarily revenue or negative revenue adjustments from alternative revenue programs, such as the revenue decoupling mechanisms under the New York electric and gas rate plans, as well as net earnings adjustment mechanisms (EAMs) and positive incentives primarily for achieving energy efficiency goals.

Revenues are recorded as energy is delivered, generated or services are provided and billed to customers. Amounts billed are recorded in accounts receivable - customers, with payment generally due the following month. The Company's accounts receivable - customers balance also reflects the Company's purchase of receivables from energy service companies to support retail choice programs. Accrued revenues not yet billed to customers are recorded as accrued unbilled revenues.

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

authorized by the NYSPSC to be retained by the Company, for refund to firm gas sales and transportation customers.

Note J – Current Expected Credit Losses

Allowance for Uncollectible Accounts

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

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

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

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

Starting in 2020, the economic impact of the COVID-19 pandemic was also considered in forward-looking projections related to write-off and recovery rates and resulted in an increase to the allowance for uncollectible accounts. The allowance for customer uncollectible accounts decreased by \$3 million and increased by \$5 million for the three and nine months ended September 30, 2024, respectively. The allowance for customer uncollectible accounts decreased by \$1 million for the three and nine months ended September 30, 2023.

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

The table below presents a rollforward by major portfolio segment type for the three and nine months ended September 30, 2024 and 2023:

<i>(Millions of Dollars)</i>	For the Three Months Ended September 30,			
	Accounts receivable - customers		Other receivables	
	2024	2023	2024	2023
Allowance for credit losses				
Beginning Balance at July 1,	\$15	\$8	\$4	\$4
Write-offs	(3)	(1)	—	(1)
Reserve adjustments	—	—	(1)	1
Ending Balance September 30,	\$12	\$7	\$3	\$4

<i>(Millions of Dollars)</i>	For the Nine Months Ended September 30,			
	Accounts receivable - customers		Other receivables	
	2024	2023	2024	2023
Allowance for credit losses				
Beginning Balance at January 1,	\$7	\$8	\$5	\$2
Recoveries	1	1	—	—
Write-offs	(6)	(5)	—	(1)
Reserve adjustments	10	3	(2)	3
Ending Balance September 30,	\$12	\$7	\$3	\$4

Note K – Derivative Instruments and Hedging Activities

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

The fair values of the Company's commodity derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at September 30, 2024 and December 31, 2023 were:

<i>(Millions of Dollars)</i>	2024			2023		
Balance Sheet Location	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset	Net Amounts of Assets (Liabilities) (a)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset	Net Amounts of Assets (Liabilities) (a)
Fair value of derivative assets						
Current	\$3	\$(2)	\$1 (b)	\$4	\$(2)	\$2 (b)
Noncurrent	2	(1)	1	2	(2)	—
Total fair value of derivative assets	\$5	\$(3)	\$2	\$6	\$(4)	\$2
Fair value of derivative liabilities						
Current	\$(12)	\$3	\$(9) (b)	\$(13)	\$4	\$(9) (b)
Noncurrent	(15)	1	(14)	(15)	3	(12)
Total fair value of derivative liabilities	\$(27)	\$4	\$(23)	\$(28)	\$7	\$(21)
Net fair value derivative assets (liabilities)	\$(22)	\$1	\$(21)	\$(22)	\$3	\$(19)

(a) Derivative instruments and collateral were offset on the consolidated balance sheet as applicable under the accounting rules. The Company enters into master agreements for its commodity derivatives. These agreements typically provide offset in the event of contract termination. In such case, generally the non-defaulting party's payable will be offset by the defaulting party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.

(b) At September 30, 2024 and December 31, 2023, margin deposits of \$1 million and \$(5) million, respectively, were classified as derivative assets and derivative liabilities, respectively, on the consolidated balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

The Company generally recovers its prudently incurred purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility regulators. In accordance with the accounting rules for regulated operations, the Company records a regulatory asset or regulatory liability to defer recognition of unrealized gains and losses on its electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power and gas costs in the Company's consolidated income statement.

O&R and Consolidated Edison Company of New York (CECONY) (CECONY together with O&R, the Utilities) have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services (including hedging market price fluctuations associated with the physical purchase of gas) are provided by, CECONY (for itself and as agent for O&R) and costs (net of the effect of the related hedging transactions) are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note M.

Notes to the Consolidated Financial Statements (Unaudited) - continued

The following table presents the realized and unrealized gains or losses on commodity derivatives that have been deferred for the three and nine months ended September 30, 2024 and 2023:

<i>(Millions of Dollars)</i>	Financial Statement Location	For the Three Months Ended September 30,	
		2024	2023
Pre-tax gains (losses) deferred in accordance with accounting rules for regulated operations:			
Current	Regulatory liabilities	\$(3)	\$(2)
Noncurrent	Regulatory liabilities	(2)	(1)
Total deferred gains (losses)		\$(5)	\$(3)
Current	Regulatory assets	\$(2)	\$1
Current	Recoverable energy costs	(6)	(4)
Noncurrent	Regulatory assets	(5)	(4)
Total deferred gains (losses)		\$(13)	\$(7)
Net deferred gains (losses)		\$(18)	\$(10)

<i>(Millions of Dollars)</i>	Financial Statement Location	For the Nine Months Ended September 30,	
		2024	2023
Pre-tax gains (losses) deferred in accordance with accounting rules for regulated operations:			
Current	Regulatory liabilities	\$(2)	\$(17)
Noncurrent	Regulatory liabilities	—	(15)
Total deferred gains (losses)		\$(2)	\$(32)
Current	Regulatory assets	\$2	\$1
Current	Recoverable energy costs	(21)	(25)
Noncurrent	Regulatory assets	—	(4)
Total deferred gains (losses)		\$(19)	\$(28)
Net deferred gains (losses) (a)		\$(21)	\$(60)

(a) Unrealized net deferred losses on electric and gas derivatives for O&R decreased as a result of higher electric and gas commodity prices during the nine months ended September 30, 2024. Upon settlement, short-term deferred derivative losses generally increase the recoverable costs of electric and gas purchases.

The following table presents the hedged volume of the Company's commodity derivative transactions at September 30, 2024:

Electric Energy (MWh) (a)	Capacity (MW-mos) (a)	Natural Gas (Dt) (a)
3,099,510	8,400	21,690,000

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

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

At September 30, 2024, the Company had \$1 million of credit exposure in connection with open energy supply net receivables and hedging activities, net of collateral, primarily related to investment-grade counterparties and exchange brokers.

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

The following table presents the aggregate fair value of the Company's derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at September 30, 2024:

(Millions of Dollars)

Aggregate fair value – net liabilities (a)	\$21
Collateral posted	6
Additional collateral (b) (downgrade one level from current ratings)	12
Additional collateral (b) (downgrade to below investment grade from current ratings)	30 (c)

- (a) Non-derivative transactions for the purchase and sale of electricity, gas and qualifying derivative instruments, that have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Company was no longer extended unsecured credit for such purchases, the Company would be required to post \$1 million of additional collateral at September 30, 2024. For certain other such non-derivative transactions, the Company could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.
- (b) The additional collateral amounts shown above are based upon the estimated O&R allocation of the Utilities' collateral requirements. The Utilities measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Company has a legally enforceable right to offset.
- (c) Derivative instruments that are net assets have been excluded from the table. At September 30, 2024, if the Company had been downgraded to below investment grade, it would not have been required to post additional collateral.

Note L – Fair Value Measurements

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

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors

Notes to the Consolidated Financial Statements (Unaudited) - continued

specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Company classifies fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.
- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors, and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.
- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023 are summarized below.

<i>(Millions of Dollars)</i>	2024					2023				
	Level 1	Level 2	Level 3	Netting Adjustment (d)	Total	Level 1	Level 2	Level 3	Netting Adjustment (d)	Total
Derivative assets:										
Commodity (a)(b)(c)	\$—	\$3	\$—	\$—	\$3	\$—	\$4	\$1	\$(2)	\$3
Cash Value of Life Insurance Policies (a)(b)(d)	—	6	—	—	6	—	5	—	—	5
Mutual Funds (a)(b)(d)	17	—	—	—	17	17	—	—	—	17
Total assets	\$17	\$9	\$—	\$—	\$26	\$17	\$9	\$1	\$(2)	\$25
Derivative liabilities:										
Commodity (a)(b)(c)	\$2	\$16	\$8	\$2	\$28	\$2	\$21	\$3	\$—	\$26
Total liabilities	\$2	\$16	\$8	\$2	\$28	\$2	\$21	\$3	\$—	\$26

(a) The Company's policy is to review the fair value hierarchy and recognize transfers into and transfers out of the levels at the end of each reporting period. There were no material transfers of commodity derivative liabilities from level 3 to level 2 during the nine months ended September 30, 2024.

(b) Level 2 assets and liabilities include investments held in the non-qualified retirement plans, exchange-traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1 and certain over-the-counter derivative instruments for electricity and natural gas. Derivative instruments classified as Level 2 are valued using industry standard models that incorporate corroborated observable inputs, such as pricing services or prices from similar instruments that trade in liquid markets, time value and volatility factors.

Notes to the Consolidated Financial Statements (Unaudited) - continued

- (c) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At September 30, 2024 and December 31, 2023, the Company determined that nonperformance risk would have no material impact on its financial position or results of operations.
- (d) Amounts represent the impact of legally-enforceable master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

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

Commodity	Fair Value of Level 3 at September 30, 2024 (Millions of Dollars)	Valuation Techniques	Unobservable Inputs	Range	Average Market Price
Electricity	\$—	Discounted Cash Flow	Forward energy prices (\$/MWh) (a)	\$33.80 - \$97.70	\$55.25
Electricity	(8)	Discounted Cash Flow	Forward capacity prices (\$/kW-month) (a)	\$0.96 - \$7.53	\$3.87
Total O&R - Commodity	\$(8)				

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

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value for the three and nine months ended September 30, 2024 and 2023 and classified as Level 3 in the fair value hierarchy:

(Millions of Dollars)	For the Three Months Ended September 30,	
	2024	2023
Beginning balance as of July 1,	\$(5)	\$(3)
Included in earnings	(1)	1
Included in regulatory assets and liabilities	(3)	—
Settlements	1	(1)
Ending balance as of September 30,	\$(8)	\$(3)

(Millions of Dollars)	For the Nine Months Ended September 30,	
	2024	2023
Beginning balance as of January 1,	\$(2)	\$(8)
Included in earnings	(4)	(1)
Included in regulatory assets and liabilities	(6)	6
Settlements	4	—
Ending balance as of September 30,	\$(8)	\$(3)

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

Notes to the Consolidated Financial Statements (Unaudited) - continued

Note M – Related Party Transactions

The NYSPSC generally requires that the Company and Con Edison's other subsidiaries be operated as separate entities. The Company and the other subsidiaries are required to have separate operating employees and operating officers of the Company may not be operating officers of the other subsidiaries. The Company may provide administrative and other services to, and receive such services from, Con Edison and its other subsidiaries only pursuant to cost allocation procedures approved by the NYSPSC. Transfers of assets between the Company and Con Edison or its other subsidiaries may be made only as approved by the NYSPSC. The debt of the Company is to be raised directly by the Company and not derived from Con Edison. Without the prior permission of the NYSPSC, the Company may not make loans to, guarantee the obligations of, or pledge assets as security for the indebtedness of Con Edison or its other subsidiaries. The NYSPSC limits the dividends that the Company may pay Con Edison. As a result, substantially all of the net assets of the Company (\$1,134 million at September 30, 2024) are considered restricted net assets. The NYSPSC may impose additional measures to separate, or "ring fence," the Company from Con Edison and its other subsidiaries.

The costs of administrative and other services provided by the Company, and received from Con Edison and its other subsidiaries for the three and nine months ended September 30, 2024 and 2023 were as follows:

<i>(Millions of Dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of services provided	\$3	\$4	\$9	\$13
Cost of services received	\$19	\$21	\$51	\$54

At September 30, 2024 and December 31, 2023, O&R's net payable to Con Edison and its other subsidiaries associated with these services was \$10 million and \$11 million, respectively.

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which O&R purchased from CECONY \$14 million of natural gas for the three months ended September 30, 2024 and 2023 and \$52 million and \$60 million of natural gas for the nine months ended September 30, 2024 and 2023, respectively. These amounts are net of the effect of related hedging transactions. At September 30, 2024 and December 31, 2023, O&R's net payable to CECONY associated with these gas purchases was \$4 million and \$9 million, respectively.

At September 30, 2024 and December 31, 2023, the Company's net receivable (payable) to Con Edison for income taxes was \$27 million and \$(5) million, respectively.

FERC has authorized CECONY to lend funds to O&R, for a period of not more than 12 months, in an amount not to exceed \$250 million at prevailing market rates. At September 30, 2024 and December 31, 2023, there were no outstanding loans to O&R.