

CONSOLIDATED EDISON INC

Form 10-K

February 15, 2018

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

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FORM 10-K

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x Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

OR

.. Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Commission File Number 1-14514

Consolidated Edison, Inc.

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

New York 13-3965100

State of Incorporation I.R.S. Employer  
ID. Number

4 Irving Place,  
New York, New York 10003  
(212) 460-4600

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Commission File Number 1-1217

Consolidated Edison Company of New York, Inc.  
Exact name of registrant as specified in its charter  
and principal office address and telephone number

New York 13-5009340

State of Incorporation I.R.S. Employer  
ID. Number

4 Irving Place,  
New York, New York 10003  
(212) 460-4600

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

Title of each class	Name of each exchange on which registered
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Consolidated Edison, Inc., Common Shares (\$.10 par value)	New York Stock Exchange
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Securities Registered Pursuant to Section 12(g) of the Act: None

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

Consolidated Edison, Inc. (Con Edison) Yes  No

Consolidated Edison Company of New York, Inc. (CECONY) Yes  No

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

Con Edison Yes  No

CECONY Yes  No

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

Con Edison Yes  No

CECONY Yes  No

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

Con Edison Yes  No

CECONY Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Con Edison

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

CECONY

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

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

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

Con Edison Yes  No

CECONY Yes  No

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2017, was approximately \$24.7 billion.

As of January 31, 2018, Con Edison had outstanding 310,397,070 Common Shares (\$.10 par value).

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

**Documents Incorporated By Reference**

Portions of Con Edison's definitive proxy statement for its Annual Meeting of Stockholders to be held on May 21, 2018, to be filed with the Commission pursuant to Regulation 14A, not later than 120 days after December 31, 2017, is incorporated in Part III of this report.

**Filing Format**

This Annual Report on Form 10-K is a combined report being filed separately by two different registrants:

Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a wholly-owned subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. CECONY meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

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

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Glossary of Terms

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

Con Edison Companies

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

Regulatory Agencies, Government Agencies and Other Organizations

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

Accounting

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

Environmental

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

Units of Measure

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

Other

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

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## Introduction

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

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

Con Edison is a holding company that owns:

- Consolidated Edison Company of New York, Inc. (CECONY), which delivers electricity, natural gas and steam to customers in New York City and Westchester County;

- Orange & Rockland Utilities, Inc. (O&R), which together with its subsidiary, Rockland Electric Company, delivers electricity and natural gas to customers primarily located in southeastern New York State and northern New Jersey (O&R, together with CECONY referred to as the Utilities);

- Con Edison Clean Energy Businesses, Inc., which through its subsidiaries develops, owns and operates renewable and energy infrastructure projects and provides energy-related products and services to wholesale and retail customers (Con Edison Clean Energy Businesses, Inc., together with its subsidiaries referred to as the Clean Energy Businesses); and

- Con Edison Transmission, Inc., which through its subsidiaries invests in electric and gas transmission projects (Con Edison Transmission, Inc., together with its subsidiaries referred to as Con Edison Transmission).

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

## Selected Financial Data

### Con Edison

(Millions of Dollars, except per share amounts)	For the Year Ended December 31,				
	2013	2014	2015	2016	2017
Operating revenues	\$12,354	\$12,919	\$12,554	\$12,075	\$12,033
Energy costs	4,054	4,513	3,716	3,088	2,625
Operating income	2,244	2,209	2,427	2,575	2,610
Net income	1,062	1,092	1,193	1,245	1,525 (g)
Total assets (e)(f)	40,451	44,071	(a)45,642	(b)48,255	(c)48,111 (d)
Long-term debt (e)	10,415	11,546	12,006	14,735	14,731
Total equity	12,245	12,585	13,061	14,306	15,425
Net Income per common share – basic	\$3.62	\$3.73	\$4.07	\$4.15	\$4.97
Net Income per common share – diluted	\$3.61	\$3.71	\$4.05	\$4.12	\$4.94
Dividends declared per common share	\$2.46	\$2.52	\$2.60	\$2.68	\$2.76
Book value per share	\$41.81	\$42.97	\$44.50	\$46.91	\$49.72
Average common shares outstanding (millions)	293	293	293	300	307
Stock price low	\$54.33	\$52.23	\$56.86	\$63.47	\$72.13
Stock price high	\$63.66	\$68.92	\$72.25	\$81.88	\$89.70

(a)

Reflects a \$2,116 million increase in regulatory assets for unrecognized pension and other postretirement costs and a \$1,391 million increase in net plant. See Notes B, E and F to the financial statements in Item 8.

- (b) Reflects a \$2,382 million increase in net plant offset by a \$970 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.



- (c) Reflects a \$3,007 million increase in net plant offset by a \$1,002 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
- Reflects a \$2,384 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA) of \$2,418 million
- (d) (including the netting of \$1,168 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of \$348 million. See Notes B, E, F and L to the financial statements in Item 8.
- Reflects \$74 million and \$85 million in 2013 and 2014, respectively, related to the adoption of Accounting
- (e) Standards Update (ASU) No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.”
- (f) Reflects \$122 million and \$152 million in 2013 and 2014, respectively, related to the adoption of ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.”
- Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by \$5,312 million, recognized \$259 million (or \$0.85 per share) in net income, decreased its regulatory asset for
- (g) future income tax by \$1,250 million, decreased its regulatory asset for revenue taxes by \$90 million, and accrued a regulatory liability for federal income tax rate change of \$3,713 million. See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.

## CECONY

For the Year Ended December 31,

(Millions of Dollars)	2013	2014	2015	2016	2017
Operating revenues	\$10,430	\$10,786	\$10,328	\$10,165	\$10,468
Energy costs	2,873	2,985	2,304	2,059	2,141
Operating income	2,060	2,139	2,247	2,262	2,405
Net income	1,020	1,058	1,084	1,056	1,104
Total assets (e)(f)	36,095	39,443	(a)40,230	(b)40,856	(c)40,451 (d)
Long-term debt (e)	9,303	10,788	10,787	12,073	12,065
Shareholder’s equity	10,847	11,188	11,415	11,829	12,439

- (a) Reflects a \$1,999 million increase in regulatory assets for unrecognized pension and other postretirement costs and a \$1,440 million increase in net plant. See Notes B, E and F to the financial statements in Item 8.
- (b) Reflects a \$1,725 million increase in net plant and a \$912 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
- (c) Reflects a \$1,804 million increase in net plant and a \$967 million decrease in regulatory assets for unrecognized pension and other postretirement costs. See Notes B, E and F to the financial statements in Item 8.
- Reflects a \$2,090 million increase in net plant, offset by decreases in regulatory assets resulting from the enactment of the TCJA of \$2,305 million (including the netting of \$1,123 million against the regulatory liability for future income tax) and unrecognized pension and other postretirement costs of \$354 million. See Notes B, E, F and L to the financial statements in Item 8.
- (d)
- (e) Reflects \$63 million and \$76 million in 2013 and 2014, respectively, related to the adoption of ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.”
- (f) Reflects \$100 million and \$118 million in 2013 and 2014, respectively, related to the adoption of ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.”

## Significant 2017 Developments and Outlook

Con Edison reported 2017 net income of \$1,525 million or \$4.97 a share compared with \$1,245 million or \$4.15 a share in 2016. Adjusted earnings were \$1,264 million or \$4.12 a share in 2017 compared with \$1,198 million or \$3.99 a share in 2016. See “Results of Operations” in Item 7 and “Non-GAAP Financial Measure” below.

In 2017, the Utilities invested \$3,093 million to upgrade and reinforce their energy delivery systems, Con Edison Transmission invested \$66 million in electric transmission and gas pipeline and storage businesses and the Clean Energy Businesses invested \$447 million primarily in renewable electric production projects. See "Capital Requirements and Resources" in Item 1 and Note U to the financial statements in Item 8.

In 2018, the Utilities expect to invest \$3,209 million for their energy delivery systems, Con Edison Transmission expects to invest \$360 million in gas pipeline businesses and the Clean Energy Businesses expect to invest \$400 million in renewable electric production projects. Con Edison plans to meet its 2018 capital requirements through internally-generated funds and the issuance of securities. The company's plans include the issuance of between \$1,300 million and \$1,800 million of long-term debt at the Utilities, and the issuance of additional debt secured by its renewable electric production projects. The plans also include the issuance of up to \$450 million of common equity in addition to equity under its dividend reinvestment, employee stock purchase and long term incentive plans. The plans do not reflect the provision to the Utilities' customers of any of the benefits of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA) that the New York State Public Service Commission (NYSPSC) and the New Jersey Board of Public Utilities (NJBPU) may require to be provided. See "Changes to Tax Laws Could Adversely Affect the Companies" in Item 1A, "Other Regulatory

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Matters” in Note B and Note L to the financial statements in Item 8. See “Capital Requirements and Resources” in Item 1.

CECONY forecasts average annual growth in peak demand in its service area at design conditions over the next five years for electric and gas to be approximately 0.1 percent and 1.2 percent, respectively, and an average annual decrease in steam peak demand in its service area at design conditions over the next five years to be approximately 0.5 percent. O&R forecasts average annual growth in electric peak demand in its service area at design conditions over the next five years to be flat and average annual growth in gas peak demand in its service area over the next five years at design conditions to be approximately 0.3 percent. See “The Utilities” in Item 1.

In 2017, the NYSPSC continued its Reforming the Energy Vision (REV) proceeding to improve system efficiency and reliability, encourage renewable energy and distributed energy resources and empower customer choice. The NYSPSC, among other things, issued an order that changes the way distributed energy resources are compensated and begins to phase out net energy metering. Also, CECONY submitted a petition to the NYSPSC for authority to develop smart solutions for gas customers by seeking to apply REV concepts and issued a request for proposals for non-pipeline solutions to a gas pipeline need the company identified. See “Utility Regulation – State Utility Regulation – Reforming the Energy Vision” in Item 1.

In 2017, the NYSPSC approved three-year CECONY electric and gas rate plans and a settlement agreement in its proceedings related to CECONY’s practices of qualifying persons to perform plastic fusions on gas facilities and alleged violations of gas safety regulations in connection with a March 2014 Manhattan explosion and fire. The NYSPSC also issued orders relating to an April 2017 subway power outage and the TCJA. See Notes B and H to the financial statements in Item 8.

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

In January 2018, O&R filed a request with the NYSPSC for electric and gas rate increases of \$20.3 million and \$4.5 million, respectively, effective January 2019. See “Rate Plans” in Note B to the financial statements in Item 8.

#### Available Information

Con Edison and CECONY file annual, quarterly and current reports and other information, and Con Edison files proxy statements, with the Securities and Exchange Commission (SEC). The public may read and copy any materials that the Companies file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580 Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements, and other information regarding issuers (including Con Edison and CECONY) that file electronically with the SEC.

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

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

Information on the Companies’ websites is not incorporated herein.



### Forward-Looking Statements

This report includes forward-looking statements intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are statements of future expectation and not facts. Words such as “forecasts,” “expects,” “estimates,” “anticipates,” “intends,” “believes,” “plans,” “will” and similar expressions identify forward-looking statements.

Forward-looking statements are based on information available at the time the statements are made, and accordingly speak only as of that time. Actual results or developments might differ materially from those included in the forward-looking statements because of various factors including, but not limited to, those discussed under “Risk Factors,” in Item 1A.

### Non-GAAP Financial Measure

Adjusted earnings is a financial measure that is not determined in accordance with generally accepted accounting principles in the United States of America (GAAP). This non-GAAP financial measure should not be considered as an alternative to net income, which is an indicator of financial performance determined in accordance with GAAP.

Adjusted earnings excludes from net income the net mark-to-market changes in the fair value of the derivative instruments the Clean Energy Businesses use to economically hedge market price fluctuations in related underlying physical transactions for the purchase or sale of electricity and gas. Adjusted earnings may also exclude from net income certain other items that the company does not consider indicative of its ongoing financial performance.

Management uses this non-GAAP financial measure to facilitate the analysis of the company's financial performance as compared to its internal budgets and previous financial results. Management also uses this non-GAAP financial measure to communicate to investors and others the company's expectations regarding its future earnings and dividends on its common stock. Management believes that this non-GAAP financial measure also is useful and meaningful to investors to facilitate their analysis of the company's financial performance. The following table is a reconciliation of Con Edison's reported net income to adjusted earnings and reported earnings per share to adjusted earnings per share.

(Millions of Dollars, except per share amounts)	2013	2014	2015	2016	2017
Reported net income – GAAP basis	\$1,062	\$1,092	\$1,193	\$1,245	\$1,525
Gain on sale of the Clean Energy Businesses' retail electric supply business (a)	—	—	—	(56)	—
Goodwill impairment related to the Clean Energy Businesses' energy service business (b)	—	—	—	12	—
Impairment of assets held for sale (c)	—	—	3	—	—
Gain on sale of solar electric production projects (d)	—	(26)	—	—	(1)
Loss from LIFO transactions (e)	95	1	—	—	—
Enactment of the TCJA (f)	—	—	—	—	(259)
Net mark-to-market effects of the Clean Energy Businesses (g)	(45)	73	—	(3)	(1)
Adjusted earnings	\$1,112	\$1,140	\$1,196	\$1,198	\$1,264
Reported earnings per share – GAAP basis (basic)	\$3.62	\$3.73	\$4.07	\$4.15	\$4.97
Gain on sale of the Clean Energy Businesses' retail electric supply business	—	—	—	(0.19)	—
Goodwill impairment related to the Clean Energy Businesses' energy service business	—	—	—	0.04	—
Impairment of assets held for sale	—	—	0.01	—	—
Gain on sale of solar electric production projects	—	(0.09)	—	—	—
Loss from LIFO transactions	0.32	—	—	—	—
Enactment of the TCJA	—	—	—	—	(0.85)
Net mark-to-market effects of the Clean Energy Businesses	(0.14)	0.25	—	(0.01)	—
Adjusted earnings per share	\$3.80	\$3.89	\$4.08	\$3.99	\$4.12

(a) After taxes of \$(48) million, which includes an adjustment for the apportionment of state income taxes. See Note U to the financial statements in Item 8.

- (b) After taxes of \$3 million. See Note K to the financial statements in Item 8.
- (c) After taxes of \$2 million, recorded related to Pike County Light & Power Company (Pike), which O&R sold in 2016. See Note U to the financial statements in Item 8.
- (d) After taxes of \$(19) million in 2014.  
In 2013, a court disallowed tax losses claimed by Con Edison relating to Con Edison Development's Lease In/Lease Out (LILO) transactions and the company subsequently terminated the transactions, resulting in a charge to earnings of \$95 million (after taxes of \$63 million). In 2014, adjustments were made to taxes and accrued interest. Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. As a result, Con Edison decreased its net deferred tax liabilities by \$5,312 million, recognized \$259 million (or \$0.85 per share) in net income, decreased its regulatory asset for future income tax by \$1,250 million, decreased its regulatory asset for revenue taxes by \$90 million, and accrued a regulatory liability for federal income tax rate change of \$3,713 million. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.
- (e) After taxes of \$(30) million, \$55 million and \$(2) million for the years ended December 31, 2013, 2014 and 2016, respectively.

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## Item 1: Business

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Gas Peak Demand

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Incorporation By Reference

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

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## PART I

### Item 1: Business

#### Overview

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

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

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

#### CECONY

##### Electric

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

##### Gas

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

##### Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering approximately 19,410 MMlb of steam annually to approximately 1,600 customers in parts of Manhattan.

## O&R

### Electric

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

### Gas

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

## Clean Energy Businesses

Con Edison Clean Energy Businesses, Inc. has three wholly-owned subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), Consolidated Edison Energy, Inc. (Con Edison Energy) and Consolidated Edison Solutions, Inc. (Con Edison Solutions). Con Edison Clean Energy Businesses, Inc., together with these subsidiaries, are referred to in this report as the Clean Energy Businesses. The Clean Energy Businesses develop, own and operate renewable and energy infrastructure projects and provide energy-related products and services to wholesale and retail customers.

## Con Edison Transmission

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

## Utility Regulation

### State Utility Regulation

#### Regulators

The Utilities are subject to regulation by the NYSPSC, which under the New York Public Service Law, is authorized to set the terms of service and the rates the Utilities charge for providing service in New York. See “Rate Plans,” below and in Note B to the financial statements in Item 8. The NYSPSC also approves the issuance of the Utilities’ securities. See “Capital Resources,” below. The NYSPSC exercises jurisdiction over the siting of the Utilities’ electric transmission lines (see “Con Edison Transmission,” below) and approves mergers or other business combinations involving New York utilities. In addition, the NYSPSC has the authority to impose penalties on utilities, which could be substantial, for violating state utility laws and regulations and its orders. See “Other Regulatory Matters” in Note B to the financial statements in Item 8. O&R’s New Jersey subsidiary, RECO, is subject to similar regulation by the New Jersey Board of Public Utilities (NJBPU). The NYSPSC, together with the NJBPU, are referred to herein as state utility regulators. In March 2013, following the issuance of recommendations by a commission established by the Governor of New York and submission by the Governor of a bill to the State legislature, the New York Public Service Law was amended to, among other things, authorize the NYSPSC to (i) levy expanded penalties against combination gas and electric utilities; (ii) review, at least every five years, an electric utility’s capability to provide safe, adequate and reliable service, order the utility to comply with additional and more stringent terms of service than existed prior to the review, assess the continued operation of the utility as the provider of electric service in its service territory and

propose, and act upon, such measures as are necessary to ensure safe and adequate service; and (iii) based on findings of repeated violations of the New York Public Service Law or rules or regulations adopted thereto that demonstrate a failure of a combination gas and electric utility to continue to provide safe and adequate service, revoke or modify an operating certificate issued to the utility by the NYSPSC (following consideration of certain factors, including public interest and standards deemed necessary by the NYSPSC to ensure continuity of service, and due process).

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## New York Utility Industry

### Restructuring in the 1990s

In the 1990s, the NYSPSC restructured the electric utility industry in the state. In accordance with NYSPSC orders, the Utilities sold all of their electric generating facilities other than those that also produce steam for CECONY's steam business (see "Electric Operations – Electric Facilities," below) and provided all of their customers the choice to buy electricity or gas from the Utilities or other suppliers (see "Electric Operations – Electric Sales and Deliveries" and "Gas Operations – Gas Sales and Deliveries," below). In 2017, 65 percent of the electricity and 33 percent of the gas CECONY delivered to its customers, and 58 percent of the electricity and 40 percent of the gas O&R delivered to its customers, was purchased by the customers from other suppliers. In addition, the Utilities no longer control and operate their bulk power electric transmission facilities. See "New York Independent System Operator (NYISO)," below.

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

### Reforming the Energy Vision

In April 2014, the NYSPSC instituted its REV proceeding, the goals of which are to improve electric system efficiency and reliability, encourage renewable energy resources, support distributed energy resources (DER) and empower customer choice. In this proceeding, the NYSPSC is addressing the establishment of a distributed system platform to manage and coordinate DER, and provide customers with market data and tools to manage their energy use. The NYSPSC also is addressing how its regulatory practices should be modified to incent utility practices to promote REV objectives.

In February 2015, the NYSPSC issued an order in its REV proceeding in which, among other things, the NYSPSC: ordered CECONY, O&R and the other electric utilities to file distributed system implementation plans (DSIPs) pursuant to which the utilities, under the NYSPSC's authority and supervision, would serve as distributed system platforms to optimize the use of DER;

indicated that the utilities will be allowed to own DER only under limited circumstances, and that utility affiliate ownership of DER within the utility's service territory will require market power protections;

ordered the utilities to file energy efficiency plans (see "Environmental Matters – Climate Change," below);

instituted a separate proceeding to consider large-scale renewable generation;

required the utilities to file demonstration projects for approval by NYSPSC staff; and

indicated that the design and implementation of the reformed energy system will occur over a period of years.

In June 2015, the New York State Energy Research and Development Authority (NYSERDA) submitted a report in the large-scale renewable generation proceeding. The report included program design principles and strategies. The NYSPSC requested comments on, among other things: customer funding mechanisms; utility-backed power purchase agreements; financing options; and utility-owned generation. In December 2015, the Governor of New York directed the NYSPSC to establish a clean energy standard to mandate achievement by 2030 of the State Energy Plan's goals of 50 percent of the State's electricity being provided from renewable resources and reducing carbon emissions by 40 percent (see "Environmental Matters - Climate Change," below) and to support the continued operation of upstate nuclear plants. In August 2016, the NYSPSC issued an order adopting a clean energy standard that includes renewable energy credit (REC) and zero-emissions credit (ZEC) requirements. Beginning in 2017, load serving entities (LSEs), including CECONY and O&R for their full-service customers, are required to obtain RECs and ZECs in amounts determined by the NYSPSC. LSEs may satisfy their REC obligation by either purchasing RECs acquired through central procurement by NYSERDA, by self-supply through direct purchase of tradable RECs, or by making alternative compliance payments. LSEs will purchase ZECs from NYSERDA at prices determined by the NYSPSC. The order establishes an annual NYSPSC staff review and triennial NYSPSC review of the clean energy standard. Citing the risks that utility-backed power purchase agreements could impose on customers and utilities, the August

2016 order rejected requiring utilities to sign such agreements. The August 2016 order also did not authorize utility-owned renewable generation, stating a concern that allowing utilities to own renewable generation could result in reduced competition and higher costs. In January 2018, the Governor of New York unveiled a clean energy jobs and climate agenda that calls for procurement of at least 800 MWs of offshore wind power between two solicitations to be issued in 2018 and 2019, which are to be the first in a set schedule to meet a target of 2.4 gigawatts of offshore wind by 2030. The agenda also includes, among

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other things, an initiative to deploy 1,500 MWs of energy storage by 2025. Also, in January 2018, NYSERDA issued a master plan for achievement of New York's offshore wind energy objectives. NYSERDA indicated that it expects offshore wind funding for a first phase of procurements would be provided by a compliance obligation placed on LSEs through an administrative structure similar to the ZEC program. NYSERDA also filed with the NYSPSC an options paper in which it addressed potential procurement options, including utility-owned generation, utility-backed power purchase agreements and contracts with NYSERDA.

In July 2015, the NYSPSC staff issued a white paper on ratemaking and utility business models in the REV proceeding. The NYSPSC staff indicated that the proposals included in the white paper reflect the following foundational principles: align earning opportunities with customer value; maintain flexibility; provide accurate and appropriate value signals; maintain a sound electric industry; shift balance of regulatory incentives to market incentives; and achieve public policy objectives. In May 2016, the NYSPSC issued an order adopting a ratemaking and utility revenue framework. The order indicated that utilities will have four ways of achieving earnings: traditional cost-of-service earnings; earnings tied to achievement of alternatives that reduce utility capital spending and provide definitive consumer benefit; earnings from market-facing platform activities; and earnings from transitional outcome-based performance measures. The order also indicated, among other things, that existing measures for negative revenue adjustments for utility failure to meet basic service standards should generally be retained and net utility plant reconciliations should be modified to encourage cost-effective DER as an alternative to utility capital investment. The order directed each utility to file a system efficiency proposal; an interconnection survey process and proposed earnings adjustment mechanism; a progress report on aggregated data reporting automation; an aggregated data privacy policy statement; revisions to standby service tariffs and cost allocation matrix; one or more smart home rate demonstration proposals; and revisions to voluntary time of use rates and promotion and education tools.

In December 2015, the NYSPSC authorized a cost recovery surcharge mechanism for REV demonstration projects. Five CECONY and one O&R demonstration projects have been approved by the NYSPSC staff. The demonstration projects are expected to inform decisions with respect to developing distributed system platform functionalities, measuring customer response to programs and prices associated with REV markets.

In January 2016, the NYSPSC established a benefit cost analysis framework that will apply to, among other things, utility proposals to make investments that could instead be met through DER alternatives that meet all applicable reliability and safety requirements. The framework's primary measure is a societal cost test which, in addition to addressing avoided utility costs, is to quantitatively address certain environmental externalities and, where appropriate, qualitatively address other externalities. The NYSPSC directed the utilities to develop and file benefit cost analysis handbooks to guide DER providers in structuring their projects and proposals.

In March 2016, the NYSPSC issued an order approving CECONY's advanced metering infrastructure (AMI) plan for its electric and gas delivery businesses, subject to a cap on capital expenditures of \$1,285 million. AMI components include smart meters, a communication network, information technology systems and business applications. The plan provides for full deployment of AMI to CECONY's customers to be implemented over a six-year period. During 2016, CECONY, at the NYSPSC's direction, submitted a customer engagement plan, an update to the company's benefit cost analysis and metrics that the NYSPSC can use to monitor the success of the project. O&R's electric and gas rate plans authorize aggregate capital expenditures of approximately \$24 million to begin AMI implementation for the company's customers. In February 2017, O&R submitted to the NYSPSC a request to expend an additional approximately \$74 million to expand the scope of the company's AMI implementation to all of its New York customers. In November 2017, the NYSPSC authorized O&R to implement its expanded AMI smart meter implementation plan.

In June 2016, CECONY and O&R each filed initial DSIPs and benefit-cost handbooks with the NYSPSC, pursuant to which the companies provided additional system and planning information for third-party developers to facilitate the

integration of DER in the distributed system platform. In November 2016, CECONY and O&R, with the other state electric utilities, filed a joint supplemental DSIP with the NYSPSC, pursuant to which the companies expanded on the initial DSIPs to address the tools, processes and protocols to be developed jointly to operate the grid to manage DER and support a retail market. The Utilities plan to develop their distribution system platforms as proposed and in conformance with the guidance of the NYSPSC.

In October 2016, CECONY filed a petition with the NYSPSC for approval of a Shared Solar Pilot Program (SSPP) to install and own solar photovoltaic systems on company facilities. CECONY proposed using the community distributed generation model to allocate solar bill credits, net of project cost, to a subset of customers who participate in the company's electric low income program. In August 2017, the NYSPSC approved a \$9 million

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budget for the SSPP. In November 2017, CECONY filed an implementation plan for the SSPP under which it expects operational solar in 2019, with bill credits for approximately 1,000 low income customers.

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

In September 2017, CECONY submitted a petition to the NYSPSC for authority to develop smart solutions for gas customers, seeking to apply REV concepts, such as expanding energy efficiency and demand response programs, and to develop a program to encourage ground and air source heating alternatives. The company also identified a gas pipeline need as a result of strong growth in gas consumption, driven by the City of New York's clean heat program, and further stated that it would issue a request for proposals for non-pipeline solutions. The request for proposals was issued in December 2017. At its November 2017 session, the NYSPSC encouraged utilities to consider non-pipeline solutions for gas needs.

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

#### Rate Plans

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

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

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

For each rate plan, the revenues needed to provide the utility a return on invested capital is determined by multiplying the utilities' rate base by the pre-tax weighted average cost of capital determined in the rate plan. In general, rate base, as reflected in a utility's rate plans, is the sum of the utility's net plant, working capital and certain regulatory assets less deferred taxes and certain regulatory liabilities. The NYSPSC uses a forecast of the average rate base for the year that new rates would be in effect (rate year). The NJBPU uses the rate base balances that exist at the end of the

historical 12-month period on which base rates are set. The capital structure used in the weighted average cost of capital is determined using actual and forecast data for the same time periods as rate base. The costs of long-term debt, customer deposits and the allowed return on common equity represent a combination of actual and forecast financing information. The allowed return on common equity is determined by each state's respective utility regulator. The NYSPSC's current methodology for determining the allowed return on common equity assigns a one-third weight to an estimate determined from a capital asset pricing model applied to a peer group of utility companies and a two-thirds weight to an estimate determined from a dividend discount model

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using stock prices and dividend forecasts for a peer group of utility companies. Both methodologies employ market measurements of equity capital to estimate returns rather than the accounting measurements to which such estimates are applied in setting rates.

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

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

#### Liability for Service Interruptions

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

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

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

The NYSPSC has approved a scorecard for use as a guide to assess electric utility performance in restoring electric service during outages that result from a major storm event. The scorecard, which could also be applied by the NYSPSC for other outages or actions, was developed to work with the penalty and emergency response plan provisions of the New York Public Service Law. The scorecard includes performance metrics in categories for preparation, operations response and communications.

Each New York electric utility is required to submit to the NYSPSC annually a plan for the reasonably prompt restoration of service in the case of widespread outages in the utility's service territory due to storms or other events beyond the control of the utility. If, after evidentiary hearings or other investigatory proceedings, the NYSPSC finds that the utility failed to implement its plan reasonably, the NYSPSC may deny recovery of any part of the service restoration costs caused by such failure. In March 2017, the NYSPSC approved emergency response plans submitted by CECONY and O&R, subject to certain modifications. In December 2017, CECONY and O&R submitted updated plans.

#### Generic Proceedings

The NYSPSC from time to time conducts "generic" proceedings to consider issues relating to all electric and gas utilities operating in New York State. Pending proceedings include the REV proceeding and related proceedings, discussed above, the proceeding to study the potential effects of the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA), discussed in "Other Regulatory Matters" in Note B to the financial statements in Item 8, and proceedings relating to data access; retail access; utility staffing levels; energy efficiency and renewable energy programs; low income customers and consumer protections. The Utilities are typically active participants in such proceedings.



### Federal Utility Regulation

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

### New York Independent System Operator (NYISO)

The NYISO is a not-for-profit organization that controls and directs the operation of most of the electric transmission facilities in New York State, including those of the Utilities, as an integrated system. It also administers wholesale markets for electricity in New York State and facilitates the construction of new transmission it considers necessary to meet identified reliability, economic or public policy needs. The New York State Reliability Council (NYSRC) promulgates reliability standards subject to FERC oversight, and the NYISO has agreed to comply with those standards. Pursuant to a requirement that is set annually by the NYSRC, the NYISO requires that entities supplying electricity to customers in New York State have generating capacity (owned, procured through the NYISO capacity markets or contracted for) in an amount equal to the peak demand of their customers plus the applicable reserve margin. In addition, the NYISO has determined that entities that serve customers in New York City must procure sufficient capacity from resources that are electrically located in New York City to cover a substantial percentage of the peak demands of their New York City customers. It also requires entities that serve customers in the Lower Hudson Valley and New York City customers that are served through the Lower Hudson Valley to procure sufficient capacity from resources electrically located in the Lower Hudson Valley. These requirements apply both to regulated utilities such as CECONY and O&R for the customers they supply under regulated tariffs and to companies that supply customers on market terms. To address the possibility of a disruption due to the unavailability of gas, generating units located in New York City that are capable of using either gas or oil as fuel may be required to use oil as fuel for certain periods and new generating units located in New York City are required to have dual fuel capability. RECO, O&R’s New Jersey subsidiary, provides electric service in a portion of its service territory that has a different independent system operator – PJM Interconnection LLC (PJM). See “CECONY – Electric Operations – Electric Supply” and “O&R – Electric Operations – Electric Supply,” below.

### Competition

Distributed generation, such as solar energy production facilities, fuel cells and micro-turbines, provide alternative sources of energy for the Utilities’ electric delivery customers, which typically remain connected to the utility’s delivery system and pay a different rate. In addition, gas delivery customers have oil as an alternative, and steam customers may have alternative sources of heating and cooling for their buildings. Micro-grids and community-based micro-grids enable distributed generation to serve multiple locations and multiple customers. Other distributed energy resources, such as energy storage, demand reduction and energy efficiency programs, provide alternatives for the Utilities’ delivery customers to manage their energy usage. The following table shows the aggregate capacities of the distributed generation projects connected to the Utilities’ distribution systems at the end of the last four years:

Technology	CECONY				O&R			
	2014	2015	2016	2017	2014	2015	2016	2017
Total MW, except project number								
Internal-combustion engines	101	103	104	108	1	1	2	2
Photovoltaic solar	58	95	135	178	28	46	63	75

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Gas turbines	40	40	40	48	20	20	20	20
Micro turbines	9	10	10	14	1	1	1	1
Fuel cells	8	8	9	12	—	—	—	—
Steam turbines	3	3	4	6	—	—	—	—
Landfill	—	—	—	—	2	2	2	2
Total distribution-level distributed generation	219	259	302	366	52	70	88	100
Number of distributed generation projects	4,200	7,451	12,928	18,090	1,877	3,718	5,409	6,537

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

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

#### The Utilities

##### CECONY

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

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

#### Electric Operations

##### Electric Facilities

CECONY’s capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were \$17,996 million and \$17,234 million at December 31, 2017 and 2016, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were \$2,990 million and \$2,963 million at December 31, 2017 and 2016, respectively, and for its portion of the steam-electric generation facilities, the costs for utility plant, net of accumulated depreciation, were \$544 million and \$479 million, at December 31, 2017 and 2016, respectively. See “CECONY – Steam Operations – Steam Facilities,” below.

##### Distribution Facilities

CECONY owns 62 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2017, the company’s distribution system had a transformer capacity of 31,767 MVA, with 37,020 miles of overhead distribution lines and 97,564 miles of underground distribution lines. The underground distribution lines represent the single longest underground electric delivery system in the United States.

##### Transmission Facilities

The company’s transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. At December 31, 2017, CECONY owned or jointly owned 555 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 749 miles of underground circuits operating at 69, 138 and 345 kV. The company’s 39 transmission substations and 62 area stations are supplied by circuits operated at 69 kV and above. For information about transmission projects to address, among other things, reliability concerns associated with the scheduled closure of the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries) see “CECONY – Electric Operations – Electric Supply” and “Con Edison Transmission,” below. CECONY’s transmission facilities interconnect with those of National Grid, Central Hudson Gas & Electric Corporation, O&R, New York State Electric & Gas, Connecticut Light & Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

##### Generating Facilities

CECONY’s electric generating facilities consist of plants located in Manhattan whose primary purpose is to produce steam for the company’s steam business. The facilities have an electrical capacity of 732 MW. The company expects

to have sufficient amounts of gas and fuel oil available in 2018 for use in these facilities.

Electric Sales and Deliveries

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

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

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Electric Energy Delivered (millions of kWh)					
CECONY full service customers	20,118	19,757	20,206	19,886	19,227
Delivery service for retail choice customers	26,574	26,221	26,662	26,813	26,136
Delivery service to NYPA customers and others	10,226	10,325	10,147	10,046	9,955
Total Deliveries in Franchise Area	56,918	56,303	57,015	56,745	55,318
Electric Energy Delivered (\$ in millions)					
CECONY full service customers	\$4,799	\$5,023	\$4,757	\$4,404	\$4,348
Delivery service for retail choice customers	2,683	2,646	2,714	2,768	2,712
Delivery service to NYPA customers and others	602	625	600	610	623
Other operating revenues	47	143	101	324	289
Total Deliveries in Franchise Area	\$8,131	\$8,437	\$8,172	\$8,106	\$7,972
Average Revenue per kWh Sold (Cents)					
Residential	27.0	28.9	26.3	24.9	25.3
Commercial and Industrial	20.6	22.1	20.6	19.1	19.7

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

#### Electric Peak Demand

The electric peak demand in CECONY's service area occurs during the summer air conditioning season. The weather during the summer of 2017 was cooler than design conditions. CECONY's 2017 service area peak demand was 12,321 MW, which occurred on July 20, 2017. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since NYISO-invoked demand reduction programs can be called upon under specific circumstances, design conditions do not include these programs' potential impact. However, the CECONY forecasted peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2018 service area peak demand will be 13,300 MW. The company forecasts an average annual growth in electric peak demand in its service area at design conditions over the next five years to be approximately 0.1 percent per year.

#### Electric Supply

Most of the electricity sold by CECONY to its full-service customers in 2017 was purchased under firm power contracts or through the wholesale electricity market administered by the NYISO. The company expects that these resources will again be adequate to meet the requirements of its customers in 2018. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts, purchased through the NYISO's wholesale electricity market, or generated from its electricity generating facilities. For information about the company's contracts for approximately 803 MW of electric generating capacity, see Notes I and O to the financial statements in Item 8. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases under these contracts and through the NYISO's wholesale electricity market. CECONY owns generating stations in New York City associated primarily with its steam system. As of December 31, 2017, the generating stations had a combined electric capacity of approximately 732 MW, based on 2017 summer test ratings. For information about electric generating capacity owned by the company, see "Electric Operations – Electric

Facilities – Generating Facilities,” above.

In general, the Utilities recover their purchased power costs, including the cost of hedging purchase prices, pursuant to rate provisions approved by the state public utility regulatory authority having jurisdiction. See “Financial

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and Commodity Market Risks – Commodity Price Risk” in Item 7 and “Recoverable Energy Costs” in Note A to the financial statements in Item 8. From time to time, certain parties have petitioned the NYSPSC to review these provisions, the elimination of which could have a material adverse effect on the Companies’ financial position, results of operations or liquidity.

CECONY monitors the adequacy of the electric capacity resources and related developments in its service area, and works with other parties on long-term resource adequacy within the framework of the NYISO. In addition, the NYISO has adopted reliability rules that include obligations on transmission owners (such as CECONY) to construct facilities that may be needed for system reliability if the market does not solve a reliability need identified by the NYISO. See “New York Independent System Operator,” above. In a July 1998 order, the NYSPSC indicated that it “agree(s) generally that CECONY need not plan on constructing new generation as the competitive market develops,” but considers “overly broad” and did not adopt CECONY’s request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity. In November 2012, the NYSPSC directed CECONY to work with NYPA to develop a contingency plan to address reliability concerns associated with the potential closure of the nuclear power plant at the Indian Point Energy Center (which is owned by Entergy Corporation subsidiaries). In October 2013, the NYSPSC approved three transmission projects and several energy efficiency, demand reduction and combined heat and power programs to address concerns associated with the potential closure. The transmission projects were placed into service in May 2016. See “Con Edison Transmission,” below. In February 2014, CECONY submitted to the NYSPSC the implementation plan for the energy efficiency, demand reduction and combined heat and power programs. In January 2017, New York State officials announced that, under an agreement reached with Entergy, one of the two nuclear reactors at Indian Point is scheduled to shut down by April 2020, while the other is scheduled to be closed a year later. On November 13, 2017, the NYISO indicated that Entergy completed its Generator Deactivation Notice for proposed retirements of the two nuclear reactors. On December 13, 2017, the NYISO completed its Deactivation Assessment of Indian Point pursuant to the requirements of its Open Access Transmission Tariff. It concluded that over its ten-year planning period, through 2027, there is no anticipated reliability need if the following three expected units finalize construction and enter service: Bayonne Energy Center II Uprate (Zone J, 120 MW); CPV Valley Energy Center (Zone G, 678 MW); and Cricket Valley Energy Center (Zone G, 1,020 MW). With these results, the NYISO states that Indian Point has satisfied the applicable requirements with respect to the Generator Deactivation Processes and may retire the units on or after the requested deactivation dates.

## Gas Operations

## Gas Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for gas facilities, which are primarily distribution facilities, were \$6,403 million and \$5,749 million at December 31, 2017 and 2016, respectively.

Natural gas is delivered by pipeline to CECONY at various points in or near its service territory and is distributed to customers by the company through an estimated 4,395 miles of mains and 371,236 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store 1,062 MDt of which a maximum of about 240 MDt can be withdrawn per day. The company has about 1,226 MDt of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 71.2 percent owned by CET Gas and 28.8 percent owned by CECONY.

## Gas Sales and Deliveries

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

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Gas Delivered (MDt)					
Firm Sales					
Full service	67,007	75,630	77,197	75,892	83,005
Firm transportation of customer-owned gas	61,139	68,731	72,864	68,442	71,353
Total Firm Sales	128,146	144,361	150,061	144,334	154,358
Interruptible Sales (a)	10,900	10,498	6,332	8,957	7,553
Total Gas Delivered to CECONY Customers	139,046	154,859	156,393	153,291	161,911
Transportation of customer-owned gas					
NYPA	48,682	47,548	44,038	43,101	37,033
Other (mainly generating plants and interruptible transportation)	87,379	105,012	104,857	109,000	83,117
Off-System Sales	4,638	15	389	—	55
Total Sales	279,745	307,434	305,677	305,392	282,116
Gas Delivered (\$ in millions)					
Firm Sales					
Full service	\$1,059	\$1,141	\$956	\$933	\$1,136
Firm transportation of customer-owned gas	414	453	458	426	524
Total Firm Sales	1,473	1,594	1,414	1,359	1,660
Interruptible Sales	69	91	46	34	35
Total Gas Delivered to CECONY Customers	1,542	1,685	1,460	1,393	1,695
Transportation of customer-owned gas					
NYPA	2	2	2	2	2
Other (mainly generating plants and interruptible transportation)	71	70	54	57	56
Off-System Sales	18	—	1	—	—
Other operating revenues (mainly regulatory amortizations)	(17)	(36)	11	56	148
Total Sales	\$1,616	\$1,721	\$1,528	\$1,508	\$1,901
Average Revenue per Dt Sold					
Residential	\$18.52	\$16.76	\$13.91	\$13.96	\$15.35
General	\$12.05	\$12.38	\$9.73	\$9.47	\$10.86

(a) Includes 5,362, 6,057, 1,229, 4,708 and 3,816 MDt for 2013, 2014, 2015, 2016 and 2017, respectively, which are also reflected in firm transportation and other.

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

### Gas Peak Demand

The gas peak demand for firm sales customers in CECONY's service area occurs during the winter heating season. The peak day demand during the winter 2017/2018 (through January 31, 2018) occurred on January 6, 2018 when the demand reached 1,410 MDt. "Design weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2018/2019 service area peak day demand will be 1,565 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric and steam generating stations. The company forecasts an average annual growth of the gas peak demand over the next five years at design conditions to be approximately 1.2 percent in its service area. The company is seeking to expand gas energy efficiency and demand response programs, develop programs to encourage alternatives to gas heating and has issued a request for proposals for non-pipeline solutions to an identified gas pipeline need. See "Utility Regulation – Reforming the Energy Vision," above.

### Gas Supply

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

Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation from upstream points where gas has been purchased to the Utilities' distribution systems, and for upstream storage services. Charges under these transportation and storage contracts are approved by the FERC. The Utilities are required to pay certain fixed charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately \$306 million in 2017, including \$268 million for CECONY. See "Contractual Obligations," below. At December 31, 2017, the contracts were for various terms extending to 2020 for supply and 2038 for transportation and storage. During 2017, CECONY entered into four new transportation and storage contracts. In addition, the Utilities purchase gas on the spot market and contract for interruptible gas transportation. See "Recoverable Energy Costs" in Note A, Note P and Note S to the financial statements in Item 8.

### Steam Operations

#### Steam Facilities

CECONY's capitalized costs for utility plant, net of accumulated depreciation, for steam facilities, including steam's portion of the steam-electric generation facilities, were \$1,798 million and \$1,882 million at December 31, 2017 and 2016, respectively. See "CECONY – Electric Operations – Electric Facilities," above.

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

#### Steam Sales and Deliveries

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

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Steam Sold (MMlb)					
General	547	594	538	465	490
Apartment house	6,181	6,574	6,272	5,792	5,754
Annual power	15,195	15,848	15,109	13,722	13,166
Total Steam Delivered to CECONY Customers	21,923	23,016	21,919	19,979	19,410
Steam Sold (\$ in millions)					
General	\$31	\$30	\$29	\$23	\$26

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Apartment house	187	180	176	148	158
Annual power	491	469	453	378	392
Other operating revenues	(26)	(51)	(29)	2	19
Total Steam Delivered to CECONY Customers	\$683	\$628	\$629	\$551	\$595
Average Revenue per MMlb Sold	\$32.34	\$29.50	\$30.02	\$27.48	\$29.68

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

#### Steam Peak Demand and Capacity

Demand for steam in CECONY's service area peaks during the winter heating season. The one-hour peak demand during the winter of 2017/2018 (through January 31, 2018) occurred on January 5, 2018 when the demand reached 7.9 MMlb per hour. "Design weather" for the steam system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company's estimate for the winter of 2018/2019 peak demand of its steam customers is about 9.0 MMlb per hour under design conditions. The company forecasts an average annual decrease in steam peak demand in its service area at design conditions over the next five years to be approximately 0.5 percent. On December 31, 2017, the steam system was capable of delivering approximately 11.6 MMlb of steam per hour, and CECONY estimates that the system will have the same capability in the 2018/2019 winter.

#### Steam Supply

35 percent of the steam produced by CECONY in 2017 was supplied by the company's steam-only generating assets; 48 percent was produced by the company's steam-electric generating assets, where steam and electricity are primarily cogenerated; and 17 percent was purchased under an agreement with Brooklyn Navy Yard Cogeneration Partners L.P.

#### O&R

##### Electric Operations

##### Electric Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were \$963 million and \$916 million at December 31, 2017 and 2016, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were \$220 million and \$221 million at December 31, 2017 and 2016, respectively.

O&R and RECO own, in whole or in part, transmission and distribution facilities which include 532 circuit miles of transmission lines, 15 transmission substations, 62 distribution substations, 85,835 in-service line transformers, 3,743 pole miles of overhead distribution lines and 2,138 miles of underground distribution lines. O&R's transmission system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by PJM.

##### Electric Sales and Deliveries

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

The company charges all customers in its service area for the delivery of electricity. O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. O&R's New York electric revenues (which accounted for 76 percent of O&R's electric revenues in 2017) are subject to a revenue decoupling mechanism. As a result, O&R's New York electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism. O&R's electric sales and deliveries for the last five years were:



	Year Ended December 31,				
	2013	2014	2015	2016	2017
Electric Energy Delivered (millions of kWh)					
Total deliveries to O&R full service customers	2,555	2,429	2,499	2,555	2,435
Delivery service for retail choice customers	3,166	3,240	3,237	3,180	2,976
Total Deliveries In Franchise Area	5,721	5,669	5,736	5,735	5,411
Electric Energy Delivered (\$ in millions)					
Total deliveries to O&R full service customers	\$427	\$455	\$441	\$426	\$433
Delivery service for retail choice customers	192	207	213	213	201
Other operating revenues	9	18	9	(2)	8
Total Deliveries In Franchise Area	\$628	\$680	\$663	\$637	\$642
Average Revenue Per kWh Sold (Cents)					
Residential	18.1	20.3	19.2	18.4	19.8
Commercial and Industrial	14.8	16.8	15.4	14.3	15.0

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

#### Electric Peak Demand

The electric peak demand in O&R's service area occurs during the summer air conditioning season. The weather during the summer of 2017 was cooler than design conditions. O&R's 2017 service area peak demand was 1,410 MW, which occurred on June 13, 2017. "Design weather" for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the NYISO can invoke demand reduction programs under specific circumstances, design conditions do not include these programs' potential impact. However, the O&R forecasted peak demand at design conditions does include the impact of certain demand reduction programs. The company estimates that, under design weather conditions, the 2018 service area peak demand will be 1,620 MW. The company forecasts an average annual growth in electric peak demand in its service area at design conditions over the next five years to be flat every year.

#### Electric Supply

The electricity O&R sold to its full-service customers in 2017 was purchased under firm power contracts or through the wholesale electricity market. The company expects that these resources will again be adequate to meet the requirements of its customers in 2018. O&R does not own any electric generating capacity. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts or purchased through the wholesale electricity market. To reduce the volatility of its customers' electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases. For information about the company's contracts, see Note O to the financial statements in Item 8.

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

#### Gas Operations

##### Gas Facilities

O&R's capitalized costs for utility plant, net of accumulated depreciation for gas facilities, which are primarily distribution facilities, were \$573 million and \$536 million at December 31, 2017 and 2016, respectively. Natural gas is delivered by pipeline to O&R at various points in or near its service territory and is distributed to customers by the

company through an estimated 1,876 miles of mains and 105,265 service lines.

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## Gas Sales and Deliveries

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

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Gas Delivered (MDt)					
Firm Sales					
Full service	8,808	9,529	9,348	9,723	10,480
Firm transportation	12,062	12,592	11,752	10,381	9,873
Total Firm Sales	20,870	21,121	21,100	20,104	20,353
Interruptible Sales	4,118	4,216	4,205	3,853	3,771
Total Gas Delivered to O&R Customers	24,988	25,337	25,305	23,957	24,124
Transportation of customer-owned gas					
Sales for resale	885	945	906	867	896
Sales to electric generating stations	19	70	25	18	9
Off-System Sales	—	3	62	16	6
Total Sales	25,892	27,355	26,298	24,858	25,035

	Year Ended December 31,				
	2013	2014	2015	2016	2017
Gas Delivered (\$ in millions)					
Firm Sales					
Full service	\$115	\$121	\$91	\$99	\$139
Firm transportation	77	75	68	70	74
Total Firm Sales	192	196	159	169	213
Interruptible Sales	3	2	3	3	7
Total Gas Delivered to O&R Customers	195	198	162	172	220
Transportation of customer-owned gas					
Sales to electric generating stations	—	1	—	—	—
Other operating revenues	10	13	20	12	12
Total Sales	\$205	\$212	\$182	\$184	\$232

Average Revenue Per Dt Sold					
Residential	\$13.31	\$13.01	\$10.11	\$10.71	\$13.86
General	\$11.53	\$11.30	\$8.24	\$8.17	\$11.08

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

## Gas Peak Demand

The gas peak demand for firm sales customers in O&R's service area occurs during the winter heating season. The peak day demand during the winter 2017/2018 (through January 31, 2018) occurred on January 6, 2018 when the demand reached 211 MDt. "Design weather" for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that, under design weather conditions, the 2018/2019 service area peak day demand will be 223 MDt. The forecasted peak day demand at design conditions does not include gas used by interruptible gas customers including electric generating stations. The company forecasts an average annual growth of the gas peak demand over the next five years at design conditions to be approximately 0.3 percent in its service area.

Gas Supply

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

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## Clean Energy Businesses

## Con Edison Development

Con Edison Development develops, owns and operates renewable and energy infrastructure projects. The company focuses its efforts on renewable electric production projects, and at the end of 2016 was the fifth largest owner of operating photovoltaic solar capacity in North America. The output of most of the projects is sold under long-term power purchase agreements (PPA) with utilities and municipalities. The following table shows the generating capacity (MW AC) of Con Edison Development's renewable electric production projects in operation at the end of the last five years:

Generating Capacity (MW AC)	2013	2014	2015	2016	2017
Renewable electric production projects	292	446	748	1,098	1,358

The following table provides information about the projects the company has in operation and/or in construction at December 31, 2017:

Project Name	Production Technology	Generating Capacity (a) (MW AC)	Purchased Power Agreement (PPA) Term (In Years) (b)	Actual/Expected In-Service Date (c)	Location (State)
Wholly owned projects					
Pilesgrove	Solar	18	(d)	2011	New Jersey
Flemington Solar	Solar	8	(d)	2011	New Jersey
Frenchtown I, II and III	Solar	14	(d)	2011-13	New Jersey
PA Solar	Solar	10		2012	Pennsylvania
California Solar 2 (e)	Solar	80	20	2014-16	California
Oak Tree Wind	Wind	20	20	2014	South Dakota
Texas Solar 3	Solar	6	25	2015	Texas
Texas Solar 5 (e)	Solar	95	25	2015	Texas
Campbell County Wind	Wind	95	30	2015	South Dakota
Texas Solar 7 (e)	Solar	106	25	2016	Texas
California Solar 3 (e)	Solar	110	20	2016	California
Adams Wind (e)	Wind	23	7	2016	Minnesota
Valley View (e)	Wind	10	14	2016	Minnesota
Coram (e)	Wind	102	16	2016	California
Upton County Solar (e)	Solar	158	25	2017	Texas
Panoche Valley (partial)	Solar	62	20	2017	California
Projects of less than 5 MW	Solar / Wind	30	Various	Various	Various
Jointly owned projects					
(e) (f)					
California Solar	Solar	55	25	2012-13	California
Mesquite Solar 1	Solar	83	20	2013	Arizona
Copper Mountain Solar 2	Solar	75	25	2013-15	Nevada
Copper Mountain Solar 3	Solar	128	20	2014-15	Nevada
Broken Bow II	Wind	38	25	2014	Nebraska
Texas Solar 4	Solar	32	25	2014	Texas
Total MW (AC) in Operation		1,358			
Panoche Valley (partial)	Solar	178	20	2018	California
Big Timber	Wind	25	25	2018	Montana

Total MW (AC) in Construction	203
Total MW (AC), All Projects	1,561

- (a) Represents Con Edison Development's ownership interest in the project.
- (b) Represents PPA contractual term or remaining term from Con Edison Development's date of acquisition.
- (c) Represents Actual/Expected In-Service Date or Con Edison Development's date of acquisition.
- (d) Solar Renewable Energy Credit hedges are in place, in lieu of PPAs, through 2021.
- (e) Project has been pledged as security for debt financing.
- (f) All of the jointly-owned projects are 50 percent owned, except for Texas Solar 4 (which is 80 percent owned). See Note Q to the financial statements in Item 8.

Con Edison Development's renewable electric production volumes generated for the twelve months ended December 31, 2017 compared with the 2016 period were:

Description	Millions of kWh Generated For the Years Ended December 31,			
	2017	2016	Variation	Percent Variation
Renewable electric production projects				
Solar	2,158	1,565	593	37.9 %
Wind	988	651	337	51.8 %
Total	3,146	2,216	930	42.0 %

In May 2017, Con Edison Development sold a development-stage solar electric production project for \$11 million and agreed to perform engineering, procurement and construction for the project (see Note U to the financial statements in Item 8).

#### Con Edison Energy

Con Edison Energy provides services to manage the dispatch, fuel requirements and risk management activities for 7,040 MW of generating plants and merchant transmission in the northeastern United States owned by unrelated parties and manages energy supply assets leased from others. The company also provides wholesale hedging and risk management services to renewable electric production projects owned by Con Edison Development and Con Edison Solutions.

#### Con Edison Solutions

Con Edison Solutions provides energy-efficiency services to government and commercial customers. The services include the design and installation of lighting retrofits, high-efficiency heating, ventilating and air conditioning equipment and other energy saving technologies. The company is compensated for its services based primarily on the increased energy efficiency of the installed equipment over a multi-year period. Con Edison Solutions has won competitive solicitations for energy savings contracts with the United States Department of Energy and the United States Department of Defense, and a shared energy savings contract with the United States Postal Service. The company also develops, owns and operates behind-the-meter renewable energy projects, predominately in Massachusetts and New York, with an aggregate capacity of 45 MW (AC).

In September 2016, Con Edison Solutions sold its retail electric supply business to a subsidiary of Exelon Corporation for cash consideration of \$235 million. In addition, Con Edison received \$23 million in cash as a working capital adjustment in February 2017. The retail electric supply business primarily sold electricity to industrial, commercial and governmental customers in the northeastern United States and Texas and also sold electricity to residential and small commercial customers (mass retail market) in the northeastern United States. See Note U to the financial statements in Item 8. Con Edison Solutions' electricity sales for the last five years were:

	2013	2014	2015	2016	2017
Retail electric volumes sold (millions of kWh)	12,167	11,871	13,594	9,843	—

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

#### Con Edison Transmission

##### CET Electric

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

NY Transco's existing projects include three (called the TOTS Projects) that the NYSPSC approved in October 2013 in its proceeding to address potential needs that could arise should the Indian Point Energy Center (which is owned by

Entergy Corporation subsidiaries) no longer be able to operate. The TOTS Projects include the two projects that CECONY developed and transferred to the NY Transco (see Note U to the financial statements in Item 8) and one project that another regulated affiliate of NY Transco developed. See “CECONY – Electric Operations – Electric Supply,” above.

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In April 2015, FERC issued an order granting certain transmission incentives for NY Transco projects. In March 2016, the FERC approved a November 2015 settlement agreement that provides, in relation to the TOTS projects, for a 10 percent return on common equity (and/or 9.5 percent for capital costs in excess of \$228 million incurred for initial commercial operation) and a maximum common equity ratio of 53 percent. The costs of the projects are allocated across New York State, with 63 percent to load serving entities in the CECONY and O&R service areas. In December 2015, the NYSPSC issued an order in its competitive proceeding to select transmission projects that would relieve transmission congestion between upstate and downstate. The NYSPSC determined that there is a public policy need for new transmission to address the congestion, such as a project (\$1,000 million estimated cost) proposed on behalf of NY Transco. This NY Transco project, would be developed, at least initially, by National Grid and NY Transco. The NYSPSC also directed certain developers, including NY Transco, to submit project(s) to the NYISO. The NYISO evaluated the submitted projects under its FERC-approved public policy planning process and, in October 2016, submitted its list of viable and sufficient projects (including the NY Transco project) to the NYSPSC for its determination as to whether the transmission need still exists. In January 2017, the NYSPSC found that the public policy need still exists, asking the NYISO to proceed with selection. The NYISO may select one or more of the viable and sufficient projects for development. In November 2017, FERC approved an August 2017 settlement agreement that provides for a 10.65 percent return on common equity (subject to a cost containment mechanism) and a maximum common equity ratio of 53 percent. Under the settlement agreement, the costs of the projects are allocated across New York State, with approximately 84 percent to load serving entities in the CECONY and O&R service areas. The cost of the project(s) selected by the NYISO would be recoverable through the NYISO's tariff.

#### CET Gas

CET Gas, through its subsidiaries, owns a 50 percent interest in Stagecoach Gas Services LLC (Stagecoach), a 71.2 percent interest in Honeoye Storage Corporation (Honeoye) and a 12.5 percent ownership interest in Mountain Valley Pipeline LLC (MVP). Stagecoach is a joint venture with a subsidiary of Crestwood Equity Partners LP (Crestwood) to own, operate and further develop a gas pipeline and storage business located in northern Pennsylvania and southern New York. Stagecoach provides services to its customers (including CECONY, see Note S to the financial statements in Item 8) through its 181 miles of pipe and 41 Bcf of storage capacity. Honeoye, in which CECONY owns the remaining interest, operates a gas storage facility in upstate New York. MVP is a joint venture with four other partners developing a proposed 300-mile gas transmission project in West Virginia and Virginia. In October 2017, FERC issued a Certificate of Public Convenience and Necessity for the Mountain Valley Pipeline. Environmental groups have filed a rehearing request with FERC and petitioned the U.S. Court of Appeals for the District of Columbia for review of the FERC's order issuing the certificate. In February 2018, the court denied their requests to stay commencement of construction until after these matters relating to the FERC's order had been decided. MVP has indicated that the project has an estimated total cost of \$3,000 million to \$3,500 million, and is targeted to be fully in-service during the fourth quarter of 2018. See Note S and Note U to the financial statements in Item 8.

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

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## Capital Requirements and Resources

## Capital Requirements

The following table contains the Companies' capital requirements for the years 2015 through 2017 and their current estimate of amounts for 2018 through 2020:

(Millions of Dollars)	Actual			Estimate		
	2015	2016	2017	2018	2019	2020
CECONY (a)(b)						
Electric	\$1,658	\$1,819	\$1,905	\$1,938	\$1,868	\$1,894
Gas	671	811	909	970	970	1,015
Steam	106	126	90	105	95	87
Sub-total	2,435	2,756	2,904	3,008	2,933	2,996
O&R						
Electric	114	114	128	139	146	137
Gas	46	52	61	62	56	53
Sub-total	160	166	189	201	202	190
Con Edison Transmission						
CET Electric	—	51	—	—	—	—
CET Gas	—	1,027	66	360	14	—
Sub-total	—	1,078	66	360	14	—
Clean Energy Businesses	823	1,235	447	400	400	400
Total capital expenditures	3,418	5,235	3,606	3,969	3,549	3,586
Retirement of long-term securities						
Con Edison – parent company	2	2	402	2	3	402
CECONY	350	650	—	1,200	475	350
O&R	143	79	4	55	62	—
Clean Energy Businesses	4	4	28	41	38	39
Total retirement of long-term securities	499	735	434	1,298	578	791
Total capital requirements	\$3,917	\$5,970	\$4,040	\$5,267	\$4,127	\$4,377

(a) CECONY's capital expenditures for environmental protection facilities and related studies were \$224 million, \$259 million and \$381 million in 2015, 2016 and 2017, respectively, and are estimated to be \$426 million in 2018.

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

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

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

## Contractual Obligations

The following table summarizes the Companies' material obligations at December 31, 2017 to make payments pursuant to contracts. Long-term debt, capital lease obligations and other noncurrent liabilities are included on their balance sheets. Operating leases and electricity purchase agreements (for which undiscounted future annual payments

are shown) are described in the notes to the financial statements.

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(Millions of Dollars)	Payments Due by Period				
	Total	1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Long-term debt (Statement of Capitalization)					
CECONY	\$13,386	\$1,200	\$825	\$—	\$11,361
O&R	666	55	62	—	549
Clean Energy Businesses	915	41	77	82	715
Parent	1,204	2	405	797	—
Interest on long-term debt (a)	13,314	734	1,258	1,179	10,143
Total long-term debt, including interest	29,485	2,032	2,627	2,058	22,768
Capital lease obligations (Note J)					
CECONY	1	1	—	—	—
Total capital lease obligations	1	1	—	—	—
Operating leases (Notes J and Q)					
CECONY	918	55	111	107	645
O&R	5	1	3	1	—
Clean Energy Businesses	133	7	12	13	101
Total operating leases	1,056	63	126	121	746
Purchase obligations					
Electricity purchase power agreements – Utilities (Note I)					
CECONY					
Energy	2,136	96	197	204	1,639
Capacity (b)	1,338	255	309	118	656
Total CECONY	3,474	351	506	322	2,295
O&R					
Energy and Capacity (b)	126	63	62	1	—
Total electricity and purchase power agreements – Utilities	3,600	414	568	323	2,295
Natural gas supply, transportation, and storage contracts – Utilities (c)					
CECONY					
Natural gas supply	227	186	41	—	—
Transportation and storage	3,197	260	588	545	1,804
Total CECONY	3,424	446	629	545	1,804
O&R					
Natural gas supply	35	28	7	—	—
Transportation and storage	486	40	89	83	274
Total O&R	521	68	96	83	274
Total natural gas supply, transportation and storage contracts	3,945	514	725	628	2,078
Other purchase obligations					
CECONY (d)	5,192	1,421	2,287	1,460	24
O&R (d)	300	88	99	50	63
Clean Energy Businesses (e)	243	204	33	3	3
Total other purchase obligations	5,735	1,713	2,419	1,513	90
Total	\$43,822	\$4,737	\$6,465	\$4,643	\$27,977

(a) Includes interest on variable rate debt calculated at rates in effect at December 31, 2017.

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

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

(d)

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

Amounts represent commitments to purchase minimum quantities of electric energy and capacity, renewable (e)energy certificates, natural gas, natural gas pipeline capacity, energy efficiency services and construction services entered into by the Clean Energy Businesses.

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

#### Capital Resources

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

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

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

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

Con Edison plans to meet its 2018 capital requirements through internally-generated funds and the issuance of securities. The company's plans include the issuance of between \$1,300 million and \$1,800 million of long-term debt at the Utilities, and the issuance of additional debt secured by its renewable electric production projects. The plans also include the issuance of up to \$450 million of common equity in addition to equity under its dividend reinvestment, employee stock purchase and long term incentive plans. The plans do not reflect the provision to the Utilities' customers of any TCJA benefits that the NYSPSC and the NJBPU may require to be provided. See "Changes to Tax Laws Could Adversely Affect the Companies" in Item 1A, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

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

In 2016, the NYSPSC authorized CECONY, through 2019, to issue up to \$5,200 million of debt securities (\$2,500 million of which the company had issued as of December 31, 2017). In 2017, the NYSPSC authorized O&R, through 2021, to issue up to \$310 million of debt securities (none of which the company had issued as of December 31, 2017). The NYSPSC also authorized CECONY and O&R for such periods to issue up to \$2,500 million and \$150 million, respectively, of debt securities to refund existing debt securities. At December 31, 2017, the Utilities had not refunded any securities pursuant to this authorization.

The Clean Energy Businesses have financed their operations and capital requirements primarily with capital contributions and borrowings from Con Edison, internally-generated funds and external borrowings. Con Edison Transmission has financed its operations and capital requirements primarily with capital contributions and borrowings from Con Edison and internally-generated funds. See "Liquidity and Capital Resources" in Item 7.

For each of the Companies, the ratio of earnings to fixed charges (SEC basis) for the last five years was:

Ratio of Earnings to Fixed Charges				
2013	2014	2015	2016	2017

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Con Edison	3.0	(a) 3.6	3.5	3.6	3.6
CECONY	3.7	3.8	3.6	3.6	3.7

(a) Reflects \$95 million after-tax charge to earnings relating to Con Edison Development's LILO transactions that were terminated in 2013.

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

Common Equity Ratio  
(Percent of total  
capitalization)  
2013 2014 2015 2016 2017

Con Edison 54.0 52.2 52.1 49.3 51.1

CECONY 53.8 50.9 51.4 49.5 50.8

At December 31, 2017, the credit ratings assigned by Moody's, S&P and Fitch to the senior unsecured debt and commercial paper of Con Edison, CECONY and O&R were as follows:

	Moody's	S&P	Fitch
Con Edison			
Senior Unsecured Debt	A3	BBB+	BBB+
Commercial Paper	P-2	A-2	F2
CECONY			
Senior Unsecured Debt	A2	A-	A-
Commercial Paper	P-1	A-2	F2
O&R			
Senior Unsecured Debt	A3	A-	A-
Commercial Paper	P-2	A-2	F2

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

CECONY has \$636 million of tax-exempt debt for which the interest rates are to be determined pursuant to periodic auctions. Of this amount, \$391 million is insured by Ambac Assurance Corporation and \$245 million is insured by Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.). Credit rating agencies have withdrawn the ratings of these insurers. Subsequently, there have not been sufficient bids to determine the interest rates pursuant to auctions, and interest rates have been determined by reference to a variable rate index. The weighted average annual interest rate on this tax-exempt debt was 2.05 percent on December 31, 2017. The weighted average interest rate was 1.41 percent, 0.75 percent and 0.14 percent for the years 2017, 2016 and 2015, respectively. Under CECONY's current electric, gas and steam rate plans, variations in auction rate debt interest expense are reconciled to the levels set in rates.

## Environmental Matters

### Climate Change

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

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

Based on the most recent data (2016) published by the U.S. Environmental Protection Agency (EPA), Con Edison estimates that its direct GHG emissions constitute less than 0.1 percent of the nation's GHG emissions. Con Edison's estimated emissions of GHG during the past five years were:

(Metric tons, in millions (a)) 2013 2014 2015 2016 2017

CO2 equivalent emissions 3.4 3.2 3.2 3.1 3.0

(a) Estimated emissions for 2017 are based on preliminary data and are subject to third-party verification.

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

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

NYSERDA and New York utilities had been responsible for implementing the Energy Efficiency Portfolio Standard (EEPS) established by the NYSPSC through energy efficiency programs designed and managed by NYSERDA and the utilities and authorized by the NYSPSC. CECONY billed customers EEPS surcharges of approximately \$103 million in 2015 and 2014 to fund these programs. EEPS authorization ended December 2015. Beginning January 2016, New York utilities have implemented Energy Efficiency Transition Implementation Plans (ETIPs) and are responsible for designing and managing their energy efficiency programs consistent with NYSPSC-approved, utility-specific program budgets and metrics. Effective January 2016, the utilities are recovering the costs of their ETIP programs from their customers primarily through NYSPSC-approved energy efficiency tracker surcharge mechanisms. The Utilities billed customers \$99 million and \$107 million in 2017 and 2016, respectively, through the tracker surcharge mechanism. Pursuant to CECONY's current electric rate plan, the company will supplement its existing ETIP programs with new energy efficiency, electric vehicle and system peak reduction programs, the cost of which will be reflected in base rates. See Note B to the financial statements in Item 8. The annual budgets of the existing and new programs are approximately \$150 million and \$208 million in 2018 and 2019, respectively. Through the Utilities' energy-efficiency programs, customers reduced their annual energy use by approximately 1,578,000 MWh of electricity and 2,141,000 Dt of gas from the programs' inception in 2009 through 2017, resulting in their avoiding the release of approximately 1,162,000 short tons of GHG into the atmosphere in 2017. In addition, CECONY's other demand-side management programs assisted customers in reducing their annual energy use by approximately 345,000 MWh of electricity from the programs' inception in 2004 through 2017, resulting in their avoiding the release of approximately 195,000 short tons of GHG into the atmosphere in 2017.

Emissions are also avoided by renewable electric production facilities replacing fossil-fueled electric production facilities. NYSERDA has been responsible for implementing the renewable portfolio standard (RPS) established by the NYSPSC. NYSERDA has entered into long-term agreements with developers of large renewable electric production facilities and pays them premiums based on the facilities' electric output. These facilities sell their energy output in the wholesale energy market administered by the NYISO. As a result of the Utilities' participation in the NYISO wholesale markets, a portion of the Utilities' NYISO energy purchases are sourced from renewable electric production facilities. NYSERDA also has provided rebates to customers who installed eligible renewable electric production technologies. The electricity produced by such customer-sited renewables generation offsets the energy that the Utilities would otherwise have procured, thereby reducing the amount of electricity produced by non-renewable production facilities. The Utilities billed customers RPS surcharges of \$19 million in 2016, (and approximately \$697 million cumulatively from 2006) to fund these NYSERDA programs. In March 2016, NYSERDA reported that the statewide environmental benefits of having electricity generated by renewable production facilities from 2006 through 2015, as opposed to the State's "system-mix," amounts to approximately 6,700 tons of nitrogen oxides, 12,200 tons of sulfur dioxides and 6.4 million tons of carbon dioxide in reduced emissions over this time period. In January 2016, the NYSPSC approved a 10-year \$5,300 million clean energy fund to be managed by NYSERDA under the NYSPSC's supervision. The clean energy fund has four portfolios: market development; innovation and research; NY Green Bank and NY Sun. The Utilities have eliminated the separate RPS tariff and now collect all clean energy fund surcharges through the system benefit charge (including previously authorized RPS,

EEPS, Technology and Market Development collections and incremental clean energy fund collections to be collected from electric customers only). The Utilities billed customers clean energy fund surcharges of \$298 million and \$277 million in 2017 and 2016, respectively. For information about NYSPSC proceedings considering renewable generation see "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," above.

In June 2015, the New York State Energy Planning Board released its 2015 State Energy Plan. Under New York State law, any energy-related action or decision of State agencies must be reasonably consistent with the plan. The

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plan reflects clean energy initiatives, including the REV proceeding, NYSERDA's clean energy fund and the following goals for New York State to meet by 2030: a 40 percent reduction in greenhouse gas emissions from 1990 levels; 50 percent of electric generation from renewable energy sources; and a 23 percent decrease in energy consumption in buildings from 2012 levels. For information about the NYSPSC's adoption of a clean energy standard to mandate achievement of the State Energy Plan's goals, see "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," above. Also, New York State and New York City have announced goals to reduce GHG emissions 80 percent below 1990 and 2005, respectively, levels by 2050.

In 2015, the United States Environmental Protection Agency (EPA) issued its Clean Power Plan to reduce carbon dioxide emissions from existing power plants 32 percent from 2005 levels by 2030. Under the Clean Power Plan, each state is required to submit for EPA approval a plan to reduce its emissions to specified rate-based or equivalent mass-based target levels (as determined in accordance with the Clean Power Plan) applicable to the state. For New York State, the emissions rate-based target level for 2030 is approximately 20 percent below its 2012 emissions rate. State plans may, among other things, include participation in regional cap-and-trade programs. In 2017, the EPA proposed to repeal its Clean Power Plan and issued an advanced notice of proposed rulemaking to solicit information as the EPA considers proposing a future rule.

CECONY is subject to carbon dioxide emissions regulations established by New York State under RGGI. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, established a decreasing cap on carbon dioxide emissions resulting from the generation of electricity. Under RGGI, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market. CECONY has purchased sufficient allowances of 6.64 million short tons to meet its requirement for the most recent RGGI compliance period (2015-2017). CECONY will purchase RGGI allowances during the next compliance period (2018-2020) based on anticipated emissions, which are expected to be similar to past compliance periods.

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

#### Environmental Sustainability

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

#### CECONY

##### Superfund

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

##### Manufactured Gas Sites

CECONY and its predecessors formerly owned and operated manufactured gas plants at 51 sites (MGP Sites) in New York City and Westchester County. Many of these sites have been subdivided and are now owned by parties other than CECONY and have been redeveloped for other uses, including schools, residential and commercial developments and hospitals. The New York State Department of Environmental Conservation (NYSDEC) is requiring

CECONY to investigate, and if necessary, develop and implement remediation programs for the sites, including any neighboring areas to which contamination may have migrated.

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

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Coal tar or other MGP-related contaminants have been detected at the remaining 36 sites. Remedial actions have been completed at all or portions of six sites and the NYSDEC has issued NFA letters for these sites. In addition, remedial actions have been completed by property owners at all or portions of three sites under the NYS Brownfield Cleanup Program and Certificates of Completion have been issued by the NYSDEC for these sites. Remedial design is ongoing for the remaining sites, however, the information as to the extent of contamination and scope of the remediation likely to be required for many of these sites is incomplete. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites (other than the Astoria site which is discussed below) could range from \$453 million to \$2,110 million.

#### Astoria Site

CECONY is permitted by the NYSDEC to operate a hazardous waste storage facility on property owned by it in the Astoria section of Queens, New York. Portions of the property were formerly the location of a manufactured gas plant and also have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas and the maintenance and storage of electric equipment. As a condition of its NYSDEC permit, the company is required to investigate the property and, where environmental contamination is found and action is necessary, to remediate the contamination. The company's investigations are ongoing. The company has submitted to the NYSDEC and the New York State Department of Health reports and in the future will be submitting additional reports identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on the property could range from \$163 million to \$503 million.

#### Gowanus Canal

In August 2009, CECONY received a notice of potential liability and request for information from the EPA about the operations of the company and its predecessors at sites adjacent to or near the 1.8 mile Gowanus Canal in Brooklyn, New York. In March 2010, the EPA added the Gowanus Canal to its National Priorities List of Superfund sites. The canal's adjacent waterfront is primarily commercial and industrial, currently consisting of concrete plants, warehouses and parking lots. The canal is near several residential neighborhoods. In September 2013, the EPA issued its record of decision for the site. The EPA concluded that there was significant contamination at the site, including polycyclic aromatic hydrocarbons, polychlorinated biphenyls (PCBs), pesticides, metals and volatile organic compounds. The EPA selected a remedy for the site that includes dredging and disposal of some contaminated sediments and stabilization and capping of contamination that will not be removed. The EPA estimated the cost of the selected remedy to be \$506 million (and indicated the actual cost could be significantly higher or lower). The EPA has identified 39 potentially responsible parties (PRPs) with respect to the site, including CECONY (which the EPA indicated has facilities that may be a source of PCBs at the site). The EPA has ordered the PRPs, including CECONY, to coordinate and cooperate with each other to perform and/or fund the remedial design for the selected remedy, which current estimates indicate could cost approximately \$68 million. CECONY is participating with other PRPs in an allocation process to determine each PRP's share of the liability for these remedial design costs. In June 2015, other Federal agencies and the NYSDEC notified the PRPs of their intent to perform a natural resource damage assessment for the site. CECONY is unable to estimate its exposure to liability for the Gowanus Canal site.

#### Newtown Creek

In June 2017, CECONY received a notice of potential liability from the EPA with respect to the Newtown Creek site that was listed in 2010 on the EPA's National Priorities List of Superfund sites. The EPA has identified 14 potentially responsible parties (PRPs) with respect to the site, including CECONY, and has indicated that it will notify the company as additional PRPs are identified and notified by the EPA. Newtown Creek and its tributaries (collectively, Newtown Creek) form a 3.8 mile border between Brooklyn and Queens, New York. Currently, the predominant land use around Newtown Creek includes industrial, petroleum, recycling, manufacturing and distribution facilities and warehouses. Other uses include trucking, concrete manufacture, transportation infrastructure and a wastewater treatment plant. Newtown Creek is near several residential neighborhoods. Six PRPs, not including CECONY, pursuant to an administrative settlement agreement and order on consent the EPA issued to them in 2011, have been performing a remedial investigation of the site. The EPA indicated that sampling events have shown the sediments in

Newtown Creek to be contaminated with a wide variety of hazardous substances including PCBs, metals, pesticides, polycyclic aromatic hydrocarbons and volatile organic compounds. The EPA also indicated that it has reason to believe that hazardous substances have come to be released from CECONY facilities into Newtown Creek. The EPA's current schedule anticipates completion of a feasibility study for the site by late 2018 and issuance of its record of decision selecting a remedy for the site by late 2020. CECONY is unable to estimate its exposure to liability for the Newtown Creek site.



### Other Superfund Sites

In September 2007, the NYSDEC demanded that the company investigate and remediate PCB contamination that may have migrated from a former CECONY service center facility in Flushing New York, into the adjacent Flushing River. In April 2008, the company and the NYSDEC entered into a consent order under which the company agreed to implement a NYSDEC-approved investigation program for the Flushing River and, if deemed necessary by the NYSDEC to protect human health and the environment, to implement a NYSDEC-approved remediation program for any PCB contamination in the river attributable to the site. In March 2011, the company submitted to the NYSDEC a report indicating that PCBs had migrated from the site to sediment in a portion of the river. In August 2013, the NYSDEC selected a remedy that requires the company to submit a remedial design report, remove contaminated sediment, restore the river bed with clean material, prepare a site management plan and implement institutional controls. The final remedial design was submitted to and approved by the NYSDEC in 2017. CECONY has since procured a contractor, obtained all necessary permits and initiated the work in January 2018. The company estimates that its undiscounted potential liability for the completion of the cleanup in Flushing River could range from \$4 million to \$6 million.

In the fourth quarter of 2016, CECONY and another utility responded to a reported dielectric fluid leak at a New Jersey marina on the Hudson River associated with one or two underwater transmission lines, the New Jersey portion of which is owned and operated by the other utility and the New York portion of which is owned and operated by CECONY. During the third quarter of 2017, after the marina owner had cleared substantial debris from its collapsed pier, a dielectric fluid leak was found and repaired on one of the underwater transmission lines. In the fourth quarter of 2017, sediment regrading was completed in underwater areas of the marina that had been disturbed during the leak search and repair efforts. It also was discovered that the marina owner had previously placed substantial rip rap material over and in the vicinity of the feeders in an attempt to shore up its failing pier. The marina owner has now removed a portion of this material. In the first quarter of 2018, it is anticipated that CECONY and the other utility will continue their efforts to release residual dielectric fluid that may be trapped in the bottom of the marina. Monitoring also will be conducted to evaluate whether any further action is necessary. CECONY expects that, consistent with the cost allocation provisions of their prior arrangements for the transmission lines, the costs to respond to the incident and repair the line, net of any recovery from the marina owner, will be shared by CECONY and the other utility. At December 31, 2017, the response and repair costs amounted to approximately \$39 million, including those costs incurred by CECONY and those costs which the company has been notified have been incurred by the other utility and the U.S. Coast Guard.

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

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

The following table lists each of the additional Superfund sites for which the company anticipates it may have liability. The table also shows for each such site its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities for the site (shown in the table under "Start"), the name of the court or agency in which proceedings for the site are pending and CECONY's estimated percentage of the total liability for

each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages in aggregate for the sites below is less than \$2 million. Superfund liability is joint and several. The company's estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company's actual liability could differ substantially from amounts estimated.

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

O&R

Superfund

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

Manufactured Gas Sites

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

O&R has completed remedial investigations at all seven of its MGP sites and has received the NYSDEC's decision regarding the remedial work to be performed at six of the sites. Of the six sites, O&R has completed remediation at four sites. Remedial design is ongoing for the remaining two sites. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on MGP sites could range from \$100 million to \$156 million.

Superfund Sites

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

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

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

Other Federal, State and Local Environmental Provisions

Toxic Substances Control Act

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

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#### Water Quality

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

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

#### Air Quality

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

The EPA's Transport Rule (also referred to as the Cross-State Air Pollution Rule), which was implemented in January 2015, established a new cap and trade program requiring further reductions in air emissions than the Clean Air Intrastate Rule (CAIR) that it replaced. Under the Transport Rule, utilities are to be allocated emissions allowances and may sell the allowances or buy additional allowances. CECONY requested and received NYSPSC approval to change the provisions under which the company recovers its purchased power costs to provide for costs incurred to purchase emissions allowances and revenues received from the sale of allowances. CECONY complied with the Transport Rule in 2017 and expects to comply with the rule in 2018. If changes to the Transport Rule that have been proposed are adopted, the number of allowances allocated to CECONY would decrease and the company would be required to purchase allowances to offset the decreased allocation.

#### State Anti-Takeover Law

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

#### Employees

At December 31, 2017, Con Edison had no employees other than those of CECONY, O&R, the Clean Energy Businesses and Con Edison Transmission (which had 14,010, 1,216, 356 and 9 employees, respectively). Of the CECONY and O&R employees, 8,267 and 627 employees, respectively, were represented by a collective bargaining unit. The collective bargaining agreement covering most of these CECONY employees expires in June 2020. Agreements covering other CECONY employees and O&R employees expire in June 2021 and May 2019, respectively.

#### Available Information

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

#### Item 1A: Risk Factors

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

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

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

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**Regulatory/Compliance Risks:**

**The Companies Are Extensively Regulated And Are Subject To Penalties.** The Companies' operations require numerous permits, approvals and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the Utilities for violations of state utility laws, regulations or orders. In addition, the Utilities' rate plans usually include penalties for failing to meet certain operating and customer satisfaction standards. See Note B to the financial statements in Item 8. FERC has the authority to impose penalties on the Utilities and the Clean Energy Businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability and cyber security rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. The Companies may also be subject to penalties from other regulatory agencies. The Companies may be subject to new laws, regulations or other requirements or the revision or reinterpretation of such requirements, which could adversely affect them. In April 2014, the NYSPSC instituted its REV proceeding to improve system efficiency and reliability, encourage renewable energy resources, support distributed energy resources and empower customer choice. See "Utility Regulation" and "Environmental Matters – Climate Change and Other Federal, State and Local Environmental Provisions" in Item 1 and "Application of Critical Accounting Policies" in Item 7.

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

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

**The Intentional Misconduct of Employees or Contractors Could Adversely Affect the Companies.** The violation of laws or regulations by employees or contractors for personal gain may result from contract and procurement fraud, extortion, bribe acceptance, fraudulent related-party transactions and serious breaches of corporate policy or standards of business conduct. Such intentional misconduct by employees or contractors could result in substantial liability, higher costs and increased regulatory requirements. See "Employees" in Item 1.

**Operations Risks:**

**The Failure of, or Damage to, the Companies' Facilities Could Adversely Affect the Companies.** The Utilities provide electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. See the description of the Utilities' facilities in Item 1. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. A natural disaster such as a major storm, a heat wave or hurricane could damage facilities and the Utilities may experience more severe consequences from attempting to operate during and after such events. The Utilities' response to such events may be perceived to be below customer expectations. The Utilities could be required to pay substantial amounts that may not be covered by the Utilities' insurance policies to repair or replace their facilities, compensate others for injury or death

or other damage and settle any proceedings initiated by state utility regulators or other regulatory agencies. The occurrence of such events could also adversely affect the cost and availability of insurance. See “Other Regulatory Matters” in Note B and “Manhattan Explosion and Fire” in Note H to the financial statements in Item 8. Changes to laws, regulations or judicial doctrines could further expand the Utilities’ liability for service interruptions. See “Utility Regulation – State Utility Regulation” and “Environmental Matters” in Item 1.



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

**Environmental Risks:**

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

**Financial and Market Risks:**

**A Disruption In The Wholesale Energy Markets Or Failure By An Energy Supplier Could Adversely Affect The Companies.** Almost all the electricity and gas the Utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. See the description of the Utilities' energy supply in Item 1. A disruption in the wholesale energy markets or a failure on the part of the Utilities' energy suppliers or operators of energy delivery systems that connect to the Utilities' energy facilities could adversely affect their ability to meet their customers' energy needs and adversely affect the Companies. In addition, see "Financial and Commodity Market Risks" in Item 7.

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

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

**The Companies Require Access To Capital Markets To Satisfy Funding Requirements.** The Utilities estimate that their construction expenditures will exceed \$9,500 million over the next three years. The Utilities use internally-generated funds, equity contributions from Con Edison, if any, and external borrowings to fund the

construction expenditures. The Clean Energy Businesses and Con Edison Transmission are investing in renewable generation and energy infrastructure projects that require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds and the sale of its securities. Changes in financial market conditions or in the Companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof. See "Capital Requirements and Resources" in Item 1.

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Changes To Tax Laws Could Adversely Affect the Companies. Changes to tax laws, regulations or interpretations thereof could have a material adverse impact on the Companies. The reduction in the federal corporate income tax rate to 21 percent under the TCJA is expected to result in decreased cash flows from operating activities, and require increased cash flows from financing activities, for the Utilities as and when rates the Utilities charge their customers are adjusted to reflect the reduction. Depending on the extent of these changes in cash flows, the changes could adversely impact the Companies' credit ratings. See "Capital Requirements and Resources – Capital Resources" in Item 1, "Liquidity and Capital Resources – Cash Flows from Operating Activities" in Item 7, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

#### Other Risks:

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

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

#### Item 1B: Unresolved Staff Comments

Con Edison

Con Edison has no unresolved comments from the SEC staff.

CECONY

CECONY has no unresolved comments from the SEC staff.

#### Item 2: Properties

Con Edison

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

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

CECONY

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

O&R

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

Clean Energy Businesses

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

Con Edison Transmission

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

Item 3: Legal Proceedings

For information about certain legal proceedings affecting the Companies, see "Other Regulatory Matters" in Note B, "Superfund Sites" and "Asbestos Proceedings" in Note G and "Manhattan Explosion and Fire" in Note H to the financial statements in Item 8 and "Environmental Matters – CECONY – Superfund" and "Environmental Matters – O&R – Superfund" in Item 1 of this report, which information is incorporated herein by reference.

Item 4: Mine Safety Disclosures

Not applicable.

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## Executive Officers of the Registrant

The following table sets forth certain information about the executive officers of Con Edison as of February 15, 2018. The term of office of each officer, is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company.

Name	Age	Offices and Positions During Past Five Years
John McAvoy	57	5/14 to present – Chairman of the Board, President and Chief Executive Officer and Director of Con Edison and Chairman, Chief Executive Officer and Trustee of CECONY 12/13 to 4/14 – President and Chief Executive Officer and Director of Con Edison and Chief Executive Officer and Trustee of CECONY 1/13 to 11/13 – President and Chief Executive Officer of O&R
Robert Hoglund	56	9/05 to present – Senior Vice President and Chief Financial Officer of Con Edison and CECONY
Timothy P. Cawley	53	1/18 to present – President of CECONY 12/13 to 12/17 – President and Chief Executive Officer of O&R 11/13 – Senior Vice President of CECONY 12/12 to 10/13 – Senior Vice President – Central Operations of CECONY
Robert Sanchez	52	12/17 to present – President and Chief Executive Officer of O&R 11/17 – Senior Vice President of CECONY 9/16 to 10/17 – Senior Vice President – Corporate Shared Services of CECONY 9/14 to 8/16 – Vice President – Brooklyn & Queens Electric Operations of CECONY 5/11 to 8/14 – Vice President – System & Transmission Operations of CECONY
Mark Noyes	53	12/16 to present – President and Chief Executive Officer of Con Edison Clean Energy Businesses, Inc. 5/16 to present – President and Chief Executive Officer of Con Edison Solutions 10/15 to present – President and Chief Executive Officer of Con Edison Development and Con Edison Energy 10/14 to 9/15 – Senior Vice President and Chief Operating Officer of Con Edison Development and Con Edison Energy 3/09 to 9/14 – Vice President of Con Edison Development
Joseph P. Oates	56	9/16 to present – President and Chief Executive Officer of Con Edison Transmission, Inc. 1/16 to 8/16 – President of Con Edison Transmission, Inc. 9/15 to 8/16 – Senior Vice President – Corporate Shared Services of CECONY 9/12 to 8/15 – Senior Vice President – Business Shared Services of CECONY
Elizabeth D. Moore	63	5/13 to present – Senior Vice President and General Counsel of Con Edison and CECONY 5/09 to 4/13 – General Counsel of Con Edison and CECONY
Frances A. Resheske	57	2/02 to present – Senior Vice President – Corporate Affairs (formerly known as Public Affairs) of CECONY
Mary E. Kelly	49	11/17 to present – Senior Vice President – Corporate Shared Services of CECONY 1/16 to 10/17 – Vice President – Gas Engineering 1/14 to 12/15 – Vice President – Construction 5/09 to 12/14 – General Manager – Construction
Saumil P. Shukla	58	9/15 to present – Senior Vice President – Utility Shared Services of CECONY 10/14 to 8/15 – Vice President – Supply Chain (Shared Services) 9/07 to 9/14 – Vice President – Steam Operations of CECONY
Robert Muccilo	61	7/09 to present – Vice President and Controller of Con Edison and CECONY

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Yukari Saegusa 50 11/09 to present – Chief Financial Officer and Controller of O&R  
9/16 to present – Treasurer of Con Edison and CECONY  
8/16 to present – Vice President of Con Edison and CECONY  
8/13 to present – Treasurer of O&R  
3/13 to 7/16 – Director of Corporate Finance of CECONY  
12/08 to 3/13 – Managing Director, Debt Capital Markets at Barclays Capital

Gurudatta Nadkarni 52 1/08 to present – Vice President of Strategic Planning of CECONY

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## Part II

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

## Con Edison

Con Edison's Common Shares (\$.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange. As of January 31, 2018, there were 44,765 holders of record of Con Edison's Common Shares. The market price range for Con Edison's Common Shares during 2016 and 2017, as reported in the consolidated reporting system, and the dividends paid by Con Edison in 2016 and 2017 were as follows:

	2016			2017		
	High	Low	Dividends Paid	High	Low	Dividends Paid
1st Quarter	\$77.02	\$63.47	\$0.67	\$78.98	\$72.13	\$0.69
2nd Quarter	\$80.44	\$70.31	\$0.67	\$85.13	\$77.14	\$0.69
3rd Quarter	\$81.88	\$72.93	\$0.67	\$86.16	\$80.02	\$0.69
4th Quarter	\$76.03	\$68.76	\$0.67	\$89.70	\$80.26	\$0.69

On January 18, 2018, Con Edison declared a quarterly dividend of 71.5 cents per Common Share. The first quarter 2018 dividend will be paid on March 15, 2018.

Con Edison expects to pay dividends to its shareholders primarily from dividends and other distributions it receives from its subsidiaries. The payment of future dividends is subject to approval and declaration by Con Edison's Board of Directors and will depend on a variety of factors including business, financial and regulatory considerations. For additional information, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

During 2017, the market price of Con Edison's Common Shares increased by 15.3 percent (from \$73.68 at year-end 2016 to \$84.95 at year-end 2017). By comparison, the S&P 500 Index increased 19.4 percent and the S&P 500 Utilities Index increased 8.3 percent. The total return to Con Edison's common shareholders during 2017, including both price appreciation and investment of dividends, was 19.3 percent. By comparison, the total returns for the S&P 500 Index and the S&P 500 Utilities Index were 21.8 percent and 12.1 percent, respectively. For the five-year period 2013 through 2017 inclusive, Con Edison's shareholders' total return was 86.3 percent, compared with total returns for the S&P 500 Index and the S&P 500 Utilities Index of 108.1 percent and 81.1 percent, respectively.



Company / Index	Years Ended December 31,						
	2012	2013	2014	2015	2016	2017	
Consolidated Edison, Inc.	100.00	103.79	129.53	131.36	156.23	186.34	
S&P 500 Index	100.00	132.39	150.51	152.59	170.84	208.14	
S&P Utilities	100.00	113.21	146.02	138.95	161.57	181.13	

Based on \$100 invested at December 31, 2012, reinvestment of all dividends in equivalent shares of stock and market price changes on all such shares.

#### CECONY

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

The dividends declared by CECONY in 2016 and 2017 are shown in its Consolidated Statement of Shareholder's Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by CECONY, and restrictions thereon, see "Dividends" in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

#### Item 6: Selected Financial Data

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

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

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

Information in any item of this report referred to in this discussion and analysis is incorporated by reference herein.

The use of terms such as "see" or "refer to" shall be deemed to incorporate by reference into this discussion and analysis the information to which reference is made.

### Corporate Overview

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

(Millions of Dollars, except percentages)	For the Year Ended December 31, 2017				At December 31, 2017	
	Operating Revenues		Net Income		Assets	
CECONY	\$10,468	87	%1,104	72	% \$40,451	84
O&R	874	7	%64	4	% 2,773	6
Total Utilities	11,342	94	%1,168	76	% 43,224	90
Clean Energy Businesses (a)(b)	694	6	%332	22	% 2,735	6
Con Edison Transmission (b)	3	—	%44	3	% 1,222	2
Other (b)(c)	(6)	—	%(19)	(1)	%930	2
Total Con Edison	\$12,033	100	%\$1,525	100	% \$48,111	100

(a) Net income from the Clean Energy Businesses for the year ended December 31, 2017 includes \$1 million net after-tax gain related to the sale of a development stage solar electric production project (see Note U to the financial statements in Item 8). Also includes for the year ended December 31, 2017, \$1 million of net after-tax mark-to-market gain.

(b) Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the federal Tax Cuts and Jobs Act of 2017, as enacted on December 22, 2017 (TCJA). As a result, Con Edison decreased its net deferred tax liabilities by \$5,312 million, recognized \$259 million in net income, decreased its regulatory asset for future income tax by \$1,250 million, decreased its regulatory asset for revenue taxes by \$90 million and accrued a regulatory liability for future income tax of \$3,713 million. The amount recognized in net income for the Clean Energy Businesses, Con Edison Transmission and the parent company was \$269 million, \$11 million and \$(21) million, respectively. See "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

(c) Other includes parent company and consolidation adjustments.

### Results of Operations

Net income and earnings per share for the years ended December 31, 2017, 2016 and 2015 were as follows:

(Millions of Dollars, except per share amounts)	Net Income			Earnings per Share		
	2017	2016	2015	2017	2016	2015
CECONY	\$1,104	\$1,056	\$1,084	\$3.59	\$3.52	\$3.70
O&R (a)	64	59	52	0.21	0.20	0.18
Clean Energy Businesses (b)(c)	332	118	59	1.08	0.39	0.20

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Con Edison Transmission (c)	44	20	—	0.15	0.07	—
Other (c)(d)	(19)	(8)	(2)	(0.06)	(0.03)	(0.01)
Con Edison (e)	\$1,525	\$1,245	\$1,193	\$4.97	\$4.15	\$4.07

(a) Includes \$3 million or \$0.01 a share of net loss in 2015 related to the impairment of certain assets held for sale (see Note U to the financial statements in Item 8).

(b) Includes \$1 million or \$0.00 a share of net after-tax gain on the sale of a solar electric production project in 2017 (see Note U to the financial statements in Item 8). Also includes \$56 million or \$0.19 a share of net gain related to the sale of the retail electric supply business and \$(12) million or \$(0.04) a share of net loss related to the goodwill impairment charge on two energy services companies in 2016 (see Notes U and K to the financial statements in Item 8). Includes \$1 million or \$0.00 a share, \$3 million or \$0.02 a share and \$(73) million or \$(0.25) a share of net after-tax mark-to-market gains/(losses) in 2017, 2016 and 2015, respectively.

(c) Upon enactment of the TCJA, Con Edison re-measured its deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under TCJA. As a result, Con Edison decreased its net deferred tax liabilities by \$5,312 million, recognized \$259 million in net income, decreased its regulatory asset for future income tax by \$1,250 million, decreased its regulatory asset for revenue taxes by \$90 million and accrued a regulatory liability for future income tax of \$3,713 million. The amount recognized in net income for the Clean Energy

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Businesses, Con Edison Transmission and the parent company was \$269 million, \$11 million and \$(21) million, respectively. See “Other Regulatory Matters” in Note B and Note L to the financial statements in Item 8.

(d) Other includes parent company and consolidation adjustments.

(e) Earnings per share on a diluted basis were \$4.94 a share, \$4.12 a share and \$4.05 a share in 2017, 2016 and 2015, respectively.

The Companies’ results of operations for 2017, as compared with 2016, and for 2016, as compared with 2015, reflect changes in the Utilities’ rate plans and regulatory charges and the impact of weather on steam revenues. The results of operations also reflect income from renewable investments at the Clean Energy Businesses. The results of operations for 2017, as compared with 2016, reflect income from equity investments at Con Edison Transmission, and for 2016, as compared with 2015, reflect higher electric retail gross profit at the Clean Energy Businesses. Operations and maintenance expenses for CECONY for 2017, as compared with 2016, primarily reflect lower costs for pensions and other postretirement benefits. For 2016, as compared with 2015, operations and maintenance expenses reflect lower costs for uncollectible expenses; and for the Utilities reflect lower surcharges for assessments and fees that are collected in revenues from customers. In addition, the Utilities’ rate plans provide for revenues to cover expected changes in certain operating costs including depreciation, property taxes and other tax matters.

The following tables present the estimated effect on earnings per share and net income for 2017 as compared with 2016, and 2016 as compared with 2015, resulting from these and other major factors:

## Variation for the Years Ended December 31, 2017 vs. 2016

Net  
**Earnings**  
 (Millions  
 per  
 Share)  
 Dollars)

## CECONY (a)

		Reflects higher electric net base revenues of \$0.10 a share resulting from the increased base rates under the company's new electric rate plan, higher gas net base revenues of \$0.21 a share, growth in the number of gas customers of \$0.05 a share, incentives earned under the Earnings Adjustment Mechanisms of \$0.03 a share and the Energy Efficiency Portfolio Standard of \$0.04 a share, a property tax refund incentive of \$0.01 a share, lower retention of TCC auction proceeds of \$(0.03) a share, and an increase to the regulatory reserve related to certain gas proceedings in 2016 of \$0.03 a share.
Changes in rate plans and regulatory charges	\$0.47	
Weather impact on steam revenues	6.02	
Operations and maintenance expenses	9.30	Reflects lower pension and other postretirement benefits costs of \$0.29 a share.
Depreciation, property taxes and other tax matters	(0.70)	Reflects higher depreciation and amortization expense of \$(0.18) a share, property taxes of \$(0.27) a share, and income taxes of \$(0.12) a share.
Other	(2.15)	Includes the dilutive effect of Con Edison's stock issuances.
Total CECONY	4.87	
O&R (a)		
Changes in rate plans and regulatory charges	0.86	Reflects higher electric and gas net base revenues of \$0.01 and \$0.04 a share, respectively.
Operations and maintenance expenses	(9.03)	Reflects higher pension costs.
Depreciation, property taxes and other tax matters	(6.03)	
Other	2.01	Includes the dilutive effect of Con Edison's stock issuances.
Total O&R	6.01	
Clean Energy Businesses		
Operating revenues less energy costs	9.33	Reflects revenues from the engineering, procurement and construction of Upton 2 and higher revenues from renewable electric production projects, lower revenues and energy costs resulting from the retail electric supply business that was sold in September 2016. Includes \$0.01 a share net after-tax mark-to-market gains in 2016. Substantially all the mark-to-market effects in the 2016 periods were related to the retail electric business sold in September 2016.
Operations and maintenance expenses	(8.90)	Reflects Upton 2 engineering, procurement and construction costs and higher energy service costs.
Depreciation	(0.96)	
Net interest expense	(5.02)	
Gain on sale of the Clean Energy Businesses' retail electric supply business	5.69	

in 2016

Goodwill impairment  
related to the Clean  
Energy Businesses' ~~(0.24)~~  
energy service business

in 2016

Gain on sale of the Clean  
Energy Businesses' solar ~~(+)~~  
electric production  
project

Enactment of the TCJA ~~0.68~~

Other ~~(0.49)~~ Includes the dilutive effect of Con Edison's stock issuances.

Total Clean Energy  
Businesses ~~0.69~~

Con Edison ~~0.48~~ Includes the effect of the TCJA of \$0.04 a share. Reflects income from equity  
Transmission investments and the dilutive effect of Con Edison's stock issuances.

Other, including parent ~~(0.03)~~ Includes the effect of the TCJA of \$(0.07) a share. Reflects higher state income  
company expenses tax benefits and the dilutive effect of Con Edison's stock issuances.

Total ~~\$0.82~~

a.

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

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## Variation for the Years Ended December 31, 2016 vs. 2015

Earnings

per share

(in

thousands of

dollars)

## CECONY (a)

Changes in rate plans and regulatory charges	\$0.64	Reflects higher electric, gas, and steam net base revenues of \$0.07 a share, \$0.11 a share, and \$0.04 a share, respectively, lower regulatory reserves related to electric and steam earnings sharing of \$0.10 a share, and an increase to the regulatory reserve related to certain gas proceedings of \$(0.03) a share.
Weather impact on steam revenues	(0.07)	
Operations and maintenance expenses	0.5	Reflects lower regulatory assessments and fees that are collected in revenues from customers.
Depreciation, property taxes and other tax matters	(0.26)	Reflects higher depreciation and amortization expense of \$(0.14) a share, property taxes of \$(0.19) a share, and income taxes of \$(0.10) a share.
Other	(0.27)	Includes the dilutive effect of Con Edison's stock issuances.
Total CECONY	(0.88)	
O&R (a)		
Changes in rate plans and regulatory charges	+	
Operations and maintenance expenses	0.06	Reflects lower pension costs of \$0.04 a share and higher operating costs of \$(0.02) a share. Includes the charge-off of certain regulatory assets of \$(0.04) a share in 2015.
Depreciation, property taxes and other tax matters	(0.03)	Reflects primarily higher property taxes of \$(0.03) a share.
Other	(0.01)	Includes the impairment of certain assets held for sale in 2015 of \$0.01 a share and the dilutive effect of Con Edison's stock issuances.
Total O&R	0.02	
Clean Energy Businesses		
Operating revenues less energy costs	4.4	Reflects higher revenues from renewable electric production projects and energy services. Includes \$0.01 a share net after-tax mark-to market gains in 2016. Substantially, all the mark-to-market effects in the 2016 periods were related to the retail electric business sold in September 2016.
Gain on sale of the Clean Energy Businesses' retail electric supply business	6.9	
Operations and maintenance expenses	(0.86)	Reflects primarily higher energy service costs.
Net interest expense	(0.45)	
Other	(8.03)	Includes the dilutive effect of Con Edison's stock issuances.
Total Clean Energy Businesses	6.9	
	2.07	

Con Edison Transmission		Reflects income from equity investments and the dilutive effect of Con Edison's stock issuances.
Other, including parent company expenses	(6,02)	Reflects primarily certain income tax benefits in 2015.
Total	\$0.08	

a.

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



The Companies' other operations and maintenance expenses for the years ended December 31, 2017, 2016 and 2015 were as follows:

(Millions of Dollars)	2017	2016	2015
CECONY			
Operations	\$1,528	\$1,477	\$1,464
Pensions and other postretirement benefits	202	348	364
Health care and other benefits	170	160	159
Regulatory fees and assessments (a)	476	469	550
Other	294	352	344
Total CECONY	2,670	2,806	2,881
O&R	316	301	333
Clean Energy Businesses	313	164	134
Con Edison Transmission	10	3	—
Other (b)	(6)	(5)	(4)
Total other operations and maintenance expenses	\$3,303	\$3,269	\$3,344

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

(b) Includes parent company and consolidation adjustments.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, the Clean Energy Businesses and Con Edison Transmission. CECONY's principal business segments are its regulated electric, gas and steam utility activities. A discussion of the results of operations by principal business segment for the years ended December 31, 2017, 2016 and 2015 follows. For additional business segment financial information, see Note N to the financial statements in Item 8.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

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

	CECONY O&R	Clean Energy Businesses	Con Edison Transmission	Other (a)	Con Edison (b)		
(Millions of Dollars)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Amount	Percent
	Percent	Percent	Percent	Percent	Percent		
Operating revenues	\$303 %	\$55 %	\$369 )	\$3 %	\$4 %	\$(42)	(0.3 )%
Purchased power	(958 )	(610 )	(674 )	—	(2)	(838)	(34.4 )
Fuel	25.6	—	—	—	—	44	25.6
Gas purchased for resale	5919	35.3	14 %	—	—	331	69.4
Other operations and maintenance	(436 )	550	909	7 %	(20.0 )	34	1.0
Depreciation and amortization	890	4.0	35.2	1—	(14 %)	125	10.3
Taxes, other than income taxes	625	3.8	(20.0 )	—	—	124	6.1
Gain on sale of retail electric supply business (2016) and solar electric production project (2017)	—	—	(9030 )	—	—	(103)	(99.0 )
Operating income	643	815	(624 )	(5 %)	—	35	1.4
Other income less deductions	7—	—	50.0	35.0	(3 %)	52	81.3
Net interest expense	203	—	26.5	1 %	(65.3 )	33	4.7
Income before income tax expense	138	11.6	(6525 )	24.7	38.8	54	2.8
Income tax expense	82.6	66.7	(326 )	(24.3 )	14 %	(226)	(32.4 )
Net income	\$48 %	\$55 %	\$21 %	\$24 %	\$(4 %)	\$280	22.5 %

(a) Includes parent company and consolidation adjustments.

(b) Represents the consolidated results of operations of Con Edison and its businesses.

CECONY

(Millions of Dollars)	For the Year Ended December 31, 2017				For the Year Ended December 31, 2016				2017-2016 Variation
	Electric	Gas	Steam	2017 Total	Electric	Gas	Steam	2016 Total	
Operating revenues	\$7,972	\$1,901	\$595	\$10,468	\$8,106	\$1,508	\$551	\$10,165	\$303
Purchased power	1,379	—	36	1,415	1,533	—	35	1,568	(153)
Fuel	127	—	89	216	104	—	68	172	44
Gas purchased for resale	—	510	—	510	—	319	—	319	191
Other operations and maintenance	2,054	436	180	2,670	2,210	408	188	2,806	(136)
Depreciation and amortization	925	185	85	1,195	865	159	82	1,106	89
Taxes, other than income taxes	1,625	298	134	2,057	1,547	265	120	1,932	125
Operating income	\$1,862	\$472	\$71	\$2,405	\$1,847	\$357	\$58	\$2,262	\$143

Electric

CECONY's results of electric operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2017	2016	Variation
Operating revenues	\$7,972	\$8,106	\$(134)
Purchased power	1,379	1,533	(154)
Fuel	127	104	23
Other operations and maintenance	2,054	2,210	(156)
Depreciation and amortization	925	865	60
Taxes, other than income taxes	1,625	1,547	78
Electric operating income	\$1,862	\$1,847	\$15

CECONY's electric sales and deliveries in 2017 compared with 2016 were:

Description	Millions of kWh Delivered For the Years Ended				Revenues in Millions (a) For the Years Ended			
	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation
Residential/Religious (b)	9,924	10,400	(476)	(4.6)%	\$2,515	\$2,591	\$(76)	(2.9)%
Commercial/Industrial	9,246	9,429	(183)	(1.9)%	1,823	1,803	20	1.1
Retail choice customers	26,136	26,813	(677)	(2.5)%	2,712	2,768	(56)	(2.0)%
NYPA, Municipal Agency and other sales	10,012	10,103	(91)	(0.9)%	633	620	13	2.1
Other operating revenues (c)	—	—	—	—	289	324	(35)	(10.8)%
Total	55,318	56,745	(1,427)	(2.5)%	(d)\$7,972	\$8,106	\$(134)	(1.7)%

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

(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

(c) Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial

statements in Item 8.

(d) After adjusting for variations, primarily weather and billing days, electric delivery volumes in CECONY's service area decreased 1.1 percent in 2017 compared with 2016.

Operating revenues decreased \$134 million in 2017 compared with 2016 due primarily to lower purchased power expenses (\$154 million), offset in part by higher fuel expenses (\$23 million).

Purchased power expenses decreased \$154 million in 2017 compared with 2016 due to lower unit costs (\$86 million) and purchased volumes (\$68 million).

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Fuel expenses increased \$23 million in 2017 compared with 2016 due to higher unit costs.

Other operations and maintenance expenses decreased \$156 million in 2017 compared with 2016 due primarily to lower costs for pension and other postretirement benefits (\$126 million) and other employee benefits related to a rabbi trust (\$22 million).

Depreciation and amortization increased \$60 million in 2017 compared with 2016 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased \$78 million in 2017 compared with 2016 due primarily to higher property taxes (\$97 million) and the absence in 2017 of a favorable state audit settlement in 2016 (\$5 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 (\$21 million) and lower state and local taxes (\$4 million).

#### Gas

CECONY's results of gas operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended		
	December 31,		
	2017	2016	Variation
Operating revenues	\$1,901	\$1,508	\$393
Gas purchased for resale	510	319	191
Other operations and maintenance	436	408	28
Depreciation and amortization	185	159	26
Taxes, other than income taxes	298	265	33
Gas operating income	\$472	\$357	\$115

CECONY's gas sales and deliveries, excluding off-system sales, in 2017 compared with 2016 were:

Description	Thousands of Dt Delivered				Revenues in Millions (a)				
	For the Years Ended				For the Years Ended				
	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation	
Residential	52,244	47,794	4,450	9.3 %	\$802	\$667	\$135	20.2 %	
General	30,761	28,098	2,663	9.5	334	266	68	25.6	
Firm transportation	71,353	68,442	2,911	4.3	524	426	98	23.0	
Total firm sales and transportation	154,358	144,334	10,024	6.9	(b) 1,660	1,359	301	22.1	
Interruptible sales (c)	7,553	8,957	(1,404)	(15.7)	35	34	1	2.9	
NYPA	37,033	43,101	(6,068)	(14.1)	2	2	—	—	
Generation plants	61,800	87,835	(26,035)	(29.6)	25	25	—	—	
Other	21,317	21,165	152	0.7	31	32	(1)	(3.1)	
Other operating revenues (d)	—	—	—	—	148	56	92	Large	
Total	282,061	305,392	(23,331)	(7.6)%	\$1,901	\$1,508	\$393	26.1 %	

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

After adjusting for variations, primarily billing days, firm gas sales and transportation volumes in the company's service area increased 5.9 percent in 2017 compared with 2016, reflecting primarily increased volumes attributable to the growth in the number of gas customers.

Includes 3,816 thousands and 4,708 thousands of Dt for 2017 and 2016, respectively, which are also reflected in firm transportation and other.

(d)

Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company's rate plans. See Note B to the financial statements in Item 8.

Operating revenues increased \$393 million in 2017 compared with 2016 due primarily to increased gas purchased for resale expense (\$191 million) and higher revenues from the gas rate plan and growth in the number of customers (\$182 million).

Gas purchased for resale increased \$191 million in 2017 compared with 2016 due to higher unit costs (\$176 million) and purchased volumes (\$15 million).

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Other operations and maintenance expenses increased \$28 million in 2017 compared with 2016 due primarily to higher pension and other postretirement benefits costs (\$12 million), health and life insurance expenses (\$7 million) and surcharges for assessments and fees that are collected in revenues from customers (\$5 million).

Depreciation and amortization increased \$26 million in 2017 compared with 2016 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased \$33 million in 2017 compared with 2016 due primarily to higher property taxes (\$25 million), state and local taxes (\$7 million) and payroll taxes (\$4 million), offset in part by deferral of under-collected property taxes due to new property tax rates for fiscal year 2017 – 2018 (\$4 million).

#### Steam

CECONY's results of steam operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2017	2016	Variation
Operating revenues	\$595	\$551	\$44
Purchased power	36	35	1
Fuel	89	68	21
Other operations and maintenance	180	188	(8)
Depreciation and amortization	85	82	3
Taxes, other than income taxes	134	120	14
Steam operating income	\$71	\$58	\$13

CECONY's steam sales and deliveries in 2017 compared with 2016 were:

Description	Millions of Pounds Delivered For the Years Ended				Revenues in Millions For the Years Ended				
	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation	
General	490	465	25	5.4 %	\$26	\$23	\$3	13.0 %	
Apartment house	5,754	5,792	(38)	(0.7 %)	158	148	10	6.8	
Annual power	13,166	13,722	(556)	(4.1 %)	392	378	14	3.7	
Other operating revenues (a)	—	—	—	—	19	2	17	Large	
Total	19,410	19,979	(569)	(2.8 %)	(b) \$595	\$551	\$44	8.0 %	

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

(b) After adjusting for variations, primarily weather and billing days, steam sales and deliveries decreased 3.8 percent in 2017 compared with 2016.

Operating revenues increased \$44 million in 2017 compared with 2016 due primarily to higher fuel expenses (\$21 million), the weather impact on revenues (\$10 million), a property tax refund incentive in 2017 (\$5 million) and lower regulatory reserve related to steam earnings sharing (\$3 million).

Purchased power expenses increased \$1 million in 2017 compared with 2016 due to higher unit costs (\$4 million), offset by lower purchased volumes (\$3 million).

Fuel expenses increased \$21 million in 2017 compared with 2016 due to higher unit costs.

Other operations and maintenance expenses decreased \$8 million in 2017 compared with 2016 due primarily to lower equipment maintenance expenses (\$6 million) and lower municipal infrastructure support costs (\$2 million).

Depreciation and amortization increased \$3 million in 2017 compared with 2016 due primarily to higher steam utility plant balances.

Taxes, other than income taxes increased \$14 million in 2017 compared with 2016 due primarily to higher property taxes (\$13 million) and state and local taxes (\$1 million).

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## Taxes, Other Than Income Taxes

At \$2,057 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

(Millions of Dollars)	For the Years Ended December 31,		
	2017	2016	Variation
Property taxes	\$1,692	\$1,557	\$135
State and local taxes related to revenue receipts	319	315	4
Payroll taxes	67	65	2
Other taxes	(21)	(5)	(16)
Total	\$2,057	(a)\$1,932	(a)\$125

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2017 and 2016 were \$2,495 and \$2,358 million, respectively.

## Other Income (Deductions)

Other income (deductions) increased \$7 million in 2017 compared with 2016 due primarily to an increase in investment and other income.

## Net Interest Expense

Net interest expense increased \$20 million in 2017 compared with 2016 due primarily to higher long-term debt balances in 2017.

## Income Tax Expense

Income taxes increased \$82 million in 2017 compared with 2016 due primarily to higher income before income tax expense (\$52 million), a decrease in tax benefits for plant-related flow through items (\$35 million), lower research and development tax credits (\$8 million) and a higher reserve for injuries and damages (\$5 million), offset in part by lower state income taxes (\$7 million) and higher tax credits included in Con Edison's filing of its 2016 consolidated federal tax return in September 2017 (\$6 million).

## O&amp;R

(Millions of Dollars)	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016			2017-2016 Variation
	Electric	Gas	2017 Total	Electric	Gas	2016 Total	
Operating revenues	\$642	\$232	\$874	\$637	\$184	\$821	\$53
Purchased power	191	—	191	197	—	197	(6)
Gas purchased for resale	—	73	73	—	47	47	26
Other operations and maintenance	247	69	316	244	57	301	15
Depreciation and amortization	51	20	71	49	18	67	4
Taxes, other than income taxes	53	29	82	52	27	79	3
Operating income	\$100	\$41	\$141	\$95	\$35	\$130	\$11

## Electric

O&R's results of electric operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2017	2016	Variation
Operating revenues	\$642	\$637	\$5

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Purchased power	191	197	(6)
Other operations and maintenance	247	244	3
Depreciation and amortization	51	49	2
Taxes, other than income taxes	53	52	1
Electric operating income	\$100	\$95	\$5

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O&R's electric sales and deliveries in 2017 compared with 2016 were:

Description	Millions of kWh Delivered				Revenues in Millions (a)				
	For the Years Ended				For the Years Ended				
	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation	
Residential/Religious (b)	1,567	1,654	(87)	(5.3)	\$311	\$304	\$7	2.3	%
Commercial/Industrial	763	801	(38)	(4.7)	113	114	(1)	(0.9)	)
Retail choice customers	2,976	3,180	(204)	(6.4)	201	213	(12)	(5.6)	)
Public authorities	105	100	5	5.0	9	8	1	12.5	
Other operating revenues (c)	—	—	—	—	8	(2)	10	Large	
Total	5,411	5,735	(324)	(5.6)	%(d)\$642	\$637	\$5	0.8	%

O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.

(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

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

(d) After adjusting for weather and other variations, electric delivery volumes in O&R's service area decreased 2.2 percent in 2017 compared with 2016.

Operating revenues increased \$5 million in 2017 compared with 2016 due primarily to higher revenues from the New York electric rate plan (\$14 million) and RECO transmission rate relief (\$2 million), offset in part by lower purchased power expenses (\$6 million) and the absence of revenues in 2017 from Pike County Light & Power Company (Pike), which was sold in 2016 (\$4 million).

Purchased power expenses decreased \$6 million in 2017 compared with 2016 due to lower purchased volumes (\$5 million) and unit costs (\$1 million).

Other operations and maintenance expenses increased \$3 million in 2017 compared with 2016 due primarily to operating costs related to weather events in 2017 (\$2 million) and higher surcharges for assessments and fees that are collected in revenues from customers (\$1 million).

Depreciation and amortization increased \$2 million in 2017 compared with 2016 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased \$1 million in 2017 compared with 2016 due primarily to higher property taxes (\$2 million), offset in part by lower state and local taxes (\$1 million).

Gas  
O&R's results of gas operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2017	2016	Variation
Operating revenues	\$232	\$184	\$48
Gas purchased for resale	73	47	26
Other operations and maintenance	69	57	12
Depreciation and amortization	20	18	2
Taxes, other than income taxes	29	27	2
Gas operating income	\$41	\$35	\$6

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O&R's gas sales and deliveries, excluding off-system sales, in 2017 compared with 2016 were:

Description	Thousands of Dt Delivered				Revenues in Millions (a)					
	For the Years Ended				For the Years Ended					
	December 31, 2017	December 31, 2016	Variation	Percent Variation	December 31, 2017	December 31, 2016	Variation	Percent Variation		
Residential	8,296	7,872	424	5.4	%	\$115	\$84	\$31	36.9	%
General	2,184	1,851	333	18.0		24	15	9	60.0	
Firm transportation	9,873	10,381	(508)	(4.9)	)	74	70	4	5.7	
Total firm sales and transportation	20,353	20,104	249	1.2	(b)	213	169	44	26.0	
Interruptible sales	3,771	3,853	(82)	(2.1)	)	7	3	4	Large	
Generation plants	9	18	(9)	(50.0)	)	—	—	—	—	
Other	896	867	29	3.3		1	—	1	—	
Other gas revenues	—	—	—	—		11	12	(1)	(8.3)	)
Total	25,029	24,842	187	0.8	%	\$232	\$184	\$48	26.1	%

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

(b) After adjusting for weather and other variations, total firm sales and transportation volumes decreased 0.8 percent in 2017 compared with 2016.

Operating revenues increased \$48 million in 2017 compared with 2016 due primarily to the increase in gas purchased for resale (\$26 million) and higher revenues from the New York gas rate plan (\$18 million).

Gas purchased for resale increased \$26 million in 2017 compared with 2016 due to higher purchased volumes (\$13 million) and unit costs (\$13 million).

Other operations and maintenance expenses increased \$12 million in 2017 compared with 2016 due primarily to higher pension costs.

Depreciation and amortization increased \$2 million in 2017 compared with 2016 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased \$2 million in 2017 compared with 2016 due primarily to higher property taxes (\$1 million) and state and local taxes (\$1 million).

#### Taxes, Other Than Income Taxes

Taxes, other than income taxes, increased \$3 million in 2017 compared with 2016. The principal components of taxes, other than income taxes, were:

(Millions of Dollars)	For the Years Ended		
	2017	2016	Variation
Property taxes	\$66	\$63	\$3
State and local taxes related to revenue receipts	9	10	(1)
Payroll taxes	7	6	1
Total	\$82 (a)	\$79 (a)	\$3

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2017 and 2016 were \$109 million and \$105 million, respectively.

#### Income Tax Expense

Income taxes increased \$6 million in 2017 compared with 2016 due primarily to higher income before income tax expense (\$4 million) and a nonrecurring tax benefit in 2016 from a corporate-owned life insurance policy (\$3 million), offset in part by an increase in tax benefits for plant-related flow through items (\$1 million).



## Clean Energy Businesses

The Clean Energy Businesses' results of operations for the year ended December 31, 2017 compared with the year ended December 31, 2016 is as follows:

(Millions of Dollars)	For the Years Ended			
	December 31,	2017	2016	Variation
Operating revenues	\$694	\$1,091	\$(397)	
Purchased power	(3)	674	(677)	
Gas purchased for resale	226	112	114	
Other operations and maintenance	313	164	149	
Depreciation and amortization	74	42	32	
Taxes, other than income taxes	16	20	(4)	
Gain on sale of retail electric supply business (2016) and solar electric production project (2017) (a)	1	104	103	
Operating income	\$69	\$183	\$(114)	

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

Operating revenues decreased \$397 million in 2017 compared with 2016 due primarily to lower electric retail revenues of \$778 million from the sale of the retail electric supply business in September 2016. Renewable revenues increased \$229 million due primarily to an increase in renewable electric production projects in operation and revenues from the engineering, procurement and construction of Upton 2 (see Note U to the financial statements in Item 8). Energy services revenues increased \$19 million. Wholesale revenues increased \$128 million due to higher sales volumes. Net mark-to-market values decreased \$6 million, of which \$11 million in losses are reflected in purchased power costs and \$5 million in gains are reflected in revenues.

Purchased power expenses decreased \$677 million in 2017 compared with 2016 due primarily to lower electric costs due to the sale of the retail electric supply business in September 2016 (\$687 million), offset by changes in mark-to-market values (\$11 million).

Gas purchased for resale increased \$114 million in 2017 compared with 2016 due to higher purchased volumes. Other operations and maintenance expenses increased \$149 million in 2017 compared with 2016 due to Upton 2 engineering, procurement and construction costs (see Note U to the financial statements in Item 8) and an increase in energy services costs.

Depreciation and amortization increased \$32 million in 2017 compared with 2016 due to an increase in solar electric production projects in operation during 2017.

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

Gain on sale of retail electric supply business decreased \$103 million in 2017 reflecting the sale of the retail electric supply business in 2016 (see Note U to the financial statements in Item 8).

## Other Income (Deductions)

Other income (deductions) increased \$11 million in 2017 compared with 2016 due primarily to the impairment of goodwill in 2016 (\$15 million) (see Note K to the financial statements in Item 8), offset in part by income from renewable electric production investments (\$3 million).

## Net Interest Expense

Net interest expense increased \$9 million in 2017 compared with 2016 due primarily to increased debt on renewable electric production projects.

#### Income Tax Expense

Income taxes decreased \$326 million in 2017 compared with 2016 due primarily to lower income before income tax expense (\$45 million), the re-measurement of the Clean Energy Businesses' deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA (\$269 million), a higher favorable 2016 state return-to-provision adjustment recorded in 2017 (\$7 million), higher renewable energy tax credits (\$1 million) and the increase to deferred state income taxes in 2016 as a result of the sale of the retail electric supply business that increased the Clean Energy Businesses' state apportionment factor on its cumulative temporary differences (\$4 million), offset in part by an increase in valuation allowances against state net operating loss carryforwards (\$3 million). See Note L to the financial statements in Item 8.

#### Con Edison Transmission

Other operations and maintenance increased \$7 million in 2017 compared with 2016 due primarily to CET having no employees or other direct costs until January 1, 2017.

#### Net Interest Expense

Net interest expense increased \$10 million in 2017 compared with 2016 due primarily to an increased allocation from the parent company of interest expense resulting from a parent company debt issuance in May 2016.

#### Other Income (Deductions)

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

#### Income Tax Expense

Income taxes decreased \$2 million in 2017 compared with 2016 due primarily to the re-measurement of Con Edison Transmission's deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA (\$11 million), offset in part by higher income before income tax expense (\$9 million). See Note L to the financial statements in Item 8.

#### Other

For Con Edison, "Other" includes the increase in income tax expense resulting from the re-measurement of Con Edison's deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA (\$21 million). See Note L to the financial statements in Item 8. "Other" also includes intercompany eliminations relating to operating revenues and operating expenses.



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Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

The Companies' results of operations in 2016 compared with 2015 were:

	CECONY	O&R	Clean Energy Businesses	Con Edison Transmission	Other (a)	Con Edison (b)		
(Millions of Dollars)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)	Increases (Decreases)
	Percent	Percent	Percent	Amount	Percent	Amount	Percent	Percent
Operating revenues	\$(163) )%	\$(228) )%	\$(219) )%	\$— %	\$—	\$(479)	(3.8) %	
Purchased power	(858) )	(632) )	(370) )	—	—	(534)	(18.0) )	
Fuel	(70) )	—	—	—	—	(76)	(30.6) )	
Gas purchased for resale	(583) )	(478) )	6.7	—	—	(2)	(3.6) )	
Other operations and maintenance	(256) )	(926) )	30.4	3	—	(125.0) )%	(75)	(2.2) )
Depreciation and amortization	663	(115) )	20.9	—	—	86	7.6	
Taxes, other than income taxes	761	27.4	5.3	—	—	94	4.9	
Gain on sale of retail electric supply business	—	—	104	—	—	104	—	
Operating income	157	9.4	126	(3)	—	148	6.1	
Other income less deductions	1	1	(33)	43	—	(1)	40	Large
Net interest expense	893	2.9	2	6	—	(26.1) )	43	6.6
Income before income tax expense	0.1	13.9	9	34	—	730.4	145	8.1
Income tax expense	391	60.0	1	14	—	161.9	93	15.4
Net income	\$(228) )%	\$7.5 %	\$59	\$20	—%	\$(6)	\$52	4.4 %

(a) Includes parent company and consolidation adjustments.

(b) Represents the consolidated results of operations of Con Edison and its businesses.

## CECONY

(Millions of Dollars)	For the Year Ended December 31, 2016				For the Year Ended December 31, 2015				2016-2015 Variation
	Electric	Gas	Steam	2016 Total	Electric	Gas	Steam	2015 Total	
Operating revenues	\$8,106	\$1,508	\$551	\$10,165	\$8,172	\$1,527	\$629	\$10,328	\$(163)
Purchased power	1,533	—	35	1,568	1,684	—	35	1,719	(151)
Fuel	104	—	68	172	118	—	130	248	(76)
Gas purchased for resale	—	319	—	319	—	337	—	337	(18)
Other operations and maintenance	2,210	408	188	2,806	2,259	440	182	2,881	(75)
Depreciation and amortization	865	159	82	1,106	820	142	78	1,040	66
Taxes, other than income taxes	1,547	265	120	1,932	1,493	252	111	1,856	76
Operating income	\$1,847	\$357	\$58	\$2,262	\$1,798	\$356	\$93	\$2,247	\$15

## Electric

CECONY's results of electric operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Operating revenues	\$8,106	\$8,172	\$(66)
Purchased power	1,533	1,684	(151)
Fuel	104	118	(14)
Other operations and maintenance	2,210	2,259	(49)
Depreciation and amortization	865	820	45
Taxes, other than income taxes	1,547	1,493	54
Electric operating income	\$1,847	\$1,798	\$49

CECONY's electric sales and deliveries in 2016 compared with 2015 were:

Description	Millions of kWh Delivered For the Years Ended				Revenues in Millions (a) For the Years Ended					
	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation		
Residential/Religious (b)	10,400	10,543	(143)	)(1.4	)%	\$2,591	\$2,771	\$(180)	(6.5	)%
Commercial/Industrial	9,429	9,602	(173)	)(1.8	)	1,803	1,974	(171)	(8.7	)
Retail choice customers	26,813	26,662	151	0.6		2,768	2,714	54	2.0	
NYPA, Municipal Agency and other sales	10,103	10,208	(105)	)(1.0	)	620	612	8	1.3	
Other operating revenues (c)	—	—	—	—		324	101	223	Large	
Total	56,745	57,015	(270)	)(0.5	)%	(d)\$8,106	\$8,172	\$(66)	(0.8	)%

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

(b) "Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with (c) the revenue decoupling mechanism and other provisions of the company's rate plans. See Note B to the financial statements in Item 8.

(d) After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY's service area were the same in 2016 compared with 2015.

Operating revenues decreased \$66 million in 2016 compared with 2015 due primarily to lower purchased power expenses (\$151 million) and lower fuel expenses (\$14 million), offset in part by higher revenues from the electric rate plan (\$122 million) and changes in regulatory charges (\$20 million).

Purchased power expenses decreased \$151 million in 2016 compared with 2015 due to lower unit costs (\$111 million) and purchased volumes (\$40 million).

Fuel expenses decreased \$14 million in 2016 compared with 2015 due to lower unit costs (\$19 million), offset by higher sendout volumes from the company's electric generating facilities (\$5 million).

Other operations and maintenance expenses decreased \$49 million in 2016 compared with 2015 due primarily to a decrease in the surcharges for assessments and fees that are collected in revenues from customers (\$52 million) and lower uncollectible expense (\$12 million), offset in part by higher costs for municipal infrastructure support (\$8 million).

Depreciation and amortization increased \$45 million in 2016 compared with 2015 due primarily to higher electric utility plant balances.

Taxes, other than income taxes increased \$54 million in 2016 compared with 2015 due primarily to higher property taxes (\$66 million), offset in part by lower state and local revenue taxes (\$4 million), a favorable state audit settlement (\$3 million), lower sales and use tax reserve based on a favorable audit settlement (\$3 million) and lower payroll taxes (\$2 million).

#### Gas

CECONY's results of gas operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

(Millions of Dollars)	For the Years Ended		
	December 31, 2016	December 31, 2015	Variation
Operating revenues	\$1,508	\$1,527	\$(19)
Gas purchased for resale	319	337	(18)
Other operations and maintenance	408	440	(32)
Depreciation and amortization	159	142	17
Taxes, other than income taxes	265	252	13
Gas operating income	\$357	\$356	\$1

CECONY's gas sales and deliveries, excluding off-system sales, in 2016 compared with 2015 were:

Description	Thousands of Dt Delivered For the Years Ended				Revenues in Millions (a) For the Years Ended			
	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation
Residential	47,794	49,024	(1,230)	(2.5)%	\$667	\$682	\$(15)	(2.2)%
General	28,098	28,173	(75)	(0.3)	266	274	(8)	(2.9)
Firm transportation	68,442	72,864	(4,422)	(6.1)	426	458	(32)	(7.0)
Total firm sales and transportation	144,334	150,061	(5,727)	(3.8)	(b) 1,359	1,414	(55)	(3.9)
Interruptible sales (c)	8,957	6,332	2,625	41.5	34	46	(12)	(26.1)
NYPA	43,101	44,038	(937)	(2.1)	2	2	—	—
Generation plants	87,835	83,634	4,201	5.0	25	26	(1)	(3.8)
Other	21,165	21,223	(58)	(0.3)	32	28	4	14.3
Other operating revenues (d)	—	—	—	—	56	11	45	Large
Total	305,392	305,288	104	—%	\$1,508	\$1,527	\$(19)	(1.2)%

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

(b) After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company's service area increased 3.9 percent in 2016 compared with 2015, reflecting primarily increased volumes

attributable to additional customers that have converted from oil-to-gas as heating fuel for their buildings.

(c) Includes 4,708 thousands and 1,229 thousands of Dt for 2016 and 2015, respectively, which are also reflected in firm transportation and other.

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

Operating revenues decreased \$19 million in 2016 compared with 2015 due primarily to lower gas purchased for resale expense (\$18 million).

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Gas purchased for resale decreased \$18 million in 2016 compared with 2015 due to lower unit costs (\$32 million), offset by higher sendout volumes (\$14 million).

Other operations and maintenance expenses decreased \$32 million in 2016 compared with 2015 due primarily to a decrease in the surcharges for assessments and fees that are collected in revenues from customers (\$25 million), lower gas operating costs (\$10 million) and lower uncollectible expense (\$2 million), offset in part by higher costs for municipal infrastructure support (\$5 million).

Depreciation and amortization increased \$17 million in 2016 compared with 2015 due primarily to higher gas utility plant balances.

Taxes, other than income taxes increased \$13 million in 2016 compared with 2015 due primarily to higher property taxes (\$16 million), offset in part by lower state and local revenue taxes (\$2 million).

#### Steam

CECONY's results of steam operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Operating revenues	\$551	\$629	\$(78)
Purchased power	35	35	—
Fuel	68	130	(62)
Other operations and maintenance	188	182	6
Depreciation and amortization	82	78	4
Taxes, other than income taxes	120	111	9
Steam operating income	\$58	\$93	\$(35)

CECONY's steam sales and deliveries in 2016 compared with 2015 were:

Description	Millions of Pounds Delivered For the Years Ended				Revenues in Millions For the Years Ended			
	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation
General	465	538	(73)	(13.6)%	\$23	\$29	\$(6)	(20.7)%
Apartment house	5,792	6,272	(480)	(7.7)%	148	176	(28)	(15.9)%
Annual power	13,722	15,109	(1,387)	(9.2)%	378	453	(75)	(16.6)%
Other operating revenues (a)	—	—	—	—	2	(29)	31	Large
Total	19,979	21,919	(1,940)	(8.9)%	(b) \$551	\$629	\$(78)	(12.4)%

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

(b) After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 1.2 percent in 2016 compared with 2015.

Operating revenues decreased \$78 million in 2016 compared with 2015 due primarily to lower fuel expenses (\$62 million) and the weather impact on revenues (\$35 million), offset in part by higher revenues from the steam rate plan (\$22 million).

Fuel expenses decreased \$62 million in 2016 compared with 2015 due to lower unit costs (\$57 million) and sendout volumes (\$5 million).

Other operations and maintenance expenses increased \$6 million in 2016 compared with 2015 due primarily to higher costs for municipal infrastructure support.

Depreciation and amortization increased \$4 million in 2016 compared with 2015 due primarily to higher steam utility plant balances.

Taxes, other than income taxes increased \$9 million in 2016 compared with 2015 due primarily to higher property taxes (\$12 million), offset in part by lower state and local revenue taxes (\$2 million).

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## Taxes, Other Than Income Taxes

At \$1,932 million, taxes other than income taxes remain one of CECONY's largest operating expenses. The principal components of, and variations in, taxes other than income taxes were:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Property taxes	\$1,557	\$1,463	\$94
State and local taxes related to revenue receipts	315	323	(8)
Payroll taxes	65	67	(2)
Other taxes	(5)	3	(8)
Total	\$1,932(a)	\$1,856(a)	\$76

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2016 and 2015 were \$2,358 million and \$2,302 million, respectively.

## Other Income (Deductions)

Other income (deductions) increased \$5 million in 2016 compared with 2015 due primarily to an increase in the allowance for equity funds used during construction (\$4 million).

## Net Interest Expense

Net interest expense increased \$19 million in 2016 compared with 2015 due primarily to new debt issuances in 2016.

## Income Tax Expense

Income taxes increased \$29 million in 2016 compared with 2015 due primarily to plant-related flow through items (\$57 million) and an increase in uncertain tax positions (\$2 million), offset in part by lower state income taxes (\$15 million) and higher research and development tax credits (\$14 million).

## O&amp;R

(Millions of Dollars)	For the Year Ended December 31, 2016			For the Year Ended December 31, 2015			2016-2015 Variation
	Electric	Gas	2016 Total	Electric	Gas	2015 Total	
Operating revenues	\$637	\$184	\$821	\$663	\$182	\$845	\$(24)
Purchased power	197	—	197	210	—	210	(13)
Gas purchased for resale	—	47	47	—	51	51	(4)
Other operations and maintenance	244	57	301	256	77	333	(32)
Depreciation and amortization	49	18	67	50	18	68	(1)
Taxes, other than income taxes	52	27	79	44	18	62	17
Operating income	\$95	\$35	\$130	\$103	\$18	\$121	\$9

## Electric

O&R's results of electric operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Operating revenues	\$637	\$663	\$(26)
Purchased power	197	210	(13)



Other operations and maintenance	244	256	(12)
Depreciation and amortization	49	50	(1)
Taxes, other than income taxes	52	44	8
Electric operating income	\$95	\$103	\$(8)

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O&R's electric sales and deliveries in 2016 compared with 2015 were:

Description	Millions of kWh Delivered				Revenues in Millions (a)			
	For the Years Ended				For the Years Ended			
	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation
Residential/Religious (b)	1,654	1,597	57	3.6 %	\$304	\$307	\$(3)	(1.0)%
Commercial/Industrial	801	802	(1)	(0.1)	114	124	(10)	(8.1)
Retail choice customers	3,180	3,237	(57)	(1.8)	213	213	—	—
Public authorities	100	100	—	—	8	10	(2)	(20.0)
Other operating revenues (c)	—	—	—	—	(2)	9	(11)	Large
Total	5,735	5,736	(1)	— % (d)	\$637	\$663	\$(26)	(3.9)%

O&R's New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R's electric sales in New Jersey are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues.

"Residential/Religious" generally includes single-family dwellings, individual apartments in multi-family dwellings, religious organizations and certain other not-for-profit organizations.

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

After adjusting for weather and other variations, electric delivery volumes in O&R's service area decreased 0.9 percent in 2016 compared with 2015.

Operating revenues decreased \$26 million in 2016 compared with 2015 due primarily to lower purchased power expenses (\$13 million) and lower revenues from the New York electric rate plan (which includes the reconciliation of certain expenses, see Note B to the financial statements in Item 8) (\$7 million).

Purchased power expenses decreased \$13 million in 2016 compared with 2015 due to a decrease in unit costs (\$18 million), offset by an increase in purchased volumes (\$5 million).

Other operations and maintenance expenses decreased \$12 million in 2016 compared with 2015 due primarily to regulatory accounting effects of pension costs (\$11 million) and the charge-off of certain regulatory assets in 2015 (\$4 million), offset by higher operating costs (\$3 million).

Depreciation and amortization decreased \$1 million in 2016 compared with 2015 due primarily to lower average depreciation rates.

Taxes, other than income taxes increased \$8 million in 2016 compared with 2015 due primarily to higher property taxes.

Gas  
O&R's results of gas operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Operating revenues	\$184	\$182	\$2
Gas purchased for resale	47	51	(4)
Other operations and maintenance	57	77	(20)
Depreciation and amortization	18	18	—
Taxes, other than income taxes	27	18	9
Gas operating income	\$35	\$18	\$17



O&R's gas sales and deliveries, excluding off-system sales, in 2016 compared with 2015 were:

Description	Thousands of Dt Delivered				Revenues in Millions (a)					
	For the Years Ended				For the Years Ended					
	December 31, 2016	December 31, 2015	Variation	Percent Variation	December 31, 2016	December 31, 2015	Variation	Percent Variation		
Residential	7,872	7,664	208	2.7	%	\$84	\$77	\$7	9.1	%
General	1,851	1,684	167	9.9		15	14	1	7.1	
Firm transportation	10,381	11,752	(1,371)	(11.7)	)	70	68	2	2.9	
Total firm sales and transportation	20,104	21,100	(996)	(4.7)	)	(b) 169	159	10	6.3	
Interruptible sales	3,853	4,205	(352)	(8.4)	)	3	3	—	—	
Generation plants	18	25	(7)	(28.0)	)	—	—	—	—	
Other	867	906	(39)	(4.3)	)	—	—	—	—	
Other gas revenues	—	—	—	—		12	20	(8)	(40.0)	)
Total	24,842	26,236	(1,394)	(5.3)	)%	\$184	\$182	\$2	1.1	%

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

(b) After adjusting for weather and other variations, total firm sales and transportation volumes increased 2.3 percent in 2016 compared with 2015.

Operating revenues increased \$2 million in 2016 compared with 2015 due primarily to higher revenues from the New York gas rate plan (\$9 million), offset in part by the decrease in gas purchased for resale (\$4 million).

Gas purchased for resale decreased \$4 million in 2016 compared with 2015 due to a decrease in purchased volumes (\$5 million), offset by an increase in unit costs (\$1 million).

Other operations and maintenance expenses decreased \$20 million in 2016 compared with 2015 due primarily to the charge-off of certain regulatory assets in 2015 (\$14 million) and regulatory accounting effects of pension costs (\$10 million), offset by higher operating costs (\$4 million).

Taxes, other than income taxes increased \$9 million in 2016 compared with 2015 due primarily to higher property taxes.

#### Taxes, Other Than Income Taxes

Taxes, other than income taxes, increased \$17 million in 2016 compared with 2015. The principal components of taxes, other than income taxes, were:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Property taxes	\$63	\$46	\$17
State and local taxes related to revenue receipts	10	10	—
Payroll taxes	6	6	—
Total	\$79	(a) \$62	(a) \$17

(a) Including sales tax on customers' bills, total taxes other than income taxes in 2016 and 2015 were \$105 million and \$88 million, respectively.

#### Other Income (Deductions)

Other income (deductions) increased \$5 million in 2016 compared with 2015 due primarily to the impairment of certain assets held for sale in 2015 (see Note U to the financial statements in Item 8).

#### Income Tax Expense

Income taxes increased \$6 million in 2016 compared with 2015 due primarily to higher income before income tax expense (\$5 million) and plant-related flow through items (\$3 million), offset in part by lower taxable reimbursement

in insurance claims (\$1 million) and a higher tax benefit from a corporate-owned life insurance policy (\$1 million).

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## Clean Energy Businesses

The Clean Energy Businesses' results of operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 is as follows:

(Millions of Dollars)	For the Years Ended December 31,		
	2016	2015	Variation
Operating revenues	\$1,091	\$1,383	\$(292)
Purchased power	674	1,044	(370)
Gas purchased for resale	112	106	6
Other operations and maintenance	164	134	30
Depreciation and amortization	42	22	20
Taxes, other than income taxes	20	19	1
Gain on sale of retail electric supply business	104	—	104
Operating income	\$183	\$58	\$125

Operating revenues decreased \$292 million in 2016 compared with 2015 due primarily to lower electric retail revenues. Electric retail revenues decreased \$389 million in 2016 as compared with 2015 due to the sale of the retail electric supply business (see Note U to the financial statements in Item 8). Solar revenues increased \$54 million in 2016 as compared with 2015 due primarily to an increase in solar electric production projects in operation. Energy services revenues increased \$41 million due to an increase in active projects. Wholesale revenues increased \$8 million in 2016 compared with 2015 due primarily to higher sales volumes. Net mark-to-market values increased \$6 million in 2016 as compared with 2015, of which \$12 million in gains are reflected in purchased power expenses and \$6 million in losses are reflected in revenues.

Purchased power expenses decreased \$370 million in 2016 compared with 2015 due to the sale of the retail electric supply business (\$373 million) (see Note U to the financial statements in Item 8) and changes in mark-to-market gains (\$12 million).

Gas purchased for resale increased \$6 million in 2016 compared with 2015 due primarily to higher sales volumes. Other operations and maintenance expenses increased \$30 million in 2016 compared with 2015 due primarily to an increase in energy services costs (\$28 million) and other general operating expenses (\$2 million).

Depreciation and amortization increased \$20 million in 2016 compared with 2015 due primarily to an increase in renewable electric production projects in operation during 2016.

Taxes, other than income taxes increased \$1 million in 2016 compared with 2015 due primarily to higher property taxes (\$5 million), offset by lower gross receipt taxes (\$4 million).

Gain on sale of retail electric supply business was \$104 million in 2016 reflecting the sale of the retail electric supply business (see Note U to the financial statements in Item 8).

## Other Income (Deductions)

Other income (deductions) decreased \$12 million in 2016 compared with 2015 due primarily to the impairment of goodwill (\$15 million) (see Note K to the financial statements in Item 8), offset in part by income from solar electric production investments (\$3 million).

## Net Interest Expense

Net interest expense increased \$23 million in 2016 compared with 2015 due primarily to new debt issuances for renewable electric production projects.

## Income Tax Expense

Income taxes increased \$31 million in 2016 compared with 2015 due primarily to higher income before income tax expense (\$38 million), an increase to deferred state income taxes as a result of the sale of the retail electric supply business (\$4 million) and an increase in valuation allowances against state net operating loss carryforwards (\$3 million), offset in part by higher production tax credits (\$10 million) and the reversal of uncertain tax positions (\$4 million).



### Con Edison Transmission

#### Other Income (Deductions)

Other income (deductions) increased \$43 million in 2016 compared with 2015 due primarily to earnings from equity investments in 2016 (see Note U to the financial statements in Item 8).

#### Income Tax Expense

Income taxes increased \$14 million in 2016 compared with 2015 due primarily to higher income before income tax expense.

### Other

For Con Edison, "Other" also includes intercompany eliminations relating to operating revenues and operating expenses.

### Liquidity and Capital Resources

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

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

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

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

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

Changes in the Companies' cash and temporary cash investments resulting from operating, investing and financing activities for the years ended December 31, 2017, 2016 and 2015 are summarized as follows:

#### Con Edison

(Millions of Dollars)	2017	2016	Variance		
			2017 vs. 2015	2016 vs. 2015	
Operating activities	\$3,367	\$3,459	\$(92)	\$3,277	\$182
Investing activities	(3,703)	(4,976)	1,273	(3,657)	(1,319)
Financing activities	357	1,345	(988)	629	716
Net change for the period	21	(172)	193	249	(421)
Balance at beginning of period	776	944	(168)	699	245
Balance at end of period	797	772	25	948	(176)
Less: Change in cash balances held for sale	—	(4)	4	4	(8)
Balance at end of period excluding held for sale	\$797	\$776	\$21	\$944	\$(168)



## CECONY

(Millions of Dollars)	2017	2016	Variance		
			2017 vs. 2016	2016 vs. 2015	
Operating activities	\$2,866	\$3,038	\$(172)	\$2,819	\$219
Investing activities	(3,078)	(2,739)	(339)	(2,638)	(101)
Financing activities	240	(440)	680	17	(457)
Net change for the period	28	(141)	169	198	(339)
Balance at beginning of period	702	843	(141)	645	198
Balance at end of period	\$730	\$702	\$28	\$843	\$(141)

## Cash Flows from Operating Activities

The Utilities' cash flows from operating activities reflect primarily their energy sales and deliveries and cost of operations. The volume of energy sales and deliveries is affected primarily by factors external to the Utilities, such as growth of customer demand, weather, market prices for energy and economic conditions. Measures that promote distributed energy resources, such as distributed generation, demand reduction and energy efficiency, also affect the volume of energy sales and deliveries. See "Utility Regulation – State Utility Regulation – New York Utility Industry – Reforming the Energy Vision," "Competition" and "Environmental Matters – Climate Change" in Item 1. Under the revenue decoupling mechanisms in the Utilities' New York electric and gas rate plans, changes in delivery volumes from levels assumed when rates were approved may affect the timing of cash flows, but generally not net income. The prices at which the Utilities provide energy to their customers are determined in accordance with their rate plans. In general, changes in the Utilities' cost of purchased power, fuel and gas may affect the timing of cash flows, but not net income, because the costs are recovered in accordance with rate plans. See "Recoverable Energy Costs" in Note A to the financial statements in Item 8. Pursuant to their rate plans, the Utilities have recovered from customers a portion of the tax liability they will pay in the future as a result of temporary differences between the book and tax basis of assets and liabilities. These temporary differences affect the timing of cash flows, but not net income, as the Companies are required to record deferred tax assets and liabilities at the current corporate tax rate for the temporary differences. For the Utilities, the reduction of the corporate tax rate to 21 percent under the TCJA is expected to result in decreased cash flows from operating activities as and when the rates the Utilities charge their customers are adjusted to reflect the reduction. See "Changes To Tax Laws Could Adversely Affect the Companies," in Item 1A, "Federal Income Tax" in Note A, "Rate Plans" in Note B, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8. Net income is the result of cash and non-cash (or accrual) transactions. Only cash transactions affect the Companies' cash flows from operating activities. Principal non-cash charges or credits include depreciation, deferred income tax expense and amortizations of certain regulatory assets and liabilities. Non-cash charges or credits may also be accrued under the revenue decoupling and cost reconciliation mechanisms in the Utilities' New York electric and gas rate plans. See "Rate Plans – CECONY– Electric and Gas" and "Rate Plans – O&R New York – Electric and Gas" in Note B to the financial statements in Item 8.

Net cash flows from operating activities in 2017 for Con Edison and CECONY were \$92 million and \$172 million lower, respectively, than in 2016. The change in net cash flows for Con Edison and CECONY reflects primarily higher cash paid for income taxes, net of refunds received, in 2017 as compared with 2016 of \$151 million and \$270 million, respectively. The income tax refund received in 2016 reflected the extension of bonus depreciation in late 2015, resulting in a refund of the 2015 estimated federal tax payments. See Note L to the financial statements in Item 8. The change in net cash flows for Con Edison and CECONY also reflects higher construction expenditures in accounts payable of \$44 million and \$56 million, respectively.

Net cash flows from operating activities in 2016 for Con Edison and CECONY were \$182 million and \$219 million higher, respectively, than in 2015. The increase in net cash flows for Con Edison and CECONY reflects primarily lower income taxes paid, net of refunds received in 2016 as compared with 2015 (\$144 million and \$325 million, respectively), offset by higher interest payments (\$67 million and \$27 million, respectively) in 2016. The amount and timing of income tax payments and refunds received reflect, among other things, the extension of bonus depreciation tax provisions. See Note L to the financial statements in Item 8.

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

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#### Cash Flows Used in Investing Activities

Net cash flows used in investing activities for Con Edison and CECONY were \$1,273 million lower and \$339 million higher, respectively, in 2017 than in 2016. The change for Con Edison reflects primarily lower new investments in electric and gas transmission projects (\$1,031 million) and renewable electric production projects (\$357 million) and a decrease in non-utility construction expenditures (\$430 million), offset in part by lower proceeds from the sale and transfer of assets (\$340 million) and increased utility construction expenditures (\$193 million). The change for CECONY primarily reflects increased utility construction expenditures (\$168 million) and the absence of proceeds from the transfer of assets to NY Transco in 2016 (\$122 million).

Net cash flows used in investing activities for Con Edison and CECONY were \$1,319 million and \$101 million higher, respectively, in 2016 than in 2015. The change for Con Edison reflects primarily increased investments in electric and gas transmission projects (\$1,076 million), increased utility construction expenditures in 2016 (\$273 million) and increased non-utility construction expenditures related to development of renewable electric production projects (\$353 million), offset in part by the proceeds from the sale and transfer of assets (\$374 million). The change for CECONY reflects primarily increased utility construction expenditures in 2016 (\$262 million), offset in part by the proceeds from the transfer of assets to NY Transco (\$122 million).

#### Cash Flows From Financing Activities

Net cash flows from financing activities in 2017 for Con Edison and CECONY were \$988 million lower and \$680 million higher, respectively, than in 2016. Net cash flows from financing activities in 2016 for Con Edison and CECONY were \$716 million higher and \$457 million lower, respectively, than in 2015.

Net cash flows from financing activities during the years ended December 31, 2017 and 2016 reflect the following Con Edison transactions:

##### 2017

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

Issued \$400 million aggregate principal amount of 2.00 percent debentures, due 2020, and prepaid the June 2016 \$400 million variable rate term loan that was to mature in 2018.

##### 2016

Issued approximately 10 million common shares resulting in net proceeds of \$702 million, after issuance expenses, and \$500 million aggregate principal amount of 2.00 percent debentures, due 2021, the net proceeds from the sale of which were used in connection with the acquisition by a CET Gas subsidiary of a 50 percent equity interest in Stagecoach, a gas pipeline and storage joint venture (see "Con Edison Transmission" in Item 1), and for general corporate purposes.

Con Edison had no issuances of long-term debt in 2015.

Con Edison's cash flows from financing activities in 2017, 2016 and 2015 also reflect the proceeds, and reduction in cash used for reinvested dividends, resulting from the issuance of common shares under the company's dividend reinvestment, stock purchase and long-term incentive plans of \$97 million, \$97 million and \$29 million, respectively, net of repurchases in 2015.

Net cash flows from financing activities during the years ended December 31, 2017, 2016 and 2015 reflect the following CECONY transactions:

##### 2017

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

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2016

Issued \$250 million aggregate principal amount of 2.90 percent debentures, due 2026, \$500 million aggregate principal amount of 4.30 percent debentures, due 2056, and \$550 million aggregate principal amount of 3.85 percent debentures, due 2046, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes;

Redeemed at maturity \$400 million of 5.50 percent 10-year debentures; and

Redeemed at maturity \$250 million of 5.30 percent 10-year debentures.

2015

Issued \$650 million aggregate principal amount of 4.50 percent debentures, due 2045, the net proceeds from the sale of which were used to repay short-term borrowings and for other general corporate purposes; and

Redeemed at maturity \$350 million of 5.375 percent 10-year debentures.

Con Edison's net cash flows from financing activities during the years ended December 31, 2016 and 2015 also reflect the following O&R transactions:

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

2016

- Issued \$75 million aggregate principal amount of 3.88 percent debentures, due 2046, the net proceeds from the sale of which were used to repay short-term borrowings; and

Redeemed at maturity \$75 million of 5.45 percent 10-year debentures.

2015

Issued \$100 million aggregate principal amount of 4.69 percent debentures, due 2045, and \$120 million aggregate principal amount of 4.95 percent debentures, due 2045, the net proceeds from the sales of which were used to repay short-term borrowings and for other general corporate purposes;

Redeemed at maturity \$40 million of 5.30 percent 10-year debentures;

Redeemed at maturity \$55 million of 2.50 percent 5-year debentures; and

Redeemed at maturity \$44 million of variable rate tax-exempt 20-year debt.

Con Edison's net cash flows from financing activities during the years ended December 31, 2017, 2016 and 2015 also reflect the following Clean Energy Businesses transactions:

2017

- Issued \$97 million aggregate principal amount of 4.45 percent senior notes, due 2042, secured by Con Edison Development's Upton County Solar renewable electric production project.

2016

Borrowed \$2 million pursuant to a loan agreement with a New Jersey utility. The borrowing matures in 2026, bears interest of 11.18 percent and may be repaid in cash or project Solar Renewable Energy Certificates;

- Issued \$95 million aggregate principal amount of 4.07 percent senior notes, due 2036, secured by the company's California Holdings 3 renewable electric production project; and

Issued \$218 million aggregate principal amount of 4.21 percent senior notes, due 2041, secured by the company's Texas Solar 7 renewable electric production project.

2015

Issued \$118 million aggregate principal amount of 3.94 percent senior notes, due in 2036, secured by the company's California Holdings 2 renewable electric production project; and

Issued \$159 million aggregate principal amount of 4.53 percent senior notes due in 2040, secured by the company's Texas Solar 5 renewable electric production project.

Cash flows from financing activities of the Companies also reflect commercial paper issuance. The commercial paper amounts outstanding at December 31, 2017, 2016 and 2015 and the average daily balances for 2017, 2016 and 2015 for Con Edison and CECONY were as follows:

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	2017		2016		2015	
(Millions of Dollars, except Weighted Average Yield)	Outstanding at December 31	Daily average	Outstanding at December 31	Daily average	Outstanding at December 31	Daily average
Con Edison	\$577	\$566	\$1,054	\$744	\$1,529	\$823
CECONY	\$150	\$251	\$600	\$362	\$1,033	\$379
Weighted average yield	1.8	% 1.2	% 1.0	% 0.6	% 0.7	% 0.4

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

#### Capital Requirements and Resources

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

#### Other Changes in Assets and Liabilities

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

(Millions of Dollars)	Con Edison 2017 vs. 2016 Variance	CECONY 2017 vs. 2016 Variance
<b>Assets</b>		
Non-utility property, less accumulated depreciation	\$294	\$—
Non-utility plant - Construction work in progress	(138)	—
Other deferred charges and noncurrent assets	12	18
Regulatory asset - Unrecognized pension and other postretirement costs	(348)	(354)
Regulatory asset - Future income tax	(2,439)	(2,325)
<b>Liabilities</b>		
Deferred income taxes and unamortized investment tax credits	\$(4,710)	\$(4,144)
Pension and retiree benefits	(404)	(404)
Regulatory liabilities - Future income tax	2,545	2,390
System benefit charge	101	85

#### Non-Utility Property, Less Accumulated Depreciation

The increase in non-utility property, less accumulated depreciation, for Con Edison reflects the completion of construction of Con Edison Development's Upton County Solar renewable electric production project. See "Clean Energy Businesses – Con Edison Development" and "Capital Requirements and Resources – Capital Requirements" in Item 1.

#### Non-Utility Plant - Construction Work in Progress

The decrease in construction work in progress for Con Edison reflects projects that have reached commercial operation.

#### Other Deferred Charges and Noncurrent Assets

The increase in other deferred charges and noncurrent assets for Con Edison reflects deferred costs of \$33 million related to aid provided by the Utilities in the restoration of power in Puerto Rico in the aftermath of September 2017 hurricanes.

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

The decrease in the regulatory asset for unrecognized pension and other postretirement costs and the liability for pension and retiree benefits reflects the final actuarial valuation of the pension and other retiree benefit plans as measured at December 31, 2017, in accordance with the accounting rules for retirement benefits. The change in the regulatory asset also reflects the year's amortization of accounting costs. The change in the liability for pension and retiree benefits reflects in part contributions to the plans made by the Utilities in 2017. See Notes B, E and F to the financial statements in Item 8.

#### Deferred Income Taxes and Unamortized Investment Tax Credits, Regulatory Asset and Liability for Future Income Tax

The decrease in deferred income taxes and unamortized investment tax credits, decrease in regulatory asset for future income tax and increase in regulatory liability for future income tax reflects the re-measurement of the Companies' deferred tax assets and liabilities based upon the 21 percent corporate income tax rate under the TCJA. See "Federal Income Taxes" in Note A, "Other Regulatory Matters" in Note B and Note L to the financial statements in Item 8.

#### System Benefit Charge

The increase in the liability for the system benefit charge reflects amounts collected by the Utilities from their customers that will be required to be paid to NYSERDA. See "Environmental Matters – Climate Change" in Item 1.

#### Off-Balance Sheet Arrangements

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

#### Regulatory Matters

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

#### Risk Factors

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

#### Application of Critical Accounting Policies

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

#### Accounting for Regulated Public Utilities

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

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

The Utilities' principal regulatory assets and liabilities are listed in Note B to the financial statements in Item 8. The Utilities are each receiving or being credited with a return on all regulatory assets for which a cash outflow has been made. The Utilities are each paying or being charged with a return on all regulatory liabilities for which a cash inflow

has been received. The 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.

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In the event that regulatory assets of the Utilities were no longer probable of recovery, as required by the accounting rules for regulated operations, these regulatory assets would be charged to earnings. At December 31, 2017, the regulatory assets for Con Edison and CECONY were \$4,333 million and \$3,925 million, respectively.

#### Accounting for Pensions and Other Postretirement Benefits

The Utilities provide pensions and other postretirement benefits to substantially all of their employees and retirees. The Clean Energy Businesses and Con Edison Transmission also provide such benefits to certain employees. The Companies account for these benefits in accordance with the accounting rules for retirement benefits. In addition, the Utilities apply the accounting rules for regulated operations to account for the regulatory treatment of these obligations (which, as described in Note B to the financial statements in Item 8, reconciles the amounts reflected in rates for the costs of the benefit to the costs actually incurred). In applying these accounting policies, the Companies have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, discount rates, health care cost trends and future compensation. See Notes A, E and F to the financial statements in Item 8 for information about the Companies' pension and other postretirement benefits, the actuarial assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2017, 2016 and 2015.

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

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

The cost of pension and other postretirement benefits in future periods will depend on actual returns on plan assets, assumptions for future periods, contributions and benefit experience. Con Edison's and CECONY's current estimates for 2018 are increases, compared with 2017, in their pension and other postretirement benefits costs of \$59 million and \$51 million, respectively.

The following table illustrates the effect on 2018 pension and other postretirement costs of changing the critical actuarial assumptions, while holding all other actuarial assumptions constant:

Actuarial Assumption	Change in Assumption	Other Pension Benefits	Total
		(Millions of Dollars)	
Increase in accounting cost:			
Discount rate			
Con Edison	(0.25)%	\$ <del>3</del> 7	\$60
CECONY	(0.25)%	\$ <del>2</del> 2	\$56
Expected return on plan assets			
Con Edison	(0.25)%	\$ <del>2</del> 2	\$35
CECONY	(0.25)%	\$ <del>2</del> 2	\$33
Health care trend rate			
Con Edison	1.00%	\$ <del>3</del> 3	\$3
CECONY	1.00%	\$ <del>(3)</del> (3)	\$(3)
Increase in projected benefit obligation:			
Discount rate			
Con Edison	(0.25)%	\$ <del>97</del> 97	\$628
CECONY	(0.25)%	\$ <del>28</del> 28	\$585
Health care trend rate			
Con Edison	1.00%	\$ <del>13</del> 13	\$13

CECONY 1.00 % ~~\$(20)~~ \$(20)

A 5.0 percentage point variation in the actual annual return in 2018, as compared with the expected annual asset return of 7.50 percent, would change pension and other postretirement benefit costs for Con Edison and CECONY by approximately \$42 million and \$39 million, respectively, in 2019.

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

The Companies' policy is to fund their pension and other postretirement benefit accounting costs to the extent tax deductible, and for the Utilities, to the extent these costs are recovered under their rate plans. The Companies were not required to make cash contributions to the pension plan in 2017 under funding regulations and tax laws. However, CECONY and O&R made discretionary contributions to the pension plan in 2017 of \$412 million and \$38 million, respectively. In 2018, CECONY and O&R expect to make contributions to the pension plan of \$435 million and \$37 million, respectively. See "Expected Contributions" in Notes E and F to the financial statements in Item 8.

#### Accounting for Contingencies

The accounting rules for contingencies apply to an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Known material contingencies, which are described in the notes to the financial statements, include certain regulatory matters (Note B), the Utilities' responsibility for hazardous substances, such as asbestos, PCBs and coal tar that have been used or generated in the course of operations (Note G) and other contingencies (Note H). In accordance with the accounting rules, the Companies have accrued estimates of losses relating to the contingencies as to which loss is probable and can be reasonably estimated and no liability has been accrued for contingencies as to which loss is not probable or cannot be reasonably estimated.

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

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

The accounting rules for certain long-lived assets and intangible assets with definite lives require testing for recoverability whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The carrying amount of a long-lived asset or intangible asset with a definite life is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Under the accounting rules, an impairment loss is recognized if the carrying amount is not recoverable from such cash flows, and exceeds its fair value, which approximates market value. In 2015, Con Edison recorded a \$5 million impairment charge on Pike assets held for sale. See Note U to the financial statements in Item 8. No impairment charges on long-lived assets were recognized in 2017 or 2016. No impairment charges on intangible assets with definite lives were recognized in 2017, 2016 or 2015. For information about the Companies' intangible assets, see Note K to the financial statements in Item 8.

#### Accounting for Goodwill

In accordance with the accounting rules for goodwill and intangible assets, Con Edison is required to test goodwill for impairment annually or whenever there is a triggering event. See "Goodwill" in Note A and Note K to the financial statements in Item 8. The company has an option to first make a qualitative assessment that evaluates relevant events and circumstances, such as industry and market conditions, regulatory environment and financial performance. If, after applying the optional qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company then applies a two-step, quantitative goodwill impairment test.

The first step of the quantitative goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill.

Goodwill was \$428 million at December 31, 2017, which consists of \$406 million related to the 1999 O&R merger, \$8 million related to a gas storage company owned by CET Gas and \$14 million related to a residential solar company

owned by the Clean Energy Businesses.

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During 2017, Con Edison elected to perform the optional qualitative assessment for goodwill related to the O&R merger and the gas storage company and determined no quantitative analysis was required and no goodwill impairment was recorded.

The first step of the quantitative analysis was performed for the residential solar company owned by the Clean Energy Businesses. Based on the results, it was determined that the fair value of the reporting unit exceeded the carrying value, and as such, the second step was not required and no goodwill impairment was recorded. The most significant assumptions for the goodwill impairment test relate to the estimates of reporting unit fair values. The company estimated fair values using primarily discounted cash flows. Estimates of future cash flows, projected growth rates and discount rates inherent in the cash flow estimates for Con Edison subsidiaries other than the Utilities may vary significantly from actual results, which could result in a future impairment of goodwill.

During 2016, the impairment tests required a second-step assessment to be performed on goodwill of \$15 million related to two energy service companies owned by the Clean Energy Businesses. Based on the results of step two of the impairment test, the Clean Energy Businesses recorded an impairment charge of \$15 million (\$12 million, net of tax). A second-step assessment of goodwill related to the O&R merger, residential solar company and gas storage company was not required.

#### Accounting for Derivative Instruments

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

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

#### Financial and Commodity Market Risks

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

##### Interest Rate Risk

The Companies' interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including the construction expenditures of the Utilities and maturing debt securities. Con Edison and its businesses manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. Con Edison and CECONY estimate that at December 31, 2017, a 10 percent increase in interest rates applicable to its variable rate debt would result in an increase in annual interest expense of \$3 million. Under CECONY's current electric, gas and steam rate plans, variations in actual variable rate tax-exempt debt interest expense are reconciled to levels reflected in rates.

##### Commodity Price Risk

Con Edison's commodity price risk relates primarily to the purchase and sale of electricity, gas and related derivative instruments. The Utilities and the Clean Energy Businesses apply risk management strategies to mitigate their related exposures. See Note O to the financial statements in Item 8.

Con Edison estimates that, as of December 31, 2017, a 10 percent decline in market prices would result in a decline in fair value of \$82 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas,

of which \$74 million is for CECONY and \$8 million is for O&R. Con Edison expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In accordance with provisions approved by state regulators, the Utilities generally recover from customers the costs they incur for energy purchased for their customers, including gains and losses on certain

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derivative instruments used to hedge energy purchased and related costs. See “Recoverable Energy Costs” in Note A to the financial statements in Item 8.

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

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

#### Credit Risk

The Companies are exposed to credit risk related to transactions entered into primarily for the various energy supply and hedging activities by the Utilities and the Clean Energy Businesses. See the discussion of credit exposure in Note O to the financial statements in Item 8.

#### Investment Risk

The Companies’ investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans and to the investments of the Clean Energy Businesses and Con Edison Transmission that are accounted for under the equity method. See “Application of Critical Accounting Policies – Accounting for Pensions and Other Postretirement Benefits,” above and Notes A, E and F to the financial statements in Item 8.

The Companies’ current investment policy for pension plan assets includes investment targets of 53 to 63 percent equities and 35 to 49 percent fixed income and other securities. At December 31, 2017, the pension plan investments consisted of 58 percent equity and 42 percent fixed income and other securities.

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

#### Environmental Matters

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

#### Impact of Inflation

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

#### Material Contingencies

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



Item 7A: Quantitative and Qualitative Disclosures about Market Risk

Con Edison

For information about Con Edison's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks," in Item 7 (which information is incorporated herein by reference).

CECONY

For information about CECONY's primary market risks associated with activities in derivative financial instruments, other financial instruments and derivative commodity instruments, see "Financial and Commodity Market Risks" in Item 7 (which information is incorporated herein by reference).

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## Item 8: Financial Statements and Supplementary Data

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

## Supplementary Financial Information

## Selected Quarterly Financial Data for the years ended December 31, 2017 and 2016 (Unaudited)

Con Edison	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions of Dollars, except per share amounts)			
Operating revenues	\$3,228	\$2,633	\$3,211	\$2,961
Operating income	771	423	873	544
Net income	388	175	457	505
Basic earnings per share	\$1.27	\$0.57	\$1.48	\$1.63
Diluted earnings per share	\$1.27	\$0.57	\$1.48	\$1.62

Con Edison	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions of Dollars, except per share amounts)			
Operating revenues	\$3,156	\$2,794	\$3,417	\$2,707
Operating income	642	515	940	478
Net income	310	232	497	207
Basic earnings per share	\$1.05	\$0.78	\$1.63	\$0.68
Diluted earnings per share	\$1.05	\$0.77	\$1.62	\$0.67

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

CECONY	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions of Dollars)			
Operating revenues	\$2,856	\$2,293	\$2,799	\$2,520
Operating income	705	387	800	514
Net income	339	143	401	221

CECONY	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions of Dollars)			
Operating revenues	\$2,632	\$2,281	\$2,828	\$2,424
Operating income	640	392	766	463
Net income	310	161	388	197

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

Report of Management on Internal Control Over Financial Reporting

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

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

Management of the Company assessed the effectiveness of internal control over financial reporting as of December 31, 2017, using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on that assessment, management has concluded that the Company had effective internal control over financial reporting as of December 31, 2017. The effectiveness of the Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, as stated in their report which appears on the following page of this Annual Report on Form 10-K.

/s/ John McAvoy  
John McAvoy  
Chairman, President and Chief Executive Officer

/s/ Robert Hoglund  
Robert Hoglund  
Senior Vice President and Chief Financial Officer  
February 15, 2018

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

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

We have audited the consolidated financial statements, including the related notes and financial statement schedules, of Consolidated Edison, Inc. and its subsidiaries (the Company) as listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### Basis for Opinions

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

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

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

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

New York, New York

February 15, 2018

We have served as the Company's or its predecessor's auditor since 1938.

Consolidated Edison, Inc.  
Consolidated Income Statement

(Millions of Dollars/Except Share Data)	For the Years Ended December 31,		
	2017	2016	2015
OPERATING REVENUES			
Electric	\$8,612	\$8,741	\$8,832
Gas	2,133	1,692	1,709
Steam	595	551	629
Non-utility	693	1,091	1,384
TOTAL OPERATING REVENUES	12,033	12,075	12,554
OPERATING EXPENSES			
Purchased power	1,601	2,439	2,973
Fuel	216	172	248
Gas purchased for resale	808	477	495
Other operations and maintenance	3,303	3,269	3,344
Depreciation and amortization	1,341	1,216	1,130
Taxes, other than income taxes	2,155	2,031	1,937
TOTAL OPERATING EXPENSES	9,424	9,604	10,127
Gain on sale of retail electric supply business and solar electric production projects	1	104	—
OPERATING INCOME	2,610	2,575	2,427
OTHER INCOME (DEDUCTIONS)			
Investment income	79	47	—
Other income	47	44	35
Allowance for equity funds used during construction	11	10	5
Other deductions	(21)	(37)	(16)
TOTAL OTHER INCOME	116	64	24
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	2,726	2,639	2,451
INTEREST EXPENSE			
Interest on long-term debt	726	678	632
Other interest	11	24	24
Allowance for borrowed funds used during construction	(8)	(6)	(3)
NET INTEREST EXPENSE	729	696	653
INCOME BEFORE INCOME TAX EXPENSE	1,997	1,943	1,798
INCOME TAX EXPENSE	472	698	605
NET INCOME	\$1,525	\$1,245	\$1,193
Net income per common share — basic	\$4.97	\$4.15	\$4.07
Net income per common share — diluted	\$4.94	\$4.12	\$4.05
DIVIDENDS DECLARED PER COMMON SHARE	\$2.76	\$2.68	\$2.60
AVERAGE NUMBER OF SHARES OUTSTANDING — BASIC (IN MILLIONS)	307.1	300.4	293.0
AVERAGE NUMBER OF SHARES OUTSTANDING — DILUTED (IN MILLIONS)	308.8	301.9	294.4

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

Consolidated Edison, Inc.  
 Consolidated Statement of Comprehensive Income

(Millions of Dollars)	For the Years Ended December 31,		
	2017	2016	2015
NET INCOME	\$1,525	\$1,245	\$1,193
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	7	11
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	7	11
COMPREHENSIVE INCOME	\$1,526	\$1,252	\$1,204

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

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Consolidated Edison, Inc.

Consolidated Statement of Cash Flows

(Millions of Dollars)	For the Years Ended December 31,	
	2017	2016
<b>OPERATING ACTIVITIES</b>		
Net Income	\$1,531,245	\$1,193
<b>PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME</b>		
Depreciation and amortization	1,341,216	1,130
Deferred income taxes	485,783	653
Rate case amortization and accruals	(124)210	(52)
Common equity component of allowance for funds used during construction	(11)(10)	(5)
Net derivative (gains)/losses	(4) (6)	3
Pre-tax gain on sale of retail electric supply business and solar electric production projects	(1) (104)	—
Other non-cash items, net	(49)142	77
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Accounts receivable - customers	(6) (69)	96
Materials and supplies, including fuel oil and gas in storage	5 13	22
Other receivables and other current assets	(44)54	(27)
Taxes receivable	15 87	58
Prepayments	(19)20	(14)
Accounts payable	95 29	(79)
Pensions and retiree benefits obligations, net	414 609	756
Pensions and retiree benefits contributions	(467)515	(756)
Accrued taxes	44 2	(10)
Accrued interest	(7) 14	4
Superfund and environmental remediation costs, net	(14)69	22
Distributions from equity investments	108 68	31
System benefit charge	101 244	38
Deferred charges, noncurrent assets and other regulatory assets	2,37697	(111)
Deferred credits and other regulatory liabilities	(2,52468)	182
Other current and noncurrent liabilities	128 (57)	66
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,363,459</b>	<b>3,277</b>
<b>INVESTING ACTIVITIES</b>		
Utility construction expenditures	(3,028)835	(2,562)
Cost of removal less salvage	(248)206	(219)
Non-utility construction expenditures	(415)845	(492)
Investments in electric and gas transmission projects	(45)(1,076)	—
Investments in/acquisitions of renewable electric production projects	(45)(402)	(299)
Proceeds from sale of assets	34 252	—
Restricted cash	7 (17)	(13)
Proceeds from the transfer of assets to NY Transco	— 122	—
Other investing activities	37 31	(72)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(3,703)976</b>	<b>(3,657)</b>
<b>FINANCING ACTIVITIES</b>		
Net (payment)/issuance of short-term debt	(477)475	729
Issuance of long-term debt	1,692,590	1,147
Retirement of long-term debt	(434)735	(500)
Debt issuance costs	(19)(24)	(15)

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Common stock dividends	(803)763	(733)
Issuance of common shares - public offering	343 702	—
Issuance of common shares for stock plans, net of repurchases	51 51	1
Distribution to noncontrolling interest	(1) (1)	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	357 1,345	629
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	21 (172)	249
BALANCE AT BEGINNING OF PERIOD	776 944	699
BALANCE AT END OF PERIOD	797 772	948
LESS: CHANGE IN CASH BALANCES HELD FOR SALE	— (4)	4
BALANCE AT END OF PERIOD EXCLUDING HELD FOR SALE	\$797\$776	\$944
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid/(received) during the period for:		
Interest	\$725\$664	\$597
Income taxes	\$(29)\$(180)	\$(36)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	\$432\$388	\$279
Issuance of common shares for dividend reinvestment	\$46 \$46	\$28
Debt assumed with business acquisitions	\$— \$195	\$—

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

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Consolidated Edison, Inc.  
Consolidated Balance Sheet

(Millions of Dollars)	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and temporary cash investments	\$797	\$776
Accounts receivable — customers, less allowance for uncollectible accounts of \$63 and \$69 in 2017 and 2016, respectively	1,103	1,106
Other receivables, less allowance for uncollectible accounts of \$8 and \$14 in 2017 and 2016, respectively	160	195
Taxes receivable	64	79
Accrued unbilled revenue	598	447
Fuel oil, gas in storage, materials and supplies, at average cost	334	339
Prepayments	178	159
Regulatory assets	67	100
Restricted cash	47	54
Other current assets	189	151
<b>TOTAL CURRENT ASSETS</b>	<b>3,537</b>	<b>3,406</b>
<b>INVESTMENTS</b>		
<b>UTILITY PLANT, AT ORIGINAL COST</b>		
Electric	28,994	27,747
Gas	8,256	7,524
Steam	2,473	2,421
General	3,008	2,719
<b>TOTAL</b>	<b>42,731</b>	<b>40,411</b>
Less: Accumulated depreciation	9,063	8,541
Net	33,668	31,870
Construction work in progress	1,605	1,175
<b>NET UTILITY PLANT</b>	<b>35,273</b>	<b>33,045</b>
<b>NON-UTILITY PLANT</b>		
Non-utility property, less accumulated depreciation of \$201 and \$140 in 2017 and 2016, respectively	1,776	1,482
Construction work in progress	551	689
<b>NET PLANT</b>	<b>37,600</b>	<b>35,216</b>
<b>OTHER NONCURRENT ASSETS</b>		
Goodwill	428	428
Intangible assets, less accumulated amortization of \$15 and \$6 in 2017 and 2016, respectively	131	124
Regulatory assets	4,266	7,024
Other deferred charges and noncurrent assets	148	136
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>4,973</b>	<b>7,712</b>
<b>TOTAL ASSETS</b>	<b>\$48,111</b>	<b>\$48,255</b>

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



Consolidated Edison, Inc.		
Consolidated Balance Sheet		
(Millions of Dollars)		
	December 31, 2017	December 31, 2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Long-term debt due within one year	\$1,298	\$39
Notes payable	577	1,054
Accounts payable	1,286	1,147
Customer deposits	346	352
Accrued taxes	108	64
Accrued interest	143	150
Accrued wages	105	101
Fair value of derivative liabilities	17	77
Regulatory liabilities	101	128
System benefit charge	535	434
Other current liabilities	386	297
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,902</b>	<b>3,843</b>
<b>NONCURRENT LIABILITIES</b>		
Provision for injuries and damages	153	160
Pensions and retiree benefits	1,443	1,847
Superfund and other environmental costs	737	753
Asset retirement obligations	314	246
Fair value of derivative liabilities	38	40
Deferred income taxes and unamortized investment tax credits	5,495	10,205
Regulatory liabilities	4,577	1,905
Other deferred credits and noncurrent liabilities	296	215
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>13,053</b>	<b>15,371</b>
<b>LONG-TERM DEBT</b>	<b>14,731</b>	<b>14,735</b>
<b>EQUITY</b>		
Common shareholders' equity	15,418	14,298
Noncontrolling interest	7	8
<b>TOTAL EQUITY (See Statement of Equity)</b>	<b>15,425</b>	<b>14,306</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$48,111</b>	<b>\$48,255</b>
The accompanying notes are an integral part of these financial statements.		



Consolidated Edison, Inc.  
Consolidated Statement of Equity

(In Millions)	Common Stock Shares	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total	
BALANCE AS OF DECEMBER 31, 2014	<del>92</del>	\$4,991	\$8,691	23	\$(1,032)	\$(61)	\$(45)	\$9	\$12,585
Net income			1,193						1,193
Common stock dividends			(761)						(761)
Issuance of common shares for stock plans, net of repurchases	—	39		—	(6)				33
Other comprehensive income						11			11
Noncontrolling interest									—
BALANCE AS OF DECEMBER 31, 2015	<del>92</del>	\$5,030	\$9,123	23	\$(1,038)	\$(61)	\$(34)	\$9	\$13,061
Net income			1,245						1,245
Common stock dividends			(809)						(809)
Issuance of common shares - public offering	10	723				(22)			702
Issuance of common shares for stock plans	2	101							