CONSOLIDATED EDISON INC
Form 10-Q
August 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
x Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016
OR
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number	Exact name of registrant as specified in its charter and principal executive office address and telephone number	State of Incorporation	I.R.S. Employer ID. Number
1-14514	Consolidated Edison, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-3965100
1-1217	Consolidated Edison Company of New York, Inc. 4 Irving Place, New York, New York 10003 (212) 460-4600	New York	13-5009340

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.
Consolidated Edison, Inc. (Con Edison) Yes x No ¨
Consolidated Edison Company of New York, Inc. (CECONY) Yes x 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 x No ¨
CECONY Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Con Edison
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

CECONY
Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Con Edison Yes ¨ No x
CECONY Yes ¨ No x
As of July 29, 2016, Con Edison had outstanding 304,414,974 Common Shares ($.10 par value). All of the outstanding common equity of CECONY is held by Con Edison.
Filing Format
This Quarterly Report on Form 10-Q 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. 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.
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.
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
PAPUC	Pennsylvania Public Utility Commission
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission

Accounting

ASU	Accounting Standards Update
GAAP	Generally Accepted Accounting Principles in the United States of America
OCI	Other Comprehensive Income
VIE	Variable interest entity

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Environmental	
CO_2	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
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	
AFUDC	Allowance for funds used during construction
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
First Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31 of the current year
Second Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30 of the current year
Form 10-K	The Companies’ combined Annual Report on Form 10-K for the year ended December 31, 2015
LTIP	Long Term Incentive Plan
Moody’s	Moody’s Investors Service
REV	Reforming the Energy Vision
S&P	Standard & Poor’s Financial Services LLC
VaR	Value-at-Risk

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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:

- the Companies are extensively regulated and are subject to penalties;
- the Utilities’ rate plans may not provide a reasonable return;
- the Companies may be adversely affected by changes to the Utilities’ rate plans;
- the intentional misconduct of employees or contractors could adversely affect the Companies;
- the failure of, or damage to, the Companies’ facilities could adversely affect the Companies;
- a cyber attack could adversely affect the Companies;
- the Companies are exposed to risks from the environmental consequences of their operations;
- a disruption in the wholesale energy markets or failure by an energy supplier could adversely affect the Companies;
- the Companies have substantial unfunded pension and other postretirement benefit liabilities;
- Con Edison’s ability to pay dividends or interest depends on dividends from its subsidiaries;
- the Companies require access to capital markets to satisfy funding requirements;
- the Companies’ strategies may not be effective to address changes in the external business environment; and
- the Companies also face other risks that are beyond their control.

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Consolidated Edison, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(Millions of Dollars/ Except Share Data)			
OPERATING REVENUES				
Electric	$2,035	$2,040	$3,947	$4,175
Gas	336	324	1,012	1,056
Steam	85	96	343	471
Non-utility	338	328	648	702
TOTAL OPERATING REVENUES	2,794	2,788	5,950	6,404
OPERATING EXPENSES				
Purchased power	558	660	1,249	1,544
Fuel	33	31	104	185
Gas purchased for resale	81	89	239	351
Other operations and maintenance	820	802	1,607	1,616
Depreciation and amortization	302	276	599	555
Taxes, other than income taxes	485	458	995	955
TOTAL OPERATING EXPENSES	2,279	2,316	4,793	5,206
OPERATING INCOME	515	472	1,157	1,198
OTHER INCOME (DEDUCTIONS)				
Investment and other income	15	14	19	19
Allowance for equity funds used during construction	2	1	4	2
Other deductions	(6)	(5)	(11)	(7)
TOTAL OTHER INCOME	11	10	12	14
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	526	482	1,169	1,212
INTEREST EXPENSE				
Interest on long-term debt	167	156	330	311
Other interest	5	7	12	13
Allowance for borrowed funds used during construction	(2)	(1)	(3)	(1)
NET INTEREST EXPENSE	170	162	339	323
INCOME BEFORE INCOME TAX EXPENSE	356	320	830	889
INCOME TAX EXPENSE	124	101	288	300
NET INCOME	$232	$219	$542	$589
Net income per common share—basic	$0.78	$0.75	$1.83	$2.01
Net income per common share—diluted	$0.77	$0.74	$1.82	$2.01
DIVIDENDS DECLARED PER COMMON SHARE	$0.67	$0.65	$1.34	$1.30
AVERAGE NUMBER OF SHARES OUTSTANDING—BASIC (IN MILLIONS)	299.1	292.9	296.7	292.9
AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED (IN MILLIONS)	300.4	294.0	298.0	293.9

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

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Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(Millions of Dollars)			
NET INCOME	$232	$219	$542	$589
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	1	1	6
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	1	1	6
COMPREHENSIVE INCOME	$233	$220	$543	$595

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

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Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended June 30,	
	2016	2015
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$542	$589
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	599	555
Deferred income taxes	268	202
Rate case amortization and accruals	(112)	(20)
Common equity component of allowance for funds used during construction	(4)	(2)
Net derivative (gains)/losses	(33)	8
Other non-cash items, net	42	18
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers	101	35
Materials and supplies, including fuel oil and gas in storage	29	48
Other receivables and other current assets	(38)	(17)
Income taxes receivable	151	224
Prepayments	(15)	(144)
Accounts payable	(21)	(158)
Pensions and retiree benefits obligations, net	302	379
Pensions and retiree benefits contributions	(307)	(407)
Accrued taxes	(16)	(20)
Accrued interest	3	(1)
Superfund and environmental remediation costs, net	60	15
Distributions from equity investments	24	18
Deferred charges, noncurrent assets and other regulatory assets	(98)	(3)
Deferred credits and other regulatory liabilities	75	136
Other current and noncurrent liabilities	79	31
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,631	1,486
INVESTING ACTIVITIES		
Utility construction expenditures	(1,344)	(1,174)
Cost of removal less salvage	(95)	(105)
Non-utility construction expenditures	(331)	(178)
Investments in/acquisitions of renewable electric production and electric and gas transmission projects	(1,250)	(252)
Proceeds from the transfer of assets to NY Transco	122	—
Restricted cash	(6)	(22)
Other investing activities	(82)	6
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,986)	(1,725)
FINANCING ACTIVITIES		
Net (payment)/issuance of short-term debt	(821)	445
Issuance of long-term debt	1,765	238
Retirement of long-term debt	(6)	(45)
Debt issuance costs	(15)	(2)
Common stock dividends	(378)	(380)

Issuance of common shares - public offering	702	—
Issuance of common shares for stock plans, net of repurchases	27	(7)
Distribution to noncontrolling interest	(1)	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,273	249
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(82)	10
BALANCE AT BEGINNING OF PERIOD	944	699
BALANCE AT END OF PERIOD EXCLUDING HELD FOR SALE	$862	$709
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid/(received) during the period for:		
Interest	$318	$305
Income taxes	$(142)	$(9)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	$254	$213
Issuance of common shares for dividend reinvestment	$23	$5

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

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Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2016	December 31, 2015
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$862	$944
Special deposits	10	3
Accounts receivable – customers, less allowance for uncollectible accounts of $80 and $85 in 2016 and 2015, respectively	951	1,052
Other receivables, less allowance for uncollectible accounts of $15 and $11 in 2016 and 2015, respectively	247	304
Income taxes receivable	15	166
Accrued unbilled revenue	365	360
Fuel oil, gas in storage, materials and supplies, at average cost	321	350
Prepayments	192	177
Regulatory assets	84	132
Assets held for sale	183	157
Other current assets	269	191
TOTAL CURRENT ASSETS	3,499	3,836
INVESTMENTS	1,913	884
UTILITY PLANT, AT ORIGINAL COST		
Electric	26,961	26,358
Gas	7,102	6,858
Steam	2,368	2,336
General	2,614	2,622
TOTAL	39,045	38,174
Less: Accumulated depreciation	8,305	8,044
Net	30,740	30,130
Construction work in progress	1,148	1,003
NET UTILITY PLANT	31,888	31,133
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of $114 and $95 in 2016 and 2015, respectively	859	832
Construction work in progress	712	244
NET PLANT	33,459	32,209
OTHER NONCURRENT ASSETS		
Goodwill	429	429
Intangible assets, less accumulated amortization of $5 and $4 in 2016 and 2015, respectively	2	2
Regulatory assets	7,680	8,096
Other deferred charges and noncurrent assets	288	186
TOTAL OTHER NONCURRENT ASSETS	8,399	8,713
TOTAL ASSETS	$47,270	$45,642

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

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Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2016	December 31, 2015
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$746	$739
Notes payable	708	1,529
Accounts payable	969	1,008
Customer deposits	358	354
Accrued taxes	46	62
Accrued interest	139	136
Accrued wages	99	97
Fair value of derivative liabilities	62	66
Regulatory liabilities	122	115
Liabilities held for sale	60	89
Other current liabilities	594	525
TOTAL CURRENT LIABILITIES	3,903	4,720
NONCURRENT LIABILITIES		
Provision for injuries and damages	188	185
Pensions and retiree benefits	2,423	2,911
Superfund and other environmental costs	758	765
Asset retirement obligations	249	242
Fair value of derivative liabilities	33	39
Deferred income taxes and unamortized investment tax credits	9,878	9,537
Regulatory liabilities	1,932	1,977
Other deferred credits and noncurrent liabilities	201	199
TOTAL NONCURRENT LIABILITIES	15,662	15,855
LONG-TERM DEBT	13,747	12,006
EQUITY		
Common shareholders’ equity	13,950	13,052
Noncontrolling interest	8	9
TOTAL EQUITY (See Statement of Equity)	13,958	13,061
TOTAL LIABILITIES AND EQUITY	$47,270	$45,642

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

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Consolidated Edison, Inc.
CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Millions)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total
	Shares	Amount			Shares	Amount				
BALANCE AS OF DECEMBER 31, 2014	293	$32	$4,991	$8,691	23	$(1,032)	$(61)	$(45)	$9	$12,585
Net income				370						370
Common stock dividends				(190)						(190)
Issuance of common shares for stock plans, net of repurchases	—		2		—	(2)				—
Other comprehensive income								5		5
BALANCE AS OF MARCH 31, 2015	293	$32	$4,993	$8,871	23	$(1,034)	$(61)	$(40)	$9	$12,770
Net income				219						219
Common stock dividends				(190)						(190)
Issuance of common shares for stock plans, net of repurchases	—		—		—	(3)				(3)
Other comprehensive income								1		1
BALANCE AS OF JUNE 30, 2015	293	$32	$4,993	$8,900	23	$(1,037)	$(61)	$(39)	$9	$12,797
BALANCE AS OF DECEMBER 31, 2015	293	$32	$5,030	$9,123	23	$(1,038)	$(61)	$(34)	$9	$13,061
Net income				310						310
Common stock dividends				(197)						(197)
Issuance of common shares for stock plans	1		28							28
Other comprehensive income								—		—
Noncontrolling interest									(1)	(1)
BALANCE AS OF MARCH 31, 2016	294	$32	$5,058	$9,236	23	$(1,038)	$(61)	$(34)	$8	$13,201
Net income				232						232
Common stock dividends				(204)						(204)
Issuance of common shares - public offering	10	1	723				(22)			702
Issuance of common shares for stock plans	—		26							26
Other comprehensive income								1		1
BALANCE AS OF JUNE 30, 2016	304	$34	$5,807	$9,264	23	$(1,038)	$(83)	$(33)	$8	$13,958

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,
	2016	2015	20162015
	(Millions of Dollars)		
OPERATING REVENUES			
Electric	$1,892	$1,879	$3,6658
Gas	304	308	9063
Steam	85	96	3471
TOTAL OPERATING REVENUES	2,281	2,283	4,9132
OPERATING EXPENSES			
Purchased power	369	358	7921
Fuel	33	31	1085
Gas purchased for resale	51	54	1852
Other operations and maintenance	701	687	1,3890
Depreciation and amortization	275	254	5471
Taxes, other than income taxes	460	439	944
TOTAL OPERATING EXPENSES	1,889	1,823	3,8409
OPERATING INCOME	392	460	1,0343
OTHER INCOME (DEDUCTIONS)			
Investment and other income	1	2	3
Allowance for equity funds used during construction	2	1	4
Other deductions	(1)	(5)	(6)
TOTAL OTHER INCOME (DEDUCTIONS)	2	(2)	(1)
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	394	458	1,0342
INTEREST EXPENSE			
Interest on long-term debt	146	141	2980
Other interest	4	5	9
Allowance for borrowed funds used during construction	(1)	—	(21)
NET INTEREST EXPENSE	149	146	2970
INCOME BEFORE INCOME TAX EXPENSE	245	312	7356
INCOME TAX EXPENSE	84	101	2034
NET INCOME	$161	$211	$4579

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(Millions of Dollars)			
NET INCOME	$161	$211	$472	$559
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirement benefit plan liability adjustments, net of taxes	1	1	1	1
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	1	1	1	1
COMPREHENSIVE INCOME	$162	$212	$473	$560

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended June 30,	
	2016	2015
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$472	$559
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	547	511
Deferred income taxes	283	135
Rate case amortization and accruals	(120)	(32)
Common equity component of allowance for funds used during construction	(4)	(2)
Other non-cash items, net	15	(10)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable – customers	102	53
Materials and supplies, including fuel oil and gas in storage	18	42
Other receivables and other current assets	(64)	11
Accounts receivable from affiliated companies	92	(4)
Prepayments	3	18
Accounts payable	(54)	(106)
Accounts payable to affiliated companies	5	5
Pensions and retiree benefits obligations, net	287	360
Pensions and retiree benefits contributions	(306)	(406)
Superfund and environmental remediation costs, net	67	14
Accrued taxes	(15)	(1)
Accrued taxes to affiliated companies	(2)	(10)
Accrued interest	(3)	(1)
Deferred charges, noncurrent assets and other regulatory assets	(100)	(22)
Deferred credits and other regulatory liabilities	89	119
Other current and noncurrent liabilities	87	(31)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,399	1,202
INVESTING ACTIVITIES		
Utility construction expenditures	(1,268)	(1,108)
Cost of removal less salvage	(92)	(101)
Proceeds from the transfer of assets to NY Transco	122	—
Restricted cash	13	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,225)	(1,209)
FINANCING ACTIVITIES		
Net (payment)/issuance of short-term debt	(425)	545
Issuance of long-term debt	550	—
Debt issuance costs	(6)	(1)
Capital contribution by parent	51	—
Dividend to parent	(372)	(516)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(202)	28
CASH AND TEMPORARY CASH INVESTMENTS:		

NET CHANGE FOR THE PERIOD	(28)	21
BALANCE AT BEGINNING OF PERIOD	843	645
BALANCE AT END OF PERIOD	$815	$666
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid/(received) during the period for:		
Interest	$285	$277
Income taxes	$(117)	$160
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Construction expenditures in accounts payable	$196	$151

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2016	December 31, 2015
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$815	$843
Special deposits	2	2
Accounts receivable – customers, less allowance for uncollectible accounts of $75 and $80 in 2016 and 2015, respectively	890	987
Other receivables, less allowance for uncollectible accounts of $14 and $11 in 2016 and 2015, respectively	76	70
Accrued unbilled revenue	328	327
Accounts receivable from affiliated companies	98	190
Fuel oil, gas in storage, materials and supplies, at average cost	270	288
Prepayments	110	113
Regulatory assets	77	121
Other current assets	165	131
TOTAL CURRENT ASSETS	2,831	3,072
INVESTMENTS	307	286
UTILITY PLANT, AT ORIGINAL COST		
Electric	25,398	24,828
Gas	6,421	6,191
Steam	2,368	2,336
General	2,399	2,411
TOTAL	36,586	35,766
Less: Accumulated depreciation	7,615	7,378
Net	28,971	28,388
Construction work in progress	1,055	922
NET UTILITY PLANT	30,026	29,310
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of $25 in 2016 and 2015	4	5
NET PLANT	30,030	29,315
OTHER NONCURRENT ASSETS		
Regulatory assets	7,109	7,482
Other deferred charges and noncurrent assets	76	75
TOTAL OTHER NONCURRENT ASSETS	7,185	7,557
TOTAL ASSETS	$40,353	$40,230

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	JuneDecember 30, 31,
	20162015
	(Millions of Dollars)
LIABILITIES AND SHAREHOLDER'S EQUITY	
CURRENT LIABILITIES	
Long-term debt due within one year	**$650**
Notes payable	6,083
Accounts payable	703
Accounts payable to affiliated companies	12
Customer deposits	349
Accrued taxes	39
Accrued taxes to affiliated companies	2 —
Accrued interest	118
Accrued wages	98
Fair value of derivative liabilities	50
Regulatory liabilities	84
Other current liabilities	516
TOTAL CURRENT LIABILITIES	3,618
NONCURRENT LIABILITIES	
Provision for injuries and damages	178
Pensions and retiree benefits	2,685
Superfund and other environmental costs	**665**
Asset retirement obligations	234
Fair value of derivative liabilities	36
Deferred income taxes and unamortized investment tax credits	8,751
Regulatory liabilities	1,789
Other deferred credits and noncurrent liabilities	167
TOTAL NONCURRENT LIABILITIES	**14,280**
LONG-TERM DEBT	**10,787**
COMMON SHAREHOLDER'S EQUITY (See Statement of Shareholder's Equity)	**11,466**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$40,250**

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

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Consolidated Edison Company of New York, Inc.
CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (UNAUDITED)

(In Millions)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Repurchased Con Edison Stock	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2014	235	$589	$4,234	$7,399	$(962)	$(61)	$(11)	$11,188
Net income				348				348
Common stock dividend to parent				(338)				(338)
Other comprehensive income							—	—
BALANCE AS OF MARCH 31, 2015	235	$589	$4,234	$7,409	$(962)	$(61)	$(11)	$11,198
Net income				211				211
Common stock dividend to parent				(178)				(178)
Other comprehensive income							1	1
BALANCE AS OF JUNE 30, 2015	235	$589	$4,234	$7,442	$(962)	$(61)	$(10)	$11,232
BALANCE AS OF DECEMBER 31, 2015	235	$589	$4,247	$7,611	$(962)	$(61)	$(9)	$11,415
Net income				310				310
Common stock dividend to parent				(186)				(186)
Capital contribution by parent			23					23
Other comprehensive income							—	—
BALANCE AS OF MARCH 31, 2016	235	$589	$4,270	$7,735	$(962)	$(61)	$(9)	$11,562
Net income				161				161
Common stock dividend to parent				(186)				(186)
Capital contribution by parent			28					28
Other comprehensive income							1	1
BALANCE AS OF JUNE 30, 2016	235	$589	$4,298	$7,710	$(962)	$(61)	$(8)	$11,566

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

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

General

These combined notes accompany and form an integral part of the separate consolidated financial statements of each of the two separate registrants: Consolidated Edison, Inc. and its subsidiaries (Con Edison) and Consolidated Edison Company of New York, Inc. and its subsidiaries (CECONY). CECONY is a subsidiary of Con Edison and as such its financial condition and results of operations and cash flows, which are presented separately in the CECONY consolidated financial statements, are also consolidated, along with those of Con Edison's other utility subsidiary, Orange and Rockland Utilities, Inc. (O&R), Con Edison Transmission, Inc. (Con Edison Transmission) and Con Edison's competitive energy businesses in Con Edison's consolidated financial statements. The term "Utilities" is used in these notes to refer to CECONY and O&R.

As used in these notes, the term "Companies" refers to Con Edison and CECONY and, except as otherwise noted, the information in these combined notes relates to each of the Companies. However, CECONY makes no representation as to information relating to Con Edison or the subsidiaries of Con Edison other than itself.

The separate interim consolidated financial statements of each of the Companies are unaudited but, in the opinion of their respective managements, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Companies' separate interim consolidated financial statements should be read together with their separate audited financial statements (including the combined notes thereto) included in Item 8 of their combined Annual Report on Form 10-K for the year ended December 31, 2015 and their separate unaudited financial statements (including the combined notes thereto) included in Part I, Item 1 of their combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016. Certain prior period amounts have been reclassified to conform to the current period presentation.

Con Edison has two regulated utility subsidiaries: CECONY and O&R. CECONY provides electric service and gas service in New York City and Westchester County. The company also provides steam service in parts of Manhattan. O&R, along with its regulated utility subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania (see Note P) and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. Con Edison has the following competitive energy businesses: Consolidated Edison Solutions, Inc. (Con Edison Solutions), a company which sells to retail customers electricity purchased in wholesale markets (see Note P), enters into related hedging transactions and also provides energy-related products and services to retail customers; Consolidated Edison Energy, Inc. (Con Edison Energy), a company that provides energy-related products and services to wholesale customers; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops, owns and operates renewable and energy infrastructure projects. In addition, Con Edison has a subsidiary, Con Edison Transmission, that invests in electric transmission facilities through its subsidiary, Consolidated Edison Transmission, LLC (CET Electric), and invests in gas pipeline and storage facilities through its subsidiary Con Edison Gas Pipeline and Storage, LLC (CET Gas).

Note A – Summary of Significant Accounting Policies

Earnings Per Common Share

For the three and six months ended June 30, 2016 and 2015, basic and diluted earnings per share (EPS) for Con Edison are calculated as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Millions of Dollars, except per share amounts/Shares in Millions)	2016	2015	2016	2015
Net income	$232	$219	$542	$589
Weighted average common shares outstanding – basic	299.1	292.9	296.7	292.9

Add: Incremental shares attributable to effect of potentially dilutive securities	1.3	1.1	1.3	1.0
Adjusted weighted average common shares outstanding – diluted	300.4	294.0	298.0	293.9
Net income per common share – basic	$0.78	$0.75	$1.83	$2.01
Net income per common share – diluted	$0.77	$0.74	$1.82	$2.01

The computation of diluted EPS for the six months ended June 30, 2016 and three and six months ended June 30, 2015 excludes immaterial amounts of stock-based compensation awards that were not included because of their anti-dilutive effect.

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

For the three and six months ended June 30, 2016 and 2015, changes to accumulated other comprehensive income/(loss) (OCI) for Con Edison and CECONY are as follows:

	For the Three Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Beginning balance, accumulated OCI, net of taxes (a)	$(34)	$(40)	$(9)	$(11)
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(1) for Con Edison in 2016 and 2015 (a)(b)	1	1	1	1
Current period OCI, net of taxes	1	1	1	1
Ending balance, accumulated OCI, net of taxes	$(33)	$(39)	$(8)	$(10)

	For the Six Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Beginning balance, accumulated OCI, net of taxes (a)	$(34)	$(45)	$(9)	$(11)
OCI before reclassifications, net of tax of $1 and $(2) for Con Edison in 2016 and 2015, respectively	(1)	3	—	—
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $(2) for Con Edison in 2016 and 2015 (a)(b)	2	3	1	1
Current period OCI, net of taxes	1	6	1	1
Ending balance, accumulated OCI, net of taxes	$(33)	$(39)	$(8)	$(10)

(a) Tax reclassified from accumulated OCI is reported in the income tax expense line item of the consolidated income statement.

(b) For the portion of unrecognized pension and other postretirement benefit costs relating to the Utilities, costs are recorded into, and amortized out of, regulatory assets instead of OCI. The net actuarial losses and prior service costs recognized during the period are included in the computation of total periodic pension and other postretirement benefit cost. See Notes E and F.

Note B — Regulatory Matters

Rate Plans

CECONY - Electric

In May 2016, the New York State Public Service Commission (NYSPSC) staff submitted testimony in the NYSPSC January 2016 proceeding in which CECONY requested an electric rate increase, effective January 2017. The NYSPSC staff testimony supports an electric rate increase of $45 million reflecting, among other things, an 8.6 percent return on common equity. In June 2016, CECONY filed an update to its January 2016 request. The company increased its requested January 2017 rate increase by $16 million to $498 million, decreased its illustrated January 2018 rate increase by $11 million to $169 million and increased its illustrated January 2019 rate increase by $45 million to $186 million. This updated filing reflects a 9.75 percent return on common equity.

In April 2016, the Federal Energy Regulatory Commission (FERC) rejected CECONY's challenge to FERC's approval of substantially increased charges allocated to CECONY for transmission service provided pursuant to the open access tariff of PJM Interconnection LLC (PJM). CECONY will continue to challenge FERC's approval of the increased charges that will be incurred over the remaining contract term, and in May 2016 filed an appeal of FERC's decision with the U.S. Court of Appeals. In April 2016, CECONY notified PJM that it will not be exercising its option to continue the service beyond April 2017.

CECONY - Gas

In May 2016, the NYSPSC staff submitted testimony in the NYSPSC January 2016 proceeding in which CECONY requested a gas rate increase, effective January 2017. The NYSPSC staff testimony supports a gas rate decrease of $25 million reflecting, among other things, an 8.6 percent return on common equity. In June 2016, CECONY filed an update to its January 2016 request. The company decreased its requested January 2017 rate increase by $29 million to $125 million, increased its illustrated January 2018 rate increase by $13 million to $110 million and decreased its illustrated January 2019 rate increase by $9 million to $100 million. This updated filing reflects a 9.75 percent return on common equity.

Rockland Electric Company (RECO)

In April 2016, RECO filed a request with the New Jersey Board of Public Utilities for an electric rate increase of $10 million, effective March 2017. The filing reflected a return on common equity of 10.20 percent and a common equity

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ratio of 49.81 percent. In July 2016, RECO filed an update to its April 2016 request. The company decreased its requested March 2017 rate increase by $1 million to $9 million. The updated filing reflects a return on common equity of 10.20 percent and a common equity ratio of 49.71 percent. The filing reflects continuation of provisions pursuant to which the company recovers its purchased power and fuel costs from customers.

Other Regulatory Matters

In April 2016, the NYSPSC approved the September 2015 Joint Proposal among CECONY, the NYSPSC staff and others with respect to the prudence proceeding the NYSPSC commenced in February 2009 and related matters. Pursuant to the Joint Proposal, the company is required to credit $116 million to customers and, for the period 2017 through 2044, to not seek to recover from customers an aggregate $55 million relating to return on its capital expenditures. In addition, the company's revenues that were made subject to potential refund in this proceeding are no longer subject to refund. At June 30, 2016, the company had a $97 million regulatory liability for the remaining amount to be credited to customers related to this matter.

In June 2014, the NYSPSC initiated a proceeding to investigate the practices of qualifying persons to perform plastic fusions on gas facilities. New York State regulations require gas utilities to qualify and, except in certain circumstances, annually requalify workers that perform fusion to join plastic pipe. The NYSPSC directed the New York gas utilities to provide information in this proceeding about their compliance with the qualification and requalification requirements and related matters; their procedures for compliance with all gas safety regulations; and their annual chief executive officer certifications regarding these and other procedures. CECONY's qualification and requalification procedures had not included certain required testing to evaluate specimen fuses. In addition, CECONY and O&R had not timely requalified certain workers that had been qualified under their respective procedures to perform fusion to join plastic pipe. CECONY and O&R have requalified their workers who perform plastic pipe fusions. In May 2015, the NYSPSC, which indicated that it would address enforcement at a later date, ordered CECONY, O&R and other gas utilities to perform risk assessment and remediation plans, additional leakage surveying and reporting; CECONY to hire an independent statistician to develop a risk assessment and remediation plan; and the gas utilities to implement certain new plastic fusion requirements. In December 2015, the NYSPSC staff informed O&R that the company had satisfactorily completed its risk assessment and remediation plan. CECONY expects to submit its risk assessment and remediation plan to the NYSPSC staff in 2016.

In November 2015, the NYSPSC ordered CECONY to show cause why the NYSPSC should not commence proceedings to penalize the company for alleged violations of gas safety regulations identified by the NYSPSC staff in its investigation of a March 2014 explosion and fire and to review the prudence of the company's conduct associated with the incident. See "Manhattan Explosion and Fire" in Note H. In December 2015, the company responded that the NYSPSC should not institute the proceedings and disputed the alleged violations.

At June 30, 2016, CECONY had an $18 million regulatory liability related to the June 2014 plastic fusion proceeding and the November 2015 order to show cause. The company is unable to estimate the amount or range of its possible loss related to these matters in excess of this regulatory liability.

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Regulatory Assets and Liabilities

Regulatory assets and liabilities at June 30, 2016 and December 31, 2015 were comprised of the following items:

	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Regulatory assets				
Unrecognized pension and other postretirement costs	$3,516	$3,876	$3,361	$3,697
Future income tax	2,379	2,350	2,262	2,232
Environmental remediation costs	837	904	732	800
Revenue taxes	295	253	281	240
Deferred storm costs	122	185	57	110
Unamortized loss on reacquired debt	47	50	44	48
O&R property tax reconciliation	42	46	—	—
Deferred derivative losses	38	50	35	46
Pension and other postretirement benefits deferrals	35	45	6	16
Net electric deferrals	34	44	34	44
Surcharge for New York State assessment	32	44	29	40
Preferred stock redemption	26	26	26	26
O&R transition bond charges	18	21	—	—
Workers' compensation	16	11	16	11
Recoverable energy costs	—	16	—	15
Other	243	175	226	157
Regulatory assets – noncurrent	7,680	8,096	7,109	7,482
Deferred derivative losses	75	113	70	103
Recoverable energy costs	9	19	7	18
Regulatory assets – current	84	132	77	121
Total Regulatory Assets	$7,764	$8,228	$7,186	$7,603
Regulatory liabilities				
Allowance for cost of removal less salvage	$708	$676	$599	$570
Property tax reconciliation	230	303	230	303
Pension and other postretirement benefit deferrals	125	76	96	46
Net unbilled revenue deferrals	117	109	117	109
Prudence proceeding	97	99	97	99
Unrecognized other postretirement costs	93	28	93	28
Base rate change deferrals	77	128	77	128
New York State income tax rate change	69	75	66	72
Variable-rate tax-exempt debt – cost rate reconciliation	64	70	56	60
Carrying charges on repair allowance and bonus depreciation	51	49	50	48
Earnings sharing - electric, gas and steam	34	80	30	80
Net utility plant reconciliations	28	32	28	31
Property tax refunds	22	44	22	44
World Trade Center settlement proceeds	10	21	10	21
Other	207	187	172	150
Regulatory liabilities – noncurrent	1,932	1,977	1,743	1,789
Revenue decoupling mechanism	79	45	78	45
Refundable energy costs	30	64	9	33
Deferred derivative gains	13	6	11	6
Regulatory liabilities – current	122	115	98	84

Total Regulatory Liabilities	$2,054	$2,092	$1,841	$1,873

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Note C — Capitalization

In February 2016, a Con Edison Development subsidiary issued $218 million aggregate principal amount of 4.21 percent senior notes, due 2041, secured by the company's Texas Solar 7 solar project.

In May 2016, Con Edison issued approximately 10 million common shares resulting in net proceeds, after issuance expenses, of $702 million, and $500 million aggregate principal amount of 2.00 percent debentures, due 2021. Also, in May 2016, a Con Edison Development subsidiary issued $95 million aggregate principal amount of 4.07 percent senior notes, due 2036, secured by the company's California Holding 3 solar projects. In June 2016, Con Edison borrowed $400 million pursuant to a credit agreement with a syndicate of banks. The borrowing matures in 2018 and bears interest at a LIBOR plus margin of 1.00 percent. In June 2016, CECONY issued $550 million aggregate principal amount of 3.85 percent debentures, due 2046. Also, in June 2016, a Con Edison Solutions subsidiary 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.

The carrying amounts and fair values of long-term debt at June 30, 2016 and December 31, 2015 were:

(Millions of Dollars)	2016		2015	
Long-Term Debt (including current portion)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Con Edison	$14,493	$16,681	$12,745	$13,856
CECONY	$11,983	$13,917	$11,437	$12,427

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, $16,045 million and $636 million of the fair value of long-term debt at June 30, 2016 are classified as Level 2 and Level 3, respectively. For CECONY, $13,281 million and $636 million of the fair value of long-term debt at June 30, 2016 are classified as Level 2 and Level 3, respectively (see Note L). The $636 million of long-term debt classified as Level 3 is CECONY's tax-exempt, auction-rate securities for which the market is highly illiquid and there is a lack of observable inputs.

Note D — Short-Term Borrowing

At June 30, 2016, Con Edison had $708 million of commercial paper outstanding of which $608 million was outstanding under CECONY's program. The weighted average interest rate at June 30, 2016 was 0.7 percent for both Con Edison and CECONY. At December 31, 2015, Con Edison had $1,529 million of commercial paper outstanding of which $1,033 million was outstanding under CECONY's program. The weighted average interest rate at December 31, 2015 was 0.7 percent for both Con Edison and CECONY.

At June 30, 2016 and December 31, 2015, no loans were outstanding under the credit agreement (Credit Agreement) and $2 million (including $2 million for CECONY) and $15 million of letters of credit were outstanding under the Credit Agreement, respectively.

Note E — Pension Benefits

Total Periodic Benefit Cost

The components of the Companies' total periodic benefit costs for the three and six months ended June 30, 2016 and 2015 were as follows:

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	For the Three Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Service cost – including administrative expenses	$69	$74	$65	$70
Interest cost on projected benefit obligation	149	144	140	135
Expected return on plan assets	(237)	(222)	(225)	(210)
Recognition of net actuarial loss	149	194	141	183
Recognition of prior service costs	1	1	—	—
NET PERIODIC BENEFIT COST	$131	$191	$121	$178
Amortization of regulatory asset	—	1	—	1
TOTAL PERIODIC BENEFIT COST	$131	$192	$121	$179
Cost capitalized	(53)	(76)	(50)	(72)
Reconciliation to rate level	13	(17)	14	(18)
Cost charged to operating expenses	$91	$99	$85	$89

	For the Six Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Service cost – including administrative expenses	$138	$149	$129	$139
Interest cost on projected benefit obligation	298	287	280	269
Expected return on plan assets	(474)	(443)	(449)	(420)
Recognition of net actuarial loss	298	388	282	367
Recognition of prior service costs	2	2	1	1
NET PERIODIC BENEFIT COST	$262	$383	$243	$356
Amortization of regulatory asset	—	1	—	1
TOTAL PERIODIC BENEFIT COST	$262	$384	$243	$357
Cost capitalized	(106)	(144)	(99)	(137)
Reconciliation to rate level	26	(42)	26	(42)
Cost charged to operating expenses	$182	$198	$170	$178

Expected Contributions

Based on estimates as of June 30, 2016, the Companies expect to make contributions to the pension plans during 2016 of $508 million (of which $469 million is to be contributed by CECONY). The Companies' policy is to fund the total periodic benefit cost of the qualified plan to the extent tax deductible and to also contribute to the non-qualified supplemental plans. During the first six months of 2016, the Companies contributed $307 million to the pension plans, nearly all of which was contributed by CECONY. CECONY also contributed $17 million to its external trust for supplemental plans.

Note F — Other Postretirement Benefits

Total Periodic Benefit Cost

The components of the Companies' total periodic other postretirement benefit costs for the three and six months ended June 30, 2016 and 2015 were as follows:

For the Three Months Ended June 30,

	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Service cost	$4	$5	$3	$4
Interest cost on accumulated other postretirement benefit obligation	12	13	10	11
Expected return on plan assets	(19)	(20)	(17)	(17)
Recognition of net actuarial loss	1	8	1	7
Recognition of prior service cost	(5)	(5)	(3)	(4)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST	$(7)	$1	$(6)	$1
Cost capitalized	2	(1)	2	(1)
Reconciliation to rate level	7	4	6	2
Cost charged to operating expenses	$2	$4	$2	$2

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	For the Six Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Service cost	$9	$10	$7	$7
Interest cost on accumulated other postretirement benefit obligation	24	25	20	22
Expected return on plan assets	(38)	(39)	(34)	(34)
Recognition of net actuarial loss	2	16	1	14
Recognition of prior service cost	(10)	(10)	(7)	(7)
TOTAL PERIODIC OTHER POSTRETIREMENT BENEFIT COST	$(13)	$2	$(13)	$2
Cost capitalized	3	(1)	3	(1)
Reconciliation to rate level	14	8	14	3
Cost charged to operating expenses	$4	$9	$4	$4

Expected Contributions

Based on estimates as of June 30, 2016, Con Edison expects to make a contribution of $6 million, nearly all of which is for CECONY, to the other postretirement benefit plans in 2016. The Companies' policy is to fund the total periodic benefit cost of the plans to the extent tax deductible.

Note G — Environmental Matters

Superfund Sites

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

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

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

The accrued liabilities and regulatory assets related to Superfund Sites at June 30, 2016 and December 31, 2015 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Accrued Liabilities:				
Manufactured gas plant sites	$670	$679	$576	$579

Other Superfund Sites	88	86	88	86
Total	$758	$765	$664	$665
Regulatory assets	$837	$904	$732	$800

Most of the accrued Superfund Site liability relates to sites that have been investigated, in whole or in part. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As investigations progress and information pertaining to the required remediation becomes available,

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the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. The Companies are unable to estimate the time period over which the remaining accrued liability will be incurred because, among other things, the required remediation has not been determined for some of the sites. Under their current rate plans, the Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs.
Environmental remediation costs incurred related to Superfund Sites for the three and six months ended June 30, 2016 and 2015 were as follows:

	For the Three Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Remediation costs incurred	$9	$8	$3	$7

	For the Six Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Remediation costs incurred	$12	$15	$5	$12

No insurance recoveries were received by Con Edison or CECONY for the three or six months ended June 30, 2016 and 2015.
In 2015, Con Edison and CECONY estimated that for their manufactured gas plant sites (including CECONY's Astoria site), the aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other environmental contaminants could range up to $2.8 billion and $2.7 billion, respectively. These estimates were based on the assumption that there is contamination at all sites, including those that have not yet been fully investigated and additional assumptions about the extent of the contamination and the type and extent of the remediation that may be required. Actual experience may be materially different.
Asbestos Proceedings
Suits have been brought in New York State and federal courts against the Utilities and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various premises of the Utilities. The suits that have been resolved, which are many, have been resolved without any payment by the Utilities, or for amounts that were not, in the aggregate, material to them. The amounts specified in all the remaining thousands of suits total billions of dollars; however, the Utilities believe that these amounts are greatly exaggerated, based on the disposition of previous claims. At June 30, 2016, Con Edison and CECONY had accrued their estimated aggregate undiscounted potential liabilities for these suits and additional suits that may be brought over the next 15 years as shown in the following table. The estimates were based upon a combination of modeling, historical data analysis and risk factor assessment. Trial courts have begun, and unless otherwise determined by an appellate court may continue, to apply a different standard for determining liability in asbestos suits than the standard that applied historically. As a result, the Companies currently believe that there is a reasonable possibility of an exposure to loss in excess of the liability accrued for the suits. The Companies are unable to estimate the amount or range of such loss. In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. Under its current rate plans, CECONY is permitted to defer as regulatory assets (for subsequent recovery through rates) costs incurred for its asbestos lawsuits and workers' compensation claims.
The accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) and the amounts deferred as regulatory assets for the Companies at June 30, 2016 and December 31, 2015

were as follows:

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	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Accrued liability – asbestos suits	$8	$8	$7	$7
Regulatory assets – asbestos suits	$8	$8	$7	$7
Accrued liability – workers' compensation	$91	$86	$86	$81
Regulatory assets – workers' compensation	$16	$11	$16	$11

Note H — Other Material Contingencies

Manhattan Steam Main Rupture

In July 2007, a CECONY steam main located in midtown Manhattan ruptured. It has been reported that one person died and others were injured as a result of the incident. Several buildings in the area were damaged. Debris from the incident included dirt and mud containing asbestos. The response to the incident required the closing of several buildings and streets for various periods. Approximately eighty suits are pending against the company seeking generally unspecified compensatory and, in some cases, punitive damages, for wrongful death, personal injury, property damage and business interruption. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover the company's costs to satisfy its liability to others in connection with the suits. In the company's estimation, there is not a reasonable possibility that an exposure to loss exists for the suits that is materially in excess of the estimated liability accrued. At June 30, 2016, the company has accrued its estimated liability for the suits of $50 million and an insurance receivable in the same amount.

Manhattan Explosion and Fire

On March 12, 2014, two multi-use five-story tall buildings located on Park Avenue between 116th and 117th Street in Manhattan were destroyed by an explosion and fire. CECONY had delivered gas to the buildings through service lines from a distribution main located below ground on Park Avenue. Eight people died and more than 50 people were injured. Additional buildings were also damaged. The National Transportation Safety Board (NTSB) investigated. The parties to the investigation included the company, the City of New York, the Pipeline and Hazardous Materials Safety Administration and the NYSPSC (which also conducted an investigation). In June 2015, the NTSB issued a final report concerning the incident, its probable cause and safety recommendations. The NTSB determined that the probable cause of the incident was (1) the failure of a defective fusion joint at a service tee (which joined a plastic service line to a plastic distribution main) installed by the company that allowed gas to leak from the distribution main and migrate into a building where it ignited and (2) a breach in a City sewer line that allowed groundwater and soil to flow into the sewer, resulting in a loss of support for the distribution main, which caused it to sag and overstressed the defective fusion joint. The NTSB also made safety recommendations, including recommendations to the company that addressed its procedures for the preparation and examination of plastic fusions, training of its staff on conditions for notifications to the City's Fire Department and extension of its gas main isolation valve installation program. Approximately 70 suits are pending against the company seeking generally unspecified damages and, in some cases, punitive damages, for wrongful death, personal injury, property damage and business interruption. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover the company's costs, in excess of a required retention (the amount of which is not material), to satisfy any liability it may have for damages in connection with the incident. The company is unable to estimate the amount or range of its possible loss for damages related to the incident. At June 30, 2016, the company had not accrued a liability for damages related to the incident.

Other Contingencies

See "Other Regulatory Matters" in Note B and "Uncertain Tax Positions" in Note I.

Guarantees

Con Edison and its subsidiaries enter into various agreements providing financial or performance assurance primarily to third parties on behalf of their subsidiaries. Maximum amounts guaranteed by Con Edison totaled $2,544 million and $2,856 million at June 30, 2016 and December 31, 2015, respectively.

A summary, by type and term, of Con Edison’s total guarantees at June 30, 2016 is as follows:

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Guarantee Type	0 – 3 years	4 – 10 years	> 10 years	Total
	(Millions of Dollars)			
Con Edison Transmission	$619	$583	$—	$1,202
Energy transactions	672	41	91	804
Renewable electric production projects	443	—	20	463
Other	75	—	—	75
Total	$1,809	$624	$111	$2,544

Con Edison Transmission — Con Edison has guaranteed payment by CET Electric of the contributions CET Electric agreed to make to New York Transco LLC (NY Transco). CET Electric acquired a 45.7 percent interest in NY Transco when it was formed in 2014. NY Transco's transmission projects are expected to be initially developed by CECONY and other New York transmission owners and then transferred to NY Transco. In May 2016, the transmission owners transferred certain projects to NY Transco, as to which CET Electric made its required contributions. See Note Q. The other projects that were proposed when NY Transco was formed remain subject to certain authorizations from the NYSPSC, the FERC and, as applicable, other federal, state and local agencies. Guarantee amount shown is for the maximum possible required amount of CET Electric's contributions for these other projects as calculated based on the assumptions that the projects are completed at 175 percent of their estimated costs and NY Transco does not use any debt financing for the projects. Guarantee term shown is assumed as the timing of the contributions is not certain. Also included within the table above is a guarantee for $25 million from Con Edison on behalf of CET Gas in relation to a proposed gas transmission project in West Virginia and Virginia (see Note Q).

Energy Transactions — Con Edison guarantees payments on behalf of its competitive energy businesses in order to facilitate physical and financial transactions in electricity, gas, pipeline capacity, transportation, oil, renewable energy credits and energy services. To the extent that liabilities exist under the contracts subject to these guarantees, such liabilities are included in Con Edison's consolidated balance sheet.

Renewable Electric Production Projects — Con Edison, Con Edison Development, and Con Edison Solutions guarantee payments associated with the investment in solar and wind energy facilities on behalf of their wholly-owned subsidiaries.

Other — Other guarantees primarily relate to $70 million in guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with energy service projects and operation of solar energy facilities of Con Edison Solutions and Con Edison Development, respectively. In addition, Con Edison issued a guarantee estimated at $5 million to the Public Utility Commission of Texas covering obligations of Con Edison Solutions as a retail electric provider.

In addition to the guarantees included in the table above, in July 2016, Con Edison guaranteed (subject to a $53 million maximum amount) certain obligations of Con Edison Solutions under its agreement to sell the assets of its retail electric supply business to a subsidiary of Exelon Corporation. See Note P.

Note I — Income Tax

Con Edison's income tax expense increased to $124 million for the three months ended June 30, 2016 from $101 million for the three months ended June 30, 2015. Con Edison's effective tax rate for the three months ended June 30, 2016 and 2015 was 35 percent and 32 percent, respectively. For the three months ended June 30, 2016, Con Edison recorded lower tax benefits for plant-related flow through items, partially offset by increased tax benefits as a result of higher injuries and damages payments and higher renewable energy tax credits.

CECONY's income tax expense decreased to $84 million for the three months ended June 30, 2016 from $101 million for the three months ended June 30, 2015. CECONY's effective tax rate for the three months ended June 30, 2016 and 2015 was 34 percent and 32 percent, respectively. The increase in CECONY's effective tax rate is primarily related to a decrease in tax benefits for plant-related flow through items, partially offset by increased tax benefits as a result of higher injuries and damages payments.

Con Edison’s income tax expense decreased to $288 million for the six months ended June 30, 2016 from $300 million for the six months ended June 30, 2015. Con Edison's effective tax rate for the six months ended June 30, 2016 and 2015 was 35 percent and 34 percent, respectively. For the six months ended June 30, 2016, Con Edison recorded income tax benefits for research and development tax credits and higher renewable energy tax credits, which were primarily offset by a decrease in tax benefits for plant-related flow through items.

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CECONY’s income tax expense decreased to $264 million for the six months ended June 30, 2016 from $293 million for the six months ended June 30, 2015. CECONY's effective tax rate for the six months ended June 30, 2016 and 2015 was 36 percent and 34 percent, respectively. The increase in CECONY's effective tax rate is primarily related to a decrease in tax benefits for plant-related flow through items, partially offset by research and development tax credits.

Con Edison anticipates a federal consolidated net operating loss for 2016, primarily due to bonus depreciation. Con Edison expects to carryback a portion of its 2016 net operating loss and recover $10 million of income tax. General business tax credits that became available as a result of the net operating loss carryback, as well as the remaining 2016 net operating loss will be carried forward to future tax years. A deferred tax asset for these tax attribute carryforwards was recorded, and no valuation allowance has been provided, as it is more likely than not that the deferred tax asset will be realized.

Uncertain Tax Positions

At June 30, 2016, the estimated liability for uncertain tax positions for Con Edison was $36 million ($4 million for CECONY). Con Edison reasonably expects to resolve approximately $27 million ($18 million, net of federal taxes) of its uncertain tax positions within the next twelve months, of which the entire amount, if recognized, would reduce Con Edison’s effective tax rate. The amount related to CECONY is approximately $4 million ($3 million, net of federal taxes), of which the entire amount, if recognized, would reduce CECONY’s effective tax rate. The total amount of unrecognized tax benefits, if recognized, that would reduce Con Edison’s effective tax rate is $36 million ($24 million, net of federal taxes).

The Companies recognize interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in the Companies’ consolidated income statements. In the three and six months ended June 30, 2016, the Companies recognized an immaterial amount of interest expense and no penalties for uncertain tax positions in their consolidated income statements. At June 30, 2016 and December 31, 2015, the Companies recognized an immaterial amount of accrued interest on their consolidated balance sheets.

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Note J — Financial Information by Business Segment
In 2016, Con Edison Transmission began investing, through CET Electric and CET Gas, in electric transmission and gas pipeline and storage assets (see Note Q). As a result of these investments, Con Edison has changed its business segments to add Con Edison Transmission as a separate reportable segment based on management's reporting and decision-making, including performance evaluation and resource allocation. For comparison purposes, the previously reported financial information by business segments was reclassified to reflect the current business segment presentation.

The financial data for the business segments are as follows:

	For the Three Months Ended June 30,																	
	Operating revenues		Inter-segment revenues		Depreciation and amortization		Operating income		Other income (deductions)		Interest charges		Income taxes on operating income		Total assets		Construction expenditures	
(Millions of Dollars)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
CECONY																		
Electric	$1,892	$1,879	$4	$5	$215	$201	$371	$422	$2	$(1)	$113	$113	$88	$99	$30,632	$30,474	$338	$409
Gas	304	308	1	1	39	35	48	54	—	(1)	26	23	9	12	7,131	6,598	205	161
Steam	85	96	21	21	21	18	(27)	(16)	—	—	10	10	(10)	(6)	2,592	2,629	28	21
Consolidation adjustments	—	—	(26)	(27)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total CECONY	$2,281	$2,283	$—	$—	$275	$254	$392	$460	$2	$(2)	$149	$146	$87	$105	$40,355	$39,701	$571	$591
O&R																		
Electric	$144	$162	$—	$—	$13	$13	$14	$16	$—	$—	$6	$5	$3	$4	$1,921	$1,944	$25	$25
Gas	31	16	—	—	4	4	(1)	(18)	—	—	3	4	(1)	(8)	761	739	12	11
Total O&R	$175	$178	$—	$—	$17	$17	$13	$(2)	$—	$—	$9	$9	$2	$(4)	$2,682	$2,683	$37	$36
Competitive energy businesses	$338	$328	$3	$(1)	$10	$6	$109	$13	$7	$12	$8	$2	$36	$7	$2,491	$1,549	$128	$364
Con Edison Transmission	—	—	—	—	—	—	(1)	—	3	—	1	—	—	—	1,043	2	—	—
Other (a)	—	(1)	(3)	1	—	(1)	2	1	(1)	—	3	5	3	—	691	816	—	—
Total Con Edison	$2,794	$2,788	$—	$—	$302	$276	$515	$472	$11	$10	$170	$162	$128	$108	$47,2[illegible]	$44,751	$736	$991

(a) Parent company and consolidation adjustments. Other does not represent a business segment.

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For the Six Months Ended June 30,

	Operating revenues	Inter-segment revenues		Depreciation and amortization		Operating income		Other income (deductions)		Interest charges		Income taxes on operating income		Total assets		Construction expenditures	
(Millions of Dollars)	2016 2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
CECONY																	
Electric	$3,8653	$9	$9	$428	$403	$645	$700	$1	$(1)	$225	$223	$137	$142	$30,[illegible]	[illegible]	$720	$744
Gas	965	3	3	78	70	301	294	(1)	—	52	46	97	98	7,13[illegible]	6,598	365	289
Steam	3471	44	43	41	38	87	149	—	—	20	21	35	60	2,59[illegible]	2,629	51	38
Consolidation adjustments	—	(56)	(55)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total CECONY	$5,293	$—	$—	$547	$511	$1,0[illegible]	$1,143	$—	$(1)	$29[illegible]	$290	$269	$300	$40,[illegible]	$39,370	$1,13[illegible]	$1,071
O&R																	
Electric	$2384	$—	$—	$24	$25	$32	$34	$—	$1	$12	$11	$7	$9	$1,9[illegible]	$1,944	$47	$45
Gas	936	—	—	9	9	34	9	—	—	6	6	12	1	761	739	21	17
Total O&R	$3490	$—	$—	$33	$34	$66	$43	$—	$1	$18	$17	$19	$10	$2,6[illegible]	$2,683	$68	$62
Competitive energy businesses	$6702	$9	$(4)	$19	$11	$58	$10	$9	$15	$16	$3	$9	$4	$2,4[illegible]	$1,549	$556	$464
Con Edison Transmission	—	—	—	—	—	(1)	—	3	—	1	—	—	—	1,04[illegible]	23	—	—
Other (a)	(1)	(9)	4	—	(1)	1	2	—	(1)	7	13	2	—	691	816	—	—
Total Con Edison	$5,950	$—	$—	$599	$555	$1,1[illegible]	$1,198	$12	$14	$33[illegible]	$323	$299	$314	$47,[illegible]	[illegible]	$1,76[illegible]	$1,597

(a) Parent company and consolidation adjustments. Other does not represent a business segment.

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Note K — Derivative Instruments and Hedging Activities
Con Edison's subsidiaries hedge market price fluctuations associated with physical purchases and sales of electricity, natural gas, steam and, to a lesser extent, refined fuels by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts. Derivatives are recognized on the consolidated balance sheet at fair value (see Note L), unless an exception is available under the accounting rules for derivatives and hedging. Qualifying derivative contracts that have been designated as normal purchases or normal sales contracts are not reported at fair value under the accounting rules.

The fair values of the Companies' commodity derivatives including the offsetting of assets and liabilities on the consolidated balance sheet at June 30, 2016 and December 31, 2015 were:

(Millions of Dollars)	2016				2015			
Balance Sheet Location	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset	Net Amounts of Assets/ (Liabilities) (a)		Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset	Net Amounts of Assets/ (Liabilities) (a)	
Con Edison								
Fair value of derivative assets								
Current	$78	$(50)	$28	(b)	$59	$(41)	$18	(b)
Current - assets held for sale (c)	45	(42)	3		51	(50)	1	
Noncurrent	33	(32)	1		57	(54)	3	
Noncurrent - assets held for sale (c)	13	(10)	3		15	(15)	—	
Total fair value of derivative assets	$169	$(134)	$35		$182	$(160)	$22	
Fair value of derivative liabilities								
Current	$(129)	$67	$(62)		$(144)	$78	$(66)	
Current - liabilities held for sale (c)	(76)	42	(34)		(115)	50	(65)	
Noncurrent	(67)	34	(33)		(102)	63	(39)	
Noncurrent - liabilities held for sale (c)	(24)	10	(14)		(28)	15	(13)	
Total fair value of derivative liabilities	$(296)	$153	$(143)		$(389)	$206	$(183)	
Net fair value derivative assets/(liabilities)	$(127)	$19	$(108)	(b)	$(207)	$46	$(161)	(b)
CECONY								
Fair value of derivative assets								
Current	$57	$(47)	$10	(b)	$40	$(32)	$8	(b)
Noncurrent	24	(24)	—		48	(47)	1	
Total fair value of derivative assets	$81	$(71)	$10		$88	$(79)	$9	
Fair value of derivative liabilities								
Current	$(109)	$65	$(44)		$(121)	$71	$(50)	
Noncurrent	(59)	29	(30)		(92)	56	(36)	
Total fair value of derivative liabilities	$(168)	$94	$(74)		$(213)	$127	$(86)	
Net fair value derivative assets/(liabilities)	$(87)	$23	$(64)	(b)	$(125)	$48	$(77)	(b)

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

(b) At June 30, 2016 and December 31, 2015, margin deposits for Con Edison ($16 million and $26 million, respectively) and CECONY ($16 million and $26 million, respectively) were classified as derivative assets on the consolidated balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

(c) Amounts represent derivative assets and liabilities included in assets and liabilities held for sale on the consolidated balance sheet (see Note P).

The Utilities generally recover their prudently incurred fuel, purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility regulators. In accordance with the accounting rules for regulated operations, the Utilities record a regulatory asset or liability to defer recognition of unrealized gains and losses on their electric and gas derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power, gas and fuel costs in the Companies' consolidated income statements. Con Edison's competitive energy businesses record realized and unrealized gains and losses on their derivative contracts in purchased power, gas purchased for resale and non-utility revenue in the

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reporting period in which they occur. Management believes that these derivative instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices.

The following table presents the realized and unrealized gains or losses on commodity derivatives that have been deferred or recognized in earnings for the three and six months ended June 30, 2016 and 2015:

		For the Three Months Ended June 30,			
		Con Edison		CECONY	
(Millions of Dollars)	Balance Sheet Location	2016	2015	2016	2015
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:					
Current	Deferred derivative gains	$10	$(2)	$9	$(1)
Noncurrent	Deferred derivative gains	1	—	—	—
Total deferred gains/(losses)		$11	$(2)	$9	$(1)
Current	Deferred derivative losses	$68	$(11)	$61	$(10)
Current	Recoverable energy costs	(52)	(40)	(47)	(36)
Noncurrent	Deferred derivative losses	68	(2)	62	(1)
Total deferred gains/(losses)		$84	$(53)	$76	$(47)
Net deferred gains/(losses)		$95	$(55)	$85	$(48)
	Income Statement Location				
Pre-tax gain/(loss) recognized in income					
	Purchased power expense	$45 (a)	$(50) (b)	$—	$—
	Gas purchased for resale	(23)	(26)	—	—
	Non-utility revenue	5 (a)	(27) (b)	—	—
Total pre-tax gain/(loss) recognized in income		$27	$(103)	$—	$—

(a) For the three months ended June 30, 2016, Con Edison recorded an unrealized gain in purchase power expense ($97 million gain).

(b) For the three months ended June 30, 2015, Con Edison recorded unrealized pre-tax gains and losses in non-utility operating revenue ($1 million gain) and purchased power expense ($17 million loss).

		For the Six Months Ended June 30,			
		Con Edison		CECONY	
(Millions of Dollars)	Balance Sheet Location	2016	2015	2016	2015
Pre-tax gains/(losses) deferred in accordance with accounting rules for regulated operations:					
Current	Deferred derivative gains	$7	$1	$5	$2
Noncurrent	Deferred derivative gains	1	—	(1)	—
Total deferred gains/(losses)		$8	$1	$4	$2
Current	Deferred derivative losses	$38	$32	$33	$32
Current	Recoverable energy costs	(125)	(39)	(113)	(38)
Noncurrent	Deferred derivative losses	12	(21)	11	(18)
Total deferred gains/(losses)		$(75)	$(28)	$(69)	$(24)
Net deferred gains/(losses)		$(67)	$(27)	$(65)	$(22)
	Income Statement Location				
Pre-tax gain/(loss) recognized in income					

Purchased power expense	$(70)(a)	$(28)(b)	$—	$—
Gas purchased for resale	(33)	(69)	—	—
Non-utility revenue	17 (a)	15 (b)	—	—
Total pre-tax gain/(loss) recognized in income	$(86)	$(82)	$—	$—

(a) For the six months ended June 30, 2016, Con Edison recorded unrealized gains and losses in non-utility operating revenue ($1 million loss) and purchase power expense ($35 million gain).

(b) For the six months ended June 30, 2015, Con Edison recorded unrealized pre-tax gains and losses in non-utility operating revenue ($3 million loss) and purchased power expense ($5 million loss).

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The following table presents the hedged volume of Con Edison's and CECONY's derivative transactions at June 30, 2016:

	Electric Energy (MWh) (a)(b)	Capacity (MW) (a)	Natural Gas (Dt) (a)(b)	Refined Fuels (gallons)
Con Edison (c)	31,244,951	23,618	39,700,166	3,360,000
CECONY	15,349,625	10,200	38,830,000	3,360,000

(a) Volumes are reported net of long and short positions, except natural gas collars where the volumes of long positions are reported.

(b) Excludes electric congestion and gas basis swap contracts, which are associated with electric and gas contracts and hedged volumes.

(c) Includes 14,519,076 MWh for electric energy, 10,779 MW for capacity and 887,007 Dt for natural gas derivative transactions that are held for sale.

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 competitive energy businesses. Credit risk relates to the loss that may result from a counterparty's nonperformance. The Companies use credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements, collateral or prepayment arrangements, credit insurance and credit default swaps. The Companies measure credit risk exposure as the replacement cost for open energy commodity and derivative positions plus amounts owed from counterparties for settled transactions. The replacement cost of open positions represents unrealized gains, net of any unrealized losses where the Companies have a legally enforceable right to offset.

At June 30, 2016, Con Edison and CECONY had $191 million and $21 million of credit exposure in connection with energy supply and hedging activities, net of collateral, respectively. Con Edison's net credit exposure consisted of $79 million with commodity exchange brokers, $67 million with independent system operators, $35 million with investment-grade counterparties and $10 million with non-investment grade/non-rated counterparties. CECONY's net credit exposure consisted of $17 million with commodity exchange brokers and $4 million with investment-grade counterparties.

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

The following table presents the aggregate fair value of the Companies' derivative instruments with credit-risk-related contingent features that are in a net liability position, the collateral posted for such positions and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade at June 30, 2016:

(Millions of Dollars)	Con Edison (a)		CECONY (a)	
Aggregate fair value – net liabilities	$82		$68	
Collateral posted	23		22	
Additional collateral (b) (downgrade one level from current ratings)	4		3	
Additional collateral (b) (downgrade to below investment grade from current ratings)	99	(c)	76	(c)

(a) Non-derivative transactions for the purchase and sale of electricity and gas and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded from the table. These transactions primarily include purchases of electricity from independent system operators. In the event the Utilities and the competitive energy businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post additional collateral of $4 million at June 30, 2016. For certain other such non-derivative transactions, the Companies could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.

(b) The Companies measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liabilities position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Companies have a legally enforceable right to offset.

(c) Derivative instruments that are net assets have been excluded from the table. At June 30, 2016, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $20 million.

Note L — Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is

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determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Companies often make certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Companies use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Companies classify fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

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

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015 are summarized below.

	2016					2015				
(Millions of Dollars)	**Level 1**	Level 2	Level 3	Netting Adjustment (e)	Total	**Level 1**	Level 2	Level 3	Netting Adjustment (e)	Total
Con Edison										
Derivative assets:										
Commodity (a)(b)(c)	$3	$28	$9	$5	$45	$2	$25	$13	$7	$47
Commodity held for sale (f)	—	47	4	(45)	6	—	63	1	(63)	1
Other (a)(b)(d)	201	117	—	—	318	182	115	—	—	297
Total assets	$204	$192	$13	$(40)	$369	$184	$203	$14	$(56)	$345
Derivative liabilities:										
Commodity (a)(b)(c)	$4	$118	$3	$(30)	$95	$16	$153	$1	$(65)	$105
Commodity held for sale (f)	—	88	5	(45)	48	1	133	7	(63)	78
Total liabilities	$4	$206	$8	$(75)	$143	$17	$286	$8	$(128)	$183
CECONY										
Derivative assets:										
Commodity (a)(b)(c)	$2	$14	$2	$8	$26	$1	$9	$8	$17	$35
Other (a)(b)(d)	193	104	—	—	297	171	105	—	—	276
Total assets	$195	$118	$2	$8	$323	$172	$114	$8	$17	$311

Derivative liabilities:										
Commodity (a)(b)(c)	$3	$102	$—	$(31)	$74	$14	$129	$—	$(57)	$86

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(a) The Companies' policy is to review the fair value hierarchy and recognize transfers into and transfers out of the levels at the end of each reporting period. There were no transfers between levels 1, 2 and 3 for the six months ended June 30, 2016 and for the year ended December 31, 2015.

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

(c) The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At June 30, 2016 and December 31, 2015, the Companies determined that nonperformance risk would have no material impact on their financial position or results of operations.

(d) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.

(e) Amounts represent the impact of legally-enforceable master netting agreements that allow the Companies to net gain and loss positions and cash collateral held or placed with the same counterparties.

(f) Amounts represent derivative assets and liabilities included in Assets and Liabilities held for sale on the consolidated balance sheet (see Note P).

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

	Fair Value of Level 3 at June 30, 2016 (Millions of Dollars)	Valuation Techniques	Unobservable Inputs	Range
Con Edison – Commodity				
Electricity	$2	Discounted Cash Flow	Forward energy prices (a)	$19.50-$86.50 per MWh
		Discounted Cash Flow	Forward capacity prices (a)	$1.65-$12.25 per kW-month
Transmission Congestion Contracts/Financial Transmission Rights	3	Discounted Cash Flow	Discount to adjust auction prices for inter-zonal forward price curves (b)	52.8%-59.4%
			Discount/premium to adjust auction prices for historical monthly realized settlements (b)	53.3%-144.9%
			Inter-zonal forward price curves adjusted for historical zonal losses (b)	$0.86-$2.53 per MWh

Total Con Edison—Commodity	$5			
CECONY—Commodity				
Transmission Congestion Contracts	$2	Discounted Cash Flow	Discount to adjust auction prices for inter-zonal forward price curves (b)	52.8%-59.4%
			Discount/premium to adjust auction prices for historical monthly realized settlements (b)	53.3%-144.9%

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

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of June 30, 2016 and 2015 and classified as Level 3 in the fair value hierarchy:

	For the Three Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Beginning balance as of April 1,	$(4)	$11	$2	$12
Included in earnings	5	(3)	—	(2)
Included in regulatory assets and liabilities	1	—	(1)	—
Purchases	1	5	1	2
Settlements	2	—	—	(1)
Ending balance as of June 30,	$5	$13	$2	$11

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	For the Six Months Ended June 30,			
	Con Edison		CECONY	
(Millions of Dollars)	2016	2015	2016	2015
Beginning balance as of January 1,	$6	$20	$8	$13
Included in earnings	(2)	(15)	(1)	(5)
Included in regulatory assets and liabilities	(2)	1	(5)	1
Purchases	1	8	1	4
Settlements	2	(1)	(1)	(2)
Ending balance as of June 30,	$5	$13	$2	$11

For the Utilities, realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power, gas and fuel costs. The Utilities generally recover these costs in accordance with rate provisions approved by the applicable state public utilities regulators. Unrealized gains and losses for commodity derivatives are generally deferred on the consolidated balance sheet in accordance with the accounting rules for regulated operations. For the competitive energy businesses, realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues (immaterial for both periods) and purchased power costs ($5 million gain and $1 million loss) on the consolidated income statement for the three months ended June 30, 2016 and 2015, respectively. Realized and unrealized gains and losses on Level 3 commodity derivative assets and liabilities are reported in non-utility revenues (immaterial for both periods) and purchased power costs ($2 million loss and $10 million loss) on the consolidated income statement for the six months ended June 30, 2016, and 2015, respectively. The change in fair value relating to Level 3 commodity derivative assets and liabilities held at June 30, 2016 and 2015 is included in non-utility revenues (immaterial for both periods) and purchased power costs ($7 million gain and $1 million gain) on the consolidated income statement for the three months ended June 30, 2016 and 2015, respectively. For the six months ended June 30, 2016, and 2015, the change in fair value relating to Level 3 commodity derivative assets and liabilities is included in non-utility revenues (immaterial for both periods) and purchased power costs ($3 million gain and $4 million loss) on the consolidated income statement, respectively.

Note M — Variable Interest Entities

Con Edison enters into arrangements including leases, partnerships and electricity purchase agreements, with various entities. As a result of these arrangements, Con Edison retains or may retain a variable interest in these entities. CECONY had a variable interest in a non-consolidated variable interest entity (VIE), Astoria Energy, LLC (Astoria Energy), with which CECONY entered into a long-term electricity purchase agreement that expired in April 2016. CECONY has ongoing long-term electricity purchase agreements with the following two potential VIEs: Cogen Technologies Linden Venture, LP, and Brooklyn Navy Yard Cogeneration Partners, LP. In 2015, requests were made of these two counterparties for information necessary to determine whether the entity was a VIE and whether CECONY is the primary beneficiary; however, the information was not made available. The payments for these contracts constitute CECONY’s maximum exposure to loss with respect to the potential VIEs.

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The following table summarizes the VIEs in which Con Edison Development has entered into as of June 30, 2016:

Project Name (a)	Generating Capacity (b) (MW AC)	Power Purchase Agreement Term (in Years)	Year of Initial Investment	Location	Maximum Exposure to Loss (Millions of Dollars) (c)
Copper Mountain Solar 3	128	20	2014	Nevada	$184
Panoche Valley	120	20	2015	California	204
Mesquite Solar 1	83	20	2013	Arizona	105
Copper Mountain Solar 2	75	25	2013	Nevada	84
California Solar	55	25	2012	California	68
Broken Bow II	38	25	2014	Nebraska	54
Texas Solar 4	32	25	2014	Texas	15
Pilesgrove (e)	9	n/a (d)	2010	New Jersey	18

(a) With the exception of Texas Solar 4, Con Edison's ownership interest is 50 percent and these projects are accounted for using the equity method of accounting. Con Edison is not the primary beneficiary since the power to direct the activities that most significantly impact the economics of the entities are shared equally between Con Edison Development and third parties. Con Edison's ownership interest in Texas Solar 4 is 80 percent and is consolidated in the financial statements. Con Edison is the primary beneficiary since the power to direct the activities that most significantly impact the economics of Texas Solar 4 is held by Con Edison Development. The maximum exposure for Texas Solar 4 is the net assets of the investment offset by an $8 million noncontrolling interest.
(b) Represents Con Edison Development's ownership interest in the project.
(c) For investments accounted for under the equity method, maximum exposure is equal to the carrying value of the investment on the consolidated balance sheet and any related receivables due from the project. For consolidated investments, maximum exposure is equal to the net assets of the investment on the consolidated balance sheet less any applicable noncontrolling interest. Con Edison did not provide any financial or other support during the year that was not previously contractually required.
(d) Pilesgrove has 3-4 year Solar Renewable Energy Credit hedges in place.
(e) Carrying value and maximum exposure reduced by an $8 million impairment charge in June 2016 (included in Investment and other income on Con Edison's consolidated income statement).

Note N — Related Party Transactions

The Utilities perform work and incur expenses on behalf of NY Transco, a company in which CET Electric has a 45.7 percent equity interest (see Note Q). The Utilities bill NY Transco for such work and expenses in accordance with established policies. For the three and six months ended June 30, 2016, the amounts billed by CECONY to NY Transco were immaterial.
CECONY has storage and wheeling service contracts with Stagecoach Gas Services LLC (Stagecoach), a joint venture formed by a subsidiary of CET Gas and a subsidiary of Crestwood Equity Partners LP (Crestwood) (see Note Q). In addition, CECONY is the replacement shipper on one of Crestwood's firm transportation agreements with Tennessee Gas Pipeline Company LLC. Since the formation of the joint venture in June 2016, the amount of storage and wheeling services received by CECONY from Stagecoach was $3 million.
CECONY has a financial electric capacity contract with Con Edison Energy for the period May 2016 through April 2017. For the three and six months ended June 30, 2016, Con Edison Energy's realized losses under this contract were immaterial to earnings.

Note O — New Financial Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board jointly issued a revenue recognition standard that will supersede the revenue recognition requirements within Accounting Standards Codification Topic 605, “Revenue Recognition,” and most industry-specific guidance under the Codification through Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The purpose of the new guidance is to create a consistent framework for revenue recognition. The guidance clarifies how to measure and recognize revenue arising from customer contracts to depict the transfer of goods or services in an amount that reflects the consideration the entity expects to receive. Additionally, in March and April 2016, respectively, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)” to clarify how to apply the implementation guidance for principal versus agent considerations and ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” to clarify the guidance pertaining to identifying performance obligations and licensing implementation guidance. Furthermore in May 2016, the FASB issued ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” to clarify assessing collectibility, presentation of sales taxes, non-cash consideration, contract modification at transition, and completed contracts at transition. The new standard is effective for reporting periods beginning after December 15, 2017. Early adoption is permitted for reporting periods

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beginning after December 15, 2016. The Companies are in the process of evaluating the application and impact of the new guidance on the Companies' financial position, results of operations and liquidity.

In January 2016, the FASB issued amendments on certain aspects of recognition, measurement, presentation, and disclosure of financial instruments through ASU No. 2016-01, "Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments require changes to the accounting for equity investments, the presentation and disclosure requirements for financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, clarification was provided related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. For public entities, the amendments are effective for reporting periods beginning after December 15, 2017. Early adoption is permitted for portions of the standard. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' financial position, results of operations and liquidity.

In February 2016, the FASB issued amendments on financial reporting of leasing transactions through ASU No. 2016-02, "Leases (Topic 842)." The amendments require lessees to recognize assets and liabilities on the balance sheet and disclose key information about leasing arrangements. Lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model. For income statement purposes, the pattern of expense recognition will be dependent on whether transactions are designated as operating leases or finance leases. The amendments are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The amendments must be adopted using a modified retrospective transition and provide for certain practical expedients. The Companies are in the process of evaluating the potential impact of the new guidance on the Companies' financial position, results of operations and liquidity.

In March 2016, the FASB issued amendments to the guidance for Derivatives and Hedging accounting through ASU 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships." The amendments clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require discontinuation of the application of hedge accounting. The amendments in this update are effective for financial statements issued for reporting periods beginning after December 15, 2016. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In March 2016, the FASB issued amendments to clarify the guidance for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts through ASU No. 2016-06, "Derivatives & Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments." An entity performing the assessment under the amendments is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The amendments are effective for financial statements issued for reporting periods beginning after December 15, 2016. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In March 2016, the FASB issued amendments to eliminate the requirement to retroactively adopt the equity method of accounting when a company increases its level of ownership or degree of influence over an investment through ASU No. 2016-07, "Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting." This amendment requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in Accumulated Other Comprehensive Income at the date the investment qualifies for the equity method. The amendments in this Update are effective for reporting periods beginning after December 15, 2016. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In March 2016, the FASB issued amendments to simplify several aspects of the accounting for share-based payment transactions through ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The amendments simplify areas such as income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments are effective for reporting periods beginning after December 15, 2016. Early adoption is permitted. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

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In May 2016, the FASB issued amendments to the guidance on revenue recognition and derivatives and hedging through ASU 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)." The amendment rescinds certain SEC guidance superseded by the newly issued revenue recognition and hedging guidance (ASU 2014-09 and 2014-16 respectively). The amendments will be effective upon adoption of the 2014-09 and 2014-16. The Companies are in the process of evaluating the potential impact of the amendments on the Companies' financial position, results of operations and liquidity.

In June 2016, the FASB issued amendments to the guidance for recognition of credit losses for financial instruments through ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendment replaces the incurred loss impairment methodology which involved delayed recognition of credit losses. As the updated guidance now requires credit losses to be recognized when expected rather than when incurred, a broader range of reasonable and supportable information must be considered in developing the credit loss estimates. This includes financial instruments that are valued at amortized cost and available for sale. For public entities, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted where entities may adopt earlier as of the fiscal years beginning after December 15, 2018 including interim periods within those fiscal years. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

Note P — Assets Held For Sale

In July 2016, Con Edison Solutions entered into an agreement to sell the assets of its retail electric supply business (including retail contracts, related derivative instruments, information systems, and accounts receivable) to a subsidiary of Exelon Corporation. The company estimates that it will receive proceeds from the sale of approximately $200 million, subject to certain adjustments. The earnings impact of the sale will be determinable at closing when the mark-to-market effects of the derivative instruments being sold are known. The transaction is expected to close by the end of the year.

In October 2015, upon evaluating strategic alternatives, O&R entered into an agreement to sell Pike County Light & Power Company (Pike) to Corning Natural Gas Holding Corporation (Corning) for $16 million, including estimated working capital adjustments. The closing of the sale, which the company expects to occur in 2016, is subject to certain regulatory approvals by the FERC and Pennsylvania Public Utility Commission (PAPUC). In March 2016, FERC approved a proposed electric supply agreement between O&R and Pike. In June 2016, FERC approved a proposed gas supply and gas transportation agreement between O&R and Pike. In June 2016, the administrative law judge presiding over the PAPUC proceeding approved a joint settlement petition submitted by Pike, O&R, Corning and other parties, which is subject to PAPUC approval. In 2015, the company classified the related electric and gas assets and liabilities as held for sale and ceased recording depreciation expense on these assets. At September 30, 2015, O&R recorded an impairment charge of $5 million ($3 million, net of taxes), representing the difference between the carrying amount of Pike's assets and the estimated sales proceeds. The impairment is reflected in the amount included in assets held for sale on the company's consolidated balance sheet at June 30, 2016.

At June 30, 2016, the carrying amounts of the assets and liabilities designated as held for sale were as follows:

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(Millions of Dollars)	Retail Electric Supply Business	Pike	Total
Cash and temporary cash investments	$—	$4	$4
Accounts receivable less allowance for uncollectible accounts of $2	70	—	70
Accrued unbilled revenue	79	1	80
Other assets	4	1	5
Total current assets	153	6	159
Utility plant, less accumulated depreciation of $6	—	14	14
Non-utility property, less accumulated depreciation of $13	3	—	3
Non-utility property construction work in progress	1	—	1
Regulatory assets	—	3	3
Other assets	3	—	3
Total assets held for sale	$160	$23	$183
Fair value of derivative liabilities	$34	$—	$34
Accounts payable	5	—	5
Other	3	1	4
Total current liabilities	42	1	43
Fair value of derivative liabilities	14	—	14
Long-term debt	—	3	3
Total liabilities held for sale	$56	$4	$60

Note Q — Acquisitions, Investments and Dispositions

Texas Solar 7

In January 2016, Con Edison Development acquired a company that is the owner of a 106 MW (AC) solar electric production project in Texas (Texas Solar 7) for $227 million; $218 million was recorded as non-utility construction work in progress and the remaining $9 million was recorded as other receivables. The total cost of this project is expected to be approximately $375 million. The project has been financed, in part, by debt secured by the project (see Note C). Electricity generated by this project is to be purchased by the City of San Antonio pursuant to a long-term power purchase agreement. The project is targeted to be fully in-service during 2016.

Mountain Valley Pipeline

In January 2016, CET Gas acquired a 12.5 percent equity interest in Mountain Valley Pipeline, LLC (MVP), a company developing a proposed gas transmission project in West Virginia and Virginia. The company's initial contribution to MVP was $18 million. The estimated total project cost is $3,000 million to $3,500 million. Subject to FERC approval, MVP is targeting to be fully in-service during 2018. Con Edison is accounting for its equity interest in MVP as an equity method investment.

Stagecoach Gas Services

In April 2016, a CET Gas subsidiary agreed with a subsidiary of Crestwood to form a joint venture to own, operate and further develop existing natural gas pipeline and storage businesses located in northern Pennsylvania and southern New York. The transaction was substantially completed during June 2016. Crestwood contributed businesses to a new entity, Stagecoach, and the CET Gas subsidiary purchased a 50 percent equity interest in Stagecoach for $945 million (subject to closing adjustments). Con Edison is accounting for its equity interest in Stagecoach as an equity method investment.

NY Transco

In January 2016, CECONY entered into an agreement to transfer certain electric transmission projects to NY Transco, a company in which CET Electric has a 45.7 percent equity interest. In April 2016, the NYSPSC authorized

CECONY, subject to certain conditions, to transfer the projects to NY Transco. In May 2016, CECONY transferred the projects to NY Transco for a purchase price of $122 million and an $8 million payment for easement rights on certain associated property. Also, through June 2016, CET Electric contributed $48 million to NY Transco in connection with the purchase of the projects. Con Edison is accounting for its equity interest in NY Transco as an equity method investment.

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Assets Held For Sale

In October 2015, O&R entered into an agreement to sell Pike to Corning. In July 2016, Con Edison Solutions entered into an agreement to sell the assets of its retail electric supply business to a subsidiary of Exelon Corporation. See Note P.

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Item 2: 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 (MD&A) relates to the consolidated financial statements (the Second Quarter Financial Statements) included in this report of two separate registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). 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.

This MD&A should be read in conjunction with the Second Quarter Financial Statements and the notes thereto, the MD&A in Item 7 of the Companies' combined Annual Report on Form 10-K for the year ended December 31, 2015 (File Nos. 1-14514 and 1-1217, the Form 10-K) and the MD&A in Part 1, Item 2 of the Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (File Nos. 1-14514 and 1-1217).

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.

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

Con Edison's principal business operations are those of CECONY, O&R, the competitive 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 competitive energy businesses sell electricity to retail customers, provide energy-related products and services, and develop, own and operate renewable and energy infrastructure projects. 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.

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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 22,000 MMlb of steam annually to approximately 1,700 customers in parts of Manhattan.

Collective Bargaining Agreement

In June 2016, CECONY reached a four-year collective bargaining agreement with its largest union covering approximately 8,000 employees, effective June 26, 2016.

O&R

Electric

O&R and its utility subsidiaries, Rockland Electric Company (RECO) and Pike County Light & Power Company (Pike) (together referred to herein as O&R) provide electric service to approximately 0.3 million customers in southeastern New York and in adjacent areas of northern New Jersey and northeastern Pennsylvania, an approximately 1,350 square mile service area.

Gas

O&R delivers gas to over 0.1 million customers in southeastern New York and adjacent areas of northeastern Pennsylvania.

Assets Held for Sale

In October 2015, O&R entered into an agreement to sell Pike to Corning Natural Gas Holding Corporation (see Note P to the Second Quarter Financial Statements).

Competitive Energy Businesses

Con Edison pursues competitive energy opportunities through three wholly-owned subsidiaries: Con Edison Solutions, Con Edison Energy and Con Edison Development. These businesses sell to retail customers electricity purchased in wholesale markets and enter into related hedging transactions, provide energy-related products and services to wholesale and retail customers, and develop, own and operate renewable and energy infrastructure projects.

Assets Held for Sale

In July 2016, Con Edison entered into an agreement to sell the retail electric supply business of its competitive energy businesses (see Note P to the Second Quarter Financial Statements).

Con Edison Transmission

Con Edison Transmission 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 (formerly known as Con Edison Gas Midstream, LLC, CET Gas). CET Electric, which was formed in 2014, is investing in a company that owns electric transmission assets in New York. CET Gas, which was formed in 2016, owns, through a subsidiary, a 50 percent equity interest in 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. In addition, CET Gas owns a 12.5 percent equity interest in a company developing a proposed gas transmission project in West Virginia and Virginia. See “Con Edison Transmission,” below.

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Certain financial data of Con Edison's businesses are presented below:

(Millions of Dollars, except percentages)	For the Three Months Ended June 30, 2016				For the Six Months Ended June 30, 2016				At June 30, 2016	
	Operating Revenues		Net Income		Operating Revenues		Net Income		Assets	
CECONY	$2,281	82 %	$161	70 %	$4,913	82 %	$472	87 %	$40,353	85 %
O&R	175	6	2	1	390	7	28	5	2,689	6
Total Utilities	2,456	88	163	71	5,303	89	500	92	43,042	91
Competitive energy businesses (a)(b)	338	12	72	31	648	11	42	8	2,494	5
Con Edison Transmission	—	—	1	—	—	—	1	—	1,043	2
Other (c)	—	—	(4)	(2)	(1)	—	(1)	—	691	2
Total Con Edison	$2,794	100 %	$232	100 %	$5,950	100 %	$542	100 %	$47,270	100 %

(a) Net income from the competitive energy businesses for the three and six months ended June 30, 2016 includes $5 million of net loss related to the impairment of a solar electric production investment (see Note M to the Second Quarter Financial Statements). Also includes for the three and six months ended June 30, 2016 $58 million and $20 million, respectively, of net after-tax mark-to-market gains/(losses) (Con Edison Solutions, $58 million and $21 million and Con Edison Energy, $0 million and $(1) million).

(b) Operating revenues and net income from the competitive energy businesses for the three and six months ended June 30, 2016 includes $263 million and $526 million, and $60 million and $28 million, respectively, related to their retail electric supply business. Assets at June 30, 2016 include assets classified as held for sale of $160 million (see Note P to the Second Quarter Financial Statements).

(c) Other includes parent company and consolidation adjustments.

Results of Operations

Net income and earnings per share for the three and six months ended June 30, 2016 and 2015 were as follows:

(Millions of Dollars, except per share amounts)	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2016	2015	2016	2015	2016	2015	2016	2015
	Net Income		Earnings per Share		Net Income		Earnings per Share	
CECONY	$161	$211	$0.54	$0.72	$472	$559	$1.59	$1.91
O&R	2	(7)	0.01	(0.02)	28	16	0.10	0.05
Competitive energy businesses (a)(b)	72	17	0.24	0.06	42	19	0.14	0.07
Con Edison Transmission	1	—	—	—	1	—	—	—
Other (c)	(4)	(2)	(0.01)	(0.01)	(1)	(5)	—	(0.02)
Con Edison (d)	$232	$219	$0.78	$0.75	$542	$589	$1.83	$2.01

(a) Includes $5 million or $0.02 of net loss related to the impairment of a solar electric production investment for the three and six months ended June 30, 2016 (see Note M to the Second Quarter Financial Statements). Also includes $58 million or $0.20 a share and $(9) million or $(0.03) a share of net after-tax mark-to-market gains/(losses) for the three months ended June 30, 2016 and 2015, respectively, and $20 million or $0.07 a share and $(5) million or $(0.02) a share of net after-tax mark-to-market gains/(losses) for the six months ended June 30, 2016 and 2015, respectively.

(b) Includes $60 million or $0.20 a share and $8 million or $0.03 a share of net income for the three months ended June 30, 2016 and 2015, respectively, and $28 million or $0.09 a share and $3 million or $0.01 a share of net income for the six months ended June 30, 2016 and 2015, respectively related to the retail electric supply business. See Note P to the Second Quarter Financial Statements. These amounts reflect net after-tax mark-to-market gains/(losses) of $58 million or $0.19 a share and $(10) million or $(0.03) a share for the three months ended June 30, 2016 and 2015, respectively and $21 million or $0.07 a share and $(3) million or $(0.01) a share for the six months ended June 30, 2016 and 2015, respectively.

(c) Other includes parent company and consolidation adjustments.

(d) Earnings per share on a diluted basis were $0.77 a share and $0.74 a share for the three months ended June 30, 2016 and 2015, respectively, and $1.82 a share and $2.01 a share for the six months ended June 30, 2016 and 2015, respectively.

The Companies’ results of operations for the three and six months ended June 30, 2016, as compared with the 2015 periods, reflect the impact of warmer than normal weather on steam revenues, changes in regulatory charges, and higher operations and maintenance expenses for emergency response, municipal infrastructure support, and stock-based compensation. In the six month period, these expenses were offset by lower surcharges for assessments and fees that are collected in revenues from customers at CECONY. 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 results of operations also include the impairment of a solar electric production investment and the impact of the net mark-to-market effects of the competitive energy businesses.

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The following table presents the estimated effect on earnings per share and net income for the three and six months ended June 30, 2016 period as compared with 2015 periods, resulting from these and other major factors:

(Millions of Dollars, except per share amounts)	Three Months Variation Earnings per Share Variation / Net Income Variation	Six Months Variation Earnings per Share Variation / Net Income Variation
CECONY (a)		
Changes in rate plans	$65.02	$02.408
Weather impact on steam revenues	(1)	(03.612)
Other operations and maintenance expenses	(80.03)	65.02
Depreciation, property taxes and other tax matters (b)	(40.014)	(072.25)
Other (includes dilutive effect of Con Edison's stock issuances)	(60.03)	(80.05)
Total CECONY	(05.018)	(08.732)
O&R (a)		
Changes in rate plans	(20.01)	1
Other operations and maintenance expenses	07.03	10.406
Depreciation and property taxes	(20.01)	(56.02)
Other	60.02	20.01
Total O&R	90.03	102.05
Competitive energy businesses		
Operating revenues less energy costs	702.24	048.16
Other operations and maintenance expenses	(10.004)	(104.05)
Other	(50.02)	(01.104)
Total competitive energy businesses (c)	651.18	230.07
Con Edison Transmission	1	1
Other, including parent company expenses	(2)	40.02
Total variations	$01.303	$(04.718)

(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 the Companies' results of operations.

(b) These variations include $12 million or $0.04 a share and $21 million or $0.07 a share related to lower plant related flow-through tax deductions, offset in part by certain tax credits for the three and six months ended June 30, 2016, respectively.

(c) These variations include the impairment of a solar electric production investment and net mark-to-market effects shown in notes (a) and (b) in the Results of Operations table above.

The Companies' other operations and maintenance expenses for the three and six months ended June 30, 2016 and 2015 were as follows:

	For the Three Months Ended June	For the Six Months Ended June 30,

	30,			
(Millions of Dollars)	2016	2015	2016	2015
CECONY				
Operations	$369	$348	$728	$690
Pensions and other postretirement benefits	87	91	174	182
Health care and other benefits	42	38	78	78
Regulatory fees and assessments (a)	109	126	216	280
Other	94	84	185	160
Total CECONY	701	687	1,381	1,390
O&R	73	85	143	167
Competitive energy businesses	47	31	84	61
Con Edison Transmission	1	—	1	—
Other (b)	(2)	(1)	(2)	(2)
Total other operations and maintenance expenses	$820	$802	$1,607	$1,616

(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.

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Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities, Con Edison's competitive 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 three and six months ended June 30, 2016 and 2015 follows. For additional business segment financial information, see Note J to the Second Quarter Financial Statements.

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Three Months Ended June 30, 2016 Compared with Three Months Ended June 30, 2015
The Companies' results of operations in 2016 compared with 2015 were:

(Millions of Dollars)	CECONY		O&R		Competitive Energy Businesses		Con Edison Transmission		Other (a)		Con Edison (b)	
	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
Operating revenues	$(2)	(0.1)%	$(13)	(1.7)%	$10	1.0%	$—	—%	$1	Large	$6	0.2%
Purchased power	11	3.1	(9)	(16.7)	(4)	(10.9)						