CONSOLIDATED EDISON CO OF NEW YORK INC
Form 10-Q
May 03, 2012
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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 MARCH 31, 2012

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 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 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 April 27, 2012, Con Edison had outstanding 292,904,261 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 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 frequently used 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.
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 Quasi-governmental Not-for-Profits	
EPA	U. S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO-NE	ISO New England Inc.
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
NYSAG	New York State Attorney General
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	
ABO	Accumulated Benefit Obligation
ASU	Accounting Standards Update
FASB	Financial Accounting Standards Board
LILO	Lease In/Lease Out
OCI	Other Comprehensive Income
SFAS	Statement of Financial Accounting Standards
VIE	Variable interest entity
Environmental	
CO_2	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
SO_2	Sulfur dioxide
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

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Units of Measure	
dths	Dekatherms
kV	Kilovolt
kWh	Kilowatt-hour
mdths	Thousand dekatherms
MMlbs	Million pounds
MVA	Megavolt ampere
MW	Megawatt or thousand kilowatts
MWH	Megawatt hour
Other	
AFDC	Allowance for funds used during construction
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EMF	Electric and magnetic fields
ERRP	East River Repowering Project
Fitch	Fitch Ratings
First Quarter Form 10-Q	The Companies combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012
Form 10-K	The Companies combined Annual Report on Form 10-K for the year ended December 31, 2011
LTIP	Long Term Incentive Plan
Moody s	Moody s Investors Service
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 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 risks, including:

the failure to operate energy facilities safely and reliably could adversely affect the Companies;

the failure to properly complete construction projects could adversely affect the Companies;

the failure of processes and systems and the performance of employees and contractors could adversely affect the Companies;

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 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 Internal Revenue Service has disallowed substantial tax deductions taken by the company;

a cyber attack could adversely affect the Companies; 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 March 31,	
	2012	**2011**
	(Millions of Dollars/ Except Share Data)	
OPERATING REVENUES		
Electric	$ 1,862	$ 1,869
Gas	645	755
Steam	263	325
Non-utility	308	400
TOTAL OPERATING REVENUES	3,078	3,349
OPERATING EXPENSES		
Purchased power	781	865
Fuel	108	176
Gas purchased for resale	196	308
Operations and maintenance	749	698
Depreciation and amortization	233	218
Taxes, other than income taxes	450	458
TOTAL OPERATING EXPENSES	2,517	2,723
OPERATING INCOME	561	626
OTHER INCOME (DEDUCTIONS)		
Investment and other income	7	9
Allowance for equity funds used during construction		4
Other deductions	(4)	(4)
TOTAL OTHER INCOME (DEDUCTIONS)	3	9
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	564	635
INTEREST EXPENSE		
Interest on long-term debt	145	147
Other interest	5	7
Allowance for borrowed funds used during construction		(2)
NET INTEREST EXPENSE	150	152
INCOME BEFORE INCOME TAX EXPENSE	414	483
INCOME TAX EXPENSE	134	169
NET INCOME	280	314
Preferred stock dividend requirements of subsidiary	(3)	(3)
NET INCOME FOR COMMON STOCK	$ 277	$ 311
Net income for common stock per common share basic	$ 0.95	$ 1.07
Net income for common stock per common share diluted	$ 0.94	$ 1.06
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$ 0.605	$ 0.600
AVERAGE NUMBER OF SHARES OUTSTANDING BASIC (IN MILLIONS)	292.9	292.0
AVERAGE NUMBER OF SHARES OUTSTANDING DILUTED (IN MILLIONS)	294.5	293.6

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 March 31,	
	2012	**2011**
	(Millions of Dollars)	
NET INCOME	$ 280	$ 314
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Pension plan liability adjustments, net of $5 and $2 taxes in 2012 and 2011, respectively	7	3
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	7	3
COMPREHENSIVE INCOME	$ 287	$ 317
Preferred stock dividend requirements of subsidiary	(3)	(3)
COMPREHENSIVE INCOME FOR COMMON STOCK	$ 284	$ 314

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 Three Months Ended March 31,	
	2012	2011
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net Income	$ 280	$ 314
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	233	218
Deferred income taxes	68	232
Rate case amortization and accruals	31	19
Common equity component of allowance for funds used during construction		(4)
Net derivative losses/(gains)	31	(37)
Other non-cash items (net)	64	(17)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable customers, less allowance for uncollectibles	54	(5)
Materials and supplies, including fuel oil and gas in storage	31	103
Other receivables and other current assets	(2)	66
Prepayments	(286)	(217)
Accounts payable	(78)	(154)
Pensions and retiree benefits obligations	253	259
Pensions and retiree benefits contribution	(184)	(491)
Accrued taxes	41	(20)
Accrued interest	52	51
Deferred charges, noncurrent assets and other regulatory assets	(255)	(19)
Deferred credits and other regulatory liabilities	117	67
Other assets		(1)
Other liabilities	(48)	(2)
NET CASH FLOWS FROM OPERATING ACTIVITIES	402	362
INVESTING ACTIVITIES		
Utility construction expenditures	(471)	(394)
Cost of removal less salvage	(43)	(39)
Non-utility construction expenditures	(9)	(23)
Proceeds from investment tax credits and grants related to renewable energy investments	6	
Net investment in Pilesgrove solar project and other	27	
Loan to affiliate		(40)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(490)	(496)
FINANCING ACTIVITIES		
Net proceeds from short-term debt		464
Retirement of long-term debt	(1)	(1)
Issuance of long-term debt	400	
Issuance of common shares for stock plans, net of repurchases	(8)	25
Debt issuance costs	(4)	
Common stock dividends	(175)	(173)
Preferred stock dividends	(3)	(3)
NET CASH FLOWS FROM FINANCING ACTIVITIES	209	312
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	121	178
BALANCE AT BEGINNING OF PERIOD	648	338
BALANCE AT END OF PERIOD	$ 769	$ 516
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid/(refunded) during the period for:		
Interest	$ 89	$ 90
Income taxes	$	$ (172)

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

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Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 2012	December 31, 2011
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$ 769	$ 648
Accounts receivable customers, less allowance for uncollectible accounts of $87 in 2012 and 2011	1,069	1,123
Accrued unbilled revenue	379	474
Other receivables, less allowance for uncollectible accounts of $10 in 2012 and 2011	249	303
Fuel oil, gas in storage, materials and supplies, at average cost	325	356
Prepayments	431	145
Deferred tax assets current	285	266
Regulatory assets	192	164
Other current assets	205	159
TOTAL CURRENT ASSETS	3,904	3,638
INVESTMENTS	440	455
UTILITY PLANT, AT ORIGINAL COST		
Electric	21,520	21,105
Gas	4,821	4,727
Steam	2,015	1,983
General	2,093	1,960
TOTAL	30,449	29,775
Less: Accumulated depreciation	6,153	6,051
Net	24,296	23,724
Construction work in progress	920	1,241
NET UTILITY PLANT	25,216	24,965
NON-UTILITY PLANT		
Non-utility property, less accumulated depreciation of $61 and $59 in 2012 and 2011, respectively	98	89
Construction work in progress	39	39
NET PLANT	25,353	25,093
OTHER NONCURRENT ASSETS		
Goodwill	429	429
Intangible assets, less accumulated amortization of $3 in 2012 and 2011	3	3
Regulatory assets	9,276	9,337
Other deferred charges and noncurrent assets	296	259
TOTAL OTHER NONCURRENT ASSETS	10,004	10,028
TOTAL ASSETS	$ 39,701	$ 39,214

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

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Consolidated Edison, Inc.
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 2012	December 31, 2011
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$ 1,030	$ 530
Accounts payable	844	955
Customer deposits	306	303
Accrued taxes	229	188
Accrued interest	212	160
Accrued wages	91	91
Fair value of derivative liabilities	198	169
Regulatory liabilities	286	118
Preferred stock redemption	239	
Other current liabilities	405	473
TOTAL CURRENT LIABILITIES	3,840	2,987
NONCURRENT LIABILITIES		
Obligations under capital leases	2	2
Provision for injuries and damages	158	181
Pensions and retiree benefits	4,605	4,835
Superfund and other environmental costs	537	489
Asset retirement obligations	147	145
Fair value of derivative liabilities	54	48
Other noncurrent liabilities	131	131
TOTAL NONCURRENT LIABILITIES	5,634	5,831
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	7,712	7,563
Regulatory liabilities	846	977
Other deferred credits	83	64
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	8,641	8,604
LONG-TERM DEBT	10,041	10,143
SHAREHOLDERS EQUITY		
Common shareholders equity (See Statement of Common Shareholders Equity)	11,545	11,436
Preferred stock of subsidiary		213
TOTAL SHAREHOLDERS EQUITY	11,545	11,649
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 39,701	$ 39,214

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

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Consolidated Edison, Inc.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS EQUITY (UNAUDITED)

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Capital Stock Expense	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2010	291,616,334	$ 31	$ 4,915	$ 7,220	23,210,700	$ (1,001)	$ (64)	$ (40)	$ 11,061
Net income for common stock				311					311
Common stock dividends				(175)					(175)
Issuance of common shares dividend reinvestment and employee stock plans	656,049	1	30						31
Other comprehensive income								3	3
BALANCE AS OF MARCH 31, 2011	292,272,383	$ 32	$ 4,945	$ 7,356	23,210,700	$ (1,001)	$ (64)	$ (37)	$ 11,231
BALANCE AS OF DECEMBER 31, 2011	292,888,521	$ 32	$ 4,991	$ 7,568	23,194,075	$ (1,033)	$ (64)	$ (58)	$ 11,436
Net income for common stock				277					277
Common stock dividends				(177)					(177)
Issuance of common shares for stock plans, net of repurchases	(7,225)				7,225	(2)			(2)
Preferred stock redemption							4		4
Other comprehensive income								7	7
BALANCE AS OF MARCH 31, 2012	292,881,296	$ 32	$ 4,991	$ 7,668	23,201,300	$ (1,035)	$ (60)	$ (51)	$ 11,545

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 Month Ended March 31,	
	2012	**2011**
	(Millions of Dollars)	
OPERATING REVENUES		
Electric	$ 1,735	$ 1,721
Gas	563	663
Steam	263	325
TOTAL OPERATING REVENUES	2,561	2,709
OPERATING EXPENSES		
Purchased power	447	483
Fuel	108	176
Gas purchased for resale	169	263
Operations and maintenance	645	597
Depreciation and amortization	218	204
Taxes, other than income taxes	430	440
TOTAL OPERATING EXPENSES	2,017	2,163
OPERATING INCOME	544	546
OTHER INCOME (DEDUCTIONS)		
Investment and other income	5	5
Allowance for equity funds used during construction		3
Other deductions	(3)	(3)
TOTAL OTHER INCOME (DEDUCTIONS)	2	5
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	546	551
INTEREST EXPENSE		
Interest on long-term debt	131	132
Other interest	5	5
Allowance for borrowed funds used during construction		(2)
NET INTEREST EXPENSE	136	135
INCOME BEFORE INCOME TAX EXPENSE	410	416
INCOME TAX EXPENSE	134	145
NET INCOME	276	271
Preferred stock dividend requirements	(3)	(3)
NET INCOME FOR COMMON STOCK	$ 273	$ 268

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 Month Ended March 31,	
	2012	**2011**
	(Millions of Dollars)	
NET INCOME	$ 276	$ 271
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
Pension plan liability adjustments, net of $ taxes in 2012 and 2011		
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		
COMPREHENSIVE INCOME	$ 276	$ 271

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 Three Months Ended March 31,	
	2012	**2011**
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$ 276	$ 271
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	218	204
Deferred income taxes	66	207
Rate case amortization and accruals	31	19
Common equity component of allowance for funds used during construction		(3)
Other non-cash items (net)	15	10
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable customers, less allowance for uncollectibles	43	22
Materials and supplies, including fuel oil and gas in storage	22	84
Other receivables and other current assets	16	(77)
Prepayments	(287)	(291)
Accounts payable	(48)	(119)
Pensions and retiree benefits obligations	209	236
Pensions and retiree benefits contribution	(184)	(491)
Accrued taxes	57	(37)
Accrued interest	42	44
Superfund and environmental remediation costs (net)	(1)	
Deferred charges, noncurrent assets and other regulatory assets	(179)	(63)
Deferred credits and other regulatory liabilities	108	52
Other liabilities	(36)	4
NET CASH FLOWS FROM OPERATING ACTIVITIES	368	72
INVESTING ACTIVITIES		
Utility construction expenditures	(446)	(376)
Cost of removal less salvage	(41)	(37)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(487)	(413)
FINANCING ACTIVITIES		
Net proceeds from short-term debt		464
Issuance of long-term debt	400	
Debt issuance costs	(4)	
Dividend to parent	(171)	(170)
Preferred stock dividends	(3)	(3)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	222	291
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	103	(50)
BALANCE AT BEGINNING OF PERIOD	372	78
BALANCE AT END OF PERIOD	$ 475	$ 28
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid/(refunded) during the period for:		
Interest	$ 83	$ 82
Income taxes	$ (20)	$ 35

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)

	March 31, 2012	December 31, 2011
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$ 475	$ 372
Accounts receivable customers, less allowance for uncollectible accounts of $79 in 2012 and 2011	934	977
Other receivables, less allowance for uncollectible accounts of $9 in 2012 and 2011	110	102
Accrued unbilled revenue	285	366
Accounts receivable from affiliated companies	36	54
Fuel oil, gas in storage, materials and supplies, at average cost	286	308
Prepayments	372	85
Regulatory assets	159	140
Deferred tax assets current	170	157
Other current assets	97	100
TOTAL CURRENT ASSETS	2,924	2,661
INVESTMENTS	188	177
UTILITY PLANT AT ORIGINAL COST		
Electric	20,284	19,886
Gas	4,285	4,200
Steam	2,015	1,983
General	1,917	1,785
TOTAL	28,501	27,854
Less: Accumulated depreciation	5,616	5,523
Net	22,885	22,331
Construction work in progress	853	1,165
NET UTILITY PLANT	23,738	23,496
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of $24 in 2012 and 2011	6	6
NET PLANT	23,744	23,502
OTHER NONCURRENT ASSETS		
Regulatory assets	8,645	8,661
Other deferred charges and noncurrent assets	254	217
TOTAL OTHER NONCURRENT ASSETS	8,899	8,878
TOTAL ASSETS	$ 35,755	$ 35,218

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)

	March 31, 2012	December 31, 2011
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDER S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$ 1,024	$ 525
Accounts payable	690	774
Accounts payable to affiliated companies	17	16
Customer deposits	293	290
Accrued taxes	17	32
Accrued taxes to affiliated companies	198	126
Accrued interest	175	133
Accrued wages	82	81
Fair value of derivative liabilities	112	98
Regulatory liabilities	242	79
Preferred stock redemption	239	
Other current liabilities	338	396
TOTAL CURRENT LIABILITIES	3,427	2,550
NONCURRENT LIABILITIES		
Obligations under capital leases	2	2
Provision for injuries and damages	151	173
Pensions and retiree benefits	4,142	4,337
Superfund and other environmental costs	421	373
Asset retirement obligations	147	145
Fair value of derivative liabilities	31	24
Other noncurrent liabilities	121	120
TOTAL NONCURRENT LIABILITIES	5,015	5,174
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	7,059	6,921
Regulatory liabilities	730	861
Other deferred credits	81	61
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	7,870	7,843
LONG-TERM DEBT	9,119	9,220
SHAREHOLDER S EQUITY		
Common shareholder s equity (See Statement of Common Shareholder s Equity)	10,324	10,218
Preferred stock		213
TOTAL SHAREHOLDER S EQUITY	10,324	10,431
TOTAL LIABILITIES AND SHAREHOLDER S EQUITY	$ 35,755	$ 35,218

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 COMMON SHAREHOLDER S EQUITY (UNAUDITED)

	Common Stock				Repurchased Con Edison	Capital Stock	Accumulated Other Comprehensive	
(Millions of Dollars/Except Share Data)	Shares	Amount	Additional Paid- In Capital	Retained Earnings	Stock	Expense	Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2010	235,488,094	$ 589	$ 4,234	$ 6,132	$ (962)	$ (64)	$ (6)	$ 9,923
Net income				271				271
Common stock dividend to parent				(170)				(170)
Cumulative preferred dividends				(3)				(3)
Other comprehensive income								
BALANCE AS OF MARCH 31, 2011	235,488,094	$ 589	$ 4,234	$ 6,230	$ (962)	$ (64)	$ (6)	$ 10,021
BALANCE AS OF DECEMBER 31, 2011	235,488,094	$ 589	$ 4,234	$ 6,429	$ (962)	$ (64)	$ (8)	$ 10,218
Net income				276				276
Common stock dividend to parent				(171)				(171)
Cumulative preferred dividends				(3)				(3)
Preferred stock redemption						4		4
Other comprehensive income								
BALANCE AS OF MARCH 31, 2012	235,488,094	$ 589	$ 4,234	$ 6,531	$ (962)	$ (60)	$ (8)	$ 10,324

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), and Con Edison s competitive energy businesses (discussed below) 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, 2011. 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 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 retail energy services company that sells electricity and also offers energy-related services; Consolidated Edison Energy, Inc. (Con Edison Energy), a wholesale energy supply and services company; and Consolidated Edison Development, Inc. (Con Edison Development), a company that develops and participates in infrastructure projects.

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Note A Summary of Significant Accounting Policies

Earnings Per Common Share

For the three months ended March 31, 2012 and 2011, basic and diluted EPS for Con Edison are calculated as follows:

(Millions of Dollars, except per share amounts/Shares in Millions)	2012	2011
Net income for common stock	$ 277	$ 311
Weighted average common shares outstanding Basic	292.9	292.0
Add: Incremental shares attributable to effect of potentially dilutive securities	1.6	1.6
Adjusted weighted average common shares outstanding Diluted	294.5	293.6
Net income for common stock per common share basic	$ 0.95	$ 1.07
Net income for common stock per common share diluted	$ 0.94	$ 1.06

Note B Regulatory Matters

Rate Agreements

CECONY Electric

In March 2012, the NYSPSC issued an order requiring that the $134 million surcharge that was to have been collected from customers during the rate year ending March 2013 instead be offset using certain CECONY regulatory liabilities that would have otherwise been refundable to or applied for the benefit of customers after the rate year.

O&R Electric

On February 24, 2012, O&R, the staff of the NYSPSC and the Utility Intervention Unit of New York State s Division of Consumer Protection entered into a Joint Proposal with respect to the Company s rates for electric delivery service rendered in New York. The Joint Proposal, which is subject to NYSPSC approval, covers the three-year period from July 2012 through June 2015. The Joint Proposal provides for electric base rate increases of $19.4 million, $8.8 million and $15.2 million, effective July 2012, 2013 and 2014, respectively, which can be implemented, at the NYSPSC s option, with increases of $15.2 million effective July 2012 and 2013 and an increase of $13.1 million, together with a surcharge of $2.1 million, effective July 2014. The Joint Proposal reflects the following major items:

- a weighted average cost of capital of 7.61 percent, 7.65 percent and 7.48 percent for the rate years ending June 30, 2013, 2014 and 2015, respectively, reflecting:
  - a return on common equity of 9.4 percent, 9.5 percent and 9.6 percent for the rate years ending June 30, 2013, 2014 and 2015, respectively;
  - cost of long-term debt of 6.07 percent for each of the rate years ending June 30, 2013 and 2014 and 5.64 percent for the rate year ending June 30 2015;
  - common equity ratio of 48 percent for each of the rate years ending June 30, 2013, 2014 and 2015; and
  - average rate base of $671 million, $708 million and $759 million for the rate years ending June 30, 2013, 2014 and 2015, respectively;

sharing with electric customers of any actual earnings, excluding the effects of any penalties and certain other items, above specified percentage returns on common equity (based on the actual average common equity ratio, subject to a 50 percent maximum):

the company will allocate to customers the revenue requirement equivalent of 50 percent, 75 percent and 90 percent of any such earnings for each rate year in excess of 80 basis points, 180 basis points and 280 basis points, respectively, above the return on common equity for that rate year indicated above; and

the earnings sharing allocation between the company and customers will be done on a cumulative basis at the end of rate year three;

continuation of a revenue decoupling mechanism;

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continuation of a provision which defers as a regulatory liability for the benefit of customers or, subject to certain limitations, a regulatory asset for recovery from customers, as the case may be, the revenue requirement impact of the amount by which actual average net utility plant for each rate year is different than the average net utility plant reflected in rates ($678 million, $704 million and $753 million for the rate years ending June 30, 2013, 2014 and 2015, respectively);

continuation of the rate provisions pursuant to which the company recovers its purchased power costs from customers;

continuation of rate provisions under which pension and other post-retirement benefit expenses, environmental remediation expenses, tax-exempt debt costs and certain other expenses are reconciled to amounts for those expenses reflected in rates;

provisions under which property taxes are reconciled to amounts reflected in rates; and

continuation of provisions for potential operations penalties of up to $3 million annually if certain customer service and system reliability performance targets are not met.

Other Regulatory Matters

In February 2009, the NYSPSC commenced a proceeding to examine the prudence of certain CECONY expenditures (see Investigations of Vendor Payments in Note H). Pursuant to NYSPSC orders, a portion of the company s revenues (currently, $249 million, $32 million and $6 million on an annual basis for electric, gas and steam service, respectively) is being collected subject to potential refund to customers. At March 31, 2012, the company had collected an estimated $887 million from customers subject to potential refund in connection with this proceeding. In October 2010, a NYSPSC consultant reported its $21 million provisional assessment, which the company has disputed, of potential overcharges for construction work. The potential overcharges related to transactions that involved certain employees who were arrested and a contractor that performed work for the company. The NYSPSC s consultant is expected to continue to review the company s expenditures. At March 31, 2012, the company had an $8 million regulatory liability relating to this matter. The company is unable to estimate the amount, if any, by which any refund required by the NYSPSC may exceed this regulatory liability.

In February 2011, the NYSPSC initiated a proceeding to examine the existing mechanisms pursuant to which utilities recover site investigation and remediation costs and possible alternatives. See Note G.

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Regulatory Assets and Liabilities

Regulatory assets and liabilities at March 31, 2012 and December 31, 2011 were comprised of the following items:

	Con Edison		CECONY	
(Millions of Dollars)	**2012**	**2011**	**2012**	**2011**
Regulatory assets				
Unrecognized pension and other postretirement costs	$ 5,594	$ 5,852	$ 5,337	$ 5,554
Future income tax	1,840	1,798	1,764	1,724
Environmental remediation costs	729	681	613	564
Pension and other post retirement benefits deferrals	219	198	185	157
Revenue taxes	167	163	161	158
Surcharge for New York State assessment	143	90	133	82
Deferred storm costs	125	128	79	80
Net electric deferrals	116	121	116	121
Deferred derivative losses long-term	78	60	61	44
O&R transition bond charges	43	44		
Preferred stock redemption	30		30	
Workers compensation	22	23	21	23
Property tax reconciliation	13	13		
Recoverable energy costs long-term		14		14
Other	157	152	145	140
Regulatory assets long-term	9,276	9,337	8,645	8,661
Deferred derivative losses current	192	164	159	140
Regulatory assets current	192	164	159	140
Total Regulatory Assets	$ 9,468	$ 9,501	$ 8,804	$ 8,801
Regulatory liabilities				
Allowance for cost of removal less salvage	$ 457	$ 448	$ 379	$ 372
Property tax reconciliation	68	35	68	35
World Trade Center settlement proceeds	62	62	62	62
Net unbilled revenue deferrals	51	104	51	104
Long-term interest rate reconciliation	42	30	42	30
Carrying charges on transmission and distribution net plant	41	38	18	14
Gas line losses	17	21	17	21
Expenditure prudence proceeding	8	11	8	11
Energy efficiency programs	6	22	6	20
Other	94	206	79	192
Regulatory liabilities long-term	846	977	730	861
Electric surcharge offset	134		134	
Refundable energy costs current	99	51	55	12
Revenue decoupling mechanism	51	66	51	66
Deferred derivative gains current	2	1	2	1
Regulatory liabilities current	286	118	242	79
Total Regulatory Liabilities	$ 1,132	$ 1,095	$ 972	$ 940

Note C Capitalization

In March 2012, CECONY issued $400 million of 4.20 percent 30-year debentures, $239 million of the net proceeds from the sale of which were used to redeem on May 1, 2012 all outstanding shares of its $5 Cumulative Preferred Stock and Cumulative Preferred Stock ($100 par value).

The carrying amounts and fair values of long-term debt are:

(millions of dollars)	**March 31, 2012**		**December 31, 2011**	
Long-Term Debt (including current portion)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Con Edison	$ 11,071	$ 12,892	$ 10,673	$ 12,744
CECONY	$ 10,143	$ 11,757	$ 9,745	$ 11,593

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Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, $12,256 million and $636 million of the fair value of long-term debt at March 31, 2012 are classified as Level 2 and Level 3, respectively. For CECONY, $11,121 million and $636 million of the fair value of long-term debt at March 31, 2012 are classified as Level 2 and Level 3, respectively (see Note K).

Note D Short-Term Borrowing

At March 31, 2012, Con Edison and CECONY had no commercial paper outstanding. The Companies have not borrowed under their October 2011 credit agreement. Con Edison had $183 million of letters of credit outstanding under the credit agreement (including $168 million for CECONY).

Note E Pension Benefits

Net Periodic Benefit Cost

The components of the Companies net periodic benefit costs for the three months ended March 31, 2012 and 2011 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2012	2011	2012	2011
Service cost including administrative expenses	$ 59	$ 47	$ 55	$ 44
Interest cost on projected benefit obligation	137	140	128	131
Expected return on plan assets	(176)	(183)	(168)	(175)
Amortization of net actuarial loss	177	132	168	125
Amortization of prior service costs	2	2	2	2
NET PERIODIC BENEFIT COST	$ 199	$ 138	$ 185	$ 127
Cost capitalized	(64)	(48)	(63)	(45)
Cost deferred	(37)	(51)	(38)	(52)
Cost charged to operating expenses	$ 98	$ 39	$ 84	$ 30

Expected Contributions

Based on estimates as of March 31, 2012, the Companies expect to make contributions to the pension plan during 2012 of $775 million (of which $721 million is to be contributed by CECONY). During the first quarter of 2012, CECONY contributed $184 million to the pension plan. The Companies expect to fund $12 million for the non-qualified supplemental plans in 2012. The Companies policy is to fund their accounting cost to the extent tax deductible.

Note F Other Postretirement Benefits

Net Periodic Benefit Cost

The components of the Companies net periodic postretirement benefit costs for the three months ended March 31, 2012 and 2011 were as follows:

	Con Edison	CECONY

(Millions of Dollars)	2012	2011	2012	2011
Service cost	$ 7	$ 6	$ 5	$ 5
Interest cost on accumulated other postretirement benefit obligation	18	21	16	18
Expected return on plan assets	(21)	(22)	(18)	(19)
Amortization of net actuarial loss	25	22	22	20
Amortization of prior service cost	(5)	(2)	(4)	(3)
Amortization of transition obligation		1		1
NET PERIODIC POSTRETIREMENT BENEFIT COST	$ 24	$ 26	$ 21	$ 22
Cost capitalized	(8)	(9)	(7)	(8)
Cost charged	7	4	4	3
Cost charged to operating expenses	$ 23	$ 21	$ 18	$ 17

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Expected Contributions

Based on estimates as of March 31, 2012, Con Edison expects to make a contribution of $87 million, including $74 million for CECONY, to the other postretirement benefit plans in 2012.

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 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 March 31, 2012 and December 31, 2011 were as follows:

	Con Edison		**CECONY**	
(Millions of Dollars)	**2012**	**2011**	**2012**	**2011**
Accrued Liabilities:				
Manufactured gas plant sites	$ 466	$ 422	$ 351	$ 307
Other Superfund Sites	71	67	70	66
Total	$ 537	$ 489	$ 421	$ 373
Regulatory assets	$ 729	$ 681	$ 613	$ 564

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, the Utilities expect that additional liability may be accrued, the amount of which is not presently determinable but may be material. Under their current rate agreements, the Utilities are permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs. In February 2011, the NYSPSC initiated a proceeding to examine the existing mechanisms pursuant to which utilities recover such costs and possible alternatives.

Environmental remediation costs incurred and insurance recoveries received related to Superfund Sites for the three months ended March 31, 2012 and 2011, were as follows:

	Con Edison		**CECONY**	
(Millions of Dollars)	**2012**	**2011**	**2012**	**2011**
Remediation costs incurred	$ 7	$ 6	$ 7	$ 5
Insurance recoveries received				

In 2010, CECONY estimated that for its manufactured gas plant sites, its aggregate undiscounted potential liability for the investigation and remediation of coal tar and/or other manufactured gas plant-related environmental contaminants could range up to

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$1.9 billion. In 2010, O&R estimated that for its manufactured gas plant sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of such contaminants could range up to $200 million. 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. In 2010, CECONY estimated that its aggregate undiscounted potential liability for these suits and additional suits that may be brought over the next 15 years is $10 million. The estimate was based upon a combination of modeling, historical data analysis and risk factor assessment. Actual experience may be materially different. 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 agreements, 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 March 31, 2012 and December 31, 2011 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	**2012**	**2011**	**2012**	**2011**
Accrued liability asbestos suits	$ 10	$ 10	$ 10	$ 10
Regulatory assets asbestos suits	$ 10	$ 10	$ 10	$ 10
Accrued liability workers compensation	$ 96	$ 98	$ 92	$ 93
Regulatory assets workers compensation	$ 22	$ 23	$ 21	$ 23

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 93 suits are pending against the company seeking generally unspecified compensatory and, in some cases, punitive damages, for personal injury, property damage and business interruption. The company has not accrued a liability for the suits. The company has notified its insurers of the incident and believes that the policies in force at the time of the incident will cover most of the company s costs, which the company is unable to estimate, but which could be substantial, to satisfy its liability to others in connection with the incident.

Investigations of Vendor Payments

In January 2009, CECONY commenced an internal investigation relating to the arrests of certain employees and retired employees (all of whom have since been convicted) for accepting kickbacks from contractors that performed construction work for the company. The company has retained a law firm, which has retained an accounting firm, to assist in the company s

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investigation. The company has provided information to governmental authorities, which consider the company to be a victim of unlawful conduct, in connection with their investigation of the arrested employees and contractors. The company has terminated its employment of the arrested employees and its contracts with the contractors. In February 2009, the NYSPSC commenced a proceeding that, among other things, will examine the prudence of certain of the company s expenditures relating to the arrests and consider whether additional expenditures should also be examined (see Other Regulatory Matters in Note B).

CECONY is also investigating the September 2010 arrest of a retired employee (who has since been convicted of participating in a bribery scheme in which the employee received payments from two companies that supplied materials to the company) and the January 2011 arrest of an employee (for accepting kickbacks from an engineering firm that performed work for the company). CECONY has provided information to governmental authorities in connection with their ongoing investigations of these matters.

The company, based upon its evaluation of its internal controls for 2011 and previous years, believes that the controls were effective to provide reasonable assurance that its financial statements have been fairly presented, in all material respects, in conformity with generally accepted accounting principles. Because the company s investigations are ongoing, the company is unable to predict the impact of any of the employees unlawful conduct on the company s internal controls, business, results of operations or financial position.

Lease In/Lease Out Transactions

In each of 1997 and 1999, Con Edison Development entered into a transaction in which it leased property and then immediately subleased it back to the lessor (termed Lease In/Lease Out, or LILO transactions). The transactions respectively involve electric generating and gas distribution facilities in the Netherlands, with a total investment of $259 million. The transactions were financed with $93 million of equity and $166 million of non-recourse, long-term debt secured by the underlying assets. In accordance with the accounting rules for leases, Con Edison is accounting for the two LILO transactions as leveraged leases. Accordingly, the company s investment in these leases, net of non-recourse debt, is carried as a single amount in Con Edison s consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive, based upon the after-tax cash flows projected at the inception of the leveraged leases. The company s investment in these leveraged leases was $(65) million at March 31, 2012 and $(55) million at December 31, 2011 and is comprised of a $228 million gross investment less $293 million of deferred tax liabilities at March 31, 2012 and $234 million gross investment less $289 million of deferred tax liabilities at December 31, 2011.

On audit of Con Edison s tax return for 1997, the IRS disallowed the tax losses in connection with the 1997 LILO transaction. In December 2005, Con Edison paid a $0.3 million income tax deficiency asserted by the IRS for the tax year 1997 with respect to the 1997 LILO transaction. In April 2006, the company paid interest of $0.2 million associated with the deficiency and commenced an action in the United States Court of Federal Claims, entitled Consolidated Edison Company of New York, Inc. v. United States, to obtain a refund of this tax payment and interest. A trial was completed in November 2007. In October 2009, the court issued a decision in favor of the company concluding that the 1997 LILO transaction was, in substance, a true lease that possessed economic substance, the loans relating to the lease constituted bona fide indebtedness, and the deductions for the 1997 LILO transactions claimed by the company in its 1997 federal income tax return are allowable. The IRS appealed the decision in December 2011.

In connection with its audit of Con Edison s federal income tax returns for 1998 through 2007, the IRS disallowed $416 million of net tax deductions taken with respect to both of the LILO transactions for the tax years. Con Edison is pursuing administrative appeals of these audit level disallowances. In connection with its audit of Con Edison s federal income tax returns for 2010, 2009 and 2008, the IRS has disallowed $40 million, $41 million and $42 million, respectively, of

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net tax deductions taken with respect to both of the LILO transactions. When these audit level disallowances become appealable, Con Edison intends to file an appeal of the disallowances.

Con Edison believes that its LILO transactions have been correctly reported, and has not recorded any reserve with respect to the disallowance of tax losses, or related interest, in connection with its LILO transactions. Con Edison s estimated tax savings, reflected in its financial statements, from the two LILO transactions through March 31, 2012, in the aggregate, was $240 million. If Con Edison were required to repay all or a portion of these amounts, it would also be required to pay interest of up to $114 million net of tax at March 31, 2012.

Pursuant to the accounting rules for leveraged lease transactions, the expected timing of income tax cash flows generated by Con Edison s LILO transactions are required to be reviewed at least annually. If the expected timing of the cash flows is revised, the rate of return and the allocation of income would be recalculated from the inception of the LILO transactions, and the company would be required to recalculate the accounting effect of the LILO transactions, which would result in a charge to earnings that could have a material adverse effect on the company s results of operations.

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 $760 million at March 31, 2012 and December 31, 2011, respectively.

A summary, by type and term, of Con Edison s total guarantees at March 31, 2012 is as follows:

Guarantee Type	0 3 years	4 10 years	> 10 years	Total
		(Millions of Dollars)		
Energy transactions	$ 637	$ 4	$ 66	$ 707
Intra-company guarantees	15		1	16
Other guarantees	33	4		37
TOTAL	$ 685	$ 8	$ 67	