Requirements Under
16 NYCRR Parts 31 and 18

In accordance with Sections 31.1 and 18.1 of the Commission's regulations, the Petitioners states as follows:

Section 31.1(a) - - Financial Condition.

Attached to this Exhibit are the following financial statements of Consolidated Edison Company of New York, Inc.: income statement, balance sheet, and statement of capitalization for the fiscal year 2014. 16 NYCRR § 18.1(f), (p). The Trustees of Columbia University in the City of New York respectfully request that the Commission waive the requirements of 16 NYCRR § 31.1(l), which requires detailed information concerning the financial condition of Petitioner Columbia, on the grounds that these requirements should not apply to a non-regulated private entity. As required by section 18.1(g) of the Commission's regulations, Con Edison states that there are no mortgages upon the Property to be transferred. In addition, there are no advances from affiliated interests or other indebtedness to affiliates. 16 NYCRR § 18.1(i).

Section 31.1 (b) - - General Description of the Property to be Transferred.

The Property to be transferred consists of certain real property totaling 20,000 sq. ft. and the improvements thereon located at 624 West 132nd Street, New York, New York (Block 1998, Lot 49). A complete description of the Property to be transferred is set forth in the Exchange Agreement between Con Edison and Columbia, a copy of which is attached to this Joint Petition (Exhibit A).

Section 31.1 (c) - - List of Franchises, Consents and Rights to be Transferred.

Con Edison's franchised retail operations will not be transferred, merged or consolidated as part of the proposed transaction.

Section 31.1 (d) - - Local Approvals.

No local approvals are required as part of the proposed transaction.

Section 31.1 (e)- - A Copy of the Proposed Agreement to be Approved.

A copy of the Exchange Agreement between Consolidated Edison Company of New York, Inc. and Columbia University is attached to this Joint Petition (Exhibit A).

Section 31.1 (f) and (g) - - Original Cost of the Property to be Transferred

See Affidavit of Robert Muccilo, Accounting Attachment .

Section 31.1 (h)- - Accumulated Depreciation Reserve of the Property to be Transferred.

Not Applicable.

Section 31.1 (i) - - Cost of the Property to be Transferred.

See Affidavit of Robert Muccilo, Accounting Attachment.

Section 31.1 (j)- - Depreciation Reserves of Property to be Transferred.

Not Applicable.

Section 31.1 (k)- - Statement of Contributions.

There are no contributions toward construction of the Property to be transferred.

Section 31.1 (l) - - Statement of Operating Revenues, Expenses and Taxes Relating to the Property to be Transferred.

See Affidavit of Robert Muccilo, Accounting Attachment.

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

FORM 10-K

☒ Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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 1-14514

Consolidated Edison, Inc.

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

New York State of Incorporation	13-3965100 I.R.S. Employer ID. Number

4 Irving Place,
New York, New York 10003

(212) 460-4600

Commission File Number 1-1217

Consolidated Edison Company of New York, Inc.

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

New York State of Incorporation	13-5009340 I.R.S. Employer ID. Number

4 Irving Place,
New York, New York 10003

(212) 460-4600

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

Title of each class	Name of each exchange on which registered
Consolidated Edison, Inc., Common Shares ($.10 par value)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

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Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Stockholder of Consolidated Edison Company of New York, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Consolidated Edison Company of New York, Inc. and its subsidiaries (the Company) at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
New York, New York
February 19, 2015

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Consolidated Edison Company of New York, Inc.
Consolidated Statement of Comprehensive Income

	For the Years Ended December 31,		
(Millions of Dollars)	2014	2013	2012
NET INCOME	$ 1,058	$ 1,020	$ 1,017
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES			
Pension and other postretirement benefit plan liability adjustments, net of taxes	(5)	3	(1)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	(5)	3	(1)
COMPREHENSIVE INCOME	$ 1,053	$ 1,023	$ 1,016

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

(Millions of Dollars)	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$ 645	$ 633
Special deposits	2	86
Accounts receivable – customers, less allowance for uncollectible accounts of $90 and $87 in 2014 and 2013, respectively	1,064	1,123
Other receivables, less allowance for uncollectible accounts of $8 in 2014 and 2013	71	127
Accrued unbilled revenue	384	405
Accounts receivable from affiliated companies	132	119
Fuel oil, gas in storage, materials and supplies, at average cost	312	300
Prepayments	126	102
Regulatory assets	132	26
Deferred tax assets – current	94	100
Other current assets	158	55
TOTAL CURRENT ASSETS	3,120	3,076
INVESTMENTS	271	247
UTILITY PLANT AT ORIGINAL COST		
Electric	23,599	22,073
Gas	5,469	4,891
Steam	2,251	2,194
General	2,265	2,154
TOTAL	33,584	31,312
Less: Accumulated depreciation	6,970	6,469
Net	26,614	24,843
Construction work in progress	971	1,303
NET UTILITY PLANT	27,585	26,146
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of $25 in 2014 and 2013	5	4
NET PLANT	27,590	26,150
OTHER NONCURRENT ASSETS		
Regulatory assets	8,481	6,639
Other deferred charges and noncurrent assets	175	146
TOTAL OTHER NONCURRENT ASSETS	8,656	6,785
TOTAL ASSETS	$ 39,637	$ 36,258

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

(Millions of Dollars/Except Share Data)	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, 2011	235,488,094	$ 589	$ 4,234	$ 6,429	$ (962)	$ (64)	$ (8)	$10,218
Net income				1,017				1,017
Common stock dividend to parent				(682)				(682)
Cumulative preferred dividends				(3)				(3)
Preferred stock redemption						3		3
Other comprehensive loss							(1)	(1)
BALANCE AS OF DECEMBER 31, 2012	235,488,094	$ 589	$ 4,234	$ 6,761	$ (962)	$ (61)	$ (9)	$10,552
Net income				1,020				1,020
Common stock dividend to parent				(728)				(728)
Other comprehensive income							3	3
BALANCE AS OF DECEMBER 31, 2013	235,488,094	$ 589	$ 4,234	$ 7,053	$ (962)	$ (61)	$ (6)	$10,847
Net income				1,058				1,058
Common stock dividend to parent				(712)				(712)
Other comprehensive loss							(5)	(5)
BALANCE AS OF DECEMBER 31, 2014	235,488,094	$ 589	$ 4,234	$ 7,399	$ (962)	$ (61)	$ (11)	$11,188

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 Capitalization

LONG-TERM DEBT (Millions of Dollars)			At December 31,	
Maturity	Interest Rate	Series	2014	2013
DEBENTURES:				
2014	4.70%	2004A	$ -	$ 200
2014	5.55	2009A	-	275
2015	5.375	2005C	350	350
2016	5.50	2006C	400	400
2016	5.30	2006D	250	250
2018	5.85	2008A	600	600
2018	7.125	2008C	600	600
2019	6.65	2009B	475	475
2020	4.45	2010A	350	350
2024	3.30	2014B	250	-
2033	5.875	2003A	175	175
2033	5.10	2003C	200	200
2034	5.70	2004B	200	200
2035	5.30	2005A	350	350
2035	5.25	2005B	125	125
2036	5.85	2006A	400	400
2036	6.20	2006B	400	400
2036	5.70	2006E	250	250
2037	6.30	2007A	525	525
2038	6.75	2008B	600	600
2039	5.50	2009C	600	600
2040	5.70	2010B	350	350
2042	4.20	2012A	400	400
2043	3.95	2013A	700	700
2044	4.45	2014A	850	-
2054	4.625	2014C	750	-
TOTAL DEBENTURES			10,150	8,775
TAX-EXEMPT DEBT – Notes issued to New York State Energy Research and Development Authority for Facilities Revenue Bonds*:				
2032	0.13%	2004B Series 1	127	127
2034	0.14	1999A	293	293
2035	0.14	2004B Series 2	20	20
2036	0.11	2001B	98	98
2036	0.03	2010A	225	225
2039	0.10	2004A	98	98
2039	0.04	2004C	99	99
2039	0.03	2005A	126	126
TOTAL TAX-EXEMPT DEBT			1,086	1,086
Unamortized debt discount			(22)	(20)
TOTAL			11,214	9,841
Less: Long-term debt due within one year			350	475
TOTAL LONG-TERM DEBT			10,864	9,366
TOTAL CAPITALIZATION			$ 22,052	$ 20,213

* Rates are to be reset weekly or by auction held every 35 days; December 31, 2014 rates shown.

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

Notes to the Financial Statements — Continued

charged to expense over the estimated useful lives of the assets. Upon retirement, the original cost of property is charged to accumulated depreciation. See Note R.

Rates used for AFUDC include the cost of borrowed funds and a reasonable rate of return on the Utilities' own funds when so used, determined in accordance with regulations of the FERC or the state public utility regulatory authority having jurisdiction. The rate is compounded semiannually, and the amounts applicable to borrowed funds are treated as a reduction of interest charges, while the amounts applicable to the Utilities' own funds are credited to other income (deductions). The AFUDC rates for CECONY were 1.6 percent, 4.0 percent and 6.5 percent for 2014, 2013 and 2012, respectively. The AFUDC rates for O&R were 2.6 percent, 5.7 percent and 7.0 percent for 2014, 2013 and 2012, respectively.

The Utilities generally compute annual charges for depreciation using the straight-line method for financial statement purposes, with rates based on average service lives and net salvage factors. The average depreciation rates for CECONY were 3.1 percent, 3.2 percent and 3.1 percent for 2014, 2013 and 2012, respectively. The average depreciation rates for O&R were 2.9 percent, 2.8 percent and 2.9 percent for 2014, 2013 and 2012, respectively.

The estimated lives for utility plant for CECONY range from 5 to 85 years for electric and gas, 5 to 80 years for steam and 5 to 55 years for general plant. For O&R, the estimated lives for utility plant range from 5 to 75 years for electric and gas and 5 to 50 years for general plant.

At December 31, 2014 and 2013, the capitalized cost of the Companies' utility plant, net of accumulated depreciation, was as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2014	2013	2014	2013
Electric				
Generation	$ 451	$ 452	$ 451	$ 452
Transmission	2,956	2,776	2,744	2,597
Distribution	16,361	15,277	15,531	14,496
Gas*	5,006	4,469	4,530	4,013
Steam	1,795	1,790	1,795	1,790
General	1,650	1,565	1,498	1,433
Held for future use	76	73	65	62
Construction work in progress	1,031	1,393	971	1,303
Net Utility Plant	$ 29,326	$ 27,795	$ 27,585	$ 26,146

* Primarily distribution.

Under the Utilities' rate plans, the aggregate annual depreciation allowance in effect at December 31, 2014 was $1,048 million, including $993 million under CECONY's electric, gas and steam rate plans that have been approved by the New York State Public Service Commission (NYSPSC).

Non-Utility Plant

Non-utility plant is stated at original cost. For Con Edison, non-utility plant consists primarily of the competitive energy businesses' renewable electric production and gas storage. For the Utilities, non-utility plant consists of land and conduit for telecommunication use. Depreciation on these assets is computed using the straight-line method for financial statement purposes over their estimated useful lives, which range from 3 to 30 years.

Goodwill

Con Edison tests goodwill for impairment at least annually. Goodwill is tested for impairment using a two-step approach. The first step of the goodwill impairment test compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired. If the carrying value exceeds the estimated fair value of the reporting unit, the second step is performed to measure the amount of impairment loss, if any. The second step requires a calculation of the implied fair value of goodwill. See Note K.

Impairments

Con Edison evaluates the impairment of long-lived assets, based on projections of undiscounted future cash flows, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. In the event an evaluation indicates that such cash flows cannot be expected to be sufficient to fully recover the assets, the assets are written down to their estimated fair value. No impairment charges were recognized in 2014, 2013 or 2012.

Revenues

The Utilities and Con Edison Solutions recognize revenues for energy service on a monthly billing cycle basis. The Utilities defer over a 12-month period net interruptible gas revenues, other than those authorized by the NYSPSC to be retained by the Utilities, for refund to firm gas sales and transportation customers. The Utilities and Con Edison Solutions accrue revenues at the end of each month for estimated energy service not yet billed to customers.

CECONY's electric and gas rate plans and O&R's New York electric and gas rate plans each contain a revenue decoupling mechanism under which the company's actual energy delivery revenues are compared with the authorized delivery revenues

The Companies calculate the expected return on pension and other postretirement benefit plan assets by multiplying the expected rate of return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. The accounting rules allow the MRV of plan assets to be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. The Companies use a calculated value when determining the MRV of the plan assets that adjusts for 20 percent of the difference between fair value and expected MRV of plan assets. This calculated value has the effect of stabilizing variability in assets to which the Companies apply the expected return.

Federal Income Tax

In accordance with the accounting rules for income taxes, the Companies have recorded an accumulated deferred federal income tax liability for temporary differences between the book and tax basis of assets and liabilities at current tax rates. In accordance with rate plans, the Utilities have recovered amounts from customers for a portion of the tax liability they will pay in the future as a result of the reversal or "turn-around" of these temporary differences. As to the remaining tax liability, in accordance with the accounting rules for regulated operations, the Utilities have established regulatory assets for the net revenue requirements to be recovered from customers for the related future tax expense. See Notes B and L. In 1993, the NYSPSC issued a Policy Statement approving accounting procedures consistent with the accounting rules for income taxes and providing assurances that these future increases in taxes will be recoverable in rates. See Note L.

Accumulated deferred investment tax credits are amortized ratably over the lives of the related properties and applied as a reduction to future federal income tax expense.

Con Edison and its subsidiaries file a consolidated federal income tax return. The consolidated income tax liability is allocated to each member of the consolidated group using the separate return method. Each member pays or receives an amount based on its own taxable income or loss in accordance with tax sharing agreements among the members of the consolidated group. Tax loss carryforwards are allocated among members in accordance with consolidated tax return regulations.

State Income Tax

Con Edison and its subsidiaries file a combined New York State Corporation Business Franchise Tax Return. Similar to a federal consolidated income tax return, the income of all entities in the combined group is subject to New York State taxation, after adjustments for differences between federal and New York law and apportionment of income among the states in which the company does business. Each member's share of the New York State tax is based on its own New York State taxable income or loss.

Research and Development Costs

Generally research and development costs are charged to operating expenses as incurred. Research and development costs were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2014**	**2013**	**2012**
Con Edison	$ 22	$ 18	$ 21
CECONY	20	16	19

Reclassification

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

Earnings Per Common Share

Con Edison presents basic and diluted earnings per share on the face of its consolidated income statement. Basic earnings per share (EPS) are calculated by dividing earnings available to common shareholders ("Net income for common stock" on Con Edison's consolidated income statement) by the weighted average number of Con Edison common shares outstanding during the period. In the calculation of diluted EPS, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock.

Potentially dilutive securities for Con Edison consist of restricted stock units, deferred stock units and stock options for which the average market price of the common shares for the period was greater than the exercise price. See Note M.

Common provisions of the Utilities' rate plans include:

Recoverable energy costs that allow the Utilities to recover on a current basis the costs for the energy they supply with no mark-up to their full-service customers.

Cost reconciliations that reconcile pension and other postretirement benefit costs, environmental remediation costs, property taxes, variable rate tax-exempt debt and certain other costs to amounts reflected in delivery rates for such costs. Utilities generally retain the right to petition for recovery or accounting deferral of extraordinary and material cost increases for items such as major storm events and provision is sometimes made for the utility to retain a share of cost reductions, for example, property tax refunds.

Revenue decoupling mechanisms that reconcile actual energy delivery revenues to the authorized delivery revenues approved by the NYSPSC. The difference is accrued with interest for refund to, or recovery from customers, as applicable.

Earnings sharing that require the Utilities to defer for customer benefit a portion of earnings over specified rates of return on common equity. There is no symmetric mechanism for earnings below specified rates of return on common equity.

Negative revenue adjustments for failure to meet certain performance standards relating to service, reliability, safety and other matters.

Net utility plant reconciliations that require deferral as a regulatory liability of the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates.

Rate base is, in general, the sum of the Utilities' net plant and working capital less deferred taxes. For each rate plan, the NYSPSC uses a forecast of the average rate base for each year that new rates would be in effect ("rate year"). The New Jersey Board of Public Utilities (NJBPU) and the Pennsylvania Public Utility Commission (PAPUC) use the rate base balances that would exist at the beginning of the rate year.

Weighted average cost of capital is determined based on the authorized common equity ratio, return on common equity, cost of long-term debt and customer deposits reflected in each rate plan. For each rate plan, the revenues designed to provide the utility a return on invested capital for each rate year is determined by multiplying the Utilities' rate base by the utility's pre-tax weighted average cost of capital. The Utilities' actual return on common equity will reflect their actual operations for each rate year, and may be more or less than the authorized return on equity reflected in their rate plans (and if more, may be subject to earnings sharing).

The following tables contain a summary of the Utilities' rate plans:

CECONY – Electric

Effective period	April 2010 – December 2013	January 2014 – December 2015
Base rate changes(a)	Yr. 1 – $420 million Yr. 2 – $420 million Yr. 3 – $287 million(b)	Yr. 1 – $(76.2) million(c) Yr. 2 – $124.0 million(c)
Amortizations to income of net regulatory (assets) and liabilities	$(75.3) million over three years	$(37) million over two years, that includes $107 million annually for deferred major storm costs
Other revenue sources	Retention of $120 million of annual transmission congestion revenues from the sale of transmission rights ($90 million for the period April 1, 2013 to December 31, 2013).	Retention of $90 million of annual transmission congestion revenues.
Revenue decoupling mechanisms	In 2012 and 2013, the company deferred for customer benefit $59 million and $34 million of revenues, respectively.	In 2014, the company deferred for customer benefit $146 million of revenues.
Recoverable energy costs	Current rate recovery of purchased power and fuel costs.	Continuation of current rate recovery of purchased power and fuel costs(d).
Negative revenue adjustments	Potential penalties (up to $350 million annually) if certain performance targets are not met. In 2012 and 2013, the company did not record any negative revenue adjustments.	Potential penalties (up to $400 million annually) if certain performance targets are not met. In 2014, the company recorded a $5 million negative revenue adjustment.
Cost reconciliations(e)	In 2012 and 2013, the company deferred $146 million of net regulatory liabilities and $35 million of net regulatory assets, respectively.	In 2014, the company deferred $57 million of net regulatory liabilities.

Notes to the Financial Statements — Continued

Negative revenue adjustments	Potential penalties (up to $12.6 million annually) if certain gas customer service and system performance targets are not met. In 2012 and 2013, the company did not record any negative revenue adjustments.	Potential penalties (up to $33 million in 2014, $44 million in 2015, and $56 million in 2016) if certain gas performance targets are not met. In 2014, the company did not record any negative revenue adjustments.
Cost reconciliations(c)	In 2012 and 2013, the company deferred $9 million and $26 million of net regulatory assets, respectively.	In 2014, the company deferred $38 million of net regulatory liabilities.
Net utility plant reconciliations	Target levels reflected in rates were: Gas delivery Yr. 1 – $2,934 million; Yr. 2 – $3,148 million; Yr. 3 – $3,346 million For 2012 and 2013, $2.9 million and $9.5 million were deferred as a regulatory liability respectively.	Target levels reflected in rates were: Gas delivery Yr. 1 – $3,899 million; Yr. 2 – $4,258 million; Yr. 3 – $4,698 million Storm hardening: Yr. 1 – $3 million; Yr. 2 – $8 million; Yr. 3 – $30 million There were no deferrals recorded in 2014.
Average rate base	Yr. 1 – $3,027 million Yr. 2 – $3,245 million Yr. 3 – $3,434 million	Yr. 1 – $3,521 million Yr. 2 – $3,863 million Yr. 3 – $4,236 million
Weighted average cost of capital (after-tax)	7.46 percent	Yr. 1 – 7.10 percent Yr. 2 – 7.13 percent Yr. 3 – 7.21 percent
Authorized return on common equity	9.6 percent assuming the company achieved unspecified austerity measures of $4 million and $2 million in 2012 and 2013. Austerity measures were achieved.	9.3 percent
Earnings sharing	Actual earnings did not exceed the thresholds of 10.35 percent in Yr. 1 and 10.15 percent in Yrs. 2 and 3.	Most earnings above an annual earnings threshold of 9.9 percent are to be applied to reduce regulatory assets for environmental remediation and other costs. In 2014, the company had no earnings above the threshold.
Cost of long-term debt	5.57 percent	Yr. 1 – 5.17 percent Yr. 2 – 5.23 percent Yr. 3 – 5.39 percent
Common equity ratio	48 percent	48 percent

(a) $32 million of annual revenues collected from gas customers is subject to potential refund. See "Other Regulatory Matters" below.
(b) The impact of these base rate changes is being deferred which will result in a $32 million regulatory liability at December 31, 2016.
(c) Deferrals for property taxes were limited to 80 percent (90 percent beginning 2014) of the difference from amounts reflected in rates, subject to an annual maximum for the remaining difference of not more than a 10 basis point impact on return on common equity.

CECONY – Steam

Effective period	October 2010 – December 2013	January 2014 – December 2016
Base rate changes(a)	Yr. 1 – $49.5 million Yr. 2 – $49.5 million Yr. 3 – $17.8 million Yr. 3 – $31.7 million collected through a surcharge	Yr. 1 – $(22.4) million(b) Yr. 2 – $19.8 million(b) Yr. 3 – $20.3 million(b)
Amortizations to income of net regulatory (assets) and liabilities	$(20.1) million over three years	$37 million over three years
Recoverable energy costs	Current rate recovery of purchased power and fuel costs.	Continuation of current rate recovery of purchased power and fuel costs.
Negative revenue adjustments	Potential penalties (up to $1 million annually) if certain steam performance targets are not met. In 2012 and 2013, the company did not record any negative revenue adjustments.	Potential penalties (up to $1 million annually) if certain steam performance targets are not met. In 2014, the company did not record any negative revenue adjustments.
Cost reconciliations(c)	In 2012 and 2013, the company deferred $12 million and $17 million of net regulatory liabilities, respectively.	In 2014, the company deferred $42 million of net regulatory liabilities.
Net utility plant reconciliations	Target levels reflected in rates were: Production Yr. 1 – $415 million; Yr. 2 – $426 million; Yr. 3 – $433 million Distribution: Yr. 1 – $521 million; Yr. 2 – $534 million; Yr. 3 – $543 million The company reduced its regulatory liability by $0.2 million in 2012 and made no deferral in 2013.	Target levels reflected in rates were: Production Yr. 1 – $1,752 million; Yr. 2 – $1,732 million; Yr. 3 – $1,720 million Distribution: Yr. 1 – $6 million; Yr. 2 – $11 million; Yr. 3 – $25 million The company reduced its regulatory liability by $1.1 million in 2014.

equity ratio of 48 percent. The filing proposes continuation of the current provisions with respect to recovery from customers of the cost of purchased power, and the reconciliation of actual expenses allocable to the electric business to the amounts for such costs reflected in electric rates for storm costs, pension and other postretirement benefit costs, environmental remediation and property taxes.

O&R New York – Gas

Effective period	November 2009 – December 2014
Base rate changes	Yr. 1 – $9 million Yr. 2 – $9 million Yr. 3 – $4.6 million Yr. 3 – $4.3 million collected through a surcharge
Amortization to income of net regulatory (assets) and liabilities	$(2) million over three years
Revenue decoupling mechanisms	In 2012, 2013 and 2014, the company deferred $4.7 million, $0.7 million and $(0.1) million of regulatory liabilities, respectively.
Recoverable energy costs	Current rate recovery of purchased gas costs.
Negative revenue adjustments	Potential penalties (up to $1.4 million annually) if certain operations and customer service requirements are not met. In 2012, 2013 and 2014, the company did not record any negative revenue adjustments.
Cost reconciliations	In 2012, 2013 and 2014, the company deferred $0.7 million, $8.3 million and $8.3 million as net regulatory assets, respectively.
Net utility plant reconciliations	The company deferred $0.7 million in 2012 as a regulatory asset and no deferrals were recorded for 2013 or 2014.
Average rate base	Yr. 1 – $280 million Yr. 2 – $296 million Yr. 3 – $309 million
Weighted average cost of capital (after-tax)	8.49 percent
Authorized return on common equity	10.4 percent
Earnings sharing	Earnings above an annual earnings threshold of 11.4 percent are to be applied to reduce regulatory assets. In 2012, 2013 and 2014, earnings did not exceed the earnings threshold.
Cost of long-term debt	6.81 percent
Common equity ratio	48 percent

On November 14, 2014, O&R filed a request with the NYSPSC for an increase in the rates it charges for gas service rendered in New York, effective November 1, 2015, of $40.7 million. The filing reflects a return on common equity of 9.75 percent and a common equity ratio of 48 percent. The filing proposes continuation of the current provisions with respect to recovery from customers of the cost of purchased gas, and the reconciliation of actual expenses allocable to the gas business to the amounts for such costs reflected in gas rates for pension and other postretirement benefit costs, environmental remediation and property taxes.

Rockland Electric Company (RECO)

Effective period	May 2010 – July 2014	August 2014 – July 2015
Base rate changes	Yr. 1 – $9.8 million	Yr. 1 – $13.0 million
Amortization to income of net regulatory (assets) and liabilities	$(3.9) million over four years and $(4.9) million of deferred storm costs over five years	$0.4 million over three years and $(25.6) million of deferred storm costs over four years
Recoverable energy costs	Current rate recovery of purchased power costs.	Continuation of current rate recovery of purchased power costs.
Cost reconciliations	None	None
Average rate base	$148.6 million	$172.2 million
Weighted average cost of capital (after-tax)	8.21 percent	7.83 percent
Authorized return on common equity	10.3 percent	9.75 percent
Cost of long-term debt	6.16 percent	5.89 percent
Common equity ratio	50 percent	50 percent

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 October 2014, CECONY and O&R submitted for NYSPSC staff review their plans for testing plastic pipe fusions that were performed on their gas delivery systems, additional leakage surveying and reporting.

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Unrecognized pension and other postretirement costs represents the net regulatory asset associated with the accounting rules for retirement benefits. See Note A.

Deferred storm costs represent response and restoration costs, other than capital expenditures, in connection with Superstorm Sandy and other major storms that were deferred by the Utilities. See "Other Regulatory Matters," above.

Net electric deferrals represents the remaining unamortized balance of certain regulatory assets and liabilities of CECONY that were combined effective April 1, 2010 and are being amortized to income over a ten-year period.

Revenue taxes represents the timing difference between taxes collected and paid by the Utilities to fund mass transportation.

Effective March 31, 2009, the NYSPSC authorized CECONY to accrue unbilled electric, gas and steam revenues. CECONY has deferred the net margin on the unbilled revenues for the future benefit of customers by recording a regulatory liability of $138 million and $133 million at December 31, 2014 and 2013, respectively, for the difference between the unbilled revenues and energy cost liabilities.

Note C – Capitalization

Common Stock

At December 31, 2014 and 2013, Con Edison owned all of the issued and outstanding shares of common stock of the Utilities and the competitive energy businesses. CECONY owns 21,976,200 shares of Con Edison stock, which it purchased prior to 2001 in connection with Con Edison's stock repurchase plan. CECONY presents in the financial statements the cost of the Con Edison stock it owns as a reduction of common shareholder's equity.

Capitalization of Con Edison

The outstanding capitalization for each of the Companies is shown on its Consolidated Statement of Capitalization, and for Con Edison includes the Utilities' outstanding debt.

Preferred Stock of CECONY

In May 2012, CECONY redeemed all of its outstanding shares of $5 Cumulative Preferred Stock and Cumulative Preferred Stock ($100 par value).

Dividends

In accordance with NYSPSC requirements, the dividends that the Utilities generally pay are limited to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis. Excluded from the calculation of "income available for dividends" are non-cash charges to income resulting from accounting changes or charges to income resulting from significant unanticipated events. The restriction also does not apply to dividends paid in order to transfer to Con Edison proceeds from major transactions, such as asset sales, or to dividends reducing each utility subsidiary's equity ratio to a level appropriate to its business risk.

Long-term Debt

Long-term debt maturing in the period 2015-2019 is as follows:

(Millions of Dollars)	Con Edison	CECONY
2015	$ 560	$ 350
2016	731	650
2017	6	-
2018	1,260	1,200
2019	540	475

The Utilities have issued $494 million of tax-exempt debt through the New York State Energy Research and Development Authority (NYSERDA) that currently bear interest at a rate determined weekly and is subject to tender by bondholders for purchase by the Utilities.

The carrying amounts and fair values of long-term debt at December 31, 2014 and 2013 are:

(Millions of Dollars)	2014		2013	
Long-Term Debt (including current portion)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Con Edison	$ 12,191	$ 13,998	$ 10,974	$ 12,082
CECONY	$ 11,214	$ 12,846	$ 9,841	$ 10,797

Fair values of long-term debt have been estimated primarily using available market information. For Con Edison, $13,362 million and $636 million of the fair value of long-term debt at December 31, 2014 are classified as Level 2 and Level 3, respectively. For CECONY, $12,210 million and $636 million of the fair value of long-term debt at December 31, 2014 are classified as Level 2 and Level 3, respectively (see Note P). 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.

At December 31, 2014 and 2013, long-term debt of Con Edison included $18 million and $22 million, respectively, of Transition Bonds issued in 2004 by O&R's New Jersey utility subsidiary through a special purpose entity.

Significant Debt Covenants

The significant debt covenants under the financing arrangements for the notes of Con Edison and the debentures of CECONY are obligations to pay principal and interest when due, covenants not

Net Periodic Benefit Cost

The components of the Companies' total periodic benefit costs for 2014, 2013 and 2012 were as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2014	2013	2012	2014	2013	2012
Service cost – including administrative expenses	$ 227	$ 267	$ 237	$ 211	$ 249	$ 220
Interest cost on projected benefit obligation	572	537	547	536	503	513
Expected return on plan assets	(832)	(750)	(705)	(789)	(713)	(670)
Recognition of net actuarial loss	618	832	709	586	788	670
Recognition of prior service costs	4	5	8	2	4	6
NET PERIODIC BENEFIT COST	$ 589	$ 891	$ 796	$ 546	$ 831	$ 739
Amortization of regulatory asset*	2	2	2	2	2	2
TOTAL PERIODIC BENEFIT COST	$ 591	$ 893	$ 798	$ 548	$ 833	$ 741
Cost capitalized	(225)	(348)	(277)	(212)	(327)	(260)
Reconciliation to rate level	118	(84)	(8)	108	(87)	(12)
Cost charged to operating expenses	$ 484	$ 461	$ 513	$ 444	$ 419	$ 469

* Relates to an increase in CECONY's pension obligation of $45 million from a 1999 special retirement program.

Funded Status

The funded status at December 31, 2014, 2013 and 2012 was as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2014	2013	2012	2014	2013	2012
CHANGE IN PROJECTED BENEFIT OBLIGATION						
Projected benefit obligation at beginning of year	$ 12,197	$ 13,406	$ 11,825	$ 11,429	$ 12,572	$ 11,072
Service cost – excluding administrative expenses	221	259	224	206	241	209
Interest cost on projected benefit obligation	572	537	547	536	503	513
Net actuarial (gain)/loss	2,641	(1,469)	1,323	2,484	(1,388)	1,255
Plan amendments	6	-	-	-	-	-
Benefits paid	(556)	(536)	(513)	(518)	(499)	(477)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	$ 15,081	$ 12,197	$ 13,406	$ 14,137	$ 11,429	$ 12,572
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	$ 10,755	$ 9,135	$ 7,800	$ 10,197	$ 8,668	$ 7,406
Actual return on plan assets	752	1,310	1,094	715	1,241	1,040
Employer contributions	578	879	785	535	819	729
Benefits paid	(556)	(536)	(513)	(518)	(499)	(477)
Administrative expenses	(34)	(33)	(31)	(32)	(32)	(30)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$ 11,495	$ 10,755	$ 9,135	$ 10,897	$ 10,197	$ 8,668
FUNDED STATUS	$ (3,586)	$ (1,442)	$ (4,271)	$ (3,240)	$ (1,232)	$ (3,904)
Unrecognized net loss	$ 4,888	$ 2,759	$ 5,594	$ 4,616	$ 2,617	$ 6,297
Unrecognized prior service costs	20	17	23	4	6	10
Accumulated benefit obligation	13,454	11,004	11,911	12,553	10,268	11,116

The increase in the pension plan's projected benefit obligation (due primarily to decreased discount rates and, as discussed below, the release of new mortality tables by the Society of Actuaries reflecting longer life expectancies) were the primary causes of the increased pension liability at Con Edison and CECONY of $2,144 million and $2,008 million, respectively, compared with December 31, 2013. For Con Edison, this increase in pension liability resulted in an increase to regulatory assets of $2,101 million for unrecognized net losses and unrecognized prior service costs associated with the Utilities consistent with the accounting rules for regulated operations, and a charge to OCI of $17 million (net of taxes) for the unrecognized net losses, and an immaterial change to OCI (net of taxes) for the unrecognized prior service costs associated with the competitive energy businesses and O&R's New Jersey and Pennsylvania utility subsidiaries.

Pursuant to resolutions adopted by Con Edison's Board of Directors, the Management Development and Compensation Committee of the Board of Directors (the Committee) has general oversight responsibility for Con Edison's pension and other employee benefit plans. The pension plan's named fiduciaries have been granted the authority to control and manage the operation and administration of the plans, including overall responsibility for the investment of assets in the trust and the power to appoint and terminate investment managers.

The investment objectives of the Con Edison pension plan are to maintain a level and form of assets adequate to meet benefit obligations to participants, to achieve the expected long-term total return on the trust assets within a prudent level of risk and maintain a level of volatility that is not expected to have a material impact on the Company's expected contribution and expense or the Company's ability to meet plan obligations. The assets of the plan have no significant concentration of risk in one country (other than the United States), industry or entity.

The strategic asset allocation is intended to meet the objectives of the pension plan by diversifying its funds across asset classes, investment styles and fund managers. An asset/liability study typically is conducted every few years to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal asset allocation for the plan. The target asset allocation for 2015 reflects the results of such a study conducted in 2011.

Individual fund managers operate under written guidelines provided by Con Edison, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. Con Edison management regularly monitors, and the named fiduciaries review and report to the Committee regarding, asset class performance, total fund performance, and compliance with asset allocation guidelines. Management changes fund managers and rebalances the portfolio as appropriate. At the direction of the named fiduciaries, such changes are reported to the Committee.

Assets measured at fair value on a recurring basis are summarized below under a three-level hierarchy as defined by the accounting rules for fair value measurements (see Note P).

The fair values of the pension plan assets at December 31, 2014 by asset category are as follows:

(Millions of Dollars)	Level 1	Level 2	Level 3	Total
U.S. Equity(a)	$3,168	$ -	$ -	$ 3,168
International Equity(b)	2,841	361	-	3,202
Private Equity(c)	-	-	114	114
U.S. Government Issued Debt(d)	-	2,113	-	2,113
Corporate Bonds Debt(e)	-	1,351	-	1,351
Structured Assets Debt(f)	-	4	-	4
Other Fixed Income Debt(g)	-	208	-	208
Real Estate(h)	-	-	1,137	1,137
Cash and Cash Equivalents(i)	188	477	-	665
Futures(j)	192	37	-	229
Hedge Funds(k)	-	-	224	224
Total investments	$6,389	$4,551	$1,475	$12,415
Funds for retiree health benefits(l)	(184)	(131)	(43)	(358)
Investments (excluding funds for retiree health benefits)	$6,205	$4,420	$1,432	$12,057
Pending activities(m)				(562)
Total fair value of plan net assets				$11,495

(a) U.S. Equity includes both actively- and passively-managed assets with investments in domestic equity index funds and actively-managed small-capitalization equities.
(b) International Equity includes international equity index funds and actively-managed international equities.
(c) Private Equity consists of global equity funds that are not exchange-traded.
(d) U.S. Government Issued Debt includes agency and treasury securities.
(e) Corporate Bonds Debt consists of debt issued by various corporations.
(f) Structured Assets Debt includes commercial-mortgage-backed securities and collateralized mortgage obligations.
(g) Other Fixed Income Debt includes municipal bonds, sovereign debt and regional governments.
(h) Real Estate investments include real estate funds based on appraised values that are broadly diversified by geography and property type.
(i) Cash and Cash Equivalents include short term investments, money markets, foreign currency and cash collateral.
(j) Futures consist of exchange-traded financial contracts encompassing U.S. Equity, International Equity and U.S. Government indices.
(k) Hedge Funds are within a commingled structure which invests in various hedge fund managers who can invest in all financial instruments.

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The table below provides a reconciliation of the beginning and ending net balances for assets at December 31, 2013 classified as Level 3 in the fair value hierarchy.

(Millions of Dollars)	Beginning Balance as of January 1, 2013	Assets Still Held at Reporting Date – Unrealized Gains/(Losses)	Assets Sold During the Year – Realized Gains/(Losses)	Purchases Sales and Settlements	Transfer In/(Out) of Level 3	Ending Balance as of December 31, 2013
Real Estate	$ 833	$ 114	$ 1	$ 114	$ -	$ 1,062
Private Equity	20	5	-	42	-	67
Hedge Funds	-	6	-	200	-	206
Total investments	$ 853	$ 125	$ 1	$ 356	$ -	$ 1,335
Funds for retiree health benefits	(31)	(3)	-	(8)	-	(42)
Investments (excluding funds for retiree health benefits)	$ 822	$ 122	$ 1	$ 348	$ -	$ 1,293

The Companies also offer a defined contribution savings plan that covers substantially all employees and made contributions to the plan as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2014	2013	2012
Con Edison	$ 32	$ 30	$ 23
CECONY	27	26	21

Mortality Table Revision

The Companies adopted revised mortality tables effective December 31, 2014 in the measurement of its pension and other postretirement benefit plan obligations, accounting costs and required contribution amounts. The revised tables reflect the RP-2014 mortality tables published by the Society of Actuaries in October 2014, as adjusted based on the actual experience of the Companies. The new tables incorporate substantial life expectancy improvements relative to the last tables published in 2000 (RP-2000). As a result of the adoption, Con Edison recognized an increase in its pension benefit obligation of approximately $800 million as of December 31, 2014. The Companies, under their current New York rate plans, defer as a regulatory asset or liability, as the case may be, the differences between the actual level of expenses for pension and other postretirement benefits and amounts for those expenses reflected in rates.

Note F – Other Postretirement Benefits

The Utilities currently have contributory comprehensive hospital, medical and prescription drug programs for all retirees, their dependents and surviving spouses.

CECONY also has a contributory life insurance program for bargaining unit employees and provides basic life insurance benefits up to a specified maximum at no cost to retired management employees. O&R has a non-contributory life insurance program for retirees. Certain employees of Con Edison's competitive energy businesses are eligible to receive benefits under these programs.

Net Periodic Benefit Cost

The components of the Companies' net periodic postretirement benefit costs for 2014, 2013 and 2012 were as follows:

	Con Edison			CECONY		
(Millions of Dollars)	2014	2013	2012	2014	2013	2012
Service cost	$ 19	$ 23	$ 26	$ 15	$ 18	$ 21
Interest cost on accumulated other postretirement benefit obligation	60	54	73	52	46	63
Expected return on plan assets	(77)	(77)	(85)	(68)	(68)	(75)
Recognition of net actuarial loss	57	65	98	51	57	87
Recognition of prior service cost	(19)	(27)	(21)	(15)	(23)	(18)
Recognition of transition obligation	-	-	2	-	-	2
NET PERIODIC POSTRETIREMENT BENEFIT COST	$ 40	$ 38	$ 93	$ 35	$ 30	$ 80
Cost capitalized	(15)	(15)	(32)	(14)	(12)	(28)
Reconciliation to rate level	10	58	20	2	50	16
Cost charged to operating expenses	$ 35	$ 81	$ 81	$ 23	$ 68	$ 68

Notes to the Financial Statements — Continued

accumulated OCI and the regulatory asset into net periodic benefit cost over the next year for Con Edison. Included in these amounts are $29 million and $(14) million, respectively, for CECONY.

Assumptions
The actuarial assumptions were as follows:

	2014	2013	2012
Weighted-average assumptions used to determine benefit obligations at December 31:			
Discount Rate			
CECONY	3.75%	4.50%	3.75%
O&R	3.85%	4.75%	4.05%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount Rate			
CECONY	4.50%	3.75%	4.55%
O&R	4.75%	4.05%	4.55%
Expected Return on Plan Assets	7.75%	7.75%	8.50%

Refer to Note E for descriptions of the basis for determining the expected return on assets, investment policies and strategies and the assumed discount rate.

The health care cost trend rate used to determine net periodic benefit cost for the year ended December 31, 2014 was 5.50 percent, which is assumed to decrease gradually to 4.50 percent by 2018 and remain at that level thereafter. The health care cost trend rate used to determine benefit obligations as of December 31, 2014 was 5.25 percent, which is assumed to decrease gradually to 4.50 percent by 2018 and remain at that level thereafter.

A one-percentage point change in the assumed health care cost trend rate would have the following effects at December 31, 2015:

	Con Edison		CECONY	
	1-Percentage-Point			
(Millions of Dollars)	Increase	Decrease	Increase	Decrease
Effect on accumulated other postretirement benefit obligation	$ (21)	$ 40	$ (43)	$ 57
Effect on service cost and interest cost components for 2014	(2)	1	(4)	3

Expected Benefit Payments
Based on current assumptions, the Companies expect to make the following benefit payments over the next ten years, net of receipt of governmental subsidies:

(Millions of Dollars)	2015	2016	2017	2018	2019	2020-2024
BENEFIT PAYMENTS						
Con Edison	$ 99	$ 95	$ 94	$ 92	$ 89	$ 419
CECONY	89	85	84	82	79	364

Expected Contributions
Based on estimates as of December 31, 2014, Con Edison expects to make a contribution of $6 million, nearly all of which is for CECONY, to the other postretirement benefit plans in 2015.

Plan Assets
The asset allocations for CECONY's other postretirement benefit plans at the end of 2014, 2013 and 2012, and the target allocation for 2015 are as follows:

	Target Allocation Range	Plan Assets at December 31		
Asset Category	2015	2014	2013	2012
Equity Securities	57% - 73%	59%	61%	62%
Debt Securities	26% - 44%	41%	39%	38%
Total	100%	100%	100%	100%

Con Edison has established postretirement health and life insurance benefit plan trusts for the investment of assets to be used for the exclusive purpose of providing other postretirement benefits to participants and beneficiaries.

Refer to Note E for a discussion of Con Edison's investment policy for its benefit plans.

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Notes to the Financial Statements — Continued

The table below provides a reconciliation of the beginning and ending net balances for assets at December 31, 2013 classified as Level 3 in the fair value hierarchy.

(Millions of Dollars)	Beginning Balance as of January 1, 2013	Assets Still Held at Reporting Date – Unrealized Gains/(Losses)	Assets Sold During the Year – Realized Gains/(Losses)	Purchases Sales and Settlements	Transfers In/(Out) of Level 3	Ending Balance as of December 31, 2013
Total investments	$ -	$ -	$ -	$ -	$ -	$ -
Funds for retiree health benefits	31	3	-	8	-	42
Investments (including funds for retiree health benefits)	$ 31	$ 3	$ -	$ 8	$ -	$ 42

Mortality Table Revision

The Companies adopted revised mortality tables effective December 31, 2014 in the measurement of its pension and other postretirement benefit plan obligations, accounting costs, and required contribution amounts as discussed in Note E. As a result of the adoption, Con Edison recognized an increase of less than $10 million in its other postretirement benefits obligation as of December 31, 2014. The Companies, under their current New York rate plans, defer as a regulatory asset or liability, as the case may be, the differences between the actual level of expenses for pension and other postretirement benefits and amounts for those expenses reflected in rates.

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 December 31, 2014 and 2013 were as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2014	2013	2014	2013
Accrued Liabilities:				
Manufactured gas plant sites	$ 684	$ 665	$ 587	$ 562
Other Superfund Sites	80	84	79	82
Total	$ 764	$ 749	$ 666	$ 644
Regulatory assets	$ 925	$ 938	$ 820	$ 830

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. Con Edison and CECONY estimate that in 2015 they will incur costs for remediation of approximately $39 million and $35 million, respectively. 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 pending against the company seeking generally unspecified damages and, in one case, punitive damages, for 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 related to the incident. At December 31, 2014, the company had not accrued a liability for the incident.

Other Contingencies
See "Other Regulatory Matters" in Note B.

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 $2,547 million and $1,331 million at December 31, 2014 and 2013, respectively.

A summary, by type and term, of Con Edison's total guarantees at December 31, 2014 is as follows:

Guarantee Type	0 – 3 years	4 – 10 years	> 10 years	Total
		(Millions of Dollars)		
NY Transco	$ 1,361	$ -	$ -	$ 1,361
Energy transactions	774	31	96	901
Renewable electric production projects	248	-	7	255
Other	30	-	-	30
Total	$ 2,413	$ 31	$ 103	$ 2,547

NY Transco – Con Edison has guaranteed payment by its subsidiary, Con Edison Transmission, of the contributions it agreed to make in New York Transco LLC (NY Transco). Con Edison Transmission acquired a 46 percent interest in NY Transco when it was formed in 2014. NY Transco's transmission projects are expected to be developed initially by CECONY and other New York transmission owners and then sold to NY Transco. The development and sale of the projects would be subject to authorizations from the NYSPSC, FERC and other federal, state and local agencies. Guarantee amount shown is for the maximum possible required amount of Con Edison Transmission's contributions, which assumed that all the NY Transco projects proposed when NY Transco was formed receive all required regulatory approvals and are completed at 175 percent of their estimated costs and that NY Transco does not use any debt financing for the projects. Guarantee term shown is assumed as the timing of the contributions is not known.

Energy Transactions – Con Edison guarantees payments on behalf of its competitive energy businesses in order to facilitate physical and financial transactions in gas, pipeline capacity, transportation, oil, electricity, 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 and Con Edison Development guarantee payments associated with the investment in solar and wind energy facilities on behalf of their wholly-owned subsidiaries. In addition, Con Edison Development has entered into two guarantees ($63 million maximum and $31 million maximum, respectively) on behalf of entities (Copper Mountain Solar 2 and Copper Mountain Solar 3, respectively) in which it has a 50 percent interest (see Note Q) in connection with the construction of solar energy facilities. Con Edison Development also provided $3 million in guarantees to Travelers Insurance Company for indemnity agreements for surety bonds in connection with the construction and operation of solar energy facilities performed by its subsidiaries.

Other – Other guarantees primarily relate to guarantees provided by Con Edison to Travelers Insurance Company for indemnity agreements for surety bonds in connection with energy service projects performed by Con Edison Solutions ($25 million). In addition, Con Edison issued a guarantee to the Public Utility Commission of Texas covering obligations of Con Edison Solutions as a retail electric provider. Con Edison's estimate of the maximum potential obligation for this guarantee is $5 million as of December 31, 2014.

Notes to the Financial Statements — Continued

The future minimum lease commitments for the above assets are as follows:

(Millions of Dollars)	Con Edison	CECONY
2015	$ 1	$ 1
2016	1	1
2017	-	-
2018	-	-
2019	-	-
All years thereafter	-	-
Total	2	2
Less: amount representing interest	1	1
Present value of net minimum lease payment	$ 1	$ 1

Operating leases: The future minimum lease commitments under the Companies' non-cancelable operating lease agreements are as follows:

(Millions of Dollars)	Con Edison	CECONY
2015	$ 18	$ 14
2016	17	13
2017	16	12
2018	16	12
2019	14	10
All years thereafter	72	51
Total	$ 153	$ 112

Lease In/Lease Out Transactions

In each of 1997 and 1999, Con Edison Development entered into transactions in which it leased property and then immediately subleased the properties back to the lessor (termed "Lease In/Lease Out," or LILO transactions). The transactions respectively involved 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 accounted for the two LILO transactions as leveraged leases. Accordingly, the company's investment in these leases, net of non-recourse debt, was carried as a single amount in Con Edison's consolidated balance sheet and income was recognized pursuant to a method that incorporated a level rate of return for those years when net investment in the lease was positive. At December 31, 2012, the company's net investment in the LILO transactions was $(76) million, comprised of a $228 million gross investment less $304 million of deferred tax liabilities. During 2013, as discussed below, the company terminated its LILO transactions and at December 31, 2013 no longer had an investment recorded for these leases in its consolidated balance sheet.

On audit of Con Edison's tax returns, the Internal Revenue Service (IRS) disallowed tax losses in connection with the 1997 LILO transactions. In October 2009, the United States Court of Federal Claims issued a decision in favor of the company which, among other things, concluded that the tax losses claimed by the company were allowable. In January 2013, the United States Court of Appeals for the Federal Circuit reversed the October 2009 trial court decision. In June 2013, Con Edison entered into a closing agreement with the IRS regarding the 1997 and 1999 LILO transactions.

As a result of the January 2013 Court of Appeals decision, in 2013, Con Edison recorded an after-tax charge of $150 million to reflect, as required by the accounting rules for leveraged lease transactions, the recalculation of the accounting effect of the LILO transactions based on the revised after-tax cash flows projected from the inception of the leveraged leases as well as the interest on the potential tax liability resulting from the disallowance of federal and state income tax losses for the LILO transactions. Also, in 2013, the LILO transactions were terminated, as a result of which the company realized a $55 million gain (after-tax). In 2014, adjustments were made to the interest accrued on the liability and the related taxes resulting in a decrease to net income of $1 million.

The effect on Con Edison's consolidated income statement for the twelve months ended as of December 31, 2014 and 2013 was as follows:

	For the Years Ended December 31,	
(Millions of Dollars)	2014	2013
Increase/(decrease) to non-utility operating revenues	$ -	$ (27)
(Increase)/decrease to other interest expense	13	(131)
Income tax benefit/(expense)	(14)	63
Total increase/(decrease) in net income	$(1)	$(95)

The transactions did not impact earnings in 2012.

In January 2013, to defray interest charges, the company deposited $447 million with federal and state tax agencies relating primarily to the potential tax liability from the LILO transactions in past tax years and interest thereon. During 2013, $125 million of the deposit was returned from the IRS at the company's request. Also in 2013, the deposit balance was reduced by an additional $48 million, due to a $10 million refund from the IRS and the application of $38 million toward the settlement of tax and interest for prior tax years, primarily relating to tax liability from the LILO transactions. In the first quarter of

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The tax effects of temporary differences, which gave rise to deferred tax assets and liabilities, are as follows:

	Con Edison		CECONY	
(Millions of Dollars)	2014	2013	2014	2013
Deferred tax liabilities:				
Property basis differences	$ 7,510	$ 7,012	$ 6,938	$6,424
Unrecognized pension and other postretirement costs	1,968	1,109	1,872	1,060
Regulatory asset – future income tax	910	871	863	825
Environmental remediation costs	376	381	333	337
Deferred storm costs	129	179	91	136
Equity investments	168	21	-	-
Other regulatory assets	347	402	300	364
Unamortized investment tax credits	126	43	37	42
Total deferred tax liabilities and investment tax credits	11,534	10,018	10,434	9,188
Deferred tax assets:				
Accrued pension and other postretirement costs	1,306	458	1,155	364
Regulatory liabilities	615	604	574	569
Superfund and other environmental costs	306	301	264	256
Asset retirement obligations	77	58	75	58
Loss carryforwards	21	12	-	-
Loss carryforwards, valuation reserve	(11)	(12)	-	-
Other	272	253	203	209
Total deferred tax assets	2,586	1,674	2,271	1,456
Net deferred tax liabilities and investment tax credits	$ 8,948	$ 8,344	$ 8,163	$7,732
Deferred income taxes and investment tax credits – noncurrent	$ 9,076	$ 8,466	$ 8,257	$7,832
Deferred tax assets – current	(128)	(122)	(94)	(100)
Net deferred tax liabilities and investment tax credits	$ 8,948	$ 8,344	$ 8,163	$7,732

Reconciliation of the difference between income tax expense and the amount computed by applying the prevailing statutory income tax rate to income before income taxes is as follows:

	Con Edison			CECONY		
(% of Pre-tax income)	2014	2013	2012	2014	2013	2012
STATUTORY TAX RATE						
Federal	35%	35%	35%	35%	35%	35%
Changes in computed taxes resulting from:						
State income tax	5	4	4	5	5	4
Cost of removal	(5)	(5)	(4)	(5)	(5)	(4)
Manufacturing deduction	-	(1)	-	-	-	-
Other	(1)	(2)	(1)	(1)	(1)	(1)
Effective tax rate	34%	31%	34%	34%	34%	34%

Con Edison has a net operating loss carryforward available from the years 1999 through 2014 for which a deferred tax asset of $21 million has been recognized and will not expire until the years 2019 through 2034. An $11 million valuation allowance for New York City income tax purpose has been provided; as it is not more likely than not that the deferred tax asset will be realized.

In September 2013, the IRS issued final regulations, effective in 2014, that provide guidance on the appropriate tax treatment of costs incurred to acquire, produce or improve tangible property, as well as routine maintenance and repair costs. Proposed regulations were issued addressing the tax treatment of asset dispositions. The application of these regulations did not have a material impact on the Companies' financial position, results of operations or liquidity.

In March 2014, tax legislation was enacted in the State of New York that reduced the corporate franchise tax rate from 7.1 percent to 6.5 percent, beginning January 1, 2016. The

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Long Term Incentive Plan, which was approved by Con Edison's shareholders in 2003 (2003 LTIP), and the Long Term Incentive Plan, which was approved by Con Edison's shareholders in 2013 (2013 LTIP), are collectively referred to herein as the LTIP. The LTIP provides for, among other things, awards to employees of restricted stock units and stock options and, to Con Edison's non-employee directors, stock units. Existing awards under the 2003 LTIP continue in effect, however no new awards may be issued under the 2003 LTIP. The 2013 LTIP provides for awards for up to five million shares of common stock.

Shares of Con Edison common stock used to satisfy the Companies' obligations with respect to stock-based compensation may be new (authorized, but unissued) shares, treasury shares or shares purchased in the open market. The Companies intend to use treasury shares and new shares to fulfill their stock-based compensation obligations for 2015.

Under the accounting rules for stock compensation, the Companies have recognized the cost of stock-based compensation as an expense using a fair value measurement method. The following table summarizes stock-based compensation expense recognized by the Companies in the years ended December 31, 2014, 2013 and 2012:

	Con Edison			CECONY		
(Millions of Dollars)	2014	2013	2012	2014	2013	2012
Performance-based restricted stock	$ 22	$ 20	$ 14	$ 19	$ 18	$ 13
Time-based restricted stock	2	2	1	2	2	1
Non-employee director deferred stock compensation	2	2	1	2	2	1
Stock purchase plan	3	3	3	3	3	3
Total	$ 29	$ 27	$ 19	$ 26	$ 25	$ 18
Income tax benefit	$ 12	$ 11	$ 8	$ 10	$ 10	$ 7

Stock Options

The Companies last granted stock options in 2006. The stock options generally vested over a three-year period and have a term of 10 years. Options were granted at an exercise price equal to the fair market value of a common share when the option was granted. The Companies generally recognized compensation expense (based on the fair value of stock option awards) over the vesting period.

The outstanding options are "equity awards" because shares of Con Edison common stock are delivered upon exercise of the options. As equity awards, the fair value of the options is measured at the grant date.

A summary of changes in the status of stock options as of December 31, 2014 is as follows:

	Con Edison		CECONY	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at 12/31/13	481,310	$ 43.38	381,010	$ 43.34
Exercised	(251,460)	43.75	(189,660)	43.68
Forfeited	-	-	-	-
Outstanding at 12/31/14	229,850	$ 42.99	191,350	$ 43.00

Note: The weighted average remaining contractual life is one year for all outstanding options as of 12/31/14.

The following table summarizes information about stock options for the years ended December 31, 2014 and 2013:

	Con Edison		CECONY	
(Millions of Dollars)	2014	2013	2014	2013
Aggregate intrinsic value*				
Options outstanding	$ 5	$ 6	$ 4	$ 5
Options exercised	4	2	3	2
Cash received by Con Edison for payment of exercise price	11	5	8	4

* Aggregate intrinsic value represents the changes in the fair value of all outstanding options from their grant dates to December 31 of the years presented above.

in net income. A summary of changes in the status of time-based awards during the year ended December 31, 2014 is as follows:

	Con Edison		CECONY	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Non-vested at 12/31/13	66,580	$ 56.92	63,030	$ 56.93
Granted	22,990	53.65	21,790	53.65
Vested	(20,900)	50.74	(19,800)	50.75
Forfeited	(3,247)	58.06	(2,847)	58.27
Non-vested at 12/31/14	65,423	$ 57.65	62,173	$ 57.64

The total expense to be recognized by Con Edison in future periods for unvested time-based awards outstanding as of December 31, 2014 for Con Edison was $2 million, including $2 million for CECONY, and is expected to be recognized over a weighted average period of one year.

Under the LTIP, each non-employee director receives stock units, which are deferred until the director's separation from service or another date specified by the director. Each director may also elect to defer all or a portion of their cash compensation into additional stock units, which are deferred until the director's termination of service or another date specified by the director. Non-employee directors' stock units issued under the LTIP are considered "equity awards," because they may only be settled in shares. Directors immediately vest in units issued to them. The fair value of the units is determined using the closing price of Con Edison's common stock on the business day immediately preceding the date of issue. In the year ended December 31, 2014, approximately 37,972 units were issued at a weighted average grant date price of $55.51.

Stock Purchase Plan

The Stock Purchase Plan, which was approved by shareholders in 2004 and 2014, provides for the Companies to contribute up to $1 for each $9 invested by their directors, officers or employees to purchase Con Edison common stock under the plan. Eligible participants may invest up to $25,000 during any calendar year (subject to an additional limitation for officers and employees of not more than 20 percent of their pay). Dividends paid on shares held under the plan are reinvested in additional shares unless otherwise directed by the participant.

Participants in the plan immediately vest in shares purchased by them under the plan. The fair value of the shares of Con Edison common stock purchased under the plan was calculated using the average of the high and low composite sale prices at which shares were traded at the New York Stock Exchange on the trading day immediately preceding such purchase dates. During 2014, 2013 and 2012, 708,276, 864,281 and 665,718 shares were purchased under the Stock Purchase Plan at a weighted average price of $56.23, $57.24 and $59.72 per share, respectively.

Note N – Financial Information by Business Segment

The business segments of each of the Companies, which are its operating segments, were determined based on management's reporting and decision-making requirements in accordance with the accounting rules for segment reporting.

Con Edison's principal business segments are CECONY's regulated utility activities, O&R's regulated utility activities and Con Edison's competitive energy businesses. CECONY's principal business segments are its regulated electric, gas and steam utility activities.

All revenues of these business segments are from customers located in the United States of America. Also, all assets of the business segments are located in the United States of America. The accounting policies of the segments are the same as those described in Note A.

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

Note O – Derivative Instruments and Hedging Activities

Con Edison's subsidiaries hedge market price fluctuations associated with physical purchases and sales of electricity, natural gas and steam by using derivative instruments including futures, forwards, basis swaps, options, transmission congestion contracts and financial transmission rights contracts. Derivatives are recognized on the balance sheet at fair value (See Note P), 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 December 31, 2014 and 2013 were:

(Millions of Dollars)	2014			2013		
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	$ 111	$ (67)	$ 44(b)	$ 134	$ (77)	$ 57(b)
Non-current	34	(23)	11	32	(24)	8
Total fair value of derivative assets	$ 145	$ (90)	$ 55	$ 166	$ (101)	$ 65
Fair value of derivative liabilities						
Current	$ (242)	$ 139	$ (103)	$ (82)	$ 72	$ (10)
Non-current	(66)	91	25	(31)	26	(5)
Total fair value of derivative liabilities	$ (308)	$ 230	$ (78)	$ (113)	$ 98	$ (15)
Net fair value derivative assets/(liabilities)	$ (163)	$ 140	$ (23)(b)	$ 53	$ (3)	$ 50(b)
CECONY						
Fair value of derivative assets						
Current	$ 26	$ (15)	$ 11(b)	$ 27	$ (19)	$ 8(b)
Non-current	22	(20)	2	14	(13)	1
Total fair value of derivative assets	$ 48	$ (35)	$ 13	$ 41	$ (32)	$ 9
Fair value of derivative liabilities						
Current	$ (96)	$ 48	$ (48)	$ (32)	$ 21	$ (11)
Non-current liabilities	(42)	32	(10)	(19)	16	(3)
Total fair value of derivative liabilities	$ (138)	$ 80	$ (58)	$ (51)	$ 37	$ (14)
Net fair value derivative assets/(liabilities)	$ (90)	$ 45	$ (45)(b)	$ (10)	$ 5	$ (5)(b)

(a) Derivative instruments and collateral were set off 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 setoff in the event of contract termination. In such case, generally the non-defaulting party's payable will be set-off 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 December 31, 2014 and 2013, margin deposits for Con Edison ($27 million and $17 million, respectively) and CECONY ($25 million and $16 million, respectively) were classified as derivative assets in the balance sheet, but not included in the table. Margin is collateral, typically cash, that the holder of a derivative instrument is required to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

The 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. See "Recoverable Energy Costs" in Note A. 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 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 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 December 31, 2014:

(Millions of Dollars)	Con Edison(a)	CECONY(a)
Aggregate fair value – net liabilities	$ 78	$ 58
Collateral posted	$ 1	$ -
Additional collateral(b) (downgrade one level from current ratings)	$ 6	$ 2
Additional collateral(b) (downgrade to below investment grade from current ratings)	$ 105(c)	$ 63(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 Con Edison's competitive energy businesses were no longer extended unsecured credit for such purchases, the Companies would be required to post collateral, which at December 31, 2014, would have amounted to an estimated $16 million for Con Edison, including $3 million for CECONY. 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 of setoff.

(c) Derivative instruments that are net assets have been excluded from the table. At December 31, 2014, if Con Edison had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $15 million.

Note P – Fair Value Measurements

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

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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 December 31, 2014 (Millions of Dollars)		Valuation Techniques	Unobservable Inputs	Range
Con Edison – Commodity					
Electricity	$	1	Discounted Cash Flow	Forward energy prices(a)	$22.59 - $119.75 per MWH
			Discounted Cash Flow	Forward capacity prices(a)	$1.00 - $8.80 per kW - month
Natural Gas		2	Discounted Cash Flow	Forward gas prices(a)	$(1.64) - $5.00 per Dt
Transmission Congestion Contracts / Financial Transmission Rights		17	Discounted Cash Flow	Discount to adjust auction prices for inter-zonal forward price curves(b)	9.6% - 57.9%
				Discount to adjust auction prices for historical monthly realized settlements(b)	32.3% - 56.1%
				Inter-zonal forward price curves adjusted for historical zonal losses(b)	$(2.66) - $16.49
Total Con Edison—Commodity	$	20			
CECONY – Commodity					
Transmission Congestion Contracts	$	13	Discounted Cash Flow	Discount to adjust auction prices for inter-zonal forward price curves(b)	9.6% - 57.9%
				Discount to adjust auction prices for historical monthly realized settlements(b)	32.3% - 56.1%

(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 for the years ended December 31, 2014 and 2013 and classified as Level 3 in the fair value hierarchy:

	Con Edison				CECONY			
(Millions of Dollars)	2014		2013		2014		2013	
Beginning Balance as of January 1,	$	9	$	(5)	$	6	$	10
Included in Earnings		30		7		2		7
Included in Regulatory Assets and Liabilities		7		18		7		(1)
Purchases		22		17		16		13
Settlements		(48)		(28)		(18)		(23)
Ending Balance as of December 31,	$	20	$	9	$	13	$	6

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. See Note A. 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 and $2 million loss) and purchased power costs ($27 million gain and $5 million gain) on the consolidated income statement for the years ended December 31, 2014 and 2013, respectively. The change in fair value relating to Level 3 commodity derivative assets and liabilities held at December 31, 2014 and 2013 is included in non-utility revenues (immaterial and $2 million loss) and purchased power costs ($2 million gain and $3 million gain) on the consolidated income statement for the years ended December 31, 2014 and 2013, respectively.

Note Q – Variable Interest Entities

The accounting rules for consolidation address the consolidation of a variable interest entity (VIE) by a business enterprise that is the primary beneficiary. A VIE is an entity that does not have a

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Con Edison has a variable interest in Broken Bow II Wind Holdings, LLC (Broken Bow II), which is a non-consolidated entity in which Con Edison Development purchased a 50 percent membership interest in 2014. Broken Bow II owns a project company that developed a 75 MW (AC) wind electric production project in Nebraska. Electricity generated by the project is sold to Nebraska Public Power District pursuant to a long-term power purchase agreement.

The following table summarizes the VIEs in which Con Edison Development has entered into as of December 31, 2014:

Project Name(a)	Generating Capacity Owned	Power Purchase Agreement Term in Years	Year of Initial Investment	Location	Maximum Exposure to Loss (In Millions)(c)
Pilesgrove	9	n/a(b)	2010	New Jersey	$ 26
Mesquite Solar 1	83	20	2013	Arizona	111
Copper Mountain Solar 2	75	25	2013	Nevada	80
Copper Mountain Solar 3	128	20	2014	Nevada	175
California Solar	55	25	2012	California	81
Texas Solar 4	32	25	2014	Texas	58
Broken Bow II	37	25	2014	Nebraska	57

(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.
(b) Pilesgrove has 3-5 year Solar Renewable Energy Credit (SREC) hedges in place.
(c) For investments accounted for under the equity method, maximum exposure is equal to the carrying value of the investment on the balance sheet. For consolidated investments, maximum exposure is equal to the net assets of the investment on the balance sheet. Con Edison did not provide any financial or other support during the year that was not previously contractually required.

Note R – Asset Retirement Obligations

The Companies recognize a liability at fair value for legal obligations associated with the retirement of long-lived assets in the period in which they are incurred, or when sufficient information becomes available to reasonably estimate the fair value of such legal obligations. When the liability is initially recorded, asset retirement costs are capitalized by increasing the carrying amount of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. The fair value of the asset retirement obligation liability is measured using expected future cash flows discounted at credit-adjusted risk-free rates, historical information, and where available, quoted prices from outside contractors. The Companies evaluate these assumptions underlying the asset retirement obligation liability on an annual basis or as frequently as needed.

The Companies recorded asset retirement obligations associated with the removal of asbestos and asbestos-containing material in their buildings (other than the structures enclosing generating stations and substations), electric equipment and steam and gas distribution systems. The Companies also recorded asset retirement obligations relating to gas pipelines abandoned in place.

The Companies did not record an asset retirement obligation for the removal of asbestos associated with the structures enclosing generating stations and substations. For these building structures, the Companies were unable to reasonably estimate their asset retirement obligations because the Companies were unable to estimate the undiscounted retirement costs or the retirement dates and settlement dates. The amount of the undiscounted retirement costs could vary considerably depending on the disposition method for the building structures, and the method has not been determined. The Companies anticipate continuing to use these building structures in their businesses for an indefinite period, and so the retirement dates and settlement dates are not determinable.

Con Edison recorded asset retirement obligations for the removal of its competitive energy businesses' solar and wind equipment related to projects located on property that is not owned by them and the term of the arrangement is finite including any renewal options. Con Edison did not record asset retirement obligations for its competitive energy businesses' projects that are located on property that is owned by them because they expect that the equipment will continue to generate electricity at these facilities long past the manufacturer's warranty at minimal operating expense. Therefore Con Edison was unable to reasonably estimate the retirement date of this equipment. The Utilities include in depreciation rates the estimated removal costs, less salvage, for utility plant assets. The amounts related to removal costs that are associated with asset retirement obligations are

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not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized only when it becomes probable that the performance target will be achieved. The amendments are effective for periods beginning after December 15, 2015. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In August 2014, the FASB issued amendments on reporting about an entity's ability to continue as a going concern in ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205 - 40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The amendments provide guidance about management's responsibility to evaluate whether there is substantial doubt surrounding an entity's ability to continue as a going concern. If management concludes that substantial doubt exists, the amendments also require additional disclosures relating to management's evaluation and conclusion. The amendments are effective for the annual reporting period ending after December 15, 2016 and interim periods thereafter. The application of this guidance is not expected to have a material impact on the Companies' financial position, results of operations and liquidity.

In November 2014, the FASB issued amendments on pushdown accounting for subsidiaries and acquired entities in ASU No. 2014-17, "Business Combinations (Topic 805): Pushdown Accounting." The amendments provide guidance as to whether and at what threshold an acquired entity can apply pushdown accounting in its separate financial statements. The amendments are effective as of the date of issuance. The application of this guidance does not have a material impact on the Companies' financial position, results of operations and liquidity.

Condensed Financial Information of Consolidated Edison, Inc.*
Condensed Statement of Cash Flows
(Parent Company Only)

(Millions of Dollars)	For the Years Ended December 31, 2014	2013	2012
Net Income	$ 1,092	$ 1,062	$ 1,138
Equity in earnings of subsidiaries	(1,101)	(1,062)	(1,154)
Dividends received from:			
CECONY	712	728	682
O&R	40	38	34
Competitive energy businesses	8	12	11
Change in Assets:			
Special deposits	314	(264)	–
Income taxes receivable	(224)	–	–
Other – net	(199)	166	(208)
Net Cash Flows from Operating Activities	642	680	503
Investing Activities			
Contributions to subsidiaries	(1)	–	(100)
Net Cash Flows Used in Investing Activities	(1)	–	(100)
Financing Activities			
Net proceeds of short-term debt	101	58	115
Retirement of long-term debt	(2)	(1)	(1)
Issuance of common shares for stock plans, net of repurchases	(10)	(8)	(9)
Common stock dividends	(739)	(721)	(709)
Net Cash Flows Used in Financing Activities	(650)	(672)	(604)
Net Change for the Period	(9)	8	(201)
Balance at Beginning of Period	12	4	205
Balance at End of Period	$ 3	$ 12	$ 4

* These financial statements, in which Con Edison's subsidiaries have been included using the equity method, should be read together with its consolidated financial statements and the notes thereto appearing above.