CONSOLIDATED EDISON CO OF NEW YORK INC
Form 10-K
February 22, 2011
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United States

Securities And Exchange Commission

Washington, D.C. 20549

FORM 10-K

x Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For The Fiscal Year Ended December 31, 2010

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

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

4 Irving Place,

New York, New York 10003

(principal office address)

(212) 460-4600

(telephone number)

Commission File Number 1-1217

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Exact name of registrant as specified in its charter

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

4 Irving Place,

New York, New York 10003

(principal office address)

(212) 460-4600

(telephone number)

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
Consolidated Edison Company of New York, Inc.,	
$5 Cumulative Preferred Stock, without par value	New York Stock Exchange
Cumulative Preferred Stock, 4.65% Series C ($100 par value)	New York Stock Exchange

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

Title of each class
Consolidated Edison Company of New York, Inc.
Cumulative Preferred Stock, 4.65% Series D ($100 par value)

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

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

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

Con Edison	Yes ¨	No x
CECONY	Yes ¨	No x

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

Con Edison	Yes x	No ¨
CECONY	Yes x	No ¨

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

Con Edison	Yes x	No ¨
CECONY	Yes x	No ¨

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

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

Con Edison			
Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
CECONY			
Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨

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

Con Edison	Yes ¨	No x
CECONY	Yes ¨	No x

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2010, was approximately $12.2 billion.

As of January 31, 2011, Con Edison had outstanding 291,968,911 Common Shares ($.10 par value).

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

Documents Incorporated By Reference

Portions of Con Edison s definitive proxy statement and CECONY s definitive information statement, for their respective Annual Meetings of Stockholders to be held on May 16, 2011, to be filed with the Commission pursuant to Regulation 14A and Regulation 14C, respectively, not later than 120 days after December 31, 2010, are incorporated in Part III of this report.

Filing Format

This Annual Report on Form 10-K is a combined report being filed separately by two different registrants: Consolidated Edison, Inc. (Con Edison) and Consolidated Edison Company of New York, Inc. (CECONY). CECONY is a subsidiary of Con Edison and, as such, the information in this report about CECONY also applies to Con Edison. As used in this report, the term the Companies refers to Con Edison and CECONY. However, CECONY makes no representation as to the information contained in this report relating to Con Edison or the subsidiaries of Con Edison other than itself.

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Glossary of Terms

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

Con Edison Companies	
Con Edison	Consolidated Edison, Inc.
CECONY	Consolidated Edison Company of New York, Inc.
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison Solutions	Consolidated Edison Solutions, Inc.
O&R	Orange and Rockland Utilities, Inc.
Pike	Pike County Light & Power Company
RECO	Rockland Electric Company
The Companies	Con Edison and CECONY
The Utilities	CECONY and O&R
Regulatory Agencies, Government Agencies, and Quasi-governmental Not-for-Profits	
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO-NE	ISO New England Inc.
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NYAG	New York State Attorney General
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSDEC	New York State Department of Environmental Conservation
NYSERDA	New York State Energy Research and Development Authority
NYSPSC	New York State Public Service Commission
NYSRC	New York State Reliability Council, LLC
PAPUC	Pennsylvania Public Utility Commission
PJM	PJM Interconnection LLC
SEC	U.S. Securities and Exchange Commission
Accounting	
ABO	Accumulated Benefit Obligation
ASU	Accounting Standards Update
FASB	Financial Accounting Standards Board
LILO	Lease In/Lease Out
OCI	Other Comprehensive Income
SFAS	Statement of Financial Accounting Standards
SSCM	Simplified service cost method
VIE	Variable interest entity
Environmental	
CO_2	Carbon dioxide
GHG	Greenhouse gases
MGP Sites	Manufactured gas plant sites
PCBs	Polychlorinated biphenyls
PRP	Potentially responsible party
SO_2	Sulfur dioxide
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes

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Glossary of Terms

continued

Units of Measure	
dths	Dekatherms
kV	Kilovolts
kWh	Kilowatt-hour
mdths	Thousand dekatherms
MMlbs	Million pounds
MVA	Megavolt amperes
MW	Megawatts or thousand kilowatts
MWH	Megawatt hour
Other	
AFDC	Allowance for funds used during construction
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EMF	Electric and magnetic fields
ERRP	East River Repowering Project
Fitch	Fitch Ratings
LTIP	Long Term Incentive Plan
Moody s	Moody s Investors Service
S&P	Standard & Poor s Rating Services
VaR	Value-at-Risk

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Introduction

This introduction contains certain information about Con Edison and its subsidiaries, including, CECONY, and is qualified in its entirety by reference to the more detailed information appearing elsewhere or incorporated by reference in this report.

Con Edison s mission is to provide energy services to our customers safely, reliably, efficiently, and in an environmentally sound manner; to provide a workplace that allows employees to realize their full potential; to provide a fair return to our investors; and to improve the quality of life in the communities we serve.

Con Edison is a holding company that owns:

CECONY, which delivers electricity, natural gas and steam to customers in New York City and Westchester County;

O&R (together with CECONY referred to as the Utilities), which delivers electricity and natural gas to customers primarily located in southeastern New York, and northern New Jersey and northeastern Pennsylvania; and

Competitive energy businesses, which provide retail and wholesale electricity supply and energy services.

Con Edison anticipates that the Utilities, which are subject to extensive regulation, will continue to provide substantially all of its earnings over the next few years. The Utilities have approved rate plans that are generally designed to cover each company s cost of service, including the capital and other costs of the company s energy delivery systems. The Utilities recover from their full-service customers (generally, on a current basis) the cost the Utilities pay for the energy and charge all of their customers the cost of delivery service.

Selected Financial Data

Con Edison

	For the Year Ended December 31,				
(millions of dollars, except per share amounts)	**2006**	**2007**	**2008**	**2009**	**2010**
Operating revenues	$ 11,962	$ 13,120	$ 13,583	$ 13,032	**$ 13,325**
Energy costs	6,611	7,225	7,584	6,242	**5,732**
Operating income	1,628	1,847	1,920	1,899	**2,120**
Income from continuing operations	751	936	933	879	**1,003**
Total assets	26,699	28,262	33,498(a)	33,844(a)	**36,146(b)**
Long-term debt	8,298	7,611	9,232	9,854	**10,671**
Shareholders equity	8,217	9,289	9,911	10,462	**11,274**
Basic earnings per share					
Continuing operations	$ 2.97	$ 3.48	$ 3.37	$ 3.16	**$ 3.49**
Diluted earnings per share					
Continuing operations	$ 2.96	$ 3.46	$ 3.36	$ 3.14	**$ 3.47**
Cash dividends per common share	$ 2.30	$ 2.32	$ 2.34	$ 2.36	**$ 2.38**
Book value per share	$ 31.11	$ 33.39	$ 35.43	$ 36.82	**$ 37.95**
Average common shares outstanding (millions)	249	266	273	275	**284**
Stock price low	$ 41.17	$ 43.10	$ 34.11	$ 32.56	**$ 41.52**
Stock price high	$ 49.28	$ 52.90	$ 49.30	$ 46.35	**$ 51.03**

(a)

Reflects a $1,130 million decrease in 2009 and a $3,519 million increase in 2008 in regulatory assets for unrecognized pension and other retirement costs. See Notes E and F to the financial statements in Item 8.

(b) Reflects a $1,399 million increase in net plant, a $303 million increase in regulatory assets environmental remediation costs and a $210 million increase in prepayments. See Liquidity and Capital Resources Other Changes in Assets and Liabilities in Item 7.

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CECONY

	For the Year Ended December 31,				
(millions of dollars)	**2006**	**2007**	**2008**	**2009**	**2010**
Operating revenues	$ 9,288	$ 9,885	$ 10,424	$ 10,036	**$ 10,573**
Energy costs	4,479	4,580	4,844	3,904	**3,693**
Operating income	1,465	1,669	1,667	1,716	**1,922**
Net income for common stock	686	844	783	781	**893**
Total assets	22,816	24,504	30,415(a)	30,461(a)	**32,435(b)**
Long-term debt	6,925	7,172	8,494	9,038	**9,743**
Shareholder s equity	7,345	8,299	9,204	9,560	**10,136**

(a) Reflects a $1,076 million decrease in 2009 and a $3,392 million increase in 2008 in regulatory assets for unrecognized pension and other retirement costs. See Notes E and F to the financial statements in Item 8.
(b) Reflects a $1,257 million increase in net plant, a $241 million increase in regulatory assets environmental remediation costs and a $125 million increase in accounts receivable from affiliated companies. See Liquidity and Capital Resources Other Changes in Assets and Liabilities in Item 7.

Significant 2010 Developments

CECONY delivered 58,693 millions of kWhs of electricity (3.6 percent increase from prior year), 123,972 mdths of gas (0.7 percent decrease from prior year) and 23,030 MMlbs of steam to its customers (0.1 percent increase from prior year). The company s electric and gas rate plans include revenue decoupling mechanisms pursuant to which delivery revenues are not generally affected by changes in delivery volumes from levels assumed in the rate plans. See Results of Operations in Item 7.

CECONY invested $1,866 million to upgrade and reinforce its energy delivery systems. O&R invested $135 million in its energy delivery systems. See Capital Requirements and Resources in Item 1.

CECONY s electric, gas and steam rates increased (on an annual basis) $420.4 million (April 2010), $47.1 million (October 2010) and $49.5 million (October 2010), respectively. O&R s electric and gas rates increased (on an annual basis) $15.6 million and $9.0 million, respectively (July and November 2010). See Note B to the financial statements in Item 8.

Con Edison issued $305 million of common stock, in addition to stock issued under its dividend reinvestment and employee stock plans. CECONY issued $925 million of debentures. O&R issued $170 million of debentures. See Liquidity and Capital Resources Cash Flows from Financing Activities in Item 7.

Available Information

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

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

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

Information on the Companies websites is not incorporated herein.

Forward-Looking Statements

This report includes forward-looking statements intended to qualify for the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements of future expectation and not facts. Words such as expects, estimates, anticipates, intends, believes, plans, will and similar expressions identify forward-looking statements. Forward-looking statements are based on information available at the time the statements are made, and accordingly speak only as of that time. Actual results or developments might differ materially from those included in the forward-looking statements because of various factors including, but not limited to, those discussed under Risk Factors, in Item 1A.

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

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Item 1: Business

Overview

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

CECONY s principal business operations are its regulated electric, gas and steam delivery businesses. O&R s principal business operations are its regulated electric and gas delivery businesses. The competitive energy businesses sell electricity to wholesale and retail customers, provide certain energy-related services, and participate in energy infrastructure projects. Con Edison is evaluating additional opportunities to invest in electric and gas-related businesses.

Con Edison s strategy is to provide reliable energy services, maintain public and employee safety, promote energy efficiency, and develop cost-effective ways of performing its business. Con Edison seeks to be a responsible steward of the environment and enhance its relationships with customers, regulators and members of the communities it serves.

CECONY

Electric

CECONY provides electric service to approximately 3.3 million customers in all of New York City (except part of Queens) and most of Westchester County, an approximately 660 square mile service area with a population of more than nine million.

Gas

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

Steam

CECONY operates the largest steam distribution system in the United States by producing and delivering more than 23,000 MMlbs of steam annually to approximately 1,760 customers in parts of Manhattan.

O&R

Electric

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

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Gas

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

Competitive Energy Businesses

Con Edison pursues competitive energy opportunities through three wholly-owned subsidiaries: Con Edison Solutions, Con Edison Energy and Con Edison Development. These businesses include the sales and related hedging of electricity to wholesale and retail customers, sales of certain energy-related products and services, and participation in energy infrastructure projects. At December 31, 2010, Con Edison s equity investment in its competitive energy businesses was $337 million and their assets amounted to $807 million.

In 2008, Con Edison Development and its subsidiary, CED/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants with an aggregate capacity of approximately 1,706 MW. See Note U to the financial statements in Item 8.

Utility Regulation

State Utility Regulation

Regulators

The Utilities are subject to regulation by the New York State Public Service Commission (NYSPSC), which under the New York Public Service Law, is authorized to set the terms of service and the rates the Utilities charge for providing service in New York. It also approves the issuance of the Utilities securities. It exercises jurisdiction over the siting of the Utilities electric transmission lines and approves mergers or other business combinations involving New York utilities. O&R s New Jersey subsidiary, RECO, is subject to similar regulation by the New Jersey Board of Public Utilities (NJBPU). O&R s Pennsylvania subsidiary, Pike, is subject to similar regulation by the Pennsylvania Public Utility Commission (PAPUC). The NYSPSC, together with the NJBPU and the PAPUC, are referred to herein as state utility regulators.

Utility Industry Restructuring In New York

In the 1990s, the NYSPSC restructured the electric utility industry in the state. In accordance with NYSPSC orders, the Utilities sold all of their electric generating facilities other than those that also produce steam for CECONY s steam business (see Electric Operations Electric Facilities below) and provided all of their customers the choice to buy electricity or gas from the Utilities or other suppliers (see Electric Operations Electric Sales and Deliveries and Gas Operations Gas Sales and Deliveries below).

Following adoption of NYSPSC industry restructuring, there were several utility mergers as a result of which substantially all of the electric and gas delivery service in New York State is now provided by one of three investor-owned utility companies Con Edison, National Grid plc and Iberdrola, S.A. or one of two state authorities New York Power Authority (NYPA) or Long Island Power Authority.

Rate Plans

Investor-owned utilities in the United States provide service to customers according to the terms of tariffs approved by the appropriate state utility regulator. The tariffs include schedules of rates for service that are designed to permit the utilities to recover from their customers the approved anticipated costs, including capital costs, of providing service to customers as defined by the tariff. The tariffs implement rate plans, that result from rate orders, settlements, or joint proposals developed during rate proceedings. The utilities earnings depend on the rate levels authorized in the rate plans and their ability to operate their businesses in a manner consistent with their rate plans.

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

In each rate proceeding, rates are determined by the state utility regulator following the submission by the utility of testimony and supporting information, which are subject to review by the staff of the regulator. Other parties with an interest in the proceeding can

also review the utility s proposal and become involved in the rate case. The review process is overseen by an Administrative Law Judge. After an Administrative Law Judge issues a decision, that generally considers the interests of the utility, the regulatory staff, other parties, and legal requisites, the regulator will issue a rate order. The utility and the regulator s staff and interested parties may enter into a settlement agreement or joint proposal prior to the completion of this administrative process, in which case the agreement would be subject to approval of the regulator.

For each rate plan, the revenues needed to provide the utility a return on invested capital is determined by multiplying the utilities forecasted rate base by the utility s pre-tax weighted average cost of capital. In general, rate base is the amount of the utility s net plant, deferred taxes and working capital. The NYSPSC uses a forecast of rate base for the rate year. The weighted average cost of capital is determined based on the forecasted amounts and costs of long-term debt and preferred equity, the forecasted amount of common equity and an allowed return on common equity determined by the state utility regulator. The NYSPSC s current methodology for determining the allowed return on common equity assigns a one-third weight to an estimate determined from a capital asset pricing model applied to a peer group of utility companies and a two-thirds weight to an estimate determined from a dividend discount model using stock prices and dividend forecasts for a peer group of utility companies.

Pursuant to the Utilities rate plans, there generally can be no change to the charges to customers during the respective terms of the rate plans other than for recovery of the costs incurred for energy supply and specified adjustments provided for in the rate plans.

Common provisions of the Utilities rate plans may include:

Recoverable energy cost clauses 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.

Other cost reconciliations that reconcile pension and other postretirement costs, environmental remediation costs, 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 and provision is sometimes made for the utility to retain a share of cost reductions, for example, property tax refunds.

Revenue decoupling mechanisms under which actual energy delivery revenues will be compared, on a periodic basis, with the authorized delivery revenues. The difference is accrued with interest for refund to, or recovery from customers, as applicable.

Earnings sharing provisions require the Utilities to defer for customer benefit 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 earnings adjustments for failure to meet certain performance standards relating to service reliability, safety and other matters.

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The following table should be read in conjunction with, and is subject to, the more detailed discussion of the Utilities rate plans in Note B to the financial statements in Item 8 (which information is incorporated by reference herein).

Effective Period	Rate Increases	Rate Base	Amortization To Income of Net Regulatory (Assets) and Liabilities	Authorized Return on Equity (ROE)	ROE Sharing Threshold Earnings Sharing Terms(a) (Shareholders/ Customers)
	(millions of dollars, except percentages)				
CECONY Electric(b)					
April 2010					Yr. 1 11.15% - 12.149%: 50/50
March 2013	Yr. 1 $420.4	Yr. 1 $14,887			
	Yr. 2 $420.4	Yr. 2 $15,987	$(75)		12.15% - 13.149%: 25/75
	Yr. 3 $286.9(c)	Yr. 3 $16,826	over 3 yrs.	10.15%	> 13.149%: 10/90(d)
CECONY Gas(b)					
October 2010					Yr. 1 10.35% - 11.59%: 40/60
September 2013	Yr. 1 $47.1	Yr. 1 $3,027			
	Yr. 2 $47.9	Yr. 2 $3,245	$(53)		11.6% - 12.59%: 25/75
	Yr. 3 $46.7	Yr. 3 $3,434	over 3 yrs.	9.6%	> 12.59%: 10/90(e)
CECONY Steam(b)					
October 2010					Yr. 1 10.35% - 11.59%: 40/60
September 2013	Yr. 1 $49.5	Yr. 1 $1,589			
	Yr. 2 $49.5	Yr. 2 $1,603	$(20)		11.6% - 12.59%: 25/75
	Yr. 3 $17.8(f)	Yr. 3 $1,613	over 3 yrs.	9.6%	>12.59%:10/90(e)
O&R Electric (NY)					
July 2008	Yr. 1 $15.6	Yr. 1 $504			
June 2011	Yr. 2 $15.6	Yr. 2 $567	$(34)		10.2% - 11.2% - 50/50
	Yr. 3 $ 5.7(g)	Yr. 3 $597	over 3 yrs.	9.4%	>11.2% - 25/75
O&R Gas (NY)					
November 2009	Yr. 1 $9.0	Yr. 1 $280			11.4% - 12.4% - 50/50
October 2012	Yr. 2 $9.0	Yr. 2 $296	$(2)		12.4% - 14% - 35/65
	Yr. 3 $4.6(h)	Yr. 3 $309	over 3 yrs.	10.4%	>14% - 10/90

(a) Subject to limitation for cost reconciliations described in Note B to the financial statements in Item 8.
(b) Pursuant to NYSPSC orders, a portion of the company s revenues is being collected subject to refund. See Other Regulatory Matters in Note B to the financial statements in Item 8.
(c) The rate plan provides for a one-time surcharge of $133.5 million in Year 3.
(d) In Yr. 2 and Yr. 3, 10.65% 12.149%: 40/60, 12.15% 13.149%: 25/75, and > 13.15%: 10/90.

(e) In Yr. 2 and Yr. 3, 10.10%   11.59%: 40/60, 11.60%   12.59%: 25/75, and >12.6%: 10/90.
(f) The rate plan provides for a one-time surcharge of $31.7 million in Year 3.
(g) The rate plan provides for a one-time surcharge of $9.9 million in Year 3.
(h) The rate plan provides for a one-time surcharge of $4.3 million in Year 3.

Liability for Service Interruptions and Other Non-rate Conditions of Service

The tariff provisions under which CECONY provides electric, gas and steam service limit the company s liability to pay for damages resulting from service interruptions to circumstances resulting from its gross negligence or willful misconduct.

CECONY s tariff for electric service provides for reimbursement to electric customers for spoilage losses resulting from service interruptions in certain circumstances. In general, the company is obligated to reimburse affected residential and commercial customers for food spoilage of up to $450 and $9,000, respectively, and reimburse affected residential customers for prescription medicine spoilage losses without limitation on amount per claim. The company s maximum aggregate liability for such reimbursement for an incident is $15 million. The company is not required to provide reimbursement to electric customers for outages attributable to generation or transmission system facilities or events beyond its control, such as storms, provided the company makes reasonable efforts to restore service as soon as practicable.

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Generic Proceedings

The NYSPSC from time to time conducts generic proceedings to consider issues relating to all electric and gas utilities operating in New York State. Pending proceedings have included those relating to utilities exiting the service of selling electric energy and gas at retail (including an examination of utilities provider of last resort responsibility, the utilities vision for the smart grid , the implementation of energy efficiency and renewable energy programs and consumer protections) and addressing any rate disincentives to the promotion of energy efficiency and distributed generation. The Utilities are typically active participants in such proceedings. The Utilities do not expect that these pending generic proceedings will have a material adverse effect on their financial positions, results of operation or liquidity. In February 2011, the NYSPSC initiated a proceeding to examine the existing mechanisms pursuant to which utilities recover site investigation and remediation costs and possible alternatives. See Environmental Matters CECONY and Environmental Matters O&R, below, and Note G to the financial statements in Item 8.

Federal Utility Regulation

The Federal Energy Regulatory Commission (FERC), among other things, regulates the transmission and wholesale sales of electricity in interstate commerce and the transmission and sale of natural gas for resale in interstate commerce. In addition, the FERC has the authority to impose penalties, which could be substantial, including penalties for the violation of reliability rules. Certain activities of the Utilities and the competitive energy businesses are subject to the jurisdiction of FERC. The Utilities are subject to regulation by the FERC with respect to electric transmission rates and to regulation by the NYSPSC with respect to electric and gas retail commodity sales and local delivery service. As a matter of practice, the NYSPSC has approved delivery service rates that include both distribution and transmission costs.

New York Independent System Operator (NYISO)

The NYISO is a not-for-profit organization that controls and operates most of the electric transmission facilities in New York State, including those of the Utilities, as an integrated system and administers wholesale markets for electricity in New York State. In addition to operating the state s high voltage grid, the NYISO administers the energy, ancillary services and capacity markets. The New York State Reliability Council (NYSRC) promulgates reliability standards subject to FERC oversight. Pursuant to a requirement that is set annually by the NYSRC, the NYISO requires that entities supplying electricity to customers in New York State have generating capacity (either owned or contracted for) in an amount equal to the peak demand of their customers plus the applicable reserve margin. In addition, the NYISO has determined that entities that serve customers in New York City must have enough capacity that is electrically located in New York City to cover a substantial percentage (currently 80 percent; 81 percent effective May 2011) of the peak demands of their New York City customers. These requirements apply both to regulated utilities such as CECONY and O&R for the customers they supply under regulated tariffs and to companies such as Con Edison Solutions that supply customers on market terms. RECO, O&R s New Jersey subsidiary, provides electric service in an area that has a different independent system operator PJM Interconnection LLC (PJM).

Competition

Competition from suppliers of oil and other sources of energy, including distributed generation (such as solar, fuel cells and micro-turbines), may provide alternatives for the Utilities delivery customers. See Rate Agreements in Note B and Recoverable Energy Costs in Note A to the financial statements in Item 8.

The Utilities do not consider it reasonably likely that another company would be authorized to provide utility delivery service of electricity, natural gas or steam where the company already provides service. Any such other company would need to obtain NYSPSC consent, satisfy applicable local requirements, install facilities to provide the service, meet applicable services standards, and charge customers comparable taxes and other fees and costs imposed on the service.

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A new delivery company would also be subject to extensive ongoing regulation by the NYSPSC.

The competitive energy businesses participate in competitive energy supply and services businesses that are subject to different risks than those found in the businesses of the Utilities.

The Utilities

CECONY

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

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

Electric Operations

Electric Facilities

CECONY s capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $12,549 million and $11,824 million at December 31, 2010 and 2009, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $2,150 million and $1,953 million at December 31, 2010 and 2009, respectively, and for its generation facilities, the costs for utility plant, net of accumulated depreciation, were $396 million and $392 million, at December 31, 2010 and 2009, respectively.

Distribution Facilities. CECONY owns 62 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2010, the company s distribution system had a transformer capacity of 28,997 MVA, with 36,781 miles of overhead distribution lines and 96,324 miles of underground distribution lines. The underground distribution lines represent the single longest underground electric delivery system in the United States. To continue its commitment to upgrade and reinforce its energy delivery infrastructure so that it can continue to safely and reliably meet electric demand, the company added one new substation, Newtown, in Queens in 2010.

Transmission Facilities. The company s transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. At December 31, 2010, CECONY owned or jointly owned 438 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 740 miles of underground circuits operating at 69, 138 and 345 kV. The company s 38 transmission substations and 62 area stations are supplied by circuits operated at 69 kV and above. In 2011, the company expects to complete a 9 $^{1}/2$ mile transmission line connecting its Sprainbrook substation in Westchester County with the new Academy substation being constructed in upper Manhattan.

CECONY s transmission facilities interconnect with those of National Grid, Central Hudson Gas & Electric Corporation, O&R, Iberdrola USA, Connecticut Light and Power Company, Long Island Power Authority, NYPA and Public Service Electric and Gas Company.

Generating Facilities. CECONY s electric generating facilities consist of plants located in Manhattan with an aggregate capacity of 698 MW. The company expects to have sufficient amounts of gas and fuel oil available in 2011 for use in these facilities.

Electric Sales and Deliveries

CECONY delivers electricity to its full service customers who purchase electricity from the company. The company also delivers electricity to its customers who purchase electricity from other suppliers through the company s retail access plan. In addition, the company delivers electricity to state and municipal customers of NYPA and economic development customers of municipal electric agencies.

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The company charges all customers in its service area for the delivery of electricity. The company generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. Effective April 2008, CECONY s electric revenues became subject to a revenue decoupling mechanism. As a result, its electric delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. CECONY s electric sales and deliveries, excluding off-system sales, for the last five years were:

	Year Ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Electric Energy Delivered (millions of kWhs)					
CECONY full service customers	26,101	25,314	24,640	23,483	**24,142**
Delivery service for retail access customers	19,256	21,532	22,047	21,859	**23,098**
Delivery service to NYPA customers and others	10,227	10,692	10,918	10,650	**10,834**
Delivery service for municipal agencies	724	723	718	675	**619**
Total Deliveries in Franchise Area	56,308	58,261	58,323	56,667	**58,693**
Electric Energy Delivered ($ in millions)					
CECONY full service customers	$ 5,108	$ 5,158	$ 5,569	$ 5,040	**$ 5,546**
Delivery service for retail access customers	1,040	1,334	1,507	1,855	**2,123**
Delivery service to NYPA customers and others	276	309	378	423	**516**
Delivery service for municipal agencies	17	17	20	21	**22**
Other operating revenues	611	622	404	335	**169**
Total Deliveries in Franchise Area	$ 7,052	$ 7,440	$ 7,878	$ 7,674	**$ 8,376**
Average Revenue per kWh Sold (Cents)(a)					
Residential	20.9	21.6	24.2	23.6	**25.8**
Commercial and Industrial	18.3	19.2	21.2	19.6	**20.4**

(a) Includes Municipal Agency sales.

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

Electric Peak Demand

The electric peak demand in CECONY s service area occurs during the summer air conditioning season. The 2010 service area peak demand, which occurred on July 6, 2010, was 12,963 MW. The 2010 peak demand included an estimated 5,815 MW for CECONY s full-service customers, 5,125 MW for customers participating in its electric retail access program and 2,023 MW for NYPA s customers and municipal electric agency customers. The NYISO invoked demand reduction programs on July 6, 2010, as it had on peak demand days in some previous years (most recently 2006). Design weather for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the majority of demand reduction programs are invoked only in specific circumstances, design conditions do not include these programs potential impact. However, the CECONY forecasted peak demand at design conditions does include the impact of permanent demand reduction programs. The company estimates that, under design weather conditions, the 2011 service area peak demand will be 13,275 MW, including an estimated 5,735 MW for its full-service customers, 5,450 MW for its electric retail access customers and 2,090 MW for NYPA s customers and municipal electric agency customers. The company forecasts average annual growth of the peak electric demand in the company s service area over the next five years at design conditions to be approximately 0.7 percent per year. The company continues to monitor the potential impact on customer demand from the current economic conditions.

Electric Supply

Most of the electricity sold by CECONY to its customers in 2010 was purchased under firm power contracts or through the wholesale electricity market administered by the NYISO. Con Edison expects that these resources will again be adequate to meet the requirements of its customers in 2011. The company plans to meet its continuing obligation to supply electricity to its customers through a combination of electricity purchased under contracts, purchased through the NYISO s wholesale electricity market, or generated from its electricity generating facilities. For information about the company s contracts for approximately 3,320 MW of electric generating capacity, see Notes I and O to the financial statements in Item 8. To reduce the volatility of its customers electric energy costs, the company has contracts to purchase electric energy and enters into derivative transactions to hedge the costs of a portion of its expected purchases under these contracts and through the NYISO s wholesale electricity market.

CECONY owns generating stations in New York City associated primarily with its steam system. As of December 31, 2010, the generating stations had a combined electric capacity of approximately 698 MW, based on 2010 summer test ratings. For information about electric generating capacity owned by the company, see Electric Operations Electric Facilities Generating Facilities , above.

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

In a July 1998 order, the NYSPSC indicated that it agree(s) generally that CECONY need not plan on constructing new generation as the competitive market develops, but considers overly broad and did not adopt CECONY s request for a declaration that, solely with respect to providing generating capacity, it will no longer be required to engage in long-range planning to meet potential demand and, in particular, that it will no longer have the obligation to construct new generating facilities, regardless of the market price of capacity. CECONY monitors the adequacy of the electric capacity resources and related developments in its service area, and works with other parties on long-term resource adequacy issues within the framework of the NYISO. In addition, the NYISO has adopted reliability rules that include obligations on transmission owners (such as CECONY) to construct facilities that may be needed for system reliability if the market does not solve a reliability need identified by the NYISO.

In 2009, the then Governor of New York announced a new goal of meeting 45 percent of the State s electricity needs with energy efficiency or renewable resources by 2015. The goal is to be achieved by reducing electricity consumption by 15 percent, and having 30 percent of the electricity used in New York provided by renewable resources. Establishment of the renewable resources target began in September 2004, when the NYSPSC issued an order establishing a renewable portfolio standard (RPS) which provides that by 2013, 24 percent of the State s energy needs would come from large renewable facilities (such as wind, hydro, and biomass) and smaller customer-sited renewable generation (limited to solar, fuel cells, and wind farm less than 300 kW in size), and 1 percent would come from green marketing efforts. The NYSPSC agreed with the Utilities that the responsibility for procuring the new renewable resources would rest with the New York State Energy Research and Development Authority (NYSERDA), and not the Utilities. In implementing the RPS for large renewable resources, NYSERDA enters into long-term agreements with developers, and pays the developers renewable premiums based on the facilities energy output. For customer-sited resources, NYSERDA provides rebates when customers install eligible renewable technologies. The renewable premiums, rebates, and NYSERDA s administrative fee are financed through a volumetric charge imposed on the delivery customers of each of the state s investor-owned utilities. Pursuant to the 2004 NYSPSC order, CECONY billed customers RPS surcharges of $33 million and $32 million in 2010 and 2009, respectively.

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These surcharges will increase as NYSERDA increases its renewables energy purchases. The NYSPSC issued an order in January 2010 formally increasing the RPS target to 30 percent by 2015 and requiring NYSPSC staff to develop a program to address the geographic balance of the RPS, setting-aside up to $30 million per year to be spent in the downstate region (including in the Utilities service territories) until 2015 for this purpose. Large renewable resources are grid-connected and sell their energy output in the wholesale energy market administered by the NYISO. As a result of the Utilities participation in the NYISO wholesale markets, a portion of the Utilities NYISO energy purchases are sourced from renewable resources. The energy produced by customer-sited renewables offsets the energy which the Utilities would otherwise have procured, thereby reducing the overall level of non-renewable energy consumed. In 2008, the NYSPSC issued an order authorizing the Utilities to begin implementing energy efficiency programs. Costs of the programs will be recovered primarily through a separate non-bypassable charge.

Gas Operations

Gas Facilities

CECONY s capitalized costs for utility plant, net of accumulated depreciation, for gas facilities, which are primarily distribution facilities, were $3,153 million and $2,892 million at December 31, 2010 and 2009, respectively.

Natural gas is delivered by pipeline to CECONY at various points in its service territory and is distributed to customers by the company through an estimated 4,340 miles of mains and 385,396 service lines. The company owns a natural gas liquefaction facility and storage tank at its Astoria property in Queens, New York. The plant can store approximately 1,000 mdths of which a maximum of about 250 mdths can be withdrawn per day. The company has about 1,226 mdths of additional natural gas storage capacity at a field in upstate New York, owned and operated by Honeoye Storage Corporation, a corporation 28.8 percent owned by CECONY and 71.2 percent owned by Con Edison Development.

Gas Sales and Deliveries

The company generally recovers the cost of the gas that it buys and then sells to its firm sales customers. It does not make any margin or profit on the gas it sells. CECONY s gas revenues are subject to a weather normalization clause and, effective October 2007, a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved.

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

	Year Ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Gas Delivered (mdth)					
Firm Sales					
Full service	71,858	73,734	68,943	67,994	**63,592**
Firm transportation	23,688	39,017	43,245	48,671	**51,859**
Total Firm Sales and Transportation	95,546	112,751	112,188	116,665	**115,451**
Interruptible Sales(a)	11,995	10,577	11,220	8,225	**8,521**
Total Gas Sold to CECONY Customers	107,541	123,328	123,408	124,890	**123,972**
Transportation of customer-owned gas					
NYPA	41,057	42,085	44,694	37,764	**24,890**
Other (mainly generating plants)	83,688	95,260	94,086	86,454	**99,666**
Off-System Sales	691	2,325	154	1	**7**
Total Sales and Transportation	232,977	262,998	262,342	249,109	**248,535**

(a) Includes 3,385, 2,851, 2,955, 2,043 and 462 mdths for 2010, 2009, 2008, 2007 and 2006 respectively, which are also reflected in firm transportation and other.

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Gas Delivered ($ in millions)					
Firm Sales					
Full service	$ 1,252	$ 1,341	$ 1,332	$ 1,229	**$ 1,099**
Firm transportation	105	168	202	266	**347**
Total Firm Sales and Transportation	1,357	1,509	1,534	1,495	**1,446**
Interruptible Sales	121	88	138	75	**60**
Total Gas Sold to CECONY Customers	1,478	1,597	1,672	1,570	**1,506**
Transportation of customer-owned gas					
NYPA	4	4	4	4	**2**
Other (mainly generating plants)	76	76	85	73	**87**
Off-System Sales	5	17	1		
Other operating revenues (mainly regulatory amortizations)	50	65	77	54	**(54)**
Total Sales and Transportation	$ 1,613	$ 1,759	$ 1,839	$ 1,701	**$ 1,541**
Average Revenue per dth Sold					
Residential	$ 19.24	$ 19.78	$ 21.15	$ 20.33	**$ 19.31**
General	$ 15.07	$ 16.01	$ 16.77	$ 14.91	**$ 14.28**

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

Gas Peak Demand

The gas peak demand for firm service customers in CECONY s service area occurs during the winter heating season. The daily peak day demand during the winter 2010/2011 (through January 25, 2011) occurred on January 23, 2011 when the demand reached 891 mdths. The 2010/2011 winter demand included an estimated 587 mdths for CECONY s full-service customers and 304 mdths for customers participating in its gas retail access program. Design weather for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that under design weather conditions the 2011/2012 service area peak demand will be 1,151 mdths, including an estimated 675 mdths for its full-service customers and 475 mdths for its retail access customers. The company forecasts average annual growth of the peak gas demand over the next five years at design conditions to be approximately 1.1 percent in its service area. The forecasted peak demand at design conditions does not include gas used by interruptible gas customers or in generating stations (electricity and steam). The company continues to monitor the potential impact on customer demand from the current economic conditions.

Gas Supply

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

Charges from suppliers for the firm purchase of gas, which are based on formulas or indexes or are subject to negotiation, are generally designed to approximate market prices. The gas supply contracts are for various terms extending to 2014. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation from upstream points where gas has been purchased to the Utilities distribution systems, and for upstream storage services. Charges under these transportation and storage contracts are approved by the FERC. Such contracts are for various terms extending to 2023. The Utilities are required to pay certain fixed charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately $246 million in 2010, including $205 million for CECONY. See Contractual Obligations below. In addition, the Utilities purchase gas on the spot market and contract for interruptible gas transportation. See Recoverable Energy Costs in Note A to the financial statements in Item 8.

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Steam Operations

Steam Facilities

CECONY s capitalized costs for utility plant, net of accumulated depreciation for steam facilities were $1,617 million and $1,555 million at December 31, 2010 and 2009, respectively.

CECONY generates steam at one steam-electric generating station and five steam-only generating stations and distributes steam to its customers through approximately 106 miles of transmission, distribution, and service piping.

Steam Sales and Deliveries

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

	Year Ended December 31,				
	2006	2007	2008	2009	2010
Steam Sold (MMlbs)					
General	515	589	785	786	**257**
Apartment house	6,774	7,519	6,614	5,962	**5,870**
Annual power	15,961	17,696	16,577	16,269	**16,903**
Total Steam Delivered to CECONY Customers	23,250	25,804	23,976	23,017	**23,030**
Steam Sold ($ in millions)					
General	$ 21	$ 23	$ 23	$ 28	**$ 21**
Apartment house	174	188	186	165	**160**
Annual power	405	443	468	446	**459**
Other operating revenues	23	32	30	22	**16**
Total Steam Delivered to CECONY Customers	$ 623	$ 686	$ 707	$ 661	**$ 656**
Average Revenue per Mlb Sold	$ 25.81	$ 25.34	$ 28.24	$ 27.76	**$ 27.79**

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

Steam Peak Demand and Capacity

Demand for steam in CECONY s service area peaks during the winter heating season. The one-hour peak demand during the winter of 2010/2011 (through January 25, 2011) occurred on January 24, 2011 when the demand reached 8,924 MMlbs per hour. The company s estimate for the winter of 2011/2012 peak demand of its steam customers is 9,780 MMlbs per hour under design criteria, which assumes severe weather.

On December 31, 2010, the steam system had the capability of delivering approximately 13.3 MMlbs of steam per hour, and CECONY estimates that the system will have the capability to deliver 11.8 MMlbs of steam per hour in the 2011/2012 winter.

Steam Supply

Forty-four percent of the steam produced by CECONY in 2010 was supplied by the company s steam-only generating assets; 41 percent was produced by the company s steam-electric generating assets, where steam and electricity are primarily cogenerated; and 15 percent was purchased under an agreement with Brooklyn Navy Yard Cogeneration Partners L.P.

O&R

Electric Operations

Electric Facilities

O&R s capitalized costs for utility plant, net of accumulated depreciation, for distribution facilities were $642 million and $618 million at December 31, 2010 and 2009, respectively. For its transmission facilities, the costs for utility plant, net of accumulated depreciation, were $134 million and $137 million at December 31, 2010 and 2009, respectively.

O&R, RECO and Pike, own, in whole or in part, transmission and distribution facilities which include 554 circuit miles of transmission lines, 13 transmission substations, 61 distribution substations, 84,809 in-service line transformers, 3,774 pole miles of overhead distribution lines and 1,727 miles of underground distribution lines. O&R s transmission

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system is part of the NYISO system except that portions of RECO s system are located within the transmission area controlled by the PJM.

Electric Sales and Deliveries

O&R generally recovers, on a current basis, the cost of the electricity that it buys and then sells to its full-service customers. It does not make any margin or profit on the electricity it sells. Effective July 2008, O&R s New York electric revenues (which accounted for 66.7 percent of O&R s electric revenues in 2010) became subject to a revenue decoupling mechanism. As a result, O&R s New York electric delivery revenues are generally not affected by charges in delivery volumes from levels assumed when rates were approved. O&R s electric sales in New Jersey and Pennsylvania are not subject to a decoupling mechanism. O&R s electric sales and deliveries, excluding off-system sales for the last five years were:

	Year Ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Electric Energy Delivered (millions of kWhs)					
Total deliveries to O&R full service customers	4,010	4,224	4,093	3,673	**3,498**
Delivery service for retail access customers	1,766	1,688	1,814	1,901	**2,330**
Total Deliveries In Franchise Area	5,776	5,912	5,907	5,574	**5,828**
Electric Energy Delivered ($ in millions)					
Total deliveries to O&R full service customers	$ 503	$ 596	$ 650	$ 551	**$ 570**
Delivery service for retail access customers	76	73	80	95	**132**
Other operating revenues	3	2	3	2	**(10)**
Total Deliveries In Franchise Area	$ 582	$ 671	$ 733	$ 648	**$ 692**
Average Revenue Per kWh Sold (Cents)					
Residential	14.0	15.6	17.4	17.2	**18.3**
Commercial and Industrial	11.3	12.9	14.6	13.3	**14.1**

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

Electric Peak Demand

The electric peak demand in O&R s service area occurs during the summer air conditioning season. The 2010 service area peak demand, which occurred on July 6, 2010, was 1,572 MW. The 2010 peak demand included an estimated 1,034 MW for O&R s full-service customers and 538 MW for customers participating in its electric retail access program. The NYISO did not invoke demand reduction programs. Design weather for the electric system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. Since the majority of demand reduction programs are invoked only in specific circumstances, design conditions do not include these programs potential impact. However, the O&R forecasted peak demand at design conditions does include the impact of permanent demand reduction programs. The company estimates that, under design weather conditions, the 2011 service area peak demand will be 1,600 MW, including an estimated 1,046 MW for its full-service customers and 554 MW for its electric retail access customers. The company forecasts average annual growth of the peak electric demand in the company s service area over the next five years at design conditions to be approximately 1.7 percent per year. The company continues to monitor the potential impact on customer demand from the current economic conditions.

Electric Supply

The electricity O&R sold to its customers in 2010 was purchased under firm power contracts or through the wholesale electricity markets administered by the NYISO and PJM. The company expects that these resources will again be adequate to meet the requirements of its customers in 2011. O&R does not own any electric generating capacity.

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Gas Operations

Gas Facilities

O&R s capitalized costs for utility plant, net of accumulated depreciation for gas facilities, which are primarily distribution facilities, were $382 million and $334 million at December 31, 2010 and 2009, respectively. O&R and Pike own their gas distribution systems, which include 1,744 miles of mains. In addition, O&R owns a gas transmission system, which includes 81 miles of mains.

Gas Sales and Deliveries

O&R generally recovers the cost of the gas that it buys and then sells to its firm sales customers. It does not make any margin or profit on the gas it sells. O&R s gas revenues are subject to a weather normalization clause. Effective November 2009, O&R s New York gas revenues (which accounted for substantially all of O&R s gas revenues in 2009) became subject to a revenue decoupling mechanism. As a result, its gas delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R s gas deliveries and sales for the last five years were:

	Year Ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Gas delivered (mdth)					
Firm Sales					
Full service	9,650	10,835	9,884	9,561	**8,772**
Firm transportation	9,058	10,248	10,471	10,905	**10,692**
Total Firm Sales and Transportation	18,708	21,083	20,355	20,466	**19,464**
Interruptible Sales	2,600	2,652	2,567	2,390	**675**
Total Gas Sold To O&R Customers	21,308	23,735	22,922	22,856	**20,139**
Transportation of customer-owned gas					
Interruptible transportation	3,256	3,331	2,842	2,112	**3,822**
Sales for resale	939	1,044	1,007	953	**840**
Sales to electric generating stations	3,036	4,552	2,327	1,346	**691**
Off-System Sales	372	455	249	624	**1**
Total Sales and Transportation	28,911	33,117	29,347	27,891	**25,493**
Gas delivered ($ in millions)					
Firm Sales					
Full service	$ 166	$ 186	$ 172	$ 159	**$ 131**
Firm transportation	32	39	45	51	**65**
Total Firm Sales and Transportation	198	225	217	210	**196**
Interruptible Sales	28	25	27	21	**9**
Total Gas Sold To O&R Customers	226	250	244	231	**205**
Transportation of customer-owned gas					
Sales to electric generating stations	3	3	4	2	
Other operating revenues	7	12	10	9	**13**
Total Sales and Transportation	$ 236	$ 265	$ 258	$ 242	**$ 218**
Average Revenue Per dth Sold					
Residential	$ 17.38	$ 17.31	$ 17.64	$ 16.86	**$ 15.20**
General	$ 16.44	$ 16.36	$ 16.55	$ 15.58	**$ 13.64**

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

Gas Peak Demand

The gas peak demand for firm service customers in O&R s service area occurs during the winter heating season. The daily peak day demand during the winter 2010/2011 (through January 31, 2011) occurred on January 23, 2011 when the demand reached 176 mdths. The 2010/2011 winter demand included an estimated 87 mdths for O&R s full-service customers and 89 mdths for customers participating in its gas retail access program. Design weather for the gas system is a standard to which the actual peak demand is adjusted for evaluation and planning purposes. The company estimates that under design weather conditions the 2011/2012 service area peak demand will be 224 mdths, including an estimated 110 mdths for its full-service customers and 114 mdths for its retail access customers. The company forecasts average annual growth of the peak gas demand over the next five years at design conditions to be approximately 1.6 percent in the company s service area. The forecasted peak demand at design conditions does not include gas used by interruptible gas customers or in generating stations. The company continues to monitor the potential impact on customer demand from the current economic conditions.

Gas Supply

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

Competitive Energy Businesses

Con Edison pursues competitive energy opportunities through three wholly-owned subsidiaries: Con Edison Solutions, Con Edison Energy and Con Edison Development. These businesses include the sales and related hedging of electricity to wholesale and retail customers, sales of certain energy-related products and services, and participation in energy infrastructure projects. At December 31, 2010, Con Edison s equity investment in its competitive energy businesses was $337 million and their assets amounted to $807 million.

The competitive energy businesses are pursuing opportunities to invest in renewable generation and energy-related infrastructure projects.

Con Edison Solutions

Con Edison Solutions primarily sells electricity to industrial, commercial and governmental customers in the northeastern United States and Texas. It also sells electricity to residential and small commercial customers in the northeastern United States. Con Edison Solutions does not sell electricity to the Utilities. Con Edison Solutions sells electricity to customers who are provided delivery service by the Utilities. It also provides energy efficiency services, procurement and management services to companies and governmental entities throughout most of the United States.

Con Edison Solutions was reported by KEMA, Inc. in September 2010 to be the 9th largest non-residential retail electricity provider in the United States. Most of the company s electricity sales volumes are to industrial, large commercial and government customers. The company also sells to two retail aggregation entities in Massachusetts and to individual residential and small commercial (mass market) customers in the northeastern United States. At December 31, 2010, it served approximately 115,000 customers, not including approximately 165,000 served under the two aggregation agreements. Con Edison Solutions sold 15,993 million kWhs of electricity in 2010, a 26 percent increase from 2009 volumes.

	2006	2007	2008	2009	2010
Retail electric volumes sold (millions of kWhs)	10,633	12,209	10,749	12,723	15,993
Number of retail customers accounts:(a)					
Industrial and large commercial	10,957	14,335	14,491	26,009	29,561
Mass market	31,725	33,979	39,976	49,094	85,191

(a) Excludes aggregation agreement customers

Con Edison Solutions seeks to serve customers in utility service territories that encourage retail competition through transparent pricing, purchase of receivables programs or utility-sponsored customer acquisition programs. The company currently sells electricity in the service territories of 43 utilities in the states of New York, Massachusetts, Connecticut, New Hampshire, Maine, New Jersey, Delaware, Maryland, Illinois, Pennsylvania and Texas, as well as the District of Columbia.

Total peak load at the end of 2010 was 5,300 MWs. Approximately 34 percent of the sales volumes were in New York, 27 percent in New England, 31 percent in PJM and the remainder in Texas.

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Con Edison Solutions offers the choice of green power to customers. In 2010, it sold approximately 233 million kWhs of green power, ending the year with almost 24,000 customers. Green power is a term used by electricity suppliers to describe electricity produced from renewable energy sources, including wind, hydro and solar.

Con Edison Solutions also provides energy- efficiency services to government and commercial customers. The services include the design and installation of lighting retrofits, high-efficiency heating, ventilating and air conditioning equipment and other energy saving technologies. The company is compensated for their services based primarily on the increased energy efficiency of the installed equipment over a multi-year period. Con Edison Solutions has won competitive solicitations for energy savings contracts with the Department of Energy and the Department of Defense, and a shared energy savings contract with the United States Postal Service.

Con Edison Energy

Con Edison Energy manages the output and fuel requirements for over 7,700 MW of third-party generating plants in the northeastern United States. The company also provides wholesale hedging and risk management services to Con Edison Solutions and Con Edison Development. In addition, the company sells electricity to utilities in the northeastern United States, primarily under fixed price contracts, which they use to supply their full-service customers.

	2006	2007	2008	2009	2010
Wholesale electricity sales (millions of kWh)(a)	6,549	8,046	7,798	5,472	3,610

(a) Prior to 2008, wholesale electricity sales were reported as part of Con Edison Development.

Con Edison Development

Con Edison Development participates in energy infrastructure projects. The company s investments include ownership interests in solar energy projects being constructed with an aggregate capacity of 13 MW, a gas storage corporation (see CECONY Gas Operations Gas Facilities, above), an investment in an affordable housing partnership and leasehold interests in a gas-fired plant and a gas distribution network in the Netherlands (see Note J to the financial statements in Item 8). Con Edison Development and its subsidiary, CSD/SCS Newington, LLC, completed the sale of their ownership interests in electricity generating plants with an aggregate capacity of approximately 1,706 MW in the second quarter of 2008. See Note U to the financial statements in Item 8.

	2006	2007	2008	2009	2010
Generating capacity (MW)	1,668	1,739	21	21	
Generation sold (millions of kWh)	3,155	3,558	1,422		

Capital Requirements and Resources

Capital Requirements

The following table contains the Companies capital requirements for the years 2008 through 2010 and their current estimate of amounts for 2011 through 2013.

		Actual			Estimate	
(millions of dollars)	2008	2009	2010	2011	2012	2013
Regulated utility construction expenditures(a)						

CECONY(b)	$ 2,202	$ 2,057	$ 1,866	$ 1,850	$ 1,851	$ 1,852
O&R	120	127	135	142	146	153
Total regulated utility construction expenditures	2,322	2,184	2,001	1,992	1,997	2,005
Competitive energy businesses capital expenditures	4	10	28	131	172	182
Sub-total	2,326	2,194	2,029	2,123	2,169	2,187
Retirement of long-term securities(c)						
Con Edison parent company	204	4	3	1	1	2
CECONY	280	655	850		300	700
O&R	3	3	158	3	3	3
Competitive energy businesses				1	1	1
Total retirement of long-term securities	487	662	1,011	5	305	706
Total	**$ 2,813**	**$ 2,856**	**$ 3,040**	**$ 2,128**	**$ 2,474**	**$ 2,893**

(a) Estimates for 2011-2013 include an aggregate $136 million for one-half of the costs of certain smart electric grid projects for which the company has been selected by the U.S. Department of Energy for negotiations to receive grants for the other half of the projects costs under the American Recovery and Reinvestment Act of 2009.

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(b) CECONY s capital expenditures for environmental protection facilities and related studies were $133 million and $148 million in 2010 and 2009, respectively, and are estimated to be $167 million in 2011.
(c) For 2008, 2009 and 2010, includes long-term securities redeemed in advance of maturity.

The Utilities have an ongoing need for substantial capital investment in order to meet the growth in demand for electricity, and electric, gas and steam reliability needs.

The estimated capital expenditures for the competitive energy businesses reflect potential investments in renewable generation and energy infrastructure projects and could significantly increase or decrease from the amounts estimated depending on market conditions and opportunities.

Contractual Obligations

The following table summarizes the Companies material obligations at December 31, 2010 to make payments pursuant to contracts. Long-term debt, capital lease obligations and other long-term liabilities are included on their balance sheets. Operating leases and electricity purchase agreements (for which undiscounted future annual payments are shown) are described in the notes to the financial statements.

(millions of dollars)	Payments Due by Period				
	Total	1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Long-term debt (Statement of Capitalization)					
CECONY	$ 9,761	$	$ 1,000	$ 825	$ 7,936
O&R	613	3	6	146	458
Competitive energy businesses and parent	321	2	5	5	309
Interest on long-term debt(a)	9,119	572	1,091	996	6,460
Total long-term debt, including interest	19,814	577	2,102	1,972	15,163
Capital lease obligations (Note J)					
CECONY	16	8	6		2
Total capital lease obligations	16	8	6		2
Operating leases (Notes J and Q)					
CECONY	269	43	92	51	83
O&R	6	1	1	1	3
Competitive energy businesses	17	2	4	3	8
Total operating leases	292	46	97	55	94
Purchase obligations					
Electricity purchase power agreements Utilities (Note I)					
CECONY					
Energy(b)	8,428	741	1,323	1,200	5,164
Capacity	3,247	480	960	636	1,171
Total CECONY	11,675	1,221	2,283	1,836	6,335
O&R					
Energy and Capacity(b)	159	99	60		
Total electricity and purchase power agreements Utilities	11,834	1,320	2,343	1,836	6,335
Natural gas supply, transportation, and storage contracts Utilities(c)					
CECONY					
Natural gas supply	321	198	123		
Transportation and storage	978	147	250	176	405
Total CECONY	1,299	345	373	176	405
O&R					
Natural gas supply	41	25	16		
Transportation and storage	182	26	46	33	77
Total O&R	223	51	62	33	77

Total natural gas supply, transportation and storage contracts	1,522	396	435	209	482

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(millions of dollars)	Payments Due by Period				
	Total	1 year or less	Years 2 & 3	Years 4 & 5	After 5 years
Other purchase obligations(d)					
CECONY	3,490	2,001	1,154	268	67
O&R	178	117	52	6	3
Total other purchase obligations	3,668	2,118	1,206	274	70
Competitive energy businesses commodity and service agreements(e)	146	116	23	2	5
Uncertain income taxes (Note L)					
CECONY	79	79			
O&R	8	8			
Competitive energy businesses and parent	(3)	(3)			
Total uncertain income taxes	84	84			
Total	$ 37,376	$ 4,665	$ 6,212	$ 4,348	$ 22,151

(a) Includes interest on variable rate debt calculated at rates in effect at December 31, 2010.
(b) Included in these amounts is the cost of minimum quantities of energy that the company is obligated to purchase at both fixed and variable prices.
(c) Included in these amounts is the cost of minimum quantities of natural gas supply, transportation and storage that the Utilities are obligated to purchase at both fixed and variable prices.
(d) Amounts shown for other purchase obligations, which reflect capital and operations and maintenance costs incurred by the Utilities in running their day-to-day operations, were derived from the Utilities purchasing systems as the difference between the amounts authorized and the amounts paid (or vouchered to be paid) for each obligation. For many of these obligations, the Utilities are committed to purchase less than the amount authorized. Payments for the Other Purchase Obligations are generally assumed to be made ratably over the term of the obligations. The Utilities believe that unreasonable effort and expense would be involved to modify their purchasing systems to enable them to report their Other Purchase Obligations in a different manner.
(e) Amounts represent commitments to purchase minimum quantities of electric energy and capacity, renewable energy certificates, natural gas, natural gas pipeline capacity, energy efficiency services and construction services entered into by Con Edison s competitive energy businesses.

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

Capital Resources

Con Edison is a holding company that operates only through its subsidiaries and has no material assets other than its interests in its subsidiaries. Con Edison expects to finance its capital requirements primarily through internally-generated funds and the sale of its securities, including meeting all of its common equity needs in 2011 by issuing shares under its dividend reinvestment and employee stock plans. Con Edison s ability to make payments on its external borrowings and dividends on its common shares is also dependent on its receipt of dividends from its subsidiaries or proceeds from the sale of its securities or its interests in its subsidiaries.

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

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

The Utilities expect to finance their operations, capital requirements and payment of dividends to Con Edison from internally-generated funds (see Liquidity and Capital Resources Cash Flows from Operating Activities in Item 7), contributions of equity capital from Con Edison and external borrowings, including the issuance in 2011 of long-term debt of up to $600 million.

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

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In 2009, the NYSPSC authorized CECONY and O&R to issue up to $4,800 million and $500 million of securities, respectively (of which up to $550 million and $100 million, respectively, may be preferred stock and up to the entire amount authorized may be debt securities). At December 31, 2010, CECONY and O&R had issued $1,470 million and $190 million, respectively, of debt securities pursuant to such authorization. In addition, the NYSPSC has authorized the Utilities to refund outstanding debt securities and preferred stock should the Utilities determine that it is economic to do so.

Con Edison s competitive energy businesses have financed their operations and capital requirements primarily with capital contributions and borrowings from Con Edison, internally-generated funds and external borrowings.

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

	Earnings to Fixed Charges (Times)				
	2006	**2007**	**2008**	**2009**	**2010**
Con Edison	3.0	3.4	3.4	3.0	3.3
CECONY	3.2	3.6	3.3	3.1	3.4

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

	Common Equity Ratio (Percent of total capitalization)				
	2006	**2007**	**2008**	**2009**	**2010**
Con Edison	48.5	53.7	50.7	50.5	50.4
CECONY	50.0	52.3	50.8	50.3	49.9

The commercial paper of the Companies is rated P-2, A-2 and F2, respectively, by Moody s, S&P and Fitch. Con Edison s long-term credit rating is Baa1, BBB+ and BBB+, respectively, by Moody s, S&P and Fitch. The unsecured debt of CECONY is rated A3, A- and A-, respectively, by Moody s, S&P and Fitch. The unsecured debt of O&R is rated Baa1, A- and A-, respectively, by Moody s, S&P and Fitch. Securities ratings assigned by rating organizations are expressions of opinion and are not recommendations to buy, sell or hold securities. A securities rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

CECONY has $636 million of tax-exempt debt for which the interest rates are to be determined pursuant to periodic auctions. Of this amount, $391 million is insured by Ambac Assurance Corporation and $245 million is insured by Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.). Credit rating agencies have downgraded the ratings of these insurers from AAA to lower levels. Subsequently, there have not been sufficient bids to determine the interest rates pursuant to auctions, and interest rates have been determined by reference to a variable rate index. The weighted average annual interest rate on this tax-exempt debt was 0.54 percent on December 31, 2010. The weighted average interest rate was 0.45 percent, 0.80 percent and 3.94 percent for the years 2010, 2009 and 2008, respectively. Under CECONY s current gas and steam and (beginning in April 2011) electric rate orders, variations in auction rate debt interest expense are reconciled to the levels set in rates.

Environmental Matters

Climate Change

As indicated in 2007 by the Intergovernmental Panel on Climate Change, emissions of greenhouse gases, including carbon dioxide, are very likely changing the world s climate.

Climate change could affect customer demand for the Companies energy services. The effects of climate change might also include physical damage to the Companies facilities and disruption of their operations due to the impact of more extreme weather-related events.

Based on the most recent data (2008) published by the U.S. Environmental Protection Agency (EPA), Con Edison estimates that its greenhouse gas emissions constitute less than 0.1 percent of the nation s greenhouse gas emissions. Con Edison s emissions of greenhouse gases during the past five years (expressed in terms of millions of tons of carbon dioxide equivalent) were:

	2006	2007	2008	2009	2010
CO_2 equivalent emissions	5.4	5.3	4.6	4.2	4.3

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The 35 percent decrease in Con Edison s greenhouse gas emissions since 2005 (6.6 million tons) reflects the emission reductions resulting from equipment and repair projects, including projects to reduce sulfur hexafluoride emissions, and increased use of natural gas at CECONY s steam production facilities. Emissions from electric generation at the Con Edison Development electric generating plants (which were sold in 2008 see Note U to the financial statements in Item 8) have been removed from the above data for 2008 and prior years.

The Companies are working to further reduce greenhouse gas emissions. CECONY has participated for several years in voluntary initiatives with the EPA to reduce its methane and sulfur hexafluoride emissions. The Utilities reduce methane emissions from the operation of their gas distribution systems through pipe maintenance and replacement programs, by operating system components at lower pressure, and by introducing new technologies. The Utilities reduce emissions of sulfur hexafluoride, which is used for arc suppression in substation circuit breakers and switches, by using improved technologies to locate and repair leaks, and by replacing older equipment. The Utilities also promote energy efficiency programs for customers that help them reduce their greenhouse gas emissions.

Beginning in 2009, CECONY is subject to carbon dioxide emissions regulations established by New York State under the Regional Greenhouse Gas Initiative. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, establishes a decreasing cap on carbon dioxide emissions resulting from the generation of electricity to a level ten percent below the Initiative s baseline by 2018. Under the initiative, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market.

The EPA has started regulating greenhouse gas emissions from major sources. Also, New York State has announced a goal to reduce greenhouse gas emissions 80 percent below 1990 levels by 2050, and New York City plans to reduce greenhouse gas emissions within the City 30 percent below 2005 levels by 2030. The cost to comply with legislation, regulations or initiatives limiting the Companies greenhouse gas emissions could be substantial.

Environmental Sustainability

Con Edison seeks to improve the environmental sustainability of its businesses. CECONY is piloting smart grid technologies to demonstrate the interoperability of distributed generation and the exchange of information between customers and utilities. The smart grid will give customers the tools to be smarter consumers of energy and will allow the utility to more quickly identify and isolate problems. The company recycles clean non-hazardous waste materials in more than a dozen categories and recycled more than 59,000 tons of waste in 2009. More than 40 percent of the company s vehicles are now using alternative-energy technology. New environmentally friendly white roofs are in place at the corporate headquarters and more than 20 other facilities, and others are underway. A white roof reflects sunlight, lowering indoor temperatures on hot days, which reduces the need to cool the building, resulting in fewer carbon dioxide emissions.

CECONY

Superfund

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation costs, remediation costs and environmental damages. The sites as to which CECONY has been asserted to have liability under Superfund include its and its predecessor companies former manufactured gas sites, its multi-purpose Astoria site, its former Arthur Kill electric generation plant site, its former Flushing Service Center site, the Gowanus Canal site, and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that the Company has liability. For a further discussion of claims and possible claims against the Company under Superfund, estimated liability accrued for Superfund claims and recovery from customers of site

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investigation and remediation costs, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Manufactured Gas Sites

CECONY and its predecessors formerly manufactured gas and maintained storage holders for gas manufactured at sites in New York City and Westchester County (MGP Sites). Many of these sites are now owned by parties other than CECONY and have been redeveloped by them for other uses, including schools, residential and commercial developments and hospitals. The New York State Department of Environmental Conservation (NYSDEC) requires the company to investigate, and if necessary, develop and implement remediation programs for the sites, which include 34 manufactured gas plant sites and 17 storage holder sites and any neighboring areas to which contamination may have migrated.

The information available to CECONY for many of the MGP Sites is incomplete as to the extent of contamination and scope of the remediation likely to be required. Through the end of 2010, investigations have been started for all or portions of all 51 MGP Sites, and have been completed at 23 of the sites. Coal tar and/or other manufactured gas production/storage-related environmental contaminants have been detected at 36 MGP Sites, including locations within Manhattan and other parts of New York City, and in Westchester County. Remediation has been completed at six sites and portions of six other sites.

Astoria Site

CECONY is permitted by the NYSDEC to operate a hazardous waste storage facility on property the company owns in the Astoria section of Queens, New York. Portions of the property were formerly the location of a manufactured gas plant and also have been used or are being used for, among other things, electric generation operations, electric substation operations, the storage of fuel oil and liquefied natural gas, and the maintenance and storage of electric equipment. As a condition of its NYSDEC permit, the company is required to investigate the property and, where environmental contamination is found and action is necessary, to conduct corrective action to remediate the contamination. The company has investigated various sections of the property and is performing additional investigations. The company has submitted to the NYSDEC and the New York State Department of Health reports identifying the known areas of contamination. The company estimates that its undiscounted potential liability for the completion of the site investigation and cleanup of the known contamination on the property will be at least $38 million.

Arthur Kill Site

Following a September 1998 transformer fire at CECONY s former Arthur Kill Generating Station, it was determined that oil containing high levels of polychlorinated biphenyls (PCBs) was released to the environment during the incident. The company has completed NYSDEC-approved cleanup programs for the station s facilities and various soil and pavement areas of the site affected by the PCB release. Pursuant to a July 1999 NYSDEC consent order, the company completed a NYSDEC-approved assessment of the nature and extent of the contamination in the waterfront area of the station. The NYSDEC selected a remediation program for the waterfront area, and the company has implemented it pursuant to an additional consent order entered into during 2005. Field work associated with the waterfront remediation program has been completed and a final engineering report has been submitted to and approved by the NYSDEC. In 2010, the NYSDEC informed the company that additional remediation is required in upland areas. The company estimates that its undiscounted potential future liability for additional upland remediation, site monitoring, maintenance, and reporting to the NYSDEC will be approximately $0.2 million.

Flushing Service Center Site

The owner of a former CECONY service center facility in Flushing, New York, informed the company that PCB contamination had been detected on a substantial portion of the property, which the owner remediated pursuant to the New York State Brownfield Cleanup Program administered by the

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NYSDEC and is redeveloping for residential and commercial use. The property owner s claim against the company for the cost of its environmental response costs for the site has been resolved. In September 2007, the NYSDEC demanded that the company investigate and remediate PCB contamination that may have migrated into the adjacent Flushing River from the site. In April 2008, the company and NYSDEC entered into a consent order under which the company has agreed to implement a NYSDEC-approved investigation program for the Flushing River and, if deemed necessary by the NYSDEC to protect human health and the environment from such contamination, to implement a NYSDEC-approved remediation program for any PCB contamination in the river attributable to the site. At this time, the company cannot estimate its liability for the investigation and cleanup of any PCB contamination that may have migrated to the Flushing River from the site, but such liability may be substantial.

Gowanus Canal

In August 2009, CECONY received a notice of potential liability and request for information from the EPA about the operations of the company and its predecessors at sites adjacent or near the 1.8 mile Gowanus Canal in Brooklyn, New York. The company understands that the EPA also has provided or will provide notices of potential liability and information requests to other parties. In March 2010, the EPA added the Gowanus Canal to its National Priorities List of Superfund sites. The canal s adjacent waterfront is primarily commercial and industrial, currently consisting of concrete plants, warehouses, and parking lots, and the canal is near several residential neighborhoods. In February 2011, the EPA released a report of its remedial investigation that confirmed there is significant contamination in the Gowanus Canal. The company expects that the cost of assessment and remediation of hazardous substances in and around the Gowanus Canal will be substantial. CECONY is unable to predict its exposure to liability with respect to the Gowanus Canal site.

Other Superfund Sites

CECONY is a potentially responsible party (PRP) with respect to other Superfund sites where there are other PRPs and where it is generally not responsible for managing the site investigation and remediation. Work at these sites is in various stages, with the company participating in PRP groups at some of the sites. Investigation, remediation and monitoring at some of these sites have been, and are expected to continue to be, conducted over extended periods of time. The company does not believe that it is reasonably likely that monetary sanctions, such as penalties, will be imposed upon it by any governmental authority with respect to these sites.

The following table lists each of CECONY s other Superfund sites for which the company anticipates it may have a liability. The table also shows for each such site, its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities with respect to the site (shown in the table under Start), the name of the court or agency in which proceedings with respect to the site are pending and CECONY s estimated percentage of total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages at each site is less than $200,000, with the exception of the Cortese Landfill site, for which the estimate is $1.2 million and the Curcio Scrap Metal site, for which the estimate is $0.4 million. Superfund liability is joint and several. The company s estimate of its liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company s actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Maxey Flats Nuclear	Morehead, KY	1986	EPA	0.8%
Curcio Scrap Metal	Saddle Brook, NJ	1987	EPA	100%
Metal Bank of America	Philadelphia, PA	1987	EPA	0.97%
Cortese Landfill	Narrowsburg, NY	1987	EPA	6.0%
Global Landfill	Old Bridge, NJ	1988	EPA	0.3%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	0.7%

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O&R

Superfund

The sites at which O&R has been asserted to have liability under Superfund include its manufactured gas sites, its West Nyack site, the Newark Bay site, and other Superfund sites discussed below. There may be additional sites as to which assertions will be made that O&R has liability. For a further discussion of claims and possible claims against O&R under Superfund, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Manufactured Gas Sites

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

Through the end of 2010, O&R has completed remedial investigations at all seven O&R MGP Sites O&R has completed the remediation at one of its sites; has completed the NYSDEC-approved remediation program for the land portion of its Nyack site; and has received NYSDEC s decision regarding the remedial work to be done at two other sites. Remedial design is ongoing for two of the sites and will be initiated in 2011 for the shoreline/sediment portion of the Nyack site. Feasibility studies are expected to be completed in 2011 for the remaining sites.

West Nyack Site

In 1994 and 1997, O&R entered into consent orders with the NYSDEC pursuant to which O&R agreed to conduct a remedial investigation and remediate certain property it owns in West Nyack, New York at which PCBs were discovered. Petroleum contamination related to a leaking underground storage tank was found as well. O&R has completed all remediation at the site that the NYSDEC has required to date. O&R is continuing a supplemental groundwater investigation and on-site vapor intrusion monitoring as required by the NYSDEC.

Newark Bay

Approximately 300 parties, including O&R (which was served with a third-party complaint in June 2009), were sued as third-party defendants by Tierra Solutions, Inc. (Tierra) and Maxus Energy Corporation (Maxus), successors to the Occidental Chemical Corporation and Diamond Shamrock Chemical Company. Tierra and Maxus were themselves sued in 2005 by the New Jersey Department of Environmental Protection and others for removal and cleanup costs, punitive damages, penalties, and economic losses allegedly arising from the dioxin contamination their predecessors pesticide/herbicide plant allegedly released to the Newark Bay Complex, a system of waterways including Newark Bay, the Arthur Kill, the Kill Van Kull, and lower portions of the Passaic and Hackensack Rivers. Tierra and Maxus are seeking equitable contribution from the third-party defendants for such costs, damages, penalties and losses, which are likely to be substantial. As to O&R, Tierra and Maxus allege that 1975 and 1976 shipments of waste oil by O&R from an electricity generating plant in Haverstraw, New York to the Borne Chemical Company in Elizabeth, New Jersey was a source of petroleum discharges to the Arthur Kill. Con Edison is unable to predict O&R s exposure to liability with respect to the Newark Bay Complex.

Other Superfund Sites

O&R is a PRP with respect to other Superfund sites where there are other PRPs and it is not managing the site investigation and remediation. Work at these sites is in various stages, with the company participating in PRP groups at some of the sites. Investigation, remediation and monitoring at some of these sites have been, and are expected to continue to be, conducted over extended periods of time. The company does not believe that it is reasonably likely that monetary sanctions, such as penalties, will be imposed upon it by any governmental authority with respect to these sites.

The following table lists each of O&R s other Superfund sites for which the company anticipates it may have liability. The table also shows for each such site, its location, the year in which the company was designated or alleged to be a PRP or to otherwise have responsibilities with respect to the site (shown in the table under Start), the name of the court or agency in which proceedings with respect to the site are pending and O&R s estimated percentage of total liability for each site. The company currently estimates that its potential liability for investigation, remediation, monitoring and environmental damages at each site is less than $0.5 million. Superfund liability is joint and several. The company s estimate of its anticipated share of the total liability for each site was determined pursuant to consent decrees, settlement agreements or otherwise and in light of the financial condition of other PRPs. The company s actual liability could differ substantially from amounts estimated.

Site	Location	Start	Court or Agency	% of Total Liability
Borne Chemical	Elizabeth, NJ	1997	NJDEP	2.27%
Clarkstown Landfill	Clarkstown, NY	2003	NYAG	0.02%
Metal Bank of America	Philadelphia, PA	1993	EPA	4.58%

Other Federal, State and Local Environmental Provisions

Toxic Substances Control Act

Virtually all electric utilities, including CECONY, own equipment containing PCBs. PCBs are regulated under the Federal Toxic Substances Control Act of 1976.

Water Quality

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

Air Quality

Under new source review regulations, an owner of a large generating facility, including CECONY s steam and steam-electric generating facilities, is required to obtain a permit before making modifications to the facility, other than routine maintenance, repair, or replacement, that increase emissions of pollutants from the facility above specified thresholds. To obtain a permit, the facility owner could be required to install additional pollution controls or otherwise limit emissions from the facility. The company reviews on an on-going basis its planned modifications to its generating facilities to determine the potential applicability of new source review and similar regulations. In July 2010, revised New York State nitrogen oxides reasonably available control technology regulations became effective. The EPA is expected to adopt regulations in February 2011 establishing maximum achievable control technology standards for industrial boilers. The regulations apply to major air emissions sources, including CECONY s generating facilities. CECONY anticipates that additional regulations will be adopted requiring further reductions in air emissions. CECONY s plans to comply with the regulations include the modification by 2014 of certain of its generating facilities to enable the facilities to increase the use of natural gas, decreasing the use of fuel oil. For information about the company s generating facilities, see CECONY Electric Operations Electric Facilities and Steam Operations Steam Facilities above in this Item 1. The company is unable to predict the impact of these regulations on its operations or the additional costs, which could be substantial, it could incur to comply with the regulations.

State Anti-Takeover Law

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

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Employees

Con Edison has no employees other than those of CECONY, O&R and Con Edison s competitive energy businesses (which at December 31, 2010 had 13,795, 1,093 and 292, employees, respectively). Of the 13,795 CECONY employees and 1,093 O&R employees, 8,613 and 649 were represented by a collective bargaining unit, respectively. The collective bargaining agreements covering these employees expire in June 2012 and June 2014, respectively.

Available Information

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

Item 1A: Risk Factors

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

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

The Companies have established an enterprise risk management program to identify, assess, and manage its major operations and administrative risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. The Companies also have financial and commodity market risks. See Financial and Commodity Market Risks in Item 7.

The Companies major risks include:

The Failure to Operate Energy Facilities Safely and Reliably Could Adversely Affect The Companies. The Utilities provide electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. See the description of the Utilities facilities in Item 1. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. In such event, the Utilities could be required to pay substantial amounts, which may not be covered by the Utilities insurance policies, to repair or replace their facilities, compensate others for injury or death or other damage, and settle any proceedings initiated by state utility regulators or other regulatory agencies. See Manhattan Steam Main Rupture in Note H to the financial statements in Item 8. The occurrence of such an event could also adversely affect the cost and availability of insurance. Changes to judicial doctrines could further expand the Utilities liability for service interruptions. See Utility Regulation State Utility Regulation, Liability for Service Interruptions and Other Non-rate Conditions of Service in Item 1.

The Failure To Properly Complete Construction Projects Could Adversely Affect The Companies. The Utilities ongoing construction program includes large energy transmission, substation and distribution system projects. The failure to properly complete these projects timely and effectively could adversely affect the Utilities ability to meet their customers growing energy needs with the high level of safety and reliability that they currently provide, which would adversely affect the Companies.

The Failure of Processes and Systems and the Performance of Employees and Contractors Could Adversely Affect the Companies. The Companies have developed business processes for operations, customer service, legal compliance, personnel, accounting, planning and other matters. Some of the Companies information systems and communications systems have been operating for many years, and may become obsolete. The Utilities are implementing new financial and supply chain enterprise resource planning information systems. See Item 9A. The failure of the Companies business processes or information or communication systems could adversely affect the Companies operations and liquidity and result in substantial liability, higher costs and increased regulatory requirements. The failure by the Companies employees or contractors to follow procedures, or their unsafe actions, errors or intentional misconduct, could also adversely affect the Companies. See Investigations of Vendor Payments in Note H to the financial statements in Item 8.

The Companies Are Extensively Regulated And Are Subject To Penalties. The Companies operations require numerous permits, approvals and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the Utilities for violations of state utility laws, regulations or orders. In addition, the Utilities rate plans usually include penalties for failing to meet certain operating standards. FERC has the authority to impose penalties on the Utilities and the competitive energy businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. See Permit Non-Compliance and Pollution Discharges in Item 3. The Companies may also be subject to penalties from other regulatory agencies. The Companies may be subject to new laws, regulations, accounting standards or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the Companies. See Utility Regulation and Environmental Matters Climate Change and Other Federal, State and Local Environmental Provisions in Item 1 and Application of Critical Accounting Policies in Item 7.

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

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

The Companies Are Exposed to Risks From The Environmental Consequences Of Their Operations. The Companies are exposed to risks relating to climate change and related matters. See Environmental Matters Climate Change in Item 1. CECONY may also be impacted by regulations requiring reductions in air emissions. See Environmental Matters Other Federal, State and Local Environmental Provisions, Air Quality in Item 1. In addition, the Utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the Utilities operations and are present on properties or in facilities and equipment currently or previously owned by them. See Environmental Matters in

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Item 1 and Note G to the financial statements in Item 8. Electric and magnetic fields are found wherever electricity is used. The Companies could be adversely affected if a causal relationship between these fields and adverse health effects were to be established. Negative perceptions about electric and magnetic fields can make it more difficult to construct facilities needed for the Companies operations.

A Disruption In The Wholesale Energy Markets Or Failure By An Energy Supplier Could Adversely Affect The Companies. Almost all the electricity and gas the Utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. See the description of the Utilities energy supply in Item 1. Con Edison Energy and Con Edison Solutions also depend on wholesale energy markets to supply electricity to their customers. See Competitive Energy Businesses in Item 1. A disruption in the wholesale energy markets or a failure on the part of the Companies energy suppliers or operators of energy delivery systems that connect to the Utilities energy facilities could adversely affect the Companies ability to meet their customers energy needs and adversely affect the Companies.

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

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

The Companies Require Access To Capital Markets To Satisfy Funding Requirements. The Utilities estimate that their construction expenditures will exceed $5 billion over the next three years. The Utilities expect to use internally-generated funds, equity contributions from Con Edison and external borrowings to fund the construction expenditures. The competitive energy businesses are evaluating opportunities to invest in renewable generation and energy-related infrastructure projects that would require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds and the sale of its securities, including stock issuances under its dividend reinvestment and employee stock plans. Changes in financial market conditions or in the Companies credit ratings could adversely affect their ability to raise new capital and the cost thereof. See Capital Requirements and Resources in Item 1.

The Internal Revenue Service Has Disallowed Substantial Tax Deductions Taken By The Company. The Companies federal income tax returns reflect certain tax positions with which the Internal Revenue Service does not or may not agree, particularly its tax positions for Con Edison s lease in/lease out transactions (see Note J to the financial statements in Item 8) and the deduction of the cost of certain repairs to utility plant for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility (see Note L to the financial statements in Item 8).

The Companies Also Face Other Risks That Are Beyond Their Control. The Companies results of operations can be affected by circumstances or events that are beyond their control. Weather directly influences the demand for electricity, gas and steam

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service, and can affect the price of energy commodities. Natural disasters, such as a major storm, heat wave or hurricane (see Environmental Matters Climate Change in Item 1) or terrorist attacks or related acts of war could damage Company facilities. As a provider of essential utility services, the Utilities may experience more severe consequences from attempting to operate during and after such events. In addition, pandemic illness could potentially disrupt the Utilities employees and contractors from providing essential utility services. Economic conditions can affect customers demand and ability to pay for service, which could adversely affect the Companies.

Item 1B: Unresolved Staff Comments

Con Edison

Con Edison has no unresolved comments from the SEC staff.

CECONY

CECONY has no unresolved comments from the SEC staff.

Item 2: Properties

Con Edison

Con Edison has no significant properties other than those of the Utilities and its competitive energy businesses.

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

CECONY

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

O&R

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

Competitive Energy Businesses

For a discussion of the competitive energy businesses facilities, see Competitive Energy Businesses in, Item 1 (which information is incorporated herein by reference).

Item 3: Legal Proceedings

Con Edison

Lease In/Lease Out Transactions

For information about legal proceedings with the IRS with respect to certain tax losses recognized in connection with the company s lease in/lease out transactions, see Note J to the financial statements in Item 8 (which information is incorporated herein by reference).

CECONY

Manhattan Steam Main Rupture

For information about proceedings relating to the July 2007 rupture of a steam main located in midtown Manhattan, see Manhattan Steam Main Rupture in Note H to the financial statements in Item 8 (which information is incorporated herein by reference).

Investigations of Vendor Payments

For information about alleged unlawful conduct in connection with vendor payments, see Investigations of Vendor Payments in Note H to the financial statements in Item 8 (which is incorporated herein by reference).

Asbestos

For information about legal proceedings relating to exposure to asbestos, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Superfund

For information about CECONY Superfund sites, see Environmental Matters CECONY Superfund in Item 1 (which information is incorporated herein by reference).

Permit Non-Compliance and Pollution Discharges

In December 2010, the NYSDEC and CECONY agreed on the terms of a consent order that settled violations of certain laws, regulations and permit conditions relating to discharges of pollutants at the company s steam generating facilities. Pursuant to the order, CECONY paid a penalty and other amounts totaling $5 million and is required to retain an independent consultant to conduct a comprehensive audit of the company s generating facilities to determine compliance with certain environmental laws and regulations and recommend best practices; remove certain equipment containing PCBs from the company s steam and electric facilities; install certain wastewater treatment facilities; and comply with certain additional sampling, monitoring, and training requirements.

O&R

Asbestos

For information about legal proceedings relating to exposure to asbestos, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Superfund

For information about O&R Superfund sites, see Environmental Matters O&R Superfund in Item 1 (which information is incorporated herein by reference).

Item 4: (Removed and Reserved)

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Executive Officers of the Registrant

The following table sets forth certain information about the executive officers of Con Edison and CECONY as of February 22, 2011. As indicated, certain of the executive officers are executive officers of each of Con Edison and CECONY and others are executive officers of Con Edison or CECONY. The term of office of each officer, is until the next election of directors (trustees) of their company and until his or her successor is chosen and qualifies. Officers are subject to removal at any time by the board of directors (trustees) of their company. Mr. Burke has an employment agreement with Con Edison, which provides for him to serve in his present position through December 31, 2011. The employment agreement provides for automatic one-year extensions of its term, unless notice to the contrary is received six months prior to the end of the term.

Name	Age	Offices and Positions During Past Five Years
Executive Officers of Con Edison and CECONY		
Kevin Burke	60	3/06 to present Chairman of the Board, President and Chief Executive Officer and Director of Con Edison and Chairman, Chief Executive Officer and Trustee of CECONY 9/05 to 2/06 President, Chief Executive Officer and Director of Con Edison and Chief Executive Officer and Trustee of CECONY
Craig S. Ivey	48	12/09 to present President of CECONY 8/07 to 9/09 Senior Vice President Transmission & Distribution, Dominion Resources, Inc. 4/06 to 8/07 Senior Vice President Electric Distribution, Dominion Resources, Inc. 9/04 to 4/06 Vice President Electric Operations, Dominion Resources, Inc.
Robert Hoglund	49	9/05 to present Senior Vice President and Chief Financial Officer of Con Edison and CECONY 6/04 to 10/09 Chief Financial Officer and Controller of O&R
Elizabeth D. Moore	56	5/09 to present General Counsel of Con Edison and CECONY 1/95 to 4/09 Partner, Nixon Peabody LLP
Frances A. Resheske	50	2/02 to present Senior Vice President Public Affairs of CECONY
JoAnn Ryan	53	7/06 to present Senior Vice President Business Shared Services of CECONY 3/01 to 6/06 President and CEO, Con Edison Solutions
Luther Tai	62	7/06 to present Senior Vice President Enterprise Shared Services of CECONY 9/01 to 6/06 Senior Vice President Central Services of CECONY
Gurudatta Nadkarni	45	1/08 to present Vice President of Strategic Planning 8/06 to 12/07 Managing Director of Growth Initiatives, Duke Energy Corporation 1/05 to 7/06 Director of Growth Initiatives, Strategy and Integration, Duke Energy Corporation
Scott Sanders	47	2/10 to present Vice President and Treasurer of Con Edison and CECONY 1/10 to 2/10 Vice President Finance 5/09 to 12/09 Co-founder and Partner of New Infrastructure Advisors 5/05 to 1/09 Managing Director - Investment Banking, Bank of America
Robert Muccilo	54	7/09 to present Vice President and Controller of Con Edison and CECONY 11/09 to present Chief Financial Officer and Controller of O&R 4/08 to 6/09 Assistant Controller of CECONY 8/06 to 3/08 General Manager Central Field Services of CECONY 9/99 to 7/06 Assistant Controller of CECONY
Executive Officers of Con Edison but not CECONY		
William G. Longhi	57	2/09 to present President and Chief Executive Officer of O&R 12/06 to 1/09 Senior Vice President Central Operations 8/06 to 11/06 Vice President Manhattan Electric Operations 9/01 to 7/06 Vice President System and Transmission Operations

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Name	**Age**	**Offices and Positions During Past Five Years**		
Executive Officers of CECONY but not Con Edison				
(All offices and positions listed are with CECONY)				
Marilyn Caselli	56	5/05 to present	Senior Vice President	Customer Operations
John McAvoy	50	2/09 to present	Senior Vice President	Central Operations
		12/06 to 1/09	Vice President	System and Transmission Operations
Claude Trahan	58	5/09 to present	Senior Vice President	Gas Operations
		2/02 to 5/09	Vice President	Human Resources
John F. Miksad	51	9/05 to present	Senior Vice President	Electric Operations

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Part II

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

Con Edison

Con Edison s Common Shares ($.10 par value), the only class of common equity of Con Edison, are traded on the New York Stock Exchange. As of January 31, 2011, there were 62,711 holders of record of Con Edison s Common Shares.

The market price range for Con Edison s Common Shares during 2010 and 2009, as reported in the consolidated reporting system, and the dividends paid by Con Edison in 2010 and 2009 were as follows:

	2010			2009		
	High	Low	Dividends Paid	High	Low	Dividends Paid
1st Quarter	$ 46.45	$ 42.09	$ 0.595	$ 41.79	$ 32.56	$ 0.59
2nd Quarter	$ 45.83	$ 41.52	$ 0.595	$ 40.00	$ 34.36	$ 0.59
3rd Quarter	$ 48.94	$ 42.50	$ 0.595	$ 41.77	$ 36.46	$ 0.59
4th Quarter	$ 51.03	$ 47.51	$ 0.595	$ 46.35	$ 40.15	$ 0.59

On January 20, 2011, Con Edison s Board of Directors declared a quarterly dividend of 60 cents per Common Share. The first quarter 2011 dividend will be paid on March 15, 2011.

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

During 2010, the market price of Con Edison s Common Shares increased by 9.11 percent (from $45.43 at year-end 2009 to $49.87 at year-end 2010). By comparison, the S&P 500 Index and the S&P Utilities Index increased 12.78 percent and 0.86 percent, respectively. The total return to Con Edison s common shareholders during 2010, including both price appreciation and reinvestment of dividends, was 14.98 percent. By comparison, the total returns for the S&P 500 Index and the S&P Utilities Index were 15.08 percent and 5.49 percent, respectively. For the five-year period 2006 through 2010, Con Edison s shareholders total average annual return was 6.93 percent, compared with total average annual returns for the S&P 500 Index and the S&P Utilities Index of 2.29 percent and 3.89 percent, respectively.

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	Years Ending					
Company/Index	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Consolidated Edison, Inc.	100.00	109.14	116.40	98.05	121.48	139.60
S&P 500 Index	100.00	115.79	122.16	76.96	97.33	111.99
S&P Utilities	100.00	120.99	144.43	102.58	114.79	121.06

Based on $100 invested at December 31, 2005, reinvestment of all dividends in equivalent shares of stock and market price changes on all such shares.

CECONY

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

The dividends declared by CECONY in 2010 and 2009 are shown in its Consolidated Statement of Common Shareholder s Equity included in Item 8 (which information is incorporated herein by reference). For additional information about the payment of dividends by CECONY, and restrictions thereon, see Dividends in Note C to the financial statements in Item 8 (which information is incorporated herein by reference).

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Item 6: Selected Financial Data

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

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

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

Information in any item of this report referred to in this discussion and analysis is incorporated by reference herein. The use of terms such as see or refer to shall be deemed to incorporate by reference into this discussion and analysis the information to which reference is made.

Corporate Overview

Con Edison s principal business operations are those of the Utilities. Con Edison also has competitive energy businesses. See The Utilities and Competitive Energy Businesses in Item 1. Certain financial data of Con Edison s businesses is presented below:

	Twelve months ended December 31, 2010				At December 31, 2010	
(millions of dollars, except percentages)	**Operating Revenues**		**Net Income**		**Assets**	
CECONY	$ 10,573	79%	$ 893	90%	$ 32,435	90%
O&R	910	7%	49	5%	2,337	6%
Total Utilities	**11,483**	**86%**	**942**	**95%**	**34,772**	**96%**
Con Edison Development	3	%	1	%	467	1%
Con Edison Energy(a)	369	3%	5	1%	96	%
Con Edison Solutions(a)	1,520	11%	60	6%	295	1%
Other(b)	(50)	%	(16)	(2)%	516	2%
Total Con Edison	**$ 13,325**	**100%**	**$ 992**	**100%**	**$ 36,146**	**100%**

(a) Net income from the competitive energy businesses for the twelve months ended December 31, 2010 includes $11 million of net after-tax mark-to-market gains (Con Edison Energy, $11 million).
(b) Represents inter-company and parent company accounting. See Results of Operations, below.

Con Edison s net income for common stock in 2010 was $992 million or $3.49 a share ($3.47 on a diluted basis). Net income for common stock in 2009 and 2008 was $868 million or $3.16 a share ($3.14 on a diluted basis) and $1,196 million or $4.38 a share ($4.37 on a diluted basis), respectively. See Results of Operations Summary, below. For segment financial information, see Note N to the financial statements in Item 8 and Results of Operations, below.

Results of Operations Summary

Net income for the years ended December 31, 2010, 2009 and 2008 was as follows:

(millions of dollars)	2010	2009	2008
CECONY	$ 893	$ 781	$ 783
O&R	49	43	44
Competitive energy businesses(a)	66	59	73
Other(b)	(16)	(15)	22
Total continuing operations	**992**	**868**	**922**
Discontinued operations(c)			274
Con Edison	**$ 992**	**$ 868**	**$ 1,196**

(a) Includes $11 million, $19 million and $(59) million of net after-tax mark-to-market gains/(losses) in 2010, 2009 and 2008, respectively. In 2008, also includes $131 million after-tax from the gain on sale of Con Edison Development s ownership interests in electricity generating plants. See Note U to the financial statements in Item 8.

(b) Consists of inter-company and parent company accounting. In 2008, also includes $30 million of after-tax net income related to the resolution of Con Edison s legal proceeding with Northeast Utilities. See Results of Operations, below.

(c) Represents the discontinued operations of certain of Con Edison Development s ownership interests in electricity generating plants. See Note U to the financial statements in Item 8.

The Companies results of operations for 2010, as compared with 2009, reflect changes in the Utilities rate plans (including additional revenues designed to recover expected increases in certain operations and maintenance expenses, depreciation and property taxes and interest charges), and the operating results of the competitive energy businesses (including net mark-to-market effects). The results of operations for 2010 as compared with 2009 include a higher allowed electric return on common equity for CECONY. Operations and maintenance expenses were higher in 2010 compared with 2009 reflecting primarily higher costs for demand side management programs and employee health insurance, offset in part by savings in operating expenses through cost control efforts. The increase also reflects higher New York State assessments that are collected from customers and higher costs for pension and other postretirement benefits. Depreciation and property taxes were higher in 2010 compared with 2009 reflecting primarily the impact from higher utility plant balances.

The following table presents the estimated effect on earnings per share and net income for common stock for 2010 as compared with 2009 and 2009 as compared with 2008, resulting from these and other major factors:

	2010 vs. 2009		2009 vs. 2008	
	Earnings per Share	Net Income (Millions of Dollars)	Earnings per Share	Net Income (Millions of Dollars)
CECONY				
Rate plans, primarily to recover increases in certain costs	$ 1.48	$ 410	$ 1.28	$ 351
Operations and maintenance expense	(0.67)	(184)	(0.62)	(169)
Depreciation and property taxes	(0.41)	(116)	(0.55)	(151)
Net interest expense	0.02	6	(0.14)	(38)
Other (includes dilutive effect of new stock issuances)	(0.12)	(5)		5
Total CECONY	0.30	111	(0.03)	(2)
O&R	0.01	6		(1)
Competitive energy businesses				
Earnings excluding net mark-to-market effects, gain on the sale of ownership interests in electricity generating plants and discontinued operations	0.05	15	0.15	39
Net mark-to-market effects	(0.03)	(8)	0.29	78
Gain on the sale of ownership interests in electricity generating plants and discontinued operations			(1.49)	(405)
Total competitive energy businesses	0.02	7	(1.05)	(288)
Northeast Utilities litigation settlement			(0.11)	(30)
Other, including parent company expenses			(0.03)	(7)
Total variations	$ 0.33	$ 124	$ (1.22)	$ (328)

See Results of Operations below for further discussion and analysis of results of operations.

Risk Factors

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

Application of Critical Accounting Policies

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

Accounting for Regulated Public Utilities

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

The accounting rules for regulated operations specify the economic effects that result from the causal relationship of costs and revenues in the rate-regulated environment and how these effects are to be accounted for by a regulated enterprise. Revenues intended to

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cover some costs may be recorded either before or after the costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, these costs would be recorded as deferred charges or regulatory assets under the accounting rules for regulated operations. If revenues are recorded for costs that are expected to be incurred in the future, these revenues would be recorded as deferred credits or regulatory liabilities under the accounting rules for regulated operations.

The Utilities principal regulatory assets and liabilities are listed in Note B to the financial statements in Item 8. The Utilities are each receiving or being credited with a return on all regulatory assets for which a cash outflow has been made. The Utilities are each paying or being charged with a return on all regulatory liabilities for which a cash inflow has been received. The regulatory assets and liabilities will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

In the event that regulatory assets of the Utilities were no longer probable of recovery, as required by the accounting rules for regulated operations, these regulatory assets would be charged to earnings. At December 31, 2010, the regulatory assets for Con Edison and CECONY were $7,846 million and $7,209 million, respectively.

Accounting for Pensions and Other Postretirement Benefits

The Utilities provide pensions and other postretirement benefits to substantially all of their employees and retirees. Con Edison s competitive energy businesses also provide such benefits to certain of their employees. The Companies account for these benefits in accordance with the accounting rules for retirement benefits. In addition, the Utilities apply the accounting rules for regulated operations to account for the regulatory treatment of these obligations (which, as described in Note B to the financial statements in Item 8, reconciles the amounts reflected in rates for the costs of the benefit to the costs actually incurred). In applying these accounting policies, the Companies have made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, discount rates, health care cost trends and future compensation. See Notes A, E and F to the financial statements in Item 8 for information about the Companies pension and other postretirement benefits, the actuarial assumptions, actual performance, amortization of investment and other actuarial gains and losses and calculated plan costs for 2010, 2009 and 2008.

The cost of pension and other postretirement benefits in future periods will depend on actual returns on plan assets, assumptions for future periods, contributions and benefit experience. Con Edison s and CECONY s current estimates for 2011 are increases, compared with 2010, in their pension and other postretirement benefits cost of $110 million and $103 million, respectively. The discount rates used to determine 2011 pension and other postretirement benefit accounting costs are 5.60 percent and 5.40 percent, respectively, and the expected return on plan assets (tax-exempt assets for postretirement benefit accounting costs) is 8.50 percent.

The discount rate for determining the present value of future period benefit payments is determined using a model to match the durations of highly-rated (Aa and Aaa, by Moody s) corporate bonds with the projected stream of benefit payments.

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

The following table illustrates the effect on 2011 pension and other postretirement costs of changing the critical actuarial assumptions discussed above, while holding all other actuarial assumptions constant:

Actuarial Assumption	Change in Assumption	Pension	Other Postretirement Benefits	Total
		(millions of dollars)		
Increase in accounting cost:				
Discount rate				
Con Edison	(0.25%)	$ 30	$ 5	$ 35
CECONY	(0.25%)	$ 28	$ 4	$ 32
Expected return on plan assets				
Con Edison	(0.25%)	$ 20	$ 3	$ 23
CECONY	(0.25%)	$ 19	$ 2	$ 21
Health care trend rate				
Con Edison	1.00%	$	$ 5	$ 5

CECONY	1.00%	$	$	$
Increase in projected benefit obligation:				
Discount rate				
Con Edison	(0.25%)	$ 321	$ 47	$ 368
CECONY	(0.25%)	$ 301	$ 40	$ 341
Health care trend rate				
Con Edison	1.00%	$	$ 27	$ 27
CECONY	1.00%	$	$ 3	$ 3

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A 5.0 percentage point variation in the actual annual return in 2011, as compared with the expected annual asset return of 8.50 percent, would change pension and other postretirement benefit costs for both Con Edison and CECONY by approximately $19 million and $18 million, respectively, in 2012.

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

The Companies policy is to fund their pension and other postretirement benefit accounting costs to the extent tax deductible, and for the Utilities, to the extent these costs are recovered under their rate agreements. The Companies were not required to make cash contributions to the pension plan in 2010 under funding regulations and tax laws. However, CECONY and O&R made discretionary contributions to the plan in 2010 of $429 million and $39 million, respectively, and expect to make discretionary contributions in 2011 for CECONY and O&R of $502 million and $41 million, respectively. See Expected Contributions in Notes E and F to the financial statements in Item 8.

Accounting for Contingencies

The accounting rules for contingencies apply to an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Known material contingencies, which are described in the notes to the financial statements, include the Utilities responsibility for hazardous substances, such as asbestos, PCBs and coal tar that have been used or generated in the course of operations (Note G); certain tax matters (Notes J and

L); and other contingencies (Note H). In accordance with the accounting rules, the Companies have accrued estimates of losses relating to the contingencies as to which loss is probable and can be reasonably estimated and no liability has been accrued for contingencies as to which loss is not probable or cannot be reasonably estimated.

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

Accounting for Long-Lived Assets

The accounting rules for property, plant and equipment require that certain long-lived assets must be tested for recoverability whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. The carrying amount of a long-lived asset is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Under the accounting rules an impairment loss is recognized if the carrying amount is not recoverable from such cash flows, and exceeds its fair value, which approximates market value.

Accounting for Goodwill

In accordance with the accounting rules for goodwill and intangible assets, Con Edison is required to test goodwill for impairment annually. See Notes K and T to the financial statements in Item 8. 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.

Goodwill was $429 million at December 31, 2010. The most recent test, which was performed during the first quarter of 2010, did not require any second-step assessment and did not result in any impairment. The company s most significant assumptions surrounding the goodwill impairment test relate to the estimates of reporting unit fair values. The company estimated fair values based primarily on discounted cash flows and on market values for a proxy group of companies.

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Accounting for Derivative Instruments

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

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

Accounting for Leases

The Companies apply the accounting rules for leases and other related pronouncements to their leasing transactions. See Note J to the financial statements in Item 8 for information about Con Edison Development s Lease In/Lease Out or LILO transactions, a disallowance of tax losses by the IRS and a favorable court decision in the company s litigation with the IRS. In accordance with the accounting rules, Con Edison accounted for the two LILO transactions as leveraged leases. Accordingly, the company s investment in these leases, net of non-recourse debt, is carried as a single amount in Con Edison s consolidated balance sheet and income is recognized pursuant to a method that incorporates a level rate of return for those years when net investment in the lease is positive, based upon the after-tax cash flows projected at the inception of the leveraged leases.

Liquidity and Capital Resources

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

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

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

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

Each of the Companies believes that it will be able to meet its reasonably likely short-term and long-term cash requirements. See The Companies Require Access to Capital Market to Satisfy Funding Requirements and The Companies Also Face Other Risks That Are Beyond Their Control in Item 1A, Application of Critical Accounting Policies Accounting for Contingencies, above, and Utility Regulation in Item 1.

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Changes in the Companies cash and temporary cash investments resulting from operating, investing and financing activities for the years ended December 31, 2010, 2009 and 2008 are summarized as follows:

Con Edison

(millions of dollars)	2010	2009	Variance 2010 vs. 2009	2008	Variance 2009 vs. 2008
Operating activities	$ 2,381	$ 2,466	$ (85)	$ 640	$ 1,826
Investing activities	(2,175)	(2,360)	185	(1,071)	(1,289)
Financing activities	(128)	80	(208)	295	(215)
Net change	78	186	(108)	(136)	322
Balance at beginning of period	260	74	186	210	(136)
Balance at end of period	$ 338	$ 260	$ 78	$ 74	$ 186

CECONY

(millions of dollars)	2010	2009	Variance 2010 vs. 2009	2008	Variance 2009 vs. 2008
Operating activities	$ 2,205	$ 2,222	$ (17)	$ 1,036	$ 1,186
Investing activities	(1,998)	(2,108)	110	(2,448)	340
Financing activities	(260)	(20)	(240)	1,328	(1,348)
Net change	(53)	94	(147)	(84)	178
Balance at beginning of period	131	37	94	121	(84)
Balance at end of period	$ 78	$ 131	$ (53)	$ 37	$ 94

Cash Flows from Operating Activities

The Utilities cash flows from operating activities reflect principally their energy sales and deliveries and cost of operations. The volume of energy sales and deliveries is dependent primarily on factors external to the Utilities, such as growth of customer demand, weather, market prices for energy, economic conditions and measures that promote energy efficiency. Under the revenue decoupling mechanisms in CECONY s electric and gas rate plans and O&R s New York electric and gas rate plans, changes in delivery volumes from levels assumed when rates were approved may affect the timing of cash flows but not net income. See Note B to the financial statements in Item 8. The prices at which the Utilities provide energy to their customers are determined in accordance with their rate agreements. In general, changes in the Utilities cost of purchased power, fuel and gas may affect the timing of cash flows but not net income because the costs are recovered in accordance with rate agreements. See Recoverable Energy Costs in Note A to the financial statements in Item 8.

The Companies cash flows from operating activities also reflect the timing of the deduction for income tax purposes of their construction expenditures. Cash paid by Con Edison for income taxes, net of any refunds received was $(25) million, $5 million and $394 million in 2010, 2009 and 2008, respectively (including $(18) million, $18 million and $(1) million for CECONY in 2010, 2009 and 2008, respectively). For 2010 and 2009, the Companies had no current federal income tax liability as a result, among other things, of the bonus depreciation provisions of the American Recovery and Reinvestment Act of 2009, the Small Business Jobs Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. In addition, the company changed its method of determining the timing of deduction of certain repairs to utility plant. See Note L to the financial statements in Item 8. The Companies expect that they also will have no 2011 current federal income tax liability.

Net income is the result of cash and non-cash (or accrual) transactions. Only cash transactions affect the Companies cash flows from operating activities. Principal non-cash charges include depreciation, deferred income tax expense and net derivative losses. Principal non-cash credits include amortizations of

certain net regulatory liabilities and the 2008 pre-tax gain on the sale of Con Edison Development s ownership interests in electricity generating plants. Non-cash charges or credits may also be accrued under the revenue decoupling and cost reconciliation mechanisms in the Utilities electric and gas rate plans in New York. See Rate Agreements CECONY Electric and O&R Electric in Note B to the financial statements in Item 8.

Net cash flows from operating activities in 2010 for Con Edison and CECONY were $85 million and $17 million lower, respectively, than in 2009. The decreases in net cash flows reflect the January 2010 semi-annual payment of CECONY s New York City property taxes. A comparable semi-annual payment was not made in January 2009 because the company paid its 2008-2009 New York City fiscal year property taxes in July 2008.

Net cash flows from operating activities in 2009 for Con Edison and CECONY were $1,826 million and $1,186 million higher, respectively, than in the 2008 period. The increases in net cash flows reflect the January 2008 semi-annual payment and July 2008 annual payment of CECONY s New York City property taxes, compared with a semi-annual payment in July 2009. The Company achieved a 1.5 percent reduction in its New York City property taxes for the fiscal year ending June 30, 2009 by prepaying the annual tax amount in July 2008. The increase is offset by the effect of changes in commodity prices on cash collateral requirements under the Companies derivative instruments. For Con Edison, the increase also reflects the 2008 payment of income taxes on the gain on the sale of Con Edison Development s ownership interests in electricity generating plants.

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

The changes in regulatory assets principally reflect changes in deferred pension costs in accordance with the accounting rules for retirement benefits and changes in future federal income taxes associated with increased removal costs. See Notes A, B and E to the financial statements in Item 8.

Cash Flows Used in Investing Activities

Net cash flows used in investing activities for Con Edison and CECONY were $185 million and $110 million lower, respectively, in 2010 than in 2009. The decrease reflects primarily decreased construction expenditures in 2010, offset in part for CECONY by repayment of loans by O&R to CECONY in 2009. See Note S to the financial statements in Item 8.

Net cash flows used in investing activities for Con Edison in 2009 were $1,289 million higher compared with 2008. The increase reflects primarily the absence of, in 2009, proceeds from the sale of Con Edison Development s ownership interests in electricity generating plants in 2008, offset in part by decreased construction expenditures in 2009. Net cash flows used in investing activities for CECONY were $340 million lower in 2009 compared with 2008 reflecting primarily decreased construction expenditures and the repayment of loans by O&R. See Note S to the financial statements in Item 8.

Cash Flows from Financing Activities

Net cash flows from financing activities in 2010 for Con Edison and CECONY were $208 million and $240 million lower, respectively, than in 2009. In 2009, cash flows from financing activities for Con Edison and CECONY were $215 million and $1,348 lower, respectively, than in 2008.

Con Edison s cash flows from financing activities for the years ended December 31, 2010 and 2009, reflect the issuance through public offerings of 6.3 million and 5.0 million Con Edison common shares resulting in net proceeds of $305 million and $213 million, respectively. The proceeds from these offerings were invested by Con Edison in CECONY. For CECONY, cash flows from financing activities in 2008 also reflect a $752 million capital contribution from Con Edison.

Cash flows from financing activities for 2010, 2009 and 2008 also reflect the issuance of Con Edison common shares through its dividend reinvestment and employee

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stock plans (2010: 4.2 million shares for $133 million, 2009: 2.4 million shares for $68 million, 2008: 1.7 million shares for $42 million). In addition, as a result of the stock plan issuances, cash used to pay common stock dividends was reduced by $48 million in 2010 and 2009 and $21 million in 2008.

Net cash flows from financing activities during the years ended December 31, 2010, 2009 and 2008 also reflect the following CECONY transactions:

2010

Issued $350 million 4.45% 10-year debentures and $350 million 5.70% 30-year debentures;

Redeemed at maturity $325 million 8.125% 10-year debentures and $300 million 7.50% 10-year debentures; and

Issued $224.6 million of 1.45%, tax-exempt debt (subject to mandatory tender in 2012); the proceeds of which were used to refund 4.70% tax-exempt debt (that was also subject to redemption in 2012).

2009

Issued $275 million 5.55% 5-year debentures, $475 million 6.65% 10-year debentures and $600 million 5.50% 30-year debentures, the proceeds of which were used to redeem in advance of maturity $105 million 7.10% debentures and $75 million 6.90% debentures due 2028, to repay short-term borrowings and for other general corporate purposes; and

Redeemed at maturity $275 million 4.70% 5-year debentures and $200 million 7.15% 10-year debentures.

2008

Issued $600 million 5.85% 10-year debentures, $600 million 6.75% 30-year debentures and $600 million 7.125% 10-year debentures, the proceeds of which were used to repay short-term borrowings and for other general corporate purposes; and

Redeemed at maturity $180 million 6.25% 10-year debentures and $100 million 6.15% 10-year debentures.

In 2008, Con Edison issued $326 million of unsecured notes in exchange for a like amount of secured project debt and redeemed at maturity $200 million 3.625% 5-year debentures.

Con Edison s net cash flows from financing activities also reflect the following O&R transactions:

2010

Issued $115 million 5.50% 30-year debentures;

Redeemed in advance of maturity $45 million 7.00% 30-year debentures due 2029;

Issued $55 million 2.50% 5-year debentures; the proceeds of which were used to purchase and cancel $55 million variable rate, tax-exempt debt that was due in 2014; and

Redeemed at maturity $55 million 7.50% 10-year debentures.

2009

Issued $60 million 4.96% 10-year debentures and $60 million 6.00% 30-year debentures, the proceeds of which were used to redeem (in January 2010) $45 million 7.00% debentures due 2029, to repay short-term debt and for other general corporate purposes.

2008

Issued $50 million 6.15% 10-year debentures, the net proceeds of which were used for general corporate purposes, including repayment of short-term debt.

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Cash flows from financing activities of the Companies also reflect commercial paper issuance (included on the consolidated balance sheets as Notes payable). The commercial paper amounts outstanding at December 31, 2010, 2009 and 2008 and the average daily balances for 2010, 2009 and 2008 for Con Edison and CECONY were as follows:

	2010		2009		2008	
(millions of dollars, except weighted average yield)	**Outstanding at December 31**	**Daily average**	**Outstanding at December 31**	**Daily average**	**Outstanding at December 31**	**Daily average**
Con Edison	$	$ 370	$	$ 277	$ 363	$ 517
CECONY	$	$ 352	$	$ 169	$ 253	$ 380
Weighted average yield	%	0.4%	%	0.4%	2.4%	3.4%

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

Other Changes in Assets and Liabilities

The following table shows changes in certain assets and liabilities at December 31, 2010, compared with December 31, 2009.

(millions of dollars)	**Con Edison 2010 vs. 2009 Variance**	**CECONY 2010 vs. 2009 Variance**
Assets		
Prepayments	$ 210	$
Accounts receivable from affiliated companies		125
Regulatory asset Environmental remediation costs	303	241
Regulatory asset Unrecognized pension and other postretirement costs	(101)	(107)
Liabilities		
Deferred income taxes and investment tax credits	993	932
Superfund and other environmental costs	300	233
Pension and retiree benefits	(76)	(78)

Prepayments, Accounts Receivable from Affiliated Companies and Deferred Income Taxes and Investment Tax Credits

The increase in prepayments for Con Edison, and in accounts receivable from affiliated companies for CECONY, reflects estimated federal income tax payments by the company that were made prior to the determination that the company had no current federal income tax liability for 2010. See Cash Flows from Operating Activities, above and Note L to the financial statements in Item 8.

The increase in the liability for deferred income taxes and investment tax credits reflects the timing of the deduction of expenditures for utility plant which resulted in amounts being collected from customers to pay income taxes in advance of when the income tax payments will be required. See Cash Flows from Operating Activities, above.

Regulatory Asset for Environmental Remediation Costs and Liability for Superfund and Other Environmental Costs

The increase in the regulatory asset for environmental remediation costs and Superfund and other environmental costs liability reflects an increased estimate of costs for site investigation and remediation. See Note G to the financial statements in Item 8.

Regulatory Asset for Unrecognized Pension and Other Postretirement Costs and Non-current Liability for Pension and Retiree Benefits

The decreases in the regulatory asset for unrecognized pension and other postretirement benefit costs and the non-current liability for pension and retiree benefits reflects the final actuarial valuation of the underfunding of the pension and other retiree benefit plans as measured at December 31, 2010 in accordance with the accounting rules for pensions and the year s amortization of accounting costs. The decrease in the non-current liability for pension and retiree benefits also reflects the contributions to the pension plan made by CECONY in 2010. See Notes B, E and F to the financial statements in Item 8.

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Capital Requirements and Resources

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

Regulatory Matters

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

Financial and Commodity Market Risks

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

Interest Rate Risk

The interest rate risk relates primarily to variable rate debt and to new debt financing needed to fund capital requirements, including the construction expenditures of the Utilities and maturing debt securities. Con Edison and its businesses manage interest rate risk through the issuance of mostly fixed-rate debt with varying maturities and through opportunistic refinancing of debt. Con Edison and CECONY estimate that at December 31, 2010, a 10 percent variation in interest rates applicable to its variable rate debt would not result in a material change in annual interest expense. Under CECONY s current gas, steam and (beginning in April 2011) electric rate plans and O&R s current New York gas rate plan, variations in long-term debt costs are reconciled to levels reflected in rates. Under O&R s current New York electric rate plan, variations in variable tax-exempt debt interest expense are reconciled to the level set in rates.

In addition, from time to time, Con Edison and its businesses enter into derivative financial instruments to hedge interest rate risk on certain debt securities. See Interest Rate Swaps in Note O to the financial statements in Item 8.

Commodity Price Risk

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

Con Edison estimates that, as of December 31, 2010, a 10 percent decline in market prices would result in a decline in fair value of $106 million for the derivative instruments used by the Utilities to hedge purchases of electricity and gas, of which $85 million is for CECONY and $21 million is for O&R. Con Edison expects that any such change in fair value would be largely offset by directionally opposite changes in the cost of the electricity and gas purchased. In accordance with provisions approved by state regulators, the Utilities generally recover from customers the costs they incur for energy purchased for their customers, including gains and losses on certain derivative instruments used to hedge energy purchased and related costs. See Recoverable Energy Costs in Note A to the financial statements in Item 8.

Con Edison s competitive energy businesses use a value-at-risk (VaR) model to assess the market risk of their electricity and gas commodity fixed-price purchase and sales commitments, physical forward contracts and commodity derivative instruments. VaR represents the potential change in fair value of instruments or the portfolio due to changes in market factors, for a specified time period and confidence level. These businesses estimate VaR across their electricity and natural gas commodity businesses using a delta-normal variance/covariance model with a 95 percent confidence level. Since the VaR calculation involves complex methodologies and estimates and assumptions that are based on past experience, it is not necessarily indicative of future results. VaR for transactions associated with hedges on generating assets and commodity contracts, assuming a one-day holding period, for the years ended December 31, 2010, and 2009, respectively, was as follows:

95% Confidence Level, One-Day Holding

Period	2010	2009
	(millions of dollars)	
Average for the period	$ 1	$ 1

High	1	2
Low		

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Credit Risk

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

The Utilities had $38 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at December 31, 2010, of which $2 million was with investment grade counterparties and $36 million was with commodity exchange brokers.

Con Edison s competitive energy businesses had $119 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at December 31, 2010, of which $74 million was with investment grade counterparties, $19 million was with commodity exchange brokers and $26 million was with independent system operators.

Investment Risk

The Companies investment risk relates to the investment of plan assets for their pension and other postretirement benefit plans. See Application of Critical Accounting Policies Accounting for Pensions and Other Postretirement Benefits, above. The Companies current investment policy for pension plan assets includes investment targets of 65 percent equities and 35 percent fixed income and other securities. At December 31, 2010, the pension plan investments consisted of 67 percent equity and 33 percent fixed income and other securities.

Environmental Matters

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

Impact of Inflation

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

Material Contingencies

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

Results of Operations

Results of operations reflect, among other things, the Companies accounting policies (see Application of Critical Accounting Policies, above) and rate plans that limit the rates the Utilities can charge their customers (see Utility Regulation in Item 1). Under the revenue decoupling mechanisms currently applicable to CECONY s electric and gas businesses and O&R s electric and gas businesses in New York, the Utilities delivery revenues generally will not be affected by changes in delivery volumes from levels assumed when rates were approved. Revenues for CECONY s steam business and O&R s businesses in New Jersey and Pennsylvania are affected by changes in delivery volumes resulting from weather, economic conditions and other factors. See Note B to the financial statements in Item 8.

The Companies results of operations for 2010, as compared with 2009, reflect changes in the Utilities

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rate plans (including additional revenues designed to recover expected increases in certain operations and maintenance expenses, depreciation and property taxes and interest charges), and the operating results of the competitive energy businesses (including net mark-to-market effects). The results of operations for 2010 as compared with 2009 include a higher allowed electric return on common equity for CECONY. Operations and maintenance expenses were higher in 2010 compared with 2009 reflecting primarily higher costs for demand side management programs and employee health insurance, offset in part by savings in operating expenses through cost control efforts. The increases also reflect higher New York State assessments that are collected from customers and higher costs for pension and other postretirement benefits. Depreciation and property taxes were higher in 2010 compared with 2009 reflecting primarily the impact from higher utility plant balances. For additional information about major factors affecting earnings, see Results of Operations Summary, above.

In general, the Utilities recover on a current basis the fuel, gas purchased for resale and purchased power costs they incur in supplying energy to their full-service customers (see Recoverable Energy Costs in Note A and Regulatory Matters in Note B to the financial statements in Item 8). Accordingly, such costs do not generally affect the Companies results of operations. Management uses the term net revenues (operating revenues less such costs) to identify changes in operating revenues that may affect the Companies results of operations. Management believes that, although net revenues may not be a measure determined in accordance with accounting principles generally accepted in the United States of America, the measure facilitates the analysis by management and investors of the Companies results of operations.

A discussion of the results of operations by principal business segment for the years ended December 31, 2010, 2009 and 2008 follows. For additional business segment financial information, see Note N to the financial statements in Item 8.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

The Companies results of operations (which were discussed above under Results of Operations Summary) in 2010 compared with 2009 were:

	CECONY		O&R		Competitive Energy Businesses and Other(a)		Con Edison(b)	
(millions of dollars)	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
Operating revenues	$ 537	5.4%	$ 20	2.2%	$ (264)	(12.5)%	$ 293	2.2%
Purchased power	100	3.9	7	2.1	(270)	(14.5)	(163)	(3.4)
Fuel	(45)	(8.9)	N/A	N/A			(45)	(8.9)
Gas purchased for resale	(266)	(32.5)	(37)	(27.2)	1	11.1	(302)	(31.4)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	748	12.2	50	11.7	5	2.2	803	11.8
Other operations and maintenance	329	15.1	28	11.3	(2)	(1.6)	355	13.9
Depreciation and amortization	43	5.8	2	4.8	4	80.0	49	6.2
Taxes, other than income taxes	170	11.4	4	8.9	4	28.6	178	11.5
Operating income	206	12.0	16	17.4	(1)	(1.1)	221	11.6
Other income less deductions	(7)	(21.2)			16	Large	9	29.0
Net interest expense	(4)	(0.7)	7	25.0	(5)	(16.7)	(2)	(0.3)
Income, before taxes	203	17.0	9	13.6	20	35.1	232	17.6
Incomes taxes	91	22.5	3	13.0	14	Large	108	24.5
Net income for common stock	$ 112	14.3%	$ 6	14.0%	$ 6	13.6%	$ 124	14.3%

(a) Includes inter-company and parent company accounting.
(b) Represents the consolidated financial results of Con Edison and its businesses.

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CECONY

	Twelve Months Ended December 31, 2010				Twelve Months Ended December 31, 2009				
(millions of dollars)	Electric	Gas	Steam	2010 Total	Electric	Gas	Steam	2009 Total	2010-2009 Variation
Operating revenues	$ 8,376	$ 1,541	$ 656	$ 10,573	$ 7,674	$ 1,701	$ 661	$ 10,036	$ 537
Purchased power	2,629		54	2,683	2,529		54	2,583	100
Fuel	256		202	458	247		256	503	(45)
Gas purchased for resale		552		552		818		818	(266)
Net revenues	5,491	989	400	6,880	4,898	883	351	6,132	748
Operations and maintenance	1,963	368	184	2,515	1,734	281	171	2,186	329
Depreciation and amortization	623	102	62	787	587	98	59	744	43
Taxes, other than income taxes	1,356	209	91	1,656	1,209	195	82	1,486	170
Operating income	**$ 1,549**	**$ 310**	**$ 63**	**$ 1,922**	**$ 1,368**	**$ 309**	**$ 39**	**$ 1,716**	**$ 206**

Electric

CECONY s results of electric operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

	Twelve Months Ended		
(millions of dollars)	December 31, 2010	December 31, 2009	Variation
Operating revenues	$ 8,376	$ 7,674	$ 702
Purchased power	2,629	2,529	100
Fuel	256	247	9
Net revenues	5,491	4,898	593
Operations and maintenance	1,963	1,734	229
Depreciation and amortization	623	587	36
Taxes, other than income taxes	1,356	1,209	147
Electric operating income	**$ 1,549**	**$ 1,368**	**$ 181**

CECONY s electric sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

	Millions of kWhs Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
Description	December 31, 2010	December 31, 2009	Variation	Percent Variation	December 31, 2010	December 31, 2009	Variation	Percent Variation
Residential/Religious(a)	11,518	10,952	566	5.2%	$ 2,977	$ 2,583	$ 394	15.3%
Commercial/Industrial	12,559	12,457	102	0.8	2,557	2,444	113	4.6
Retail access customers	23,098	21,859	1,239	5.7	2,123	1,855	268	14.4
NYPA, Municipal Agency and other sales	11,518	11,399	119	1.0	550	457	93	20.4
Other operating revenues					169	335	(166)	(49.6)
Total	**58,693**	**56,667**	**2,026**	**3.6%**	**$ 8,376**	**$ 7,674**	**$ 702**	**9.1%**

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

CECONY s electric operating revenues increased $702 million in 2010 compared with 2009 due primarily to the electric rate plans ($772 million, which among other things, reflected a 10.15 percent return on common equity, effective April 2010, a 10.0 percent return, effective April 2009 and a 9.1 percent return, effective April 2008) and higher purchased power costs ($100 million), offset in part by the accrual for the revenue decoupling mechanism (a reduction of $124 million of revenues in 2010 compared with increased revenues of $116 million in 2009). CECONY s revenues from electric sales are subject to a revenue

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decoupling mechanism, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved. Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the revenue decoupling mechanism and other provisions of the company s rate plans. See Note B to the financial statements in Item 8.

Electric delivery volumes in CECONY s service area increased 3.6 percent in 2010 compared with 2009. After adjusting for variations, principally weather and billing days, electric delivery volumes in CECONY s service area increased 0.5 percent in 2010 compared with 2009.

CECONY s electric purchased power costs increased $100 million in 2010 compared with 2009 due to an increase in unit costs ($110 million), offset by a decrease in purchased volumes ($10 million). Electric fuel costs increased $9 million in 2010 compared with 2009 due to higher sendout volumes from the company s electric generating facilities ($65 million), offset by lower unit costs ($56 million).

CECONY s electric operating income increased $181 million in 2010 compared with 2009. The increase reflects primarily higher net revenues ($593 million, due primarily to the electric rate plan, including the collection of a surcharge for a New York State assessment and the recovery of higher pension expense). The higher net revenues were offset by higher operations and maintenance costs ($229 million, due primarily to higher demand side management expenses ($120 million), the surcharge for a New York State assessment ($68 million), higher pension expense ($20 million), and higher costs for injuries and damages ($16 million), offset in part by reduced operating expenses due to cost control efforts), taxes other than income taxes ($147 million, principally property taxes) and depreciation and amortization ($36 million). The increased operating expenses in the first quarter of 2010 resulting from two severe winter storms were deferred as a regulatory asset, and did not affect electric operating income. See Regulatory Assets and Liabilities in Note B to the financial statements in Item 8.

Gas

CECONY s results of gas operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

	Twelve Months Ended		
(millions of dollars)	**December 31, 2010**	**December 31, 2009**	**Variation**
Operating revenues	$ 1,541	$ 1,701	$ (160)
Gas purchased for resale	552	818	(266)
Net revenues	989	883	106
Operations and maintenance	368	281	87
Depreciation and amortization	102	98	4
Taxes, other than income taxes	209	195	14
Gas operating income	**$ 310**	**$ 309**	**$ 1**

CECONY s gas sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

	Thousands of dths Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
Description	**December 31, 2010**	**December 31, 2009**	**Variation**	**Percent Variation**	**December 31, 2010**	**December 31, 2009**	**Variation**	**Percent Variation**
Residential	37,963	39,749	(1,786)	(4.5)%	$ 733	$ 808	$ (75)	(9.3)%
General	25,629	28,245	(2,616)	(9.3)	366	421	(55)	(13.1)
Firm transportation	51,859	48,671	3,188	6.6	347	266	81	30.5
Total firm sales and transportation	115,451	116,665	(1,214)	(1.0)	1,446	1,495	(49)	(3.3)
Interruptible sales(a)	8,521	8,225	296	6.6	60	75	(15)	(20.0)
NYPA	24,890	37,764	(12,874)	(34.1)	2	4	(2)	(50.0)
Generation plants	78,880	68,157	10,723	15.7	36	34	2	5.9
Other	20,786	18,297	2,489	13.6	51	39	12	30.8
Other operating revenues					(54)	54	(108)	Large
Total	**248,528**	**249,108**	**(580)**	**(0.2)%**	**$ 1,541**	**$ 1,701**	**$ (160)**	**(9.4)%**

(a) Includes 3,385 and 2,851 thousands of dths for 2010 and 2009, respectively, which are also reflected in firm transportation and other.

CECONY s gas operating revenues decreased $160 million in 2010 compared with 2009 due primarily to a decrease in gas purchased for resale costs ($266 million), offset in part by the gas rate plans ($78 million). CECONY s revenues from gas sales are subject to a weather normalization clause and a revenue decoupling mechanism as a result of which delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. Other gas operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company s rate plans. See Note B to the financial statements in Item 8.

CECONY s sales and transportation volumes for firm customers decreased 1.0 percent in 2010 compared with 2009. After adjusting for variations, principally weather and billing days, firm gas sales and transportation volumes in the company s service area increased 2.1 percent in 2010, reflecting primarily new business and transfers of interruptible customers to firm service.

CECONY s purchased gas cost decreased $266 million in 2010 compared with 2009 due to lower unit costs ($246 million) and sendout volumes ($20 million).

CECONY s gas operating income increased $1 million in 2010 compared with 2009. The increase reflects primarily higher net revenues ($106 million), offset by higher operations and maintenance expense ($87 million, due primarily to a surcharge for a New York State assessment ($30 million) and higher pension expense ($28 million)), taxes other than income taxes ($14 million, principally property taxes) and depreciation ($4 million).

Steam

CECONY s results of steam operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

	Twelve Months Ended		
(millions of dollars)	**December 31, 2010**	**December 31, 2009**	**Variation**
Operating revenues	$ 656	$ 661	$ (5)
Purchased power	54	54	
Fuel	202	256	(54)
Net revenues	400	351	49

Operations and maintenance	184	171	13
Depreciation and amortization	62	59	3
Taxes, other than income taxes	91	82	9
Steam operating income	**$ 63**	**$ 39**	**$ 24**

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CECONY s steam sales and deliveries in 2010 compared with 2009 were:

	Millions of Pounds Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
Description	December 31, 2010	December 31, 2009	Variation	Percent Variation	December 31, 2010	December 31, 2009	Variation	Percent Variation
General	257	786	(529)	(67.3)%	$ 21	$ 28	$ (7)	(25.0)%
Apartment house	5,870	5,962	(92)	(1.5)	160	165	(5)	(3.0)
Annual power	16,903	16,269	634	3.9	459	446	13	2.9
Other operating revenues					16	22	(6)	(27.3)
Total	**23,030**	**23,017**	**13**	**0.1%**	**$ 656**	**$ 661**	**$ (5)**	**(0.8)%**

CECONY s steam operating revenues decreased $5 million in 2010 compared with 2009 due primarily to lower fuel costs ($54 million), offset in part by the net change in rates under the steam rate plan ($53 million). Other steam operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company s rate plans. See Note B to the financial statements in Item 8.

Steam sales and delivery volumes increased 0.1 percent in 2010 compared with 2009. After adjusting for variations, principally weather and billing days, steam sales and deliveries decreased 1.3 percent in 2010, reflecting the impact of lower average normalized use per customer.

CECONY s steam purchased power costs were the same in 2010 compared with 2009. Steam fuel costs decreased $54 million in 2010 compared with 2009 due to lower unit costs ($59 million), offset by higher sendout volumes ($5 million).

Steam operating income increased $24 million in 2010 compared with 2009. The increase reflects primarily higher net revenues ($49 million), offset by higher operations and maintenance expense ($13 million, due primarily to a surcharge for a New York State assessment ($8 million) and higher pension expense ($7 million), offset in part by lower customer accounts expense ($3 million)), taxes other than income taxes ($9 million, principally property taxes) and depreciation ($3 million).

Taxes Other Than Income Taxes

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

(millions of dollars)	2010	2009	Increase/ (Decrease)
Property taxes	$ 1,271	$ 1,135	$ 136(a)
State and local taxes related to revenue receipts	315	282	33
Payroll taxes	65	59	6
Other taxes	5	10	(5)
Total	**$ 1,656(b)**	**$ 1,486(b)**	**$ 170**

(a) Property taxes increased $136 million reflecting primarily higher capital investments.
(b) Including sales tax on customers bills, total taxes other than income taxes, billed to customers in 2010 and 2009 were $2,122 million and $1,866 million, respectively.

Income Taxes

Income taxes increased $91 million in 2010 compared with 2009 due primarily to higher taxable income in 2010.

Other Income (Deductions)

Other income (deductions) decreased $7 million in 2010 compared with 2009 due primarily to a penalty in 2010 ($5 million) from the NYSDEC relating to pollutants at the company s steam generating facilities. See Permit Non-Compliance and Pollution Discharges in Item 3.

Net Interest Expense

Net interest expense decreased $4 million in 2010 compared with 2009 due primarily to lower interest charges on customer deposits ($6 million), offset in part by new debt issuances in 2010 and late in 2009 ($3 million).

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O&R

(millions of dollars)	Twelve Months Ended December 31, 2010 Electric	Gas	2010 Total	Twelve Months Ended December 31, 2009 Electric	Gas	2009 Total	2010-2009 Variation
Operating revenues	$ 692	$ 218	$ 910	$ 648	$ 242	$ 890	$ 20
Purchased power	335		335	328		328	7
Gas purchased for resale		99	99		136	136	(37)
Net revenues	357	119	476	320	106	426	50
Operations and maintenance	216	59	275	193	54	247	28
Depreciation and amortization	32	12	44	30	12	42	2
Taxes, other than income taxes	35	14	49	33	12	45	4
Operating income	**$ 74**	**$ 34**	**$ 108**	**$ 64**	**$ 28**	**$ 92**	**$ 16**

Electric

O&R s results of electric operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

(millions of dollars)	Twelve Months Ended December 31, 2010	December 31, 2009	Variation
Operating revenues	$ 692	$ 648	$ 44
Purchased power	335	328	7
Net revenues	357	320	37
Operations and maintenance	216	193	23
Depreciation and amortization	32	30	2
Taxes, other than income taxes	35	33	2
Electric operating income	**$ 74**	**$ 64**	**$ 10**

O&R s electric sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

	Millions of kWhs Delivered				Revenues in Millions			
Description	Twelve Months Ended December 31, 2010	December 31, 2009	Variation	Percent Variation	Twelve Months Ended December 31, 2010	December 31, 2009	Variation	Percent Variation
Residential/Religious(a)	1,893	1,799	94	5.2%	$ 347	$ 309	$ 38	12.3%
Commercial/Industrial	1,495	1,763	(268)	(15.2)	211	231	(21)	(9.1)
Retail access customers	2,330	1,901	429	22.6	132	95	37	38.9
Public authorities	110	111	(1)	(0.9)	12	11	1	9.1
Other operating revenues					(10)	2	(12)	Large
Total	**5,828**	**5,574**	**254**	**4.6%**	**$ 692**	**$ 648**	**$ 44**	**6.8%**

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

O&R s electric operating revenues increased $44 million in 2010 compared with 2009 due primarily to the New York electric rate plan ($19 million) and for O&R s New Jersey and Pennsylvania operations the warmer summer weather in the 2010 period ($3 million). O&R s New York electric delivery revenues are subject to a revenue decoupling mechanism, as a result of which, delivery revenues are generally not affected by changes in delivery volumes from levels assumed when rates were approved. O&R s electric sales in New Jersey and Pennsylvania are not subject to a decoupling mechanism, and as a result, changes in such volumes do impact revenues. Other electric operating revenues generally reflect changes in regulatory assets and liabilities in accordance with the company s electric rate plan. See Note B to the financial statements in

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Electric delivery volumes in O&R s service area increased 4.6 percent in 2010 compared with 2009. After adjusting for weather variations and unbilled volumes, electric delivery volumes in O&R s service area increased 0.7 percent in 2010 compared with 2009.

Electric operating income increased $10 million in 2010 compared with 2009. The increase reflects primarily higher net revenues ($37 million), offset by higher operations and maintenance expense ($23 million), due primarily to a surcharge for a New York State assessment ($7 million) and higher pension expense ($6 million)), taxes other than income taxes ($2 million, principally state and local taxes) and depreciation ($2 million).

Gas

O&R s results of gas operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

	Twelve Months Ended		
(millions of dollars)	**December 31, 2010**	**December 31, 2009**	**Variation**
Operating revenues	$ 218	$ 242	$ (24)
Gas purchased for resale	99	136	(37)
Net revenues	119	106	13
Operations and maintenance	59	54	5
Depreciation and amortization	12	12	
Taxes, other than income taxes	14	12	2
Gas operating income	**$ 34**	**$ 28**	**$ 6**

O&R s gas sales and deliveries, excluding off-system sales, in 2010 compared with 2009 were:

	Thousands of dths Delivered				Revenues in Millions			
	Twelve Months Ended				Twelve Months Ended			
Description	**December 31, 2010**	**December 31, 2009**	**Variation**	**Percent Variation**	**December 31, 2010**	**December 31, 2009**	**Variation**	**Percent Variation**
Residential	7,336	7,811	(475)	(6.1)%	$ 111	$ 132	$ (21)	(15.9)%
General	1,436	1,750	(314)	(17.9)	20	27	(7)	(25.9)
Firm transportation	10,692	10,905	(213)	(2.0)	65	51	14	27.5
Total firm sales and transportation	**19,464**	**20,466**	**(1,002)**	**(4.9)**	**196**	**210**	**(14)**	**(6.7)**
Interruptible sales	4,497	4,502	(5)	(0.2)	9	21	(12)	(57.1)
Generation plants	691	1,346	(655)	(48.7)		2	(2)	Large
Other	840	953	(113)	(11.9)				
Other gas revenues					13	9	(4)	(44.5)
Total	**25,492**	**27,267**	**(1,775)**	**(6.5)%**	**$ 218**	**$ 242**	**$ (24)**	**(10.0)%**

O&R s gas operating revenues decreased $24 million in 2010 compared with 2009 due primarily to the decrease in gas purchased for resale in 2010 ($37 million), offset in part by the gas rate plan. Effective November 2009, O&R s New York gas delivery revenues became subject to a revenue decoupling mechanism.

Sales and transportation volumes for firm customers decreased 4.9 percent in 2010 compared with 2009.

After adjusting for weather and other variations, total firm sales and transportation volumes decreased 1.2 percent in 2010 compared with 2009. O&R s New York revenues from gas sales are subject to a weather normalization clause that moderates, but does not eliminate, the effect of weather-related changes on net income.

Gas operating income increased $6 million in 2010 compared with 2009. The increase reflects primarily higher net revenues ($13 million), offset by higher operations and maintenance costs ($5 million) and taxes other than income taxes ($2 million, principally property taxes).

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Taxes Other Than Income Taxes

Taxes, other than income taxes, increased $4 million in 2010 compared with 2009. The principal components of taxes, other than income taxes, were:

(millions of dollars)	2010	2009	Increase/ (Decrease)
Property taxes	$ 29	$ 28	$ 1
State and local taxes related to revenue receipts	14	12	2
Payroll taxes	6	5	1
Total	**$ 49(a)**	**$ 45(a)**	**$ 4**

(a) Including sales tax on customers bills, total taxes other than income taxes, billed to customers in 2010 and 2009 were $78 million and $77 million, respectively.

Income Taxes

Income taxes increased $3 million in 2010 compared with 2009 due primarily to higher taxable income in 2010.

Other Income (Deductions)

Other income (deductions) were the same in 2010 compared with 2009.

Net Interest Expense

Net interest expense increased $7 million in 2010 compared with 2009 due primarily to new debt issuances in 2010 and late in 2009.

Competitive Energy Businesses

The competitive energy business s results of operations for the year ended December 31, 2010 compared with the year ended December 31, 2009 is as follows:

	Twelve Months Ended		
(millions of dollars)	December 31, 2010	December 31, 2009	Variation
Operating revenues	$ 1,883	$ 2,147	$ (264)
Purchased power	1,627	1,901	(274)
Gas purchased for resale	9	9	
Net revenues	247	237	10
Operations and maintenance	122	125	(3)
Depreciation and amortization	9	5	4
Taxes, other than income taxes	18	13	5
Operating income	**$ 98**	**$ 94**	**$ 4**

The competitive energy businesses operating revenues decreased $264 million in 2010 compared with 2009, due primarily to changes in net mark-to-market effects and lower electric wholesale revenues, offset in part by increased electric retail revenues. Electric wholesale revenues decreased $208 million in 2010 as compared with 2009, due to lower sales volumes ($178 million) and unit prices ($30 million). Electric retail revenues increased $189 million, due to higher sales volume ($271 million), offset by lower per unit prices ($82 million). Gross margins on electric retail revenues increased significantly due primarily to higher volumes. Net mark-to-market values decreased $12 million in 2010 as compared with 2009, of which $232 million in losses are reflected in revenues and $220 million in gains are reflected in purchased power costs. Other revenues decreased $13 million in 2010 as compared with 2009 due primarily to lower sales of energy efficiency services.

Purchased power costs decreased $274 million in 2010 compared with 2009, due primarily to changes in mark-to-market values of $220 million and lower purchased power costs of $54 million. Purchased power costs decreased $54 million due to lower unit prices ($174 million), offset by higher volumes ($120 million). Operating income increased $4 million in 2010 compared with 2009 due primarily to higher electric retail margins.

Other

For Con Edison, Other also includes inter-company eliminations relating to operating revenues and operating expenses.

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Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

The Companies results of operations (which were discussed above under Results of Operations Summary) in 2009 compared with 2008 were:

	CECONY		O&R		Competitive Energy Businesses and Other(a)		Con Edison(b)	
(millions of dollars)	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent	Increases (Decreases) Amount	Increases (Decreases) Percent
Operating revenues	$ (388)	(3.7)%	$ (101)	(10.2)%	$ (62)	(2.9)%	$ (551)	(4.1)%
Purchased power	(602)	(18.9)	(105)	(24.2)	(266)	(12.5)	(973)	(16.9)
Fuel	(157)	(23.8)	N/A	N/A	(3)	Large	(160)	(24.1)
Gas purchased for resale	(181)	(18.1)	(23)	(14.5)	(5)	(35.7)	(209)	(17.8)
Operating revenues less purchased power, fuel and gas purchased for resale (net revenues)	552	9.9	27	6.8	212	Large	791	13.2
Other operations and maintenance	249	12.9	25	11.3	22	22.0	296	13.1
Depreciation and amortization	72	10.7	2	5.0			74	10.3
Taxes, other than income taxes	182	14.0	1	2.3	(2)	(12.5)	181	13.3
Gain on sale of ownership interests in electricity generating plants	N/A	N/A	N/A	N/A	(261)	Large	(261)	Large
Operating income	49	2.9	(1)	(1.1)	(69)	(43.1)	(21)	(1.1)
Other income less deductions	17	Large	(1)	(33.3)	(66)	Large	(50)	(61.7)
Net interest expense	61	12.4			6	25.0	67	12.3