

CONSOLIDATED EDISON CO OF NEW YORK INC

Form 10-Q

November 01, 2007

Table of Contents

**FORM 10-Q**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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

**For the quarterly period ended SEPTEMBER 30, 2007**

OR

.. Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Con Edison  
Large accelerated filer  Accelerated filer  Non-accelerated filer

Edgar Filing: CONSOLIDATED EDISON CO OF NEW YORK INC - Form 10-Q

Con Edison of New York  
Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Con Edison Yes  No

Con Edison of New York Yes  No

As of the close of business on October 31, 2007, Con Edison had outstanding 271,515,822 Common Shares (\$.10 par value). All of the outstanding common equity of Con Edison of New York is held by Con Edison.

**Table of Contents**

**Filing Format**

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

Table of Contents

**TABLE OF CONTENTS**

	PAGE
<u>Glossary of Terms</u>	4
PART I Financial Information	
Item 1 Financial Statements (Unaudited)	
Con Edison	
<u>Consolidated Balance Sheet</u>	6
<u>Consolidated Income Statement</u>	8
<u>Consolidated Statement of Comprehensive Income</u>	9
<u>Consolidated Statement of Common Shareholders' Equity</u>	10
<u>Consolidated Statement of Cash Flows</u>	11
Con Edison of New York	
<u>Consolidated Balance Sheet</u>	12
<u>Consolidated Income Statement</u>	14
<u>Consolidated Statement of Comprehensive Income</u>	15
<u>Consolidated Statement of Common Shareholders' Equity</u>	16
<u>Consolidated Statement of Cash Flows</u>	17
<u>Notes to Financial Statements (Unaudited)</u>	18
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	43
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	73
Item 4 <u>Controls and Procedures</u>	73
PART II Other Information	
Item 1 <u>Legal Proceedings</u>	74
Item 1a <u>Risk Factors</u>	74
Item 6 <u>Exhibits</u>	75
<u>Signatures</u>	76

**Table of Contents**

**GLOSSARY OF TERMS**

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

**Con Edison Companies**

Con Edison	Consolidated Edison, Inc.
Con Edison Communications	Con Edison Communications, LLC
Con Edison Development	Consolidated Edison Development, Inc.
Con Edison Energy	Consolidated Edison Energy, Inc.
Con Edison of New York	Consolidated Edison Company of New York, 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 Con Edison of New York
The Utilities	Con Edison of New York and O&R

**Regulatory and State Agencies**

DEC	New York State Department of Environmental Conservation
EPA	Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
IRS	Internal Revenue Service
ISO-NE	ISO New England
NJBPU	New Jersey Board of Public Utilities
NJDEP	New Jersey Department of Environmental Protection
NYAG	New York Attorney General
NYISO	New York Independent System Operator
NYPA	New York Power Authority
NYSERDA	New York State Energy Research and Development Authority
NYSRC	New York State Reliability Council
PJM	PJM Interconnection
PSC	New York State Public Service Commission
PPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission

**Other**

ABO	Accumulated Benefit Obligation
APB	Accounting Principles Board
AFDC	Allowance for funds used during construction
CO <sub>2</sub>	Carbon dioxide
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DIG	Derivatives Implementation Group
District Court	The United States District Court for the Southern District of New York
dths	Dekatherms
EITF	Emerging Issues Task Force
EMF	Electric and magnetic fields

**Table of Contents**

<b>Other</b>	
ERRP	East River Repowering Project
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation No.
First Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007
Fitch	Fitch Ratings
Form 10-K	The Companies' combined Annual Report on Form 10-K for the year ended December 31, 2006
FSP	FASB Staff Position
GHG	Greenhouse gases
kV	Kilovolts
kWh	Kilowatt-hour
LILLO	Lease In/Lease Out
LTIP	Long Term Incentive Plan
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
mdths	Thousand dekatherms
MGP Sites	Manufactured gas plant sites
mmlbs	Million pounds
Moody's	Moody's Investors Service
MVA	Megavolt amperes
MW	Megawatts or thousand kilowatts
MWH	Megawatt hour
Net T&D Revenues	Revenue requirement impact resulting from the reconciliation pursuant to Con Edison of New York's electric rate agreement of the differences between the actual amount of transmission and distribution utility plant, net of depreciation, to the amount reflected in electric rates
NUGs	Non-utility generators
OCI	Other Comprehensive Income
PCBs	Polychlorinated biphenyls
PPA	Power purchase agreement
PRP	Potentially responsible party
S&P	Standard & Poor's Rating Services
SFAS	Statement of Financial Accounting Standards
SO <sub>2</sub>	Sulfur dioxide
SSCM	Simplified service cost method
Second Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes
Third Quarter Form 10-Q	The Companies' combined Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007
VaR	Value-at-Risk
VIE	Variable interest entity

Table of Contents

## Consolidated Edison, Inc.

**CONSOLIDATED BALANCE SHEET****(UNAUDITED)**

	<i>September 30, 2007</i>	<i>December 31, 2006</i>
	<i>(Millions of Dollars)</i>	
<b>ASSETS</b>		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 15,704	\$ 14,775
Gas	3,349	3,233
Steam	1,733	1,691
General	1,680	1,635
TOTAL	22,466	21,334
Less: Accumulated depreciation	4,730	4,583
Net	17,736	16,751
Construction work in progress	916	872
NET UTILITY PLANT	18,652	17,623
NON-UTILITY PLANT		
Generating assets, less accumulated depreciation of \$146 and \$127 in 2007 and 2006, respectively	767	785
Non-utility property, less accumulated depreciation of \$41 and \$36 in 2007 and 2006, respectively	32	34
Construction work in progress	4	3
NET PLANT	19,455	18,445
CURRENT ASSETS		
Cash and temporary cash investments	192	94
Restricted cash	17	18
Accounts receivable - customers, less allowance for uncollectible accounts of \$46 and \$45 in 2007 and 2006, respectively	939	825
Accrued unbilled revenue	127	122
Other receivables, less allowance for uncollectible accounts of \$5 and \$4 in 2007 and 2006, respectively	411	522
Fuel oil, at average cost	59	56
Gas in storage, at average cost	261	253
Materials and supplies, at average cost	144	157
Prepayments	346	157
Fair value of derivative assets	33	122
Recoverable energy costs	211	235
Deferred derivative losses	173	237
Other current assets	66	139
TOTAL CURRENT ASSETS	2,979	2,937
INVESTMENTS		
	378	366
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Goodwill	407	406
Intangible assets, less accumulated amortization of \$41 and \$34 in 2007 and 2006, respectively	73	80
Regulatory assets	4,192	4,179
Other deferred charges and noncurrent assets	424	286
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	5,096	4,951
TOTAL ASSETS	\$ 27,908	\$ 26,699

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



**Table of Contents****Consolidated Edison, Inc.****CONSOLIDATED BALANCE SHEET****(UNAUDITED)**

	<i>September 30, 2007</i>	<i>December 31, 2006</i>
	<i>(Millions of Dollars)</i>	
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Common shareholders' equity (See Statement of Common Shareholders' Equity)	\$ 8,990	\$ 8,004
Preferred stock of subsidiary	213	213
Long-term debt	8,004	8,298
<b>TOTAL CAPITALIZATION</b>	<b>17,207</b>	<b>16,515</b>
<b>MINORITY INTERESTS</b>	<b>42</b>	<b>41</b>
<b>NONCURRENT LIABILITIES</b>		
Obligations under capital leases	23	26
Provision for injuries and damages	161	155
Pension and retiree benefits	693	737
Superfund and other environmental costs	333	292
Uncertain income taxes	156	
Asset retirement obligations	117	97
Fair value of derivative liabilities	70	97
Other noncurrent liabilities	93	93
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,646</b>	<b>1,497</b>
<b>CURRENT LIABILITIES</b>		
Long-term debt due within one year	836	374
Notes payable	350	117
Accounts payable	1,102	1,126
Customer deposits	244	228
Accrued taxes	48	36
Accrued interest	151	139
Accrued wages	87	79
Fair value of derivative liabilities	177	395
Deferred derivative gains	3	6
Deferred income taxes - recoverable energy costs	85	96
Other current liabilities	252	276
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,335</b>	<b>2,872</b>
<b>DEFERRED CREDITS AND REGULATORY LIABILITIES</b>		
Deferred income taxes and investment tax credits	4,379	4,095
Regulatory liabilities	1,278	1,657
Other deferred credits	21	22
<b>TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES</b>	<b>5,678</b>	<b>5,774</b>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 27,908</b>	<b>\$ 26,699</b>

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

Table of Contents

## Consolidated Edison, Inc.

**Consolidated Income Statement**

(UNAUDITED)

	<i>For the Three Months Ended September 30,</i>		<i>For the Nine Months Ended September 30,</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>(Millions of Dollars/Except Share Data)</i>			
<b>OPERATING REVENUES</b>				
Electric	\$ 2,477	\$ 2,478	\$ 6,160	\$ 5,903
Gas	234	211	1,505	1,404
Steam	102	104	525	485
Non-utility	830	648	1,901	1,522
TOTAL OPERATING REVENUES	3,643	3,441	10,091	9,314
<b>OPERATING EXPENSES</b>				
Purchased power	1,719	1,587	4,080	3,790
Fuel	189	200	638	600
Gas purchased for resale	113	100	877	845
Other operations and maintenance	550	556	1,553	1,433
Depreciation and amortization	170	155	501	460
Taxes, other than income taxes	344	328	991	945
Income taxes	127	142	357	315
TOTAL OPERATING EXPENSES	3,212	3,068	8,997	8,388
OPERATING INCOME	431	373	1,094	926
<b>OTHER INCOME (DEDUCTIONS)</b>				
Investment and other income	21	10	56	30
Allowance for equity funds used during construction	2	2	5	3
Preferred stock dividend requirements of subsidiary	(3)	(3)	(8)	(8)
Other deductions	(3)	(3)	(21)	(12)
Income taxes	3	13	13	15
TOTAL OTHER INCOME (DEDUCTIONS)	20	19	45	28
<b>INTEREST EXPENSE</b>				
Interest on long-term debt	126	123	380	356
Other interest	15	40	44	65
Allowance for borrowed funds used during construction	(2)	(2)	(7)	(4)
NET INTEREST EXPENSE	139	161	417	417
INCOME FROM CONTINUING OPERATIONS	312	231	722	537
INCOME FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)				(1)
NET INCOME	\$ 312	\$ 231	\$ 722	\$ 536
<b>EARNINGS PER COMMON SHARE - BASIC</b>				
Continuing operations	\$ 1.15	\$ 0.93	\$ 2.73	\$ 2.17
Discontinued operations				
Net income	\$ 1.15	\$ 0.93	\$ 2.73	\$ 2.17
<b>EARNINGS PER COMMON SHARE - DILUTED</b>				
Continuing operations	\$ 1.15	\$ 0.92	\$ 2.72	\$ 2.16
Discontinued operations				
Net income	\$ 1.15	\$ 0.92	\$ 2.72	\$ 2.16
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$ 0.580	\$ 0.575	\$ 1.740	\$ 1.725
AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC (IN MILLIONS)	271.0	249.0	264.6	247.0
AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED (IN MILLIONS)	272.0	250.0	265.8	248.0

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

Table of Contents

## Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(UNAUDITED)

	<i>For the Three Months</i>		<i>For the Nine Months</i>	
	<i>Ended</i>		<i>Ended September 30,</i>	
	<i>September 30,</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>(Millions of Dollars)</i>			
NET INCOME	\$ 312	\$ 231	\$ 722	\$ 536
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES				
Pension plan liability adjustments, net of \$1, \$0, \$3 and \$(3) taxes in 2007 and 2006, respectively	1		4	(4)
Unrealized gains/(losses) on derivatives qualified as cash flow hedges, net of \$0, \$(17), \$3 and \$(57) taxes in 2007 and 2006, respectively		(25)	4	(82)
Less: Reclassification adjustment for losses included in net income, net of \$(7), \$(8), \$(21) and \$(36) taxes in 2007 and 2006, respectively	(11)	(12)	(31)	(52)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES	12	(13)	39	(34)
COMPREHENSIVE INCOME	\$ 324	\$ 218	\$ 761	\$ 502

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

Table of Contents

## Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS EQUITY**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(UNAUDITED)

	Common Stock		Additional	Retained	Treasury Stock		Capital	Accumulated	Total
	Shares	Amount	Paid- In Capital		Earnings	Shares		Amount	
<i>(Millions of Dollars/Except Share Data)</i>									
BALANCE AS OF DECEMBER 31, 2005	245,286,058	\$ 27	\$ 2,768	\$ 5,605	23,210,700	\$ (1,001)	\$ (55)	\$ (34)	\$ 7,310
Net income				181					181
Common stock dividends				(141)					(141)
Issuance of common shares dividend reinvestment and employee stock plans	456,347		24						24
Stock options			(23)	35					12
Other comprehensive loss								(24)	(24)
BALANCE AS OF MARCH 31, 2006	245,742,405	\$ 27	\$ 2,769	\$ 5,680	23,210,700	\$ (1,001)	\$ (55)	\$ (58)	\$ 7,362
Net income				124					124
Common stock dividends				(142)					(142)
Issuance of common shares dividend reinvestment and employee stock plans	491,822		28						28
Other comprehensive income								3	3
BALANCE AS OF JUNE 30, 2006	246,234,227	\$ 27	\$ 2,797	\$ 5,662	23,210,700	\$ (1,001)	\$ (55)	\$ (55)	\$ 7,375
Net income				231					231
Common stock dividends				(143)					(143)
Issuance of common shares public offering	9,715,000	1	449				(3)		447
Issuance of common shares dividend reinvestment and employee stock plans	633,357		31						31
Other comprehensive loss								(13)	(13)
BALANCE AS OF SEPTEMBER 30, 2006	256,582,584	\$ 28	\$ 3,277	\$ 5,750	23,210,700	\$ (1,001)	\$ (58)	\$ (68)	\$ 7,928
BALANCE AS OF DECEMBER 31, 2006	257,456,303	\$ 28	\$ 3,314	\$ 5,804	23,210,700	\$ (1,001)	\$ (58)	\$ (83)	\$ 8,004
Net income				256					256
Common stock dividends				(150)					(150)
Issuance of common shares dividend reinvestment and employee stock plans	1,327,669		61						61
Other comprehensive income								36	36
BALANCE AS OF MARCH 31, 2007	258,783,972	\$ 28	\$ 3,375	\$ 5,910	23,210,700	\$ (1,001)	\$ (58)	\$ (47)	\$ 8,207
Net income				154					154
Common stock dividends				(156)					(156)
Issuance of common shares public offering	11,000,000	1	559				(2)		558
Issuance of common shares dividend reinvestment and employee stock plans	1,089,068		52						52
Other comprehensive loss								(9)	(9)
BALANCE AS OF JUNE 30, 2007	270,873,040	\$ 29	\$ 3,986	\$ 5,908	23,210,700	\$ (1,001)	\$ (60)	\$ (56)	\$ 8,806
Net income				312					312
Common stock dividends				(158)					(158)
Issuance of common shares dividend reinvestment and employee stock plans	375,262		18						18
Other comprehensive income								12	12
BALANCE AS OF SEPTEMBER 30, 2007	271,248,302	\$ 29	\$ 4,004	\$ 6,062	23,210,700	\$ (1,001)	\$ (60)	\$ (44)	\$ 8,990



Table of Contents

## Consolidated Edison, Inc.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(UNAUDITED)

	<i>For the Nine Months Ended September 30,</i>	
	<u>2007</u>	<u>2006</u>
	<i>(Millions of Dollars)</i>	
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 722	\$ 536
<b>PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME</b>		
Depreciation and amortization	501	460
Deferred income taxes	285	299
Rate case amortization and accruals	(236)	(187)
Net transmission and distribution reconciliation	(138)	(80)
Common equity component of allowance for funds used during construction	(5)	(3)
Prepaid pension costs (net of capitalized amounts)	121	(41)
Net derivative losses	(67)	67
Other non-cash items (net)	58	59
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Accounts receivable - customers, less allowance for uncollectibles	(114)	216
Materials and supplies, including fuel oil and gas in storage	2	(33)
Other receivables and other current assets	179	(276)
Prepayments	(189)	(73)
Recoverable energy costs	63	116
Accounts payable	(24)	(300)
Pensions and retiree benefits	(164)	35
Accrued taxes	19	(44)
Accrued interest	12	40
Deferred charges, noncurrent assets and other regulatory assets	(331)	(163)
Deferred credits and other regulatory liabilities	191	46
Other assets	(7)	14
Other liabilities	49	(42)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>927</b>	<b>646</b>
<b>INVESTING ACTIVITIES</b>		
Utility construction expenditures (excluding capitalized support costs of \$(47) and \$(33) in 2007 and 2006, respectively)	(1,357)	(1,307)
Cost of removal less salvage	(125)	(126)
Non-utility construction expenditures	(4)	(4)
Common equity component of allowance for funds used during construction	5	3
Restricted cash	1	(4)
Proceeds from sale of properties	30	60
Proceeds from sale of Con Edison Communications		39
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(1,450)</b>	<b>(1,339)</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from/(payments of) short-term debt	233	(324)

Edgar Filing: CONSOLIDATED EDISON CO OF NEW YORK INC - Form 10-Q

Retirement of long-term debt	(357)	(110)
Issuance of long-term debt	525	1,200
Issuance of common stock	660	485
Debt issuance costs	(5)	(10)
Common stock dividends	(435)	(395)
NET CASH FLOWS FROM FINANCING ACTIVITIES	621	846
<b>CASH AND TEMPORARY CASH INVESTMENTS:</b>		
NET CHANGE FOR THE PERIOD	98	153
BALANCE AT BEGINNING OF PERIOD	94	81
BALANCE AT END OF PERIOD	\$ 192	\$ 234
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ 369	\$ 324
Income taxes	\$ 75	\$ 171

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



Table of Contents

## Consolidated Edison Company of New York, Inc.

**CONSOLIDATED BALANCE SHEET****(UNAUDITED)**

	<i>September 30, 2007</i>	<i>December 31, 2006</i>
	<i>(Millions of Dollars)</i>	
<b>ASSETS</b>		
UTILITY PLANT, AT ORIGINAL COST		
Electric	\$ 14,762	\$ 13,872
Gas	2,952	2,848
Steam	1,733	1,691
General	1,552	1,510
TOTAL	20,999	19,921
Less: Accumulated depreciation	4,313	4,173
Net	16,686	15,748
Construction work in progress	888	832
NET UTILITY PLANT	17,574	16,580
NON-UTILITY PROPERTY		
Non-utility property, less accumulated depreciation of \$19 and \$17 in 2007 and 2006, respectively	12	15
NET PLANT	17,586	16,595
CURRENT ASSETS		
Cash and temporary cash investments	66	47
Accounts receivable - customers, less allowance for uncollectible accounts of \$42 and \$40 in 2007 and 2006, respectively	765	716
Other receivables, less allowance for uncollectible accounts of \$4 and \$3 in 2007 and 2006, respectively	272	365
Accounts receivable from affiliated companies	45	138
Fuel oil, at average cost	52	47
Gas in storage, at average cost	204	193
Materials and supplies, at average cost	130	126
Prepayments	288	84
Fair value of derivative assets	3	
Recoverable energy costs	192	213
Deferred derivative losses	169	213
Other current assets	3	14
TOTAL CURRENT ASSETS	2,189	2,156
INVESTMENTS		
	100	91
DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS		
Regulatory assets	3,772	3,764
Other deferred charges and noncurrent assets	344	210
TOTAL DEFERRED CHARGES, REGULATORY ASSETS AND NONCURRENT ASSETS	4,116	3,974
TOTAL ASSETS	\$ 23,991	\$ 22,816

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

Table of Contents

## Consolidated Edison Company of New York, Inc.

**CONSOLIDATED BALANCE SHEET****(UNAUDITED)**

	<i>September 30, 2007</i>	<i>December 31, 2006</i>
	<i>(Millions of Dollars)</i>	
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Common shareholder s equity (See Statement of Common Shareholder s Equity)	\$ 7,918	\$ 7,132
Preferred stock	213	213
Long-term debt	7,169	6,925
<b>TOTAL CAPITALIZATION</b>	<b>15,300</b>	<b>14,270</b>
<b>NONCURRENT LIABILITIES</b>		
Obligations under capital leases	23	26
Provision for injuries and damages	155	148
Pensions and retiree benefits	423	449
Superfund and other environmental costs	278	243
Uncertain income taxes	142	
Asset retirement obligations	116	96
Fair value of derivative liabilities	27	35
Other noncurrent liabilities	76	72
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,240</b>	<b>1,069</b>
<b>CURRENT LIABILITIES</b>		
Long-term debt due within one year	610	330
Accounts payable	840	866
Accounts payable to affiliated companies	12	14
Customer deposits	229	214
Accrued taxes	73	118
Accrued interest	128	121
Accrued wages	83	71
Fair value of derivative liabilities	95	193
Deferred derivative gains	2	5
Deferred income taxes - recoverable energy costs	78	87
Other current liabilities	207	233
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,357</b>	<b>2,252</b>
<b>DEFERRED CREDITS AND REGULATORY LIABILITIES</b>		
Deferred income taxes and investment tax credits	3,932	3,682
Regulatory liabilities	1,144	1,524
Other deferred credits	18	19
<b>TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES</b>	<b>5,094</b>	<b>5,225</b>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 23,991</b>	<b>\$ 22,816</b>

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

Table of Contents

## Consolidated Edison Company of New York, Inc.

**CONSOLIDATED INCOME STATEMENT****(UNAUDITED)**

	<i>For the Three Months Ended September 30,</i>		<i>For the Nine Months Ended September 30,</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>(Millions of Dollars)</i>			
<b>OPERATING REVENUES</b>				
Electric	\$ 2,272	\$ 2,273	\$ 5,646	\$ 5,449
Gas	204	185	1,316	1,238
Steam	102	104	525	485
<b>TOTAL OPERATING REVENUES</b>	<b>2,578</b>	<b>2,562</b>	<b>7,487</b>	<b>7,172</b>
<b>OPERATING EXPENSES</b>				
Purchased power	922	982	2,291	2,400
Fuel	125	135	460	429
Gas purchased for resale	88	84	738	712
Other operations and maintenance	463	477	1,326	1,215
Depreciation and amortization	150	136	442	404
Taxes, other than income taxes	326	310	941	891
Income taxes	108	117	305	285
<b>TOTAL OPERATING EXPENSES</b>	<b>2,182</b>	<b>2,241</b>	<b>6,503</b>	<b>6,336</b>
<b>OPERATING INCOME</b>	<b>396</b>	<b>321</b>	<b>984</b>	<b>836</b>
<b>OTHER INCOME (DEDUCTIONS)</b>				
Investment and other income	6	7	30	21
Allowance for equity funds used during construction	2	2	6	3
Other deductions	(3)	(3)	(10)	(9)
Income taxes	1	10	1	12
<b>TOTAL OTHER INCOME (DEDUCTIONS)</b>	<b>6</b>	<b>16</b>	<b>27</b>	<b>27</b>
<b>INTEREST EXPENSE</b>				
Interest on long-term debt	108	100	317	285
Other interest	9	37	32	56
Allowance for borrowed funds used during construction	(2)	(2)	(6)	(3)
<b>NET INTEREST EXPENSE</b>	<b>115</b>	<b>135</b>	<b>343</b>	<b>338</b>
<b>NET INCOME</b>	<b>287</b>	<b>202</b>	<b>668</b>	<b>525</b>
PREFERRED STOCK DIVIDEND REQUIREMENTS	3	3	9	8
<b>NET INCOME FOR COMMON STOCK</b>	<b>\$ 284</b>	<b>\$ 199</b>	<b>\$ 659</b>	<b>\$ 517</b>

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

Table of Contents

## Consolidated Edison Company of New York, Inc.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****(UNAUDITED)**

	<i>For the Three Months Ended September 30,</i>		<i>For the Nine Months Ended September 30,</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>(Millions of Dollars)</i>			
NET INCOME	\$ 287	\$ 202	\$ 668	\$ 525
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Pension plan liability adjustments, net of \$(3) taxes in 2006				(4)
Unrealized losses on derivatives qualified as cash flow hedges, net of \$(1) taxes in 2006				(1)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAXES				(5)
COMPREHENSIVE INCOME	\$ 287	\$ 202	\$ 668	\$ 520

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

15

Table of Contents**Consolidated Edison Company of New York, Inc.****CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER S EQUITY****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006****(UNAUDITED)**

	<i>Common Stock</i>	<i>Additional</i>	<i>Retained</i>	<i>Repurchased</i>	<i>Capital</i>	<i>Accumulated</i>		
	<i>Shares</i>	<i>Amount</i>	<i>Capital</i>	<i>Earnings</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	<i>Total</i>
			<i>In</i>					
			<i>Capital</i>	<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Other</i>	
			<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	
			<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	
			<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	
			<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	
			<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	
			<i>Earnings</i>	<i>Edison</i>	<i>Stock</i>	<i>Expense</i>	<i>Loss</i>	
BALANCE AS OF DECEMBER 31, 2005	235,488,094	\$ 589	\$ 1,802	\$ 5,074	\$ (962)	\$ (55)	\$ (11)	\$ 6,437
Net income				205				205
Common stock dividend to parent				(113)				(113)
Cumulative preferred dividends				(3)				(3)
Other comprehensive loss							(5)	(5)
BALANCE AS OF MARCH 31, 2006	235,488,094	\$ 589	\$ 1,802	\$ 5,163	\$ (962)	\$ (55)	\$ (16)	\$ 6,521
Net income				119				119
Common stock dividend to parent				(115)				(115)
Cumulative preferred dividends				(3)				(3)
BALANCE AS OF JUNE 30, 2006	235,488,094	\$ 589	\$ 1,802	\$ 5,164	\$ (962)	\$ (55)	\$ (16)	\$ 6,522
Net income				202				202
Common stock dividend to parent				(109)				(109)
Capital contribution by parent			450			(3)		447
Cumulative preferred dividends				(3)				(3)
BALANCE AS OF SEPTEMBER 30, 2006	235,488,094	\$ 589	\$ 2,252	\$ 5,254	\$ (962)	\$ (58)	\$ (16)	\$ 7,059
BALANCE AS OF DECEMBER 31, 2006	235,488,094	\$ 589	\$ 2,252	\$ 5,320	\$ (962)	\$ (58)	\$ (9)	\$ 7,132
Net income				239				239
Common stock dividend to parent				(131)				(131)
Cumulative preferred dividends				(3)				(3)
BALANCE AS OF MARCH 31, 2007	235,488,094	\$ 589	\$ 2,252	\$ 5,425	\$ (962)	\$ (58)	\$ (9)	\$ 7,237
Net income				142				142
Common stock dividend to parent				(131)				(131)
Capital contribution by parent								