

CONSOLIDATED EDISON INC
Form 10-K
February 22, 2008
Table of Contents

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, 2007

OR

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

For the transition period from _____ to _____

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

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

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Consolidated Edison Company of New York, Inc.

Cumulative Preferred Stock, 4.65% Series D (\$100 par value)

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	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Con Edison Company of New York, Inc. (Con Edison of New York)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

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	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Con Edison of New York	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Con Edison of New York	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Table of Contents

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 accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Con Edison Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Con Edison of New York Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

Con Edison	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Con Edison of New York	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

The aggregate market value of the common equity of Con Edison held by non-affiliates of Con Edison, as of June 30, 2007, was approximately \$11.7 billion.

As of January 31, 2008, Con Edison had outstanding 272,139,105 Common Shares (\$.10 par value).

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

Documents Incorporated By Reference

Portions of Con Edison's definitive proxy statement and Con Edison of New York's definitive information statement, for their respective Annual Meetings of Stockholders to be held on May 19, 2008, to be filed with the Commission pursuant to Regulation 14A and Regulation 14C, respectively, not later than 120 days after December 31, 2007, 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. (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	
ITEM 1. <u>Business</u>	6
<u>Con Edison</u>	7
<u>Con Edison of New York</u>	9
ITEM 1A. <u>Risk Factors</u>	
<u>Con Edison</u>	18
<u>Con Edison of New York</u>	18
ITEM 1B. <u>Unresolved Staff Comments</u>	18
<u>Con Edison</u>	18
<u>Con Edison of New York</u>	18
ITEM 2. <u>Properties</u>	18
<u>Con Edison</u>	18
<u>Con Edison of New York</u>	18
<u>O&R</u>	18
ITEM 3. <u>Legal Proceedings</u>	19
<u>Con Edison</u>	19
<u>Con Edison of New York</u>	19
ITEM 4. <u>Submission of Matters to a Vote of Security Holders</u>	23
<u>Executive Officers of the Registrant</u>	23
<u>Con Edison</u>	
<u>Con Edison of New York</u>	
PART II	
ITEM 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	25
<u>Con Edison</u>	25
<u>Con Edison of New York</u>	26
ITEM 6. <u>Selected Financial Data</u>	27
<u>Con Edison</u>	27
<u>Con Edison of New York</u>	27
ITEM 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
<u>Con Edison</u>	
<u>Con Edison of New York</u>	
ITEM 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	59
<u>Con Edison</u>	
<u>Con Edison of New York</u>	
ITEM 8. <u>Financial Statements and Supplementary Data</u>	60
<u>Con Edison</u>	
<u>Con Edison of New York</u>	
ITEM 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	124
<u>Con Edison</u>	124
<u>Con Edison of New York</u>	124
ITEM 9A. <u>Controls and Procedures</u>	124
ITEM 9A(T). <u>Controls and Procedures</u>	124
ITEM 9B. <u>Other Information</u>	124
PART III	
ITEM 10. <u>Directors, Executive Officers and Corporate Governance</u>	125
ITEM 11. <u>Executive Compensation</u>	125
ITEM 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	125
ITEM 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	125
ITEM 14. <u>Principal Accounting Fees and Services</u>	125
PART IV	
ITEM 15. <u>Exhibits and Financial Statement Schedules</u>	
<u>Signatures</u>	127

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

ALJs	Administrative Law Judges
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
CO₂	Carbon dioxide
CO₂O	Committee of Sponsoring Organizations 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
ERRP	East River Repowering Project
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation No.
Fitch	Fitch Ratings
FSP	FASB Staff Position
GHG	Greenhouse gases
kV	Kilovolts

Table of Contents

Other

kWh	Kilowatt-hour
LIFO	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
SO₂	Sulfur dioxide
SSCM	Simplified service cost method
Superfund	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes
VaR	Value-at-Risk
VIE	Variable interest entity

Table of Contents**PART I****ITEM 1. BUSINESS**

CONTENTS OF ITEM 1		PAGE
Incorporation By Reference		7
Available Information		7
Con Edison	Corporate Overview	7
	Operating Segments	7
	Con Edison of New York	7
	O&R	7
	Competitive Energy Businesses	7
	Regulation	8
	Competition	9
	Capital Requirements and Financing	9
	State Anti-takeover Law	9
	Employees	9
Con Edison		
of New York	Corporate Overview	9
	Operating Segments	9
	Electric Operations	9
	Gas Operations	10
	Steam Operations	11
	Regulation	11
	Competition	11
	Capital Requirements and Financing	12
	Environmental Matters	12
Operating		
Statistics	Con Edison of New York	14
	O&R	16

Table of Contents

Incorporation by Reference

Information in other Items 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 this Item 1 the information to which such reference is made.

Available Information

Con Edison and Con Edison of New York 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 Con Edison of New York) 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 Con Edison of New York'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.

Con Edison

Corporate Overview

Consolidated Edison, Inc. (Con Edison), incorporated in New York State in 1997, owns all of the outstanding common stock of Consolidated Edison Company of New York, Inc. (Con Edison of New York) and Orange and Rockland Utilities, Inc. (O&R). Con Edison of New York and O&R, which are regulated utilities, are referred to in this report as the "Utilities." As used in this report, the term the "Companies" refers to Con Edison and Con Edison of New York. Con Edison has no significant business operations other than those of the Utilities and Con Edison's competitive energy businesses. See "Corporate Overview" in Item 7.

Operating Segments

Con Edison's principal business segments are Con Edison of New York's regulated electric, gas and steam utility segments, O&R's regulated electric and gas utility segments and Con Edison's competitive energy businesses. For a discussion of operating revenues and operating income for each segment, see "Results of Operations" in Item 7. For additional segment information see Note N to the financial statements in Item 8.

Con Edison of New York

For information about Con Edison of New York, see below in this Item 1.

O&R

O&R, a subsidiary of Con Edison, has two wholly-owned utility subsidiaries, Rockland Electric Company (RECO), a New Jersey corporation, and Pike County Light & Power Company (Pike), a Pennsylvania corporation.

O&R and its utility subsidiaries provide electric service in southeastern New York and in adjacent areas of northern New Jersey and eastern Pennsylvania, an approximately 1,350 square mile service area. They also provide gas service in southeastern New York

and adjacent areas of eastern Pennsylvania. O&R's business is subject to regulation by the New York State Public Service Commission (PSC), the New Jersey Board of Public Utilities (NJBPU), the Pennsylvania Public Utility Commission (PPUC) and the Federal Energy Regulatory Commission (FERC). Changes in regulation or legislation applicable to O&R could have a material adverse effect on the company's financial position, results of operations or liquidity. O&R's principal business segments are its regulated electric and gas utility businesses. In 2007, electric and gas operating revenues were 71 percent and 29 percent, respectively, of its operating revenues. See "O&R Operating Statistics" below.

Competitive Energy Businesses

Con Edison pursues competitive energy opportunities through three wholly owned subsidiaries: Consolidated Edison Development, Inc. (Con Edison Development), Consolidated Edison Energy, Inc. (Con Edison Energy) and Consolidated Edison Solutions, Inc. (Con Edison Solutions).

Con Edison Development owns, leases or operates energy and infrastructure projects, principally in the United States. Substantially all of its electric generation facilities are located in New England and the PJM Interconnection (PJM) markets. See Item 2 for information about the company's generating capacity. In December 2007, Con Edison Development and its subsidiary, CED/SCS Newington, LLC, agreed to sell their ownership interests in power generating projects with an aggregate capacity

Table of Contents

of approximately 1,706 megawatts. See Note U to the financial statements in Item 8. Con Edison Development sells capacity and energy in wholesale markets administered by independent system operators in New England, New York and PJM. The company also sells capacity and energy to other utilities through its affiliate Con Edison Energy by participating in auctions for basic generation service or other wholesale supply transactions. These markets have developed significantly as states have opened their wholesale markets to competition.

Con Edison Development has investments in two Lease In/ Lease Out (LILo) transactions see Note J to the financial statements in Item 8. These leases involve gas distribution and electric generating facilities in the Netherlands. Additionally, Con Edison Development has invested in tax-advantaged leases under Section 42 of the Internal Revenue Code. See Affordable Housing Program in Note H to the financial statements in Item 8.

Con Edison Energy markets the electric production of Con Edison Development's generation facilities and manages the fuel supply for those facilities. It also supplies electricity to wholesale customers, procures electricity for Con Edison Solutions, and offers plant optimization services to generation facilities in the northeastern United States.

Con Edison Solutions was reported by KEMA consulting in August 2007, as the ninth largest non-residential retail electricity provider in the United States. The company primarily sells electricity to industrial and large commercial customers and also to residential customers in the northeastern United States. At December 31, 2007, it served approximately 48,300 customers, not including approximately 176,000 served under two aggregation agreements in Massachusetts. Con Edison Solutions sold 12.2 million MWhs of electricity in 2007, a 15 percent increase over 2006 volumes.

Con Edison Solutions seeks to serve customers in utility service territories that encourage retail competition through transparent pricing, purchase of receivables or utility-sponsored customer acquisition programs. The company currently sells electricity in the service territories of 35 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 2007 was 3,400 MWs. Most of the sales volumes were contracted by customers in New York, with essentially all of the remainder in New England and the Mid-Atlantic States. Con Edison Solutions entered the retail electricity supply market in Texas in 2006 and Illinois in 2007 but volumes remain small.

Con Edison Solutions offers the choice of green power to customers. In 2007 it sold approximately 130,000 MWhs of green power, ending the year with almost 13,000 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 based primarily on the increased energy efficiency of installed equipment over a multi-year period. Con Edison Solutions has won competitive solicitations for energy savings contracts with the Department of Energy, the Department of Defense and a shared energy savings contract with the United States Postal Service.

The competitive energy businesses' generating capacity owned or leased, sales and customers were as follows:

	2007	2006	2005	2004	2003
Generating capacity (MW)	1,739	1,668	1,668	1,668	1,668
Generation sold (MWH)	3,558,302	3,154,988	3,602,727	3,397,007	2,064,259
Wholesale electricity sales (MWH)	8,046,474	6,548,658	1,288,696	1,907,302	2,000,000
Retail electric volumes sold (MWH)	12,209,233	10,633,151	9,970,252	6,943,299	6,002,126
Number of retail customers accounts:					
Industrial and large commercial	14,335*	10,957*	5,775*	3,913	3,469
Mass market	33,979	31,725	24,989	24,242	26,738

* Excludes aggregation agreement customers.

Regulation

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The Utilities are subject to extensive federal and state regulation, including by state utility commissions and the FERC. Con Edison, itself, is not subject to such regulation except to the extent that the rules or orders of these agencies impose restrictions on relationships between Con Edison and the Utilities. The North American Electric Reliability Corporation has been granted authority by the FERC to set bulk system reliability standards and impose penalties upon utilities for violations of those standards. See Regulation in the discussion below of Con Edison of New York's business in this Item 1.

Table of Contents

Con Edison has been and is expected to continue to be impacted by legislative and regulatory developments. The Utilities are subject to extensive regulation in New York, New Jersey and Pennsylvania. Changes in regulation or legislation applicable to Con Edison's subsidiaries could have a material adverse effect on the Companies. See **Regulatory Matters** in Item 7.

Competition

See **Competition**, below in the discussion of the businesses of Con Edison of New York in this Item 1. 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.

Capital Requirements and Financing

For information about Con Edison's capital requirements, financing and securities ratings, see **Liquidity and Capital Resources**, **Capital Resources** and **Capital Requirements** and **Financial and Commodity Market Risks** in Item 7.

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.

Employees

Con Edison has no employees other than those of Con Edison of New York, O&R and Con Edison's competitive energy businesses (which at December 31, 2007 had 13,877, 1,051 and 286, employees, respectively). The collective bargaining agreements covering most of the employees of Con Edison of New York and O&R expire in June 2008 and June 2009, respectively.

Con Edison of New York

Corporate Overview

Con Edison of New York, incorporated in New York State in 1884, is a subsidiary of Con Edison and has no significant subsidiaries of its own. Con Edison of New York provides electric service 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. It also provides gas service in Manhattan, the Bronx and parts of Queens and Westchester, and steam service in parts of Manhattan.

Operating Segments

Con Edison of New York's principal business segments are its regulated electric, gas and steam businesses. In 2007, electric, gas and steam operating revenues were 75 percent, 18 percent and 7 percent, respectively, of its operating revenues. 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 Sales. Electric operating revenues were \$7.4 billion in 2007 or 75 percent of Con Edison of New York's operating revenues. The percentages were 76 and 75 percent, respectively, in the two preceding years. In 2007, 43 percent of the electricity delivered by Con Edison of New York in its service area was sold by the company to its full-service customers, 37 percent was sold by other suppliers, including Con Edison Solutions, a competitive energy business of Con Edison, to Con Edison of New York's customers under its electric retail access program and the balance was delivered to the state and municipal customers of the New

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York Power Authority (NYPA) and the economic development customers of municipal electric agencies. The company charges its cost for the electricity it sells to full-service customers, and it charges all customers in its service area for the delivery of electricity.

For additional information about electricity sales, see Con Edison of New York Operating Statistics, below, and Results of Operations in Item 7.

Electric Peak Demand. The electric peak demand in Con Edison of New York's service area occurs during the summer air conditioning season. The 2007 service area peak demand, which occurred on August 8, 2007, was 12,807 thousand kilowatts (MW). The 2007 peak demand included an estimated 6,004 MW for Con Edison of New York's full-service customers, 4,817 MW for customers participating in its electric retail access program and 1,986 MW for NYPA's customers and municipal electric agency customers. The New York Independent System Operator (NYISO) did not invoke demand reduction programs on August 8, 2007, as it had on peak demand days in 2006 and 2005. 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 Con Edison of New York forecasted peak demand at design conditions does include the impact of permanent demand reduction programs. The company estimates that, under design weather conditions, the 2008 service area peak demand will be 13,775 MW, including an estimated 6,430 MW for its full-service customers, 5,375 MW for its electric retail

Table of Contents

access customers and 1,970 MW for NYPA's customers and municipal electric agency customers.

Electric Supply. Most of the electricity sold by Con Edison of New York to its customers in 2007 was purchased under firm power contracts or through the wholesale electricity market administered by the NYISO.

The company plans to meet its continuing obligation to supply electricity to its customers with electric energy purchased under contracts with non-utility generators (NUGs) or others, purchased through the NYISO's wholesale electricity or generated from its electric generating facilities.

For additional information about electric power purchases, see **Electric Power Requirements** in Item 7 and **Recoverable Energy Costs** in Note A to the financial statements in Item 8.

For information about the company's contracts with NUGs for approximately 3,576 MW of electric generating capacity, see Note I to the financial statements in Item 8.

For information about the company's current 704 MW of electric generating capacity, see Item 2.

In 2002, the Governor of New York set a goal of having 25 percent of the electricity used in New York provided by renewable resources by 2013. In September 2004, the PSC issued an order, which provides that by 2013, 23.5 percent of the State's energy needs would come from large renewable facilities such as wind, hydro, and biomass, 1 percent would come from green marketing efforts, and the remaining 0.5 percent is expected to come from on-site generation, limited to solar, fuel cells, and wind farms less than 300 kW in size. The PSC 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. NYSEDA is expected to enter into long-term agreements with developers that will pay renewable premiums to finance the construction of renewable projects. The renewable premiums plus NYSEDA's administrative fee are financed through a volumetric wires charge imposed on the delivery customers of each of the state's utilities. Pursuant to the PSC order, Con Edison and Con Edison of New York billed customers renewable portfolio standard surcharges of \$23 million and \$21 million in 2007, respectively, and \$12 million and \$11 million in 2006, respectively. These surcharges may increase as NYSEDA increases its renewables commitments.

New York Independent System Operator. 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 Con Edison of New York, as an integrated system and administers wholesale markets for electricity in New York State. Pursuant to a requirement that is set annually by the New York State Reliability Council (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 above the expected peak demand for their customers. NYSRC set the margin at 16.5 percent for the 2007/2008 capability year and, subject to approval by the appropriate regulatory agency at 15.0 percent for the 2008/2009 capability year, which begins May 1, 2008. In addition, the NYISO has determined that entities that serve customers in New York City must have enough New York City-located capacity to cover a substantial percentage of their New York City customer peak demands. Con Edison of New York met the requirements applicable to it in 2007 and expects to meet them in 2008. As transmission owners participating in the NYISO, the Utilities may be required to construct projects that result from the NYISO's FERC-approved planning process.

Gas Operations

Gas Sales. Gas operating revenues in 2007 were \$1.8 billion or 18 percent of Con Edison of New York's operating revenues. The percentages were 17 and 18 percent in the two preceding years. In 2007, 32 percent of the gas delivered by the company in its service area was sold by the company to its full-service (firm and interruptible) customers and 68 percent was sold by other suppliers. For additional information about gas sales, see **Con Edison of New York Operating Statistics**, below, and **Results of Operations** in Item 7.

Gas Requirements and Peak Demand. Firm demand for gas in Con Edison of New York's service area peaks during the winter heating season. The design criteria for the company's gas system assume severe weather conditions, which have not occurred since the 1933-34 winter. Under these criteria, the company estimated that its requirements to deliver gas to firm customers during the November 2007/March 2008 winter heating season would amount to 97,000 mdths (including 55,000 mdths to its firm sales customers and 42,000 mdths to its firm transportation customers). Through January 14, 2008, the company's peak throughput day in this heating season occurred on January 2, 2008, when it delivered 1,176 mdths of gas (including 564 mdths to its firm and interruptible sales customers, 77 mdths to NYPA, 375 mdths to its transportation customers and 160 mdths for use by the company

in generating electricity and steam).

Under its design criteria, the company projects that for the November 2008/March 2009 winter heating season, its requirements for firm gas customers will amount to 98,000 mdths (including 55,700 mdths to firm sales customers and 42,300 mdths to firm transportation customers) and that the peak day requirements for these customers will amount to 1,332 mdths. The company expects to be able to meet these requirements.

Table of Contents

Gas Supply. Con Edison of New York and O&R have established a combined gas supply and capacity portfolio. The combined portfolio is administered by, and related management services are provided by, Con Edison of New York (for itself and as agent for O&R) and costs are allocated between the Utilities in accordance with provisions approved by the PSC. See Note R 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 contracts are for various terms extending to 2012. The Utilities have contracts with interstate pipeline companies for the purchase of firm transportation and storage services. Charges under these contracts are approved by the FERC. The contracts are for various terms extending to 2023. The Utilities are required to pay certain charges under the supply, transportation and storage contracts whether or not the contracted capacity is actually used. These fixed charges amounted to approximately \$199 million in 2007, including \$166 million for Con Edison of New York. See **Liquidity and Capital Resources Contractual Obligations** in Item 7. In addition, the Utilities purchase gas on the spot market and have interruptible gas transportation contracts. See **Recoverable Energy Costs** in Note A to the financial statements in Item 8.

Steam Operations

Steam Sales. Con Edison of New York sells steam in Manhattan south of 96th Street, mostly to large office buildings, apartment houses and hospitals. In 2007, steam operating revenues were \$686 million or 7 percent of the company's operating revenues. The percentages were 7 percent in the two preceding years.

For additional information about Con Edison of New York's steam operations, see **Regulatory Matters** and **Results of Operations** in Item 7, the discussion of Con Edison of New York's steam facilities in Item 2 and **Con Edison of New York Operating Statistics**, below.

Steam Peak Demand and Capacity. Demand for steam in Con Edison of New York's service area peaks during the winter heating season. The one-hour peak demand during the winter of 2007/2008 (through January 31, 2008) occurred on January 3, 2008 when the demand reached 8.4 million pounds (mmlbs) per hour. The company's estimate for the winter of 2008/2009 peak demand of its steam customers is 10.6 mmlbs per hour under design criteria, which assume severe weather.

On December 31, 2007, the steam system had the capability of delivering approximately 13.1 mmlbs of steam per hour and Con Edison of New York estimates that the system will have the capability to deliver this capacity in the 2008/2009 winter.

Steam Supply. Fifty-one percent of the steam sold by Con Edison of New York in 2007 was produced in the company's steam-only generating stations; 34 percent was produced in the company's steam/electric generating stations, where it is first used to generate electricity; and 15 percent was purchased from others. See Item 2 for a discussion of Con Edison of New York's steam facilities.

Regulation

The PSC regulates, among other things, Con Edison of New York's electric, gas and steam rates, the siting of its transmission lines and the issuance of its securities. Certain activities of the company are subject to the jurisdiction of the FERC. In addition, various matters relating to the construction and operation of the company's facilities are subject to regulation by other governmental agencies. Changes in regulation or legislation applicable to the company could have a material adverse effect on the company. For additional information, including information about the company's electric, gas and steam rates, see **Regulatory Matters** in Item 7.

The PSC from time to time conducts generic proceedings to consider issues relating to all electric and gas utilities operating in New York State. Pending proceedings include those relating to utilities exiting the business of selling electric energy and gas at retail (including an examination of utilities' provider of last resort responsibility, the implementation of energy efficiency programs and consumer protections) and addressing any rate disincentives to the promotion of energy efficiency and distributed generation. The company typically is an active participant in such proceedings. The company does not expect that the pending generic proceedings will have a material adverse effect on its financial position, results of operation or liquidity.

Competition

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Con Edison of New York is primarily a wires and pipes energy delivery company that:

- has sold most of its electric generating capacity;
- provides its customers the opportunity to buy electricity and gas from other suppliers;
- purchases substantially all of the electricity and all of the gas it sells to its full-service customers (the cost of which is recovered pursuant to provisions approved by the PSC); and
- provides energy delivery services to customers pursuant to rate provisions approved by the PSC.

See Rate Agreements in Note B and Recoverable Energy Costs in Note A to the financial statements in Item 8.

Competition from suppliers of oil and other sources of energy, including distributed generation (such as fuel cells and micro-turbines) may provide alternatives for Con Edison of New York delivery customers. The company does not consider it

Table of Contents

reasonably likely that another company would be authorized to provide utility delivery service where the company already provides service. Any such other company would need to obtain PSC consent, satisfy applicable local requirements and install facilities to provide the service. A new company would also be subject to extensive ongoing regulation by the PSC.

Capital Requirements and Financing

For information about Con Edison of New York's capital requirements, financing and securities ratings, see [Liquidity and Capital Resources](#), [Capital Resources](#) and [Capital Requirements](#) and [Financial and Commodity Market Risks](#) in Item 7.

Environmental Matters

Hazardous substances, such as asbestos, polychlorinated biphenals (PCBs) and coal tar, have been used or generated in the course of operations of Con Edison of New York and its predecessors and are present at sites and in facilities and equipment they currently or previously owned, including sites at which gas was manufactured or stored. See [Asbestos](#) and [Superfund](#) in the discussion of Con Edison of New York's legal proceedings in Item 3 and Note G to the financial statements in Item 8.

Con Edison of New York's capital expenditures for environmental protection facilities and related studies were \$79 million in 2007 and are estimated to be \$160 million in 2008.

Toxic Substances Control Act. Virtually all electric utilities, including Con Edison of New York, 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 Con Edison of New York'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.

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.

Based on the most recent data (2006) published by the federal Department of Energy, Con Edison estimates that its greenhouse gas emissions constitute approximately 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:

2007	2006	2005	2004	2003
7.0	6.9	8.3	8.1	7.9

The increase in greenhouse gas emissions in 2007, as compared to 2006, reflects primarily increased steam production by Con Edison of New York during colder than normal winter weather and increased electric generation at the Con Edison Development generating projects (which are being sold see Note U to the financial statements in Item 8). Con Edison of New York significantly reduced its greenhouse gas emissions following 2005 when it replaced old generating facilities with its East River Repowering Project. The project, which consists of gas-fueled, combined-cycle combustion turbines, comprises almost 42 percent of the company's 704 MW of electric generating capacity, based on 2007 summer ratings.

The Companies are working to further reduce greenhouse gas emissions. Con Edison of New York minimizes greenhouse gas emissions from its generating plants through the use of oil and gas fuels and cogeneration technologies that reduce emissions per unit of energy output. Also, it has participated for several years in voluntary initiatives with the Environmental Protection Agency 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 reduce greenhouse gas emissions through energy efficiency programs for customers.

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Beginning in 2009, both Con Edison of New York and Con Edison Development will be subject to carbon dioxide emissions regulations being established under the Regional Greenhouse Gas Initiative. The initiative is a cooperative effort by Northeastern and Mid-Atlantic states which will first cap and then reduce

Table of Contents

carbon dioxide emissions resulting from the generation of electricity to a level ten percent below current emissions by 2019. Under this program, affected electric generators will be required to obtain emission allowances to cover their carbon dioxide emissions, which will be available primarily through auctions administered by participating states or a secondary market. New York's proposed schedule is for auctions to begin in 2008 for portions of the 2009 and 2010 allowances.

Several bills have been introduced in Congress that would limit greenhouse gas emissions. Also, New York State has announced a goal to reduce forecast energy usage 15 percent from the levels predicted for 2015, and New York City is aiming to reduce its greenhouse gas emissions 30 percent by 2030.

The cost to comply with legislation, regulations or initiatives limiting the company's greenhouse gas emissions could be substantial.

Operating Statistics

The following tables contain operating statistics for Con Edison of New York and O&R.

Table of Contents**Con Edison of New York****Operating Statistics**

	Year Ended December 31,				
	2007	2006	2005	2004	2003
ELECTRIC ENERGY (MWH)					
Generated	2,888,371	2,785,602	2,261,680	1,441,498	1,077,681
Purchased from others	24,719,391	25,282,216	29,055,402	30,221,137	31,717,254
Total Generated and Purchased	27,607,762	28,067,818	31,317,082	31,662,635	32,794,935
Less: Used by company	174,077	162,449	178,406	168,533	175,965
Distribution losses and other variances	1,294,268	1,028,512	1,794,724	1,623,682	1,893,403
Net Generated and Purchased	26,139,417	26,876,857	29,343,952	29,870,420	30,725,567
Electric Energy Sold					
Residential	12,312,007	12,589,961	13,689,870	12,672,847	12,440,663
Commercial and industrial	12,918,203	13,409,474	15,402,396	16,966,448	18,033,468
Railroads and railways	13,430	13,217	16,847	19,308	18,193
Public authorities	71,008	88,061	234,839	209,699	135,758
Con Edison of New York full service customers	25,314,648	26,100,713	29,343,952	29,868,302	30,628,082
Off-System Sales	824,769	776,144	-	2,118	97,485
Total Electric Energy Sold	26,139,417	26,876,857	29,343,952	29,870,420	30,725,567
Electric Energy Delivered					
Con Edison of New York full service Customers	25,314,648	26,100,713	29,343,952	29,868,302	30,628,082
Delivery service for retail access Customers	21,531,885	19,256,268	16,847,745	14,143,045	12,636,520
Delivery service to NYPA customers and others	10,691,701	10,227,204	10,457,619	10,067,633	9,839,818
Delivery service for municipal agencies	723,201	723,905	720,757	696,041	647,388
Total Deliveries in Franchise Area	58,261,435	56,308,090	57,370,073	54,775,021	53,751,808
Average Annual KWH Use per Residential Customer(a)	4,480	4,613	5,052	4,700	4,622
Average Revenue per KWH Sold (Cents)					
Residential(a)	21.6	20.9	21.1	18.9	19.4
Commercial and Industrial(a)	19.2	18.3	18.6	16.0	16.3

(a) Includes Municipal Agency sales.

Table of Contents**Con Edison of New York****Operating Statistics Continued**

	Year Ended December 31,				
	2007	2006	2005	2004	2003
GAS (DTH)					
Purchased	141,839,604	133,395,510	147,855,203	137,605,722	145,325,065
Storage net change	(1,273,518)	(8,294,717)	(5,041,321)	(1,331,154)	(5,516,703)
Used as boiler fuel at Electric and Steam Stations	(41,256,777)	(38,061,392)	(35,820,239)	(29,435,890)	(27,362,620)
Gas Purchased for Resale	99,309,309	87,039,401	106,993,643	106,838,678	112,445,742
Less: Gas used by the company	144,236	120,626	366,780	364,142	383,312
Off-System Sales, NYPA and other variances	11,843,241	724,748	6,449,725	6,062,145	4,007,592
Distribution losses	3,010,000	2,340,000	2,074,000	2,769,000	4,023,631
Total Gas Purchased for Con Edison of New York Customers	84,311,832	83,854,027	98,103,138	97,643,391	104,031,207
Gas Sold					
Firm Sales					
Residential	42,572,866	40,589,064	48,175,004	48,569,514	51,943,706
General	31,161,746	31,269,464	36,800,299	35,886,544	36,840,304
Total Firm Sales	73,734,612	71,858,528	84,975,303	84,456,058	88,784,010
Interruptible Sales	10,577,220	11,995,499	13,127,835	13,187,333	15,247,197
Total Gas Sold to Con Edison of New York Customers	84,311,832	83,854,027	98,103,138	97,643,391	104,031,207
Transportation of customer-owned gas					
Firm transportation	39,016,610	23,687,707	19,087,650	16,795,124	16,485,309
NYPA	42,084,635	41,057,320	22,305,249	18,622,910	23,360,162
Other	95,260,356	83,687,918	66,667,025	63,306,409	61,575,954
Off-System Sales	2,324,700	691,321	127,696	266,907	459,088
Total Sales and Transportation	262,998,133	232,978,293	206,290,758	196,634,741	205,911,720
Average Revenue per DTH Sold					
Residential	\$ 19.78	\$ 19.24	\$ 16.94	\$ 13.94	\$ 13.02
General	\$ 16.01	\$ 15.07	\$ 13.41	\$ 10.75	\$ 10.23
Steam Sold (Mlb)	25,803,909	23,250,064	26,876,883	26,128,644	26,248,361
Average Revenue per Mlb Sold	\$ 25.33	\$ 25.71	\$ 22.77	\$ 20.34	\$ 19.47
Customers Average for Year					
Electric	3,236,036	3,203,541	3,176,355	3,152,023	3,137,301
Gas	1,060,744	1,058,816	1,054,981	1,053,698	1,053,946
Steam	1,771	1,780	1,796	1,811	1,825

Table of Contents**O&R****Operating Statistics**

	Year Ended December 31,				
	2007	2006	2005	2004	2003
ELECTRIC ENERGY (MWH)					
Total Purchased	4,440,300	4,099,968	4,348,953	4,113,111	4,388,804
Less: Used by company	14,417	13,539	15,068	14,174	15,511
Distribution losses and other(a)	202,100	76,455	38,585	217,043	215,626
Net Purchased	4,223,783	4,009,974	4,295,300	3,881,894	4,157,667
Electric Energy Sold					
Residential	1,912,310	1,802,574	1,904,884	1,729,095	1,769,421
Commercial and industrial	2,191,307	2,093,880	2,276,161	2,045,800	2,276,973
Public authorities	120,166	113,520	114,255	106,999	111,273
Total Electric Energy Sold	4,223,783	4,009,974	4,295,300	3,881,894	4,157,667
Total deliveries to O&R customers	4,223,783	4,009,974	4,295,300	3,881,894	4,157,667
Delivery service for retail access customers	1,687,794	1,765,958	1,835,948	1,860,661	1,454,794
Total Deliveries In Franchise Area	5,911,577	5,775,932	6,131,248	5,742,555	5,612,461
Average Annual KWH Use Per Residential Customer	9,472	8,979	9,657	8,818	8,955
Average Revenue Per KWH Sold (Cents)					
Residential	15.56	13.98	13.34	12.35	12.17
Commercial and Industrial	12.90	11.34	10.90	9.89	9.81

(a) Includes unbilled sales adjustments of 89,331 MWH recorded in March 2005 for 2005, and 22,510 MWH recorded in March 2006 for 2006.

Table of Contents**O&R****Operating Statistics Continued**

	Year Ended December 31,				
	2007	2006	2005	2004	2003
GAS (DTH)					
Purchased	16,412,737	12,582,361	15,329,809	16,105,586	17,658,579
Storage net change	(1,950,963)	409,333	121,547	373,271	1,112,011
Gas Purchased For Resale	14,461,774	12,991,694	15,451,356	16,478,857	18,770,590
Less: Gas used by the company	38,268	37,630	48,410	58,823	52,377
Distribution losses and other variances	937,526	703,676	848,790	1,390,405	1,488,616
Total Gas Purchased For O&R Customers	13,485,980	12,250,388	14,554,156	15,029,629	17,229,597
Gas Sold					
Firm Sales					
Residential	8,768,828	7,758,439	9,306,592	9,486,765	10,810,384
General	2,065,633	1,891,565	2,269,207	2,487,197	3,314,154
Total Firm Sales	10,834,461	9,650,004	11,575,799	11,973,962	14,124,538
Interruptible Sales	2,651,519	2,600,384	2,978,357	3,055,667	3,105,059
Total Gas Sold To O&R Customers	13,485,980	12,250,388	14,554,156	15,029,629	17,229,597
Transportation of customer-owned gas					
Firm transportation	10,248,184	9,058,260	9,840,507	9,930,731	8,497,814
Interruptible transportation	3,330,770	3,255,956	3,480,376	3,940,332	3,728,018
Sales for resale	1,043,864	938,503	1,072,111	1,067,953	1,133,649
Sales to electric generating stations	4,552,473	3,035,695	1,433,891	659,449	2,833,322
Off-System Sales	455,360	371,724	172,458	53,692	373,686
Total Sales and Transportation	33,116,631	28,910,526	30,553,499	30,681,786	33,796,086
Average Revenue Per DTH Sold					
Residential	\$ 17.31	\$ 17.38	\$ 14.07	\$ 11.84	\$ 10.41
General	\$ 16.36	\$ 16.44	\$ 13.37	\$ 11.27	\$ 10.00
Customers Average For Year					
Electric	297,641	295,390	293,245	290,905	288,746
Gas	126,713	125,589	124,591	123,505	122,565

Table of Contents

ITEM 1A. RISK FACTORS **Con Edison**

For information about the risk factors of Con Edison, see Risk Factors in Item 7 (which information is incorporated herein by reference).

Con Edison of New York

For information about the risk factors of Con Edison of New York, see Risk Factors in Item 7 (which information is incorporated herein by reference).

ITEM 1B. UNRESOLVED STAFF COMMENTS **Con Edison**

None.

Con Edison of New York

None.

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).

Con Edison of New York

Electric Facilities

Generating Facilities. Con Edison of New York's electric generating facilities consist of plants located in New York City with an aggregate capacity of 704 MW based on 2007 summer ratings. The company expects to have sufficient amounts of gas and fuel oil available in 2008 for use in these facilities. This includes the company's East River Repowering Project, which commenced commercial operations in April 2005 and is currently supplying electric capacity of 295 MW based on a 2007 summer rating.

Transmission Facilities. Under terms of the NYISO Tariff, Con Edison of New York's transmission facilities are operated under the jurisdiction of the NYISO, except specific underground bulk power facilities which are located predominantly within New York City. See Electric Operations Electric Supply in Item 1 (which information is incorporated herein by reference). At December 31, 2007, Con Edison of New York's transmission system had 428 miles of overhead circuits operating at 138, 230, 345 and 500 kV and 663 miles of underground circuits operating at 138 and 345 kV. There are 267 miles of radial subtransmission circuits operating at 69 kV and above. The company's 38 transmission substations supplied by circuits operated at 69kV and above. The company's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State.

Con Edison of New York has transmission interconnections with Niagara Mohawk, Central Hudson Gas & Electric Corporation, O&R, New York State Electric and Gas Corporation, Connecticut Light and Power Company, Long Island Power Authority, NYPA

and Public Service Electric and Gas Company.

Distribution Facilities. Con Edison of New York owns 58 area distribution substations and various distribution facilities located throughout New York City and Westchester County. At December 31, 2007, the company's distribution system had a transformer capacity of 27,674 MVA, with 36,448 miles of overhead distribution lines and 94,055 miles of underground distribution lines.

Gas Facilities

Natural gas is delivered by pipeline to Con Edison of New York at various points in its service territory and is distributed to customers by the company through an estimated 4,314 miles of mains and 382,286 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 1,230 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 Con Edison of New York.

Steam Facilities

Con Edison of New York generates steam at one steam/electric generating station and five steam-only generating stations and distributes steam to its customers through approximately 105 miles of transmission, distribution, and service piping. Con Edison of New York also has an energy sales agreement for steam and electricity with Brooklyn Navy Yard Cogeneration Partners.

O&R

Electric Transmission and Distribution Facilities

O&R and its utility subsidiaries, RECO and Pike, own, in whole or in part, transmission and distribution facilities which include 593 circuit miles of transmission lines, 14 transmission substations, 62 distribution substations, 99,489 in-service line transformers, 3,643 pole miles of overhead distribution lines and 1,569 miles of underground distribution lines. O&R's transmission system is part of the NYISO system except that portions of RECO's system are located within the transmission area controlled by the Pennsylvania-Jersey-Maryland Independent System Operator.

Gas Facilities

O&R and Pike own their gas distribution systems, which include 1,838 miles of mains. In addition, O&R owns and maintains a gas transmission system, which includes 77 miles of mains.

Table of Contents**Competitive Energy Businesses**

Con Edison Development, a subsidiary of Con Edison owns or leases interests in 1,739 MW of capacity in electric generating facilities, most of which use gas and/or oil as fuel. These interests, the capitalized costs of which at December 31, 2007 amounted to \$778 million (net of accumulated depreciation), are described in the table below. In December 2007, Con Edison Development and its subsidiary, CED/SCS Newington, LLC, agreed to sell their ownership interests in power generating projects with an aggregate capacity of approximately 1,706 megawatts. See Note U to the financial statements in Item 8 (which information is incorporated herein by reference).

Name/Location	Plant Type/ Fuel Used	Off-take		Capacity (MWs)	
		Contract	Power Pool	Aggregate	Constructed
Baseload					
Newington(a)(c)					
Newington, NH ADA	Gas/Oil	Merchant	ISO-NE	525	2002
Ada, MI	Gas	Consumers Power Co. (2026)	East Central Area Reliability Council	29	1984
Total baseload				554	
Intermediate					
GENOR					
Puerto Barrios, Guatemala CEEMI(c)	Oil	Merchant	Central America	42	2001
West Springfield, MA Lakewood(c)	Gas/Oil/Hydro	Merchant	ISO-NE	125	Various
Lakewood, NJ	Gas/Oil	JCPL (2014)	PJM	247	1994
Total intermediate				414	
Peaking					
CEEMI(c)					
West Springfield, MA Ocean Peaking(c)	Gas/Oil	Merchant	ISO-NE	156	Various
Lakewood, NJ Rock Springs(c)	Gas	Merchant	PJM	351	2003
Rising Sun, MD	Gas	Merchant	PJM	352	2003
Total peaking				859	
Total capacity				1,827(b)	

(a) Leased pursuant to a consolidated lease transaction. See Note P to the financial statements in Item 8.

(b) Con Edison Development's interest in these facilities amounts to 1,739 MW.

(c) Assets held for sale at December 31, 2007. See Note U to the financial statements in Item 8.

Con Edison Development has also leased gas distribution and electric generating facilities in the Netherlands in two separate transactions. See Note J to the financial statements in Item 8 (which information is incorporated herein by reference).

ITEM 3. LEGAL PROCEEDINGS
Con Edison

Northeast Utilities

For information about legal proceedings relating to Con Edison's October 1999 agreement to acquire Northeast Utilities, see Note H to the financial statements in Item 8 (which information is incorporated herein by reference).

Lease In/Lease Out Transactions

For information about Con Edison's competitive energy businesses' appeal of a disallowance by the Internal Revenue Service of certain tax losses recognized in connection with the company's lease in/lease out transactions, as to which a trial was held in October 2007, see Note J to the financial statements in Item 8 (which information is incorporated herein by reference).

Con Edison of New York

Power Outage Proceedings

For information about proceedings relating to power outages in 2006, see "Power Outage Proceedings" in Note B to the financial statements in Item 8 (which is incorporated herein by reference).

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.)

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).

Table of Contents**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 at which Con Edison of New York has been asserted to have liability under Superfund include its and its predecessor companies' former manufactured gas sites, its Astoria Site, its Arthur Kill Site, its Flushing Service Center 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, including with respect to its manufactured gas sites, estimated liability accrued for Superfund claims and recovery from customers of site investigation and remediation costs, see Note G to the financial statements in Item 8 (which information is incorporated herein by reference).

Manufactured Gas Sites. Con Edison of New York and its predecessors formerly manufactured gas and maintained storage holders for manufactured gas at sites in New York City and Westchester County (MGP Sites). Many of these sites are now owned by parties other than Con Edison of New York 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 (DEC) is requiring 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 Con Edison of New York 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 2007, investigations have been started for all or portions of 35 MGP Sites, and have been completed at 11 of the sites. Coal tar and/or other manufactured gas production/storage-related environmental contaminants have been detected at 27 MGP Sites, including locations within Manhattan and other parts of New York City and in Westchester County. Remediation has been completed at two sites and portions of eight other sites.

Astoria Site. Con Edison of New York is permitted by the DEC 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 DEC 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 DEC and the New York State Department of Health a report 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 \$18 million.

Arthur Kill Site. Following a September 1998 transformer fire at Con Edison of New York's former Arthur Kill Generating Station, it was determined that oil containing high levels of PCBs was released to the environment during the incident. The company has completed DEC-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 DEC consent order, the company completed a DEC-approved assessment of the nature and extent of the contamination in, and recommended a remediation program for the waterfront area of the station. DEC has selected the remediation program for the waterfront area and the company will implement it pursuant to an additional consent order entered into during 2005. The company estimates that its undiscounted potential liability for the cleanup of PCB contamination at the site will be approximately \$2.9 million.

Flushing Service Center Site. The owner of a former Con Edison of New York service center facility in Flushing, New York, has informed the company that PCB contamination has been detected on a substantial portion of the property, which the owner has remediated, and is redeveloping for residential and commercial use pursuant to the New York Brownfield Cleanup Program administered by the DEC. The property owner has asserted a claim for \$36 million for the costs of investigation and remediation of this site. The Company is negotiating with the property owner to resolve its liability. The DEC has also demanded that the company investigate PCB contamination in the adjacent Flushing River that may have emanated from this site. At this time, the company cannot estimate its liability for the investigation and cleanup of any PCB contamination that may have entered into the Flushing River from the site, but such liability may be substantial.

Other Superfund Sites. Con Edison of New York is a potentially responsible party (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.

Table of Contents

The following table lists each of Con Edison of New York'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 the company's current estimate of its approximate potential liability for investigation, remediation and monitoring and environmental damages at the site or the unpaid share of any payments it is required to make under a settlement agreement resolving its liability for the site.

Site	Location	Start	Court or Agency	Estimated Liability(a)	% of Total(a)
Maxey Flats Nuclear	Morehead, KY	1986	EPA	\$ 111,000	0.8%
Curcio Scrap Metal	Saddle Brook, NJ	1987	EPA	152,000	100%
Metal Bank of America	Philadelphia, PA	1987	EPA	314,000	1.0%
Cortese Landfill	Narrowsburg, NY	1987	EPA	827,000	6.0%
Global Landfill	Old Bridge, NJ	1988	EPA	115,000	0.3%
PCB Treatment, Inc.	Kansas City, KS & MO	1994	EPA	2,000,000	6.1%
Borne Chemical	Elizabeth, NJ	1997	NJDEP	113,000	0.7%

(a) Superfund liability is joint and several. Estimated liability shown is the company's estimate of its anticipated share of the total liability determined pursuant to consent decrees, settlement agreements or otherwise and in light of financial condition of other PRPs.

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

The sites at which O&R has been asserted to have liability under Superfund include its manufactured gas sites, its West Nyack 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. Four of these sites are now owned by parties other than O&R, three of which have been redeveloped by them for residential, commercial or industrial uses. The DEC 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.

O&R has completed remedial investigations at all seven O&R MGP Sites. O&R has completed the remediation at one of its sites; is currently implementing remediation at its Nyack site; and has received DEC's decision regarding the remedial work to be done at another site. Since the latter site is Company-owned and has no off-site impacts, remediation of this site has been deferred, with DEC's concurrence, until approximately 2010.

West Nyack Site. In 1994 and 1997, O&R entered into consent orders with the DEC 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 DEC has required to date. O&R is conducting a supplemental groundwater investigation and an on-site vapor intrusion study that has been requested by the DEC.

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 is 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.

Table of Contents

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 the company's current estimate of its potential liability for investigation, remediation and monitoring and environmental damages at the site.

Site	Location	Start	Court or Agency	Estimated Liability(a)	% of Total(a)
Borne Chemical	Elizabeth, NJ	1997	NJDEP	91,000	1.7%
Clarkstown Landfill	Clarkstown, NY	2003	NYAG	397,000	(b)

(a) Superfund liability is joint and several. Estimated liability shown is the company's estimate of its anticipated share of the total liability determined pursuant to consent decrees, settlement agreements or otherwise and in light of financial condition of other PRPs.

(b) Not ascertainable.

Table of Contents**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

Executive Officers Of The Registrant

The following table sets forth certain information about the executive officers of Con Edison and Con Edison of New York as of February 15, 2008. As indicated, certain of the executive officers are executive officers of each of Con Edison and Con Edison of New York and others are executive officers of Con Edison or Con Edison of New York. 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, 2008. 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 Con Edison of New York		
Kevin Burke	57	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 Con Edison of New York 9/05 to 2/06 President, Chief Executive Officer and Director of Con Edison and Chief Executive Officer and Trustee of Con Edison of New York 9/00 to 8/05 President of Con Edison of New York
Louis L. Rana	59	9/05 to present President of Con Edison of New York 2/03 to 8/05 Senior Vice President Electric Operations 10/01 to 1/03 Vice President Manhattan Electric Operations
Robert Hoglund	46	9/05 to present Senior Vice President and Chief Financial Officer of Con Edison and Con Edison of New York 4/04 to 8/05 Senior Vice President of Finance of Con Edison and Con Edison of New York 6/04 to present Chief Financial Officer and Controller of O&R 4/97 to 3/04 Managing Director, Citigroup Global Markets Inc. and predecessors
Frances A. Resheske	47	2/02 to present Senior Vice President Public Affairs of Con Edison of New York
JoAnn Ryan	50	7/06 to present Senior Vice President Business Shared Services of Con Edison of New York 3/01 to 6/06 President and CEO, Con Edison Solutions
Luther Tai	59	7/06 to present Senior Vice President Enterprise Shared Services of Con Edison of New York 9/01 to 6/06 Senior Vice President Central Services of Con Edison of New York
Charles E. McTiernan, Jr.	63	1/03 to present General Counsel of Con Edison and Con Edison of New York
Gurudatta Nadkarni	42	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

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		6/01 to 12/04	Senior Project Manager of Strategic Business Development, Duke Energy Corporation
Joseph P. Oates	46	7/07 to present	Vice President Energy Management of Con Edison of New York
		4/04 to present	Vice President and Treasurer of Con Edison and Con Edison of New York
		1/04 to 04/04	Vice President of Con Edison of New York
		11/02 to 01/04	Vice President Bronx and Westchester of Con Edison of New York
		7/01 to 11/02	Vice President Energy Management of Con Edison of New York
Edward J. Rasmussen	59	12/00 to present	Vice President and Controller of Con Edison and Con Edison of New York
		12/00 to 12/03	Vice President, Controller and Chief Financial Officer of O&R
Executive Officers of Con Edison but not Con Edison of New York			
John D. McMahon	56	1/03 to present	President and Chief Executive Officer of O&R

Table of Contents

Name	Age	Offices and Positions During Past Five Years	
Executive Officers of Con Edison of New York but not Con Edison			
(All offices and positions listed are with Con Edison of New York)			
Marilyn Caselli	53	5/05 to present	Senior Vice President Customer Operations
		8/98 to 4/05	Vice President Customer Operations
Mary Jane McCartney	59	10/93 to present	Senior Vice President Gas Operations
John F. Miksad	48	9/05 to present	Senior Vice President Electric Operations
		2/03 to 8/05	Vice President Manhattan Electric Operations
		1/00 to 1/03	Chief Engineer Distribution Engineering
William G. Longhi	54	12/06 to present	Senior Vice President Central Operations
		09/01 to 11/06	Vice President System and Transmission Operations

Table of Contents**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, 2008, there were 72,783 holders of record of Con Edison's Common Shares.

The market price range for Con Edison's Common Shares during 2007 and 2006, as reported in the consolidated reporting system, and the dividends paid by Con Edison in 2007 and 2006 were as follows:

	2007			2006		
	High	Low	Paid	High	Low	Paid
1 st Quarter	\$ 51.40	\$ 47.19	\$ 0.58	\$ 47.52	\$ 43.35	\$ 0.575
2 nd Quarter	\$ 52.90	\$ 44.68	\$ 0.58	\$ 44.99	\$ 41.17	\$ 0.575
3 rd Quarter	\$ 48.57	\$ 43.10	\$ 0.58	\$ 47.45	\$ 44.25	\$ 0.575
4 th Quarter	\$ 50.51	\$ 44.57	\$ 0.58	\$ 49.28	\$ 46.04	\$ 0.575

On January 24, 2008, Con Edison's Board of Directors declared a quarterly dividend of 58.5 cents per Common Share. The first quarter 2008 dividend will be paid on March 15, 2008.

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 2007, the market price of Con Edison's Common Shares increased by 1.6 percent (from \$48.07 at year-end 2006 to \$48.85 at year-end 2007). By comparison, the S&P 500 Index and the S&P Utilities Index increased 3.5 percent and 15.8 percent, respectively. The total return to Con Edison's common shareholders during 2007, including both price appreciation and reinvestment of dividends, was 6.6 percent. By comparison, the total returns for the S&P 500 Index and the S&P Utilities Index were 5.5 percent and 19.4 percent, respectively. For the five-year period 2003 through 2007, Con Edison's shareholders' total average annual return was 8.1 percent, compared with total average annual returns for the S&P 500 Index and the S&P Utilities Index of 12.8 percent and 21.5 percent, respectively.

Company / Index	Years Ending					
	2002	2003	2004	2005	2006	2007
Consolidated Edison, Inc.	100	106.13	113.84	126.76	138.22	147.39
S&P 500 Index	100	128.68	142.69	149.70		