

Letter from the Chairman

To Our Stakeholders:

Our sustainability strategy balances the needs of our stakeholders, our commitment to investing in communities and protecting the environment, and the long-term health of our company.

Our primary mission is providing safe, reliable, clean, and efficient energy to meet the needs of the nearly 10 million people living in our service area. We are responsible for powering one of the most vibrant regions in the world, and our electric-delivery system is the most reliable in the country. We are gaining new customers and cleaning the air as New Yorkers convert from fuel oils to cleaner-burning natural gas. More than 150,000 customers are taking advantage of energy-saving upgrades thanks to rebates and incentives offered through our energy-efficiency programs. Last year our competitive energy businesses invested \$465 million in renewable energy projects, and we are now the fifth largest solar producer in North America.

We demonstrate our commitment to our communities through philanthropy and volunteerism. Our Power of Giving program supports nearly 1,000 nonprofit organizations whose work strengthens communities and improves lives. Our employees find time outside of the workday to clean parks, cool roofs, and mentor children.

We have made measurable progress toward a cleaner environment. In addition to investing in solar power installations, we have cut our own carbon footprint in half in the last decade and are committing to an even lower target for SF₆ emissions. By incorporating cleaner fuel capability at our steam generating stations and increasing the number of alternative fuel vehicles in our company fleet, we will continue our pursuit of even further reductions.

Our company's solid footing helped us through the unprecedented devastation brought by Superstorm Sandy. The storm's fierce winds and historic tides ravaged our region, our people, and our systems. The men and women of Con Edison worked tirelessly throughout to restore service, some leaving their own damaged homes. Despite all we endured, the company had its safest year on record.

The lessons from Sandy are defining our future. We must be a part of critical discussions with government agencies, business and hospital communities, builders, environmentalists, and all stakeholders to determine how we as a region can protect ourselves from increasingly frequent severe weather.

To meet future challenges, we will continue to work on improving relationships with the communities we serve, minimizing our environmental impact, and strengthening our company. We will rely on our employees who know our business best to identify new and innovative ways to make Con Edison even more sustainable.

This report outlines the strides we are making toward preparing for the future, so that we can continue to provide reliable, world-class service to our customers, and protect the environment for the well being of our company and everyone we serve.

Executive Summary



Con Edison provides energy services for ten million New Yorkers

Con Edison, Inc. (CEI) is one of the nation's largest investor-owned energy companies, with over \$12 billion in annual revenues and \$41 billion in assets. The principal business segments of Con Edison, Inc. are Consolidated Edison Company of New York, Inc. (CECONY) with regulated electric, gas, and steam utility activities in the five boroughs of New York City and Westchester County; Orange & Rockland Utilities (O&R) with regulated electric and gas utility activities in southeastern New York and northeastern Pennsylvania, and electricity in northern New Jersey; and Con Edison's competitive energy businesses, Con Edison Solutions (CES), Con Edison Development (CED), and Con Edison Energy (CEE).

From our early history lighting gas lamps to today's cutting edge electric vehicle and smart-grid technologies, Con Edison has powered New York for nearly 190 years. A population of nearly ten million across New York City and Westchester County depend on us to provide safe, reliable, and affordable energy to light and warm their homes, run their businesses, and help the region grow.

This report outlines our sustainability strategy which will strengthen CEI and help us prepare for the challenges ahead, so that we can thrive and grow as a company for the next 190 years and beyond. The strategy is focused on three areas—environmental stewardship, supporting our communities, and expanding our economic value as a company.

In 2012, we experienced challenges associated with the expiration of the Collective Bargaining Agreement with Local 1-2 of the Utility Workers Union of America and Superstorm Sandy, our largest storm to-date which left well over one million of our customers without power in late October. We overcame these challenges and are proud of our many achievements throughout the year, especially in the areas of safety performance, strategic partnerships, environmental performance, and the vitality of our business as a whole.

Sustainability at Con Edison

Our sustainability strategy is aligned with the company's strategic goals focusing on the development of projects that affect the triple bottom line—responsibility for our communities, our environment, and our financial strength. The strategy outlines our vision of providing our customers and the public with efficient, clean and sustainable energy and modeling green behavior internally. To do this, we have defined six principles which state that Con Edison will:

- Model green behavior internally
- Promote green behavior to external stakeholders
- Innovate to meet customer preferences for a green lifestyle

- Partner with governments to shape policies and standards consistent with its sustainability vision
- Develop infrastructure to advance the use and delivery of value-creating clean energy alternatives
- Incorporate environmental and societal values in its decision making

These six principles are supported by 14 goals and 35 initiatives, which recognize the importance of balancing economic, environmental, and social responsibility to ensure long-term success. In 2012, we made significant strides in the pursuit of excellence in each of these areas including but not limited to achieving strong results in our safety performance, implementing our new finance and supply chain system, growing our strategic giving and volunteer programs, and confirming our commitment to mitigating our carbon footprint.

Working Safely

We are committed to safety and strive to achieve an injury-free workplace. Employees take ownership for their own safety and that of their teammates through a robust safety program and daily communication about the importance of identifying and mitigating hazards. The result of these combined efforts was our best safety performance on record for both regulated utilities, achieving a Con Edison of New York OSHA Incidence Rate of 1.25, surpassing our goal of 2.21 or lower, and an Orange & Rockland OSHA Incidence Rate of 2.80, surpassing our goal of 3.54.

Our safety program is comprised of a number of initiatives to ensure the safety of our employees and the public. We remain committed to integrating public safety considerations in system planning, design work, and system operations. We consistently stress to our employees the importance of proper work area protection to make certain that our employees and the public are protected from potential hazards. We communicate with our customers through bill inserts, email, and through social media on ways that they can stay safe around our equipment and work-sites, as well as in advance a weather event.

Internally, a focus on human performance looks at how certain behaviors or actions can result in errors. We provide the training, and promote open communication and a questioning attitude, adhering to procedures, site and self checks, and job briefings to help reduce the likelihood of those errors. At Con Edison of New York, we focused in 2012 on situational awareness, ergonomics, and job planning:

- Having strong situational awareness with a questioning attitude will allow us to work safely, be responsible stewards of the environment, and avoid costly mistakes. To enhance ones situational awareness, we encourage employees to remain alert to their surroundings at all times, draw on their experience, training, and skills to evaluate every task. We promote speaking openly, asking questions, and remaining flexible to changing working conditions. Through this continued focus and consistent communications using our (THINK)(ASK)(PLAN) communication campaign, we saw positive results with a 45 percent reduction in injuries with a lack of situational awareness as a root cause from 2011 to 2012.
- A focus on ergonomic stressors such as task repetition, lifting, awkward postures and contact stress has also yielded significant results. Through increased training and on-site evaluations, we experienced 50 percent fewer ergonomics-related injuries in 2012 than we did in 2011.
- A Job Safety Analysis (JSA) identifies the potential hazards associated with each step of a particular job or task, steps to eliminate or reduce them, and specify controls needed to perform the job or task safely. The JSA program grew significantly in 2012 with the expansion of a company-wide electronic library making the JSAs easily accessible to all employees and providing models for future JSA development. In 2012, the efforts of the JSA program yielded a 33 percent reduction in injuries with job planning as a root cause.

Along with our programming, we also rely on our employees to identify ways that we can improve safety, and many of them in 2012 took it upon themselves to innovative new ways to make their work safer. One such example was the development of a cable cutting-head holder developed by a cross-functional team in Con Edison of New York's Electric Operations organization. The team recognized that the improvised tool being used created a number of challenges and worked to design a new tool which is easy to use and can be deployed quickly. This was just one of a number of projects which our employees developed in 2012 to help keep our employees and the public safe while getting our work done.

Engaging Stakeholders

Supporting our communities is critical to the success of our business and a founding principle of sustainability. We recognize that our customers demand reliability, and we were greatly challenged in 2012 between heat waves in the summer and the impacts of Superstorm Sandy. We are dedicated to providing world-class service and reliability to our customers and spend significant time planning and preparing for events such as these in order to achieve that goal. This planning allows us to not only maintain a strong system but also to respond quickly and effectively when events occur. It's that kind of preparation and efficient response that led the Edison Electric Institute (EEI) to name Con Edison of New York and Orange and Rockland among the winners of its 2012 Emergency Recovery Award, for exemplary restoration response to Superstorm Sandy.

Along with providing reliable service to customers, we are also focused on helping them to conserve through energy-efficiency and demand management programs. These programs are truly sustainable, helping our customers to reduce costs, their carbon footprint, and the peak demand, keeping critical equipment from overloading on the hottest days of the summer. In 2012, Con Edison of New York helped our customers conserve 692,000 MWh and 436,000 dekatherms through our energy efficiency and targeted demand-side management programs the equivalent of taking more than 40,600 cars off the road. Since 2009, Orange and Rockland has helped their customers to save approximately 35,000 MWh and 37,000 dekatherms. The company is also supporting customer oil-to-gas conversions, lowering their bills and their carbon footprint. In 2012, we completed over 800 conversions throughout the Con Edison of New York and Orange and Rockland territories, switching customers from the use of heavy fuel oils to cleaner burning natural gas.

Our efforts to modernize the grid are also helping our customers. Through 2012, Con Edison installed more than 13,000 sensors and transmitters on underground transformers, nearly 4,000 new communicating system meters, and 580 remote-controlled switches along with four smart-grid demonstrations. Con Edison of New York and Orange & Rockland have both supported the ability for customers to install energy generation on-site. Over 190 MW of distributed generation has been installed throughout the service territories of both companies, providing our customers with the opportunity to better understand and control their usage and integrate their own renewable energy if desired.

Along with working to support our customers, we are dedicated to contributing to and maintaining the social, cultural, and economic vitality of our service area. In 2012, through our strategic partnerships, we supported more than 1,000 nonprofit organizations whose programs illustrate our dedication to healthy and sustainable communities. That support comes from nearly \$8 million in charitable funding as well as the dedication of our employees' time through our strong and loyal volunteer corps and employee participation on nonprofit governing boards, partnerships, and collaborations.

An understanding of sustainability stresses the importance of supporting our workforce as well. We recognize that our most important resource is our people. In 2012, we were challenged with the expiration of the Collective Bargaining Agreement with Local 1-2 of the Utility workers Union of America. However, this challenge did not overshadow our 2012 focus on promoting the health and safety of our employees, as well as making progress with engaging employees in our ongoing cultural evolution. Throughout the year we introduced new initiatives and improved upon existing programs to strengthen our cultural imperatives of cost management, engendering openness, fairness and trust, and enhancing stakeholder relationships. We recognize that cultural transformation will not happen quickly, but we continue to focus on signs of progress and examples of success.

Regarding the Environment

We are committed to minimizing our impact to, and enhancing, the environment in which we work. Similar to our safety performance, 2012 was a top year in terms of our environmental performance. Reducing our emissions continues to be a focus. Our direct emissions come primarily from the combustion of fossil fuels at our steam and cogeneration stations as well as leaks from equipment containing SF6, our gas distribution system, and the emissions from our fleet. We have established programs to reduce our emissions in each of these areas including:

- The expansion of gas burning capability at our steam generating stations
- An extensive leak-detection and equipment-replacement program to reduce emissions of SF6
- A pipe-replacement program on our gas system
- A fleet-replacement program with a focus on purchase of hybrid and CNG vehicles

We set a goal to reduce our direct emissions by more than 40 percent of 2005 levels by 2020; in 2012, we continued to surpass that goal reaching a total 45-percent reduction. These emissions are verified and reported as required to the EPA as well as voluntarily to organizations such as the Carbon Disclosure Project and The Climate Registry.

Conservation is a key priority for us, and the wise and effective use of natural resources is one of our five key environment, health and safety objectives. In 2012, the company reduced our energy use at major company facilities from 2011 levels by 6.3 percent for electricity and 7.0 percent for natural gas. Our municipal water consumption was over 3,600 million gallons, 96 percent of which goes to our steam generation. We continue to look for ways to protect our waterways through the efforts of our Water Vulnerability study and Spill Management Team. Along with protecting the waterways, we also look to protect the land our business impacts. We have made substantial investments in investigating, and, when necessary, remediating sites where our operations have historically impacted land. In our transmission corridors, our vegetation management plan helps to ensure the upkeep of the land throughout our service territory. Finally, while our focus is on the conservation of resources, we also stress the importance of recycling our waste. In 2012, we recycled 90 percent of the non-hazardous waste generated, with our largest material streams recycled at Con Edison of New York being clean construction fill (36,931 tons) and metal (8,382 tons).

Our competitive businesses have a positive impact on the environment through the development of clean energy. In 2012, Con Edison Development tripled its portfolio of solar generation assets, bringing on 120 MW of new generation and making them the fifth largest solar project owner in North America. Con Edison Solutions promotes the development of clean energy through their Green Power Green-e certified product, offering customers 100 percent renewable energy. In 2012, total deliveries of Green Power were 265,000 megawatt hours.

Finally, we acknowledge that in order to make lasting impacts on the environment, we must be a part of the policy conversation at all levels. New York State has created a number of programs designed to achieve the clean energy goals contained in the Renewable Portfolio Standard (RPS), Energy Efficiency Portfolio Standard (EEPS), Systems Benefit Charge (SBC), and Regional Greenhouse Gas Initiative (RGGI) policies. These programs are supported by collections from electric and natural gas customers of Con Edison. The company has an interest in evaluating these programs to make sure benefits are being delivered to our customers in the most cost-effective manner possible.

Our Business

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

The company's Enterprise Risk Management (ERM) program was established to identify, assess, manage, and monitor its major operations and administrative risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. Significant risks are discussed with the Board of Directors and its committees throughout the year.

Our ability to address these risks is supported by a rigorous auditing program to confirm regulatory compliance, that proper procedural requirements are correctly implemented, and to gather information that can help drive continuing improvement.

As energy demand increases, we continue to enhance our infrastructure. Our electric grid is built to meet peak demand, which could grow by about 20 percent over the next 20 years. Con Edison of New York plans to invest an average of \$1.7 billion per year in its electric, gas, and steam infrastructure over the next 20 years, totaling \$33.7 billion in 2012 dollars. Orange & Rockland plans to invest approximately \$130 million per year in its electric and gas infrastructure over the same time period, totaling \$2.5 billion in 2012 dollars. At the same time, our competitive businesses will continue to encourage clean energy development through the sale of Green Power and the development of solar projects in the United States. This means customers will have a reliable grid and the ability to use clean energy to power their needs.

Moving Forward

As we look toward 2013 and beyond, we will use our successes and lessons learned in 2012 to drive continued improvement for all our stakeholders. Our commitment to excellence in all areas of our business, steered by our long range plan and our sustainability strategy, will ensure that our business continues to provide shareholders a fair

return while providing our customers the reliability they need, supporting our local communities, protecting the environment, keeping our employees and the public safe, and identifying ways that we can continue to innovate and modernize our business to better achieve our company's mission.

Company Profile



The clock tower atop Consolidated Edison, Inc.'s headquarters has been a distinctive part of Manhattan's skyline for decades.

Consolidated Edison, Inc.

Con Edison, Inc. (CEI) is one of the nation's largest investor-owned energy companies, with over \$12 billion in annual revenues and \$41 billion in assets. The principal business segments of Con Edison, Inc. are Consolidated Edison Company of New York, Inc. (CECONY) with regulated electric, gas, and steam utility activities; Orange & Rockland Utilities (O&R) with regulated electric and gas utility activities; and Con Edison's competitive-energy businesses. Con Edison, Inc. is headquartered in New York City with virtually all its revenues generated in the United States. Con Edison, Inc. is traded on the New York Stock Exchange, ticker symbol ED.

Con Edison's competitive-energy businesses participate in segments of the electricity industry that include electric generation from renewable sources, trading of electricity and fuel, sales of electricity to wholesale and retail customers, and sales of certain energy-related goods and services. For more information, please visit the CEI website, conEdison.com.

Consolidated Edison Company of New York, Inc.



Con Edison of New York's service territory

Consolidated Edison Company of New York is CEI's largest subsidiary. It is a regulated utility providing electric service throughout New York City (except for a small area of Queens) and most of Westchester County. As of 2012, 74 percent of the company's 3.3 million electric customers are served from an underground electric-distribution system. Con Edison of New York also provides natural gas service in Manhattan, the Bronx, and parts of Queens and Westchester.

Con Edison of New York operates one of the world's largest steam distribution systems, providing service for Manhattan south of 96th Street. Steam is used year-round, for heat and hot water in the winter, and for air-conditioning in the summer.

Overall, Con Edison of New York serves a population of nearly 10 million and 50 million annual visitors to New York City, throughout a service territory covering 660 square miles. Selected information on the scale of Con Edison of New York operations is provided in the following table. For more information visit the Con Edison of New York website, conEd.com.

Sector	Element	Scale
Electricity		
Transmission & Distribution	Underground cable (in miles)	96,907
	Overhead lines (in miles)	36,825
	Transmission lines (in miles)	438
Deliveries	Peak demand in 2012 (in megawatts)	12,836
	Total delivered in 2012 (million kilowatt hours)	57,201
Customers	Approximate number of customer services	3,300,000
Revenue	Total revenue in 2012 (in millions)	\$8,176
Natural Gas		
Distribution	Mains (in miles)	4,360

	Service Lines (in miles)	387,881
Deliveries	Winter peak day distribution (million dekatherms):	941
	Total system throughput (million dekatherms):	116,416
Customers	Approximate number of customer services	1,100,000
Revenue	Total revenue in 2012 (in millions)	\$1,420
Steam		
Supply & Distribution	Winter peak output (million pounds per hour)	8.1
	Net station capacity (million pounds per hour)	10.0
	Total steam supplied (million pounds)	19,741
	Miles of mains and services	105
Revenue	Total revenue in 2011 (in millions)	\$596

Orange and Rockland Utilities, Inc.



Orange and Rockland's service territory

Orange and Rockland (O&R) is a wholly owned CEI-regulated subsidiary, headquartered in Pearl River, New York, that delivers both electricity and natural gas in southeastern New York and northeastern Pennsylvania, and electricity in northern New Jersey. Within its tri-state service territory, Orange and Rockland provides service to a population of roughly 740,000 in a service territory of approximately 1,350 square miles. Selected Orange and Rockland characteristics are presented in the table below. For more information, visit the Orange and Rockland website, oru.com.

Sector	Element	Scale
Electricity		
Transmission & Distribution	Underground distribution cable (in miles)	1,794

	Overhead distribution lines (in miles)	3,781
	Transmission lines (in miles)	555
Deliveries	Peak demand in 2012 (in megawatts)	1,617
	Total delivered in 2012 (in M kWh)	5,731
Customers	Approximate number of customer services	300,000
Revenue	Total revenue in 2012 (in millions)	\$592

Natural Gas

Distribution	Mains (in miles)	1,854
Deliveries	Winter peak day distribution 2012 (in MDTH)	179
	Total system throughput 2012 (in MDTH)	23,900
Customers	Total	100,000 (approx.)
Revenue	Total revenue in 2012 (in millions)	\$203

Consolidated Edison Solutions, Inc.

Con Edison Solutions is a leading energy-services company that provides competitive power supply, renewable energy, sustainability services, cost-effective energy-efficiency solutions, and performance contracting services for commercial, industrial, residential, and government customers nationwide. The company is based in Valhalla, New York, with offices in Burlington, Massachusetts; Cherry Hill, New Jersey; Chicago, Illinois; Falls Church, Virginia; Houston, Texas; Tampa, Florida; and Overland Park, Kansas. The company offers innovative products, financial stability, and a commitment to customer service. The firm's dedicated team of energy professionals delivers a broad range of energy solutions. Con Edison Solutions offers programs and services designed to help customers achieve their individual energy objectives. It is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

Con Edison Solutions serves retail electric commodity customers in New York, New Jersey, Massachusetts, Connecticut, New Hampshire, Maryland, Delaware, Pennsylvania, Texas, Illinois, Maine, Rhode Island, and the District of Columbia, and retail gas commodity customers in New York. For more information, visit the Con Edison Solutions website, conedsolutions.com.

Consolidated Edison Development, Inc.

Con Edison Development (CED) is a CEI subsidiary functioning as an independent developer, builder, and operator of energy infrastructure projects with a primary, but not exclusive, focus on grid-connected utility-scale solar facilities located in North America. The company's investments include: ownership interests in solar energy projects in California, New Jersey, Pennsylvania, and Massachusetts, with an aggregate capacity of 158 MW; a gas storage corporation, an investment in an affordable-housing partnership and leasehold interests in a gas-fired plant, and a gas-distribution network in the Netherlands. Currently, Con Edison Development has more than 200 MW of solar photovoltaic projects in various stages of development. For more information, visit the Con Edison Development website, coneddev.com.

Con Edison Energy, Inc.

Con Edison Energy (CEE) manages the output and fuel requirements for over 7,300 MW of third-party generating plants in the northeastern United States. The company also provides wholesale hedging and risk management services to CES and CED. In addition, the company sells electricity to utilities in the northeastern United States, primarily under indexed price contracts, which they use to supply their full-service customers. For more information, visit the CEE website, conedenergy.com.

EH&S Policy



We strive for environmental, health and safety excellence in all that we do.

Con Edison strives for excellence in its environmental, health and safety (EH&S) performance, and incorporates these aspects into the business and operational decision-making process. All employees are held accountable for knowing the corporate environmental, health and safety requirements that apply to their assigned tasks, and for using the information in planning and completing their work.

In support of this policy, Con Edison has developed the following five key EH&S objectives:

- Improve safety performance by strengthening our management system to foster a positive and sustainable safety culture
- Strengthen EH&S compliance by advancing programs and processes to enhance awareness, raise accountability, and share best practices
- Enhance relationships with stakeholders by building trust through proactive communication and collaboration
- Identify and reduce significant EH&S risk potential by incorporating risk-management into business-decision-making to prevent emerging issues and other EH&S challenges from becoming problems
- Promote the wise and effective use of natural resources by integrating the company's sustainability strategy into our business plans and operations to identify best practices and designs, resulting in predictable and continuing improvements

EH&S Policy

Principles of The Way We Work

Our corporate Code of Conduct is based on our corporate values: service, honesty, concern, courtesy, excellence, and teamwork. We have developed six principles for managing our work and maintaining our corporate values. Since their launch in 2001, these six principles have been, and continue to be, the guiding standards for how we manage our work and how we conduct ourselves. They embody our corporate values and are essential to achieving the level of excellence we want in our corporate culture. Known as The Way We Work, these six principles include:

Plan the Work and Work the Plan

The company's future starts with each of us, and how we plan and manage every task, job, and project. This principle calls for us to think through a plan of action, commit to a timeline, track progress, monitor results throughout the work – not just at the end – and incorporate feedback and any lessons learned in future plans. We plan the work and work the plan in order to manage high standards of safety, quality, efficiency, customer service, and environmental responsibility.

Seek and Accept Responsibility

Seeking and accepting responsibility is about "leadership at all levels," which requires everyone to take initiative and demonstrate ownership and responsibility for all aspects of their work, including safety, quality, cost, and timeliness. This principle calls on us to broaden the view of the work that we do; to always consider the impact of our activities on other business areas, the company as a whole, and our customers. Seeking and accepting responsibility is about stepping up and stepping out of comfort zones, and coaching others who can learn from us. It is about working toward solutions rather than focusing on problems.

Communicate Openly

Communicating openly applies to our individual conversations, group talks, and our companywide communications. It is much more than just providing information; it is a commitment to openness, fairness, and trust, and to helping others understand the reasons behind our decisions. It's about listening to others, questioning and clarifying what we hear, and respectfully challenging each other when we disagree or can offer an alternate view or solution. It's also about being able to state, "I made a mistake," and learning from that experience, in an environment that promotes open dialogue, honest feedback, and a questioning attitude.

Work in Teams

Working in teams is about working together to reach common goals and objectives, such as providing excellent customer service. We recognize our interdependence and that we all share responsibility for our company's success. Through teamwork, we value diversity and recognize the importance of the ideas, opinions, skills, knowledge, and experience of others. We help each other. We share the load and share the credit. Teamwork happens within local work groups, in cross-functional groups, and in our work with customers and other outside stakeholders.

Improve Continuously

Continuous improvement starts by recognizing that individuals are lifetime learners who must work hard to develop new skills, increase knowledge, and vary experiences throughout their careers. Through personal growth and development, we improve the results of our own work and the results of our business. Continuous improvement is also about investing time, effort, and resources now to work more efficiently and effectively in the future. It's learning how to do things safer and more efficiently. We seek out and incorporate feedback and lessons learned into our work. We set clear and high expectations, and help each other to achieve our business goals.

Celebrate Success

Celebrating success is about recognizing and communicating positive results and achievements, and showing the value we place on innovation and creativity. We celebrate success formally and informally, highlighting the behaviors and accomplishments that are consistent with a culture of excellence.

During 2012, Con Edison continued its progress in cultural transformation. Particular emphasis was placed on three cultural imperatives: cost consciousness; openness, fairness, and trust; and enhanced relationships with customers and other external stakeholders.



All employees are responsible for understanding and implementing the environmental, safety, and health requirements that apply to their jobs.

Con Edison has a unified EH&S Management System (EHSMS) to improve our performance and reduce risk. The EHSMS establishes:

Standards

These establish EH&S considerations as an integral part of the company's business practices and hold all employees accountable for knowing those that apply to their work. They also support the five key EH&S objectives that serve as the cornerstone for strategic planning and focus.

Procedures

These comprise written general rules, regulations, specifications and manuals; Corporate EH&S Procedures (CEHSP); General EH&S Instructions (GEHSI); and provisions for monitoring their use and effectiveness. These resources also include specific measures for including environment, health, and safety considerations during planning phases for new work, and recurring tasks.

Training

From formal courses at the company's Learning Center to on-the-job instruction, environment, health, and safety training is an essential component of working safely. Job-title and job-specific training requirements are listed on the company's intranet.

Communications

Open and honest communication builds a dialogue among employees, allows sharing of experiences, and supports creation and maintenance of a safe work environment. Communications include regular safety meetings, publications, intranet resources, monthly videos, and union/management committee meetings.

Risk Management

The EHSMS includes provisions to predict and prevent potential environmental, health, and safety risks. On a corporate level, enterprise-wide risks are identified and evaluated. At the operating level, representatives from EH&S, and operating departments work together to address risks.

Planning, Design, and Operation

Each operating organization is responsible for integrating EH&S considerations into the planning, design, construction, operation, and maintenance of the company's energy-delivery systems and facilities. These considerations are intended to minimize and control potential risks and hazards to employees, the public, and the environment.

Responsibility and Accountability

Both are based on a structured system keyed to the principle that all employees are responsible for understanding and implementing the environmental, safety, and health requirements that apply to their jobs.

Emergency Preparedness and Response

The company has well-defined procedures to mobilize and deploy resources in response to system emergencies, including management of EH&S issues.

Job Site Protection

The EHSMS recognizes the job site set-up and preparation as the front line for safeguarding the environment, employees, and the public. Specific safety measures include job briefings, job safety analysis, equipment preparation and energy-isolation processes, personal protective equipment, and contractor safety programs.

Speaking Openly

This provision presents an array of options for openly expressing concerns about potentially unsafe or hazardous conditions. Every employee can call a Time Out to stop work if a safety, health, or environmental concern arises. All employees have unlimited access to an ethics helpline, corporate ombudsman, and independent monitor to report concerns anonymously.

Performance Monitoring and Improvement

Using structured, established methodologies, EH&S performance is tracked in databases, reports are generated, and trending analysis is used to determine likely causes of problems and identify opportunities for performance improvement.

Auditing

Compliance audit programs provide a comprehensive environment, health, and safety review using ongoing scheduled and unannounced inspections. Management system evaluations are also conducted to evaluate effectiveness throughout the corporation.

System Oversight

In-depth, ongoing monitoring and evaluation is provided by the Environment, Health, and Safety Committee of the Board of Trustees, The Environmental and Safety Review Board, The Environment, Health, and Safety Committee, Corporate Environment, Health and Safety staff, Leadership Team, and field Environment, Health, and Safety personnel.

EH&S Policy

ISO Certification

ISO Standards are developed and managed by the International Organization for Standardization which was created to standardize products, manufacturing processes, and management systems. Certification to the ISO Standards provides stakeholders a means of validating that Con Edison is operating in a safe and reliable manner. Additionally,

ISO Standards provide a framework for continuous improvement throughout the company.

Con Edison of New York holds certifications to the ISO 14001- Environmental Management Standard and the company's ChemLab has recently obtained certification to the ISO 17025-Lab Quality Standard.

EH&S Policy

Accountability & Governance for EH&S



We strive for environmental, health, and safety excellence in all that we do.

The Environment, Health, and Safety Committee of the Board of Directors governs Con Edison, Inc.'s overall EH&S programs. Since its inception in 1995, this committee meets four times per year to review the company's EH&S efforts. Typically, Con Edison's chairman, utility presidents, general counsel, and the EH&S vice president participate in these meetings.

The vice president of EH&S, reporting directly to Con Edison of New York's president, chairs a leadership team which oversees and implements the company's sustainability plan. The team consists of EH&S managers from operating departments, and representatives from a number of business departments. This team is focused on the development of strategic goals that drive the company toward EH&S excellence. The vice president of EH&S, on behalf of the company's chairman, also facilitates a monthly EH&S Committee meeting with Con Edison's senior officers where perspectives and strategy on various topics within environment, health and safety performance, concerns and new initiatives are shared.

As a part of senior management's commitment to EH&S excellence, the following strategic independent oversight functions have been established:

Office of the Corporate Ombudsman – provides employees with an independent office to which they can confidentially refer suspected violations of Con Edison's Code of Conduct, including EH&S requirements, or ethical and legal concerns. The ombudsman and the deputy ombudsman have the authority to either investigate these matters or refer them to appropriate authorities within the company.

Environment and Safety Review Board – Two outside consultants regularly review and report on the company's efforts to achieve EH&S excellence.

Auditing

Con Edison maintains a rigorous auditing program, integrated with environment, health, and safety, to confirm regulatory compliance, that proper procedural requirements are correctly implemented, and also to gather information that can help drive continuing improvement. Both facility operations and company-wide programs (e.g. pollution prevention, right-to-know reporting) undergo periodic systematic audits to determine their compliance with applicable regulations and company procedures, as well as the adequacy of EH&S management systems in use.

EH&S audits are conducted by an EH&S group in Con Edison's Corporate Auditing Department. Under the CEI audit policy, this group audits all facilities and programs. On occasion, subject matter experts from other areas of the company have been used to augment EH&S audit teams. The EH&S Auditing group has developed standard protocols tailored to each area of concern that may be encountered at facilities operated by the company to ensure comprehensive and consistent audits. EH&S audits may cover the following areas as applicable:

Environmental Factors

Compliance

Management systems

PCBs

Asbestos, lead, and mercury

Spill prevention

Air pollution control

Water pollution control

Solid/hazardous waste management

Storage tanks

Leaks and releases

Site remediation

Land use/fish and wildlife

Chemical use approval

Resource use (recycling/pollution prevention)

Health & Safety Factors

Compliance

Management systems

Loss prevention

Personnel safety

Transportation safety

Material/equipment safety

Industrial health and hygiene

Fire safety/emergency evacuation

Employee health and medical issues

The Audit Committee of the Board meets with the company's management, including the General Auditor and the company's independent accountants, several times a year to discuss internal controls and accounting matters, the company's financial statements and the scope and results of the auditing programs of the independent accountants and of Con Edison of New York's internal auditing department. Con Edison also engages in a number of third party audits, a selection of which include its financial reporting, greenhouse gas inventorying, and ISO 14001 certification.

Material Risk Issues

The Failure to Operate Energy Facilities Safely and Reliably Could Adversely Affect the Company

Con Edison provides electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. In such event, the company could be required to pay substantial amounts, which may not be covered by the company's insurance policies, to repair or replace their facilities, compensate others for injury or death or other damage, and settle any proceedings initiated by state utility regulators or other regulatory agencies. The occurrence of such an event could also adversely affect the cost and availability of insurance. Changes to judicial doctrines could further expand the company's liability for service interruptions.

The Failure to Properly Complete Construction Projects Could Adversely Affect the Company

Con Edison's ongoing construction program includes large energy transmission, substation, and distribution system projects. The failure to properly complete these projects timely and effectively could adversely affect the company's ability to meet their customers' growing energy needs with the high level of safety and reliability that they currently provide, which would adversely affect the companies.

The Failure of Processes and Systems and the Performance of Employees and Contractors Could Adversely Affect the Company

Con Edison has developed business processes for operations, customer service, legal compliance, personnel, accounting, planning and other matters. Some of the company's information systems and communications systems have been operating for many years, and may become obsolete. The company is implementing new financial and supply chain enterprise resource planning information systems. The failure of the company's business processes or information or communication systems could adversely affect the company's operations and liquidity and result in substantial liability, higher costs and increased regulatory requirements. The failure by the company's employees or contractors to follow procedures, or their unsafe actions, errors or intentional misconduct, or work stoppages could also adversely affect the company.

The Company Is Extensively Regulated and Is Subject to Penalties

Con Edison's operations require numerous permits, approvals, and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the company for violations of state utility laws, regulations or orders. In addition, the utilities rate plans usually include penalties for failing to meet certain operating standards. FERC has the authority to impose penalties on the utilities and the competitive energy businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. The company may also be subject to penalties from other regulatory agencies. The company may be subject to new laws, regulations, accounting standards or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the companies.

Con Edison's Rate Plans May Not Provide a Reasonable Return

Con Edison rate plans are approved by state utility regulators that limit the rates they can charge their customers. The rates are generally designed for, but do not guarantee, the recovery of the utilities' cost of service (including a return on equity). The company's rate plans can involve complex accounting and other calculations, a mistake in which could have a substantial adverse affect on the company. Rates usually may not be changed during the specified terms of the rate plans other than to recover energy costs and limited other exceptions. The company's actual costs may exceed levels provided for such costs in the rate plans. The company's rate plans usually include penalties for failing to meet certain operating standards. State utility regulators can initiate proceedings to prohibit the company from recovering from their customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred. The company has from time to time entered into settlement agreements to resolve various prudence proceedings.

The Company May Be Adversely Affected By Changes to Its Rate Plans

Con Edison's rate plans typically require action by regulators at their expiration dates, which may include approval of new plans with different provisions. The need to recover from customers increasing costs, taxes, or state-mandated assessments or surcharges could adversely affect the company's opportunity to obtain new rate plans that provide a reasonable rate of return and continue important provisions of current rate plans. The company's current New York electric and gas rate plans include revenue decoupling mechanisms. Their New York electric, gas, and steam rate plans include provisions for the recovery of energy costs and reconciliation of the actual amount of pension and other postretirement, environmental and certain other costs to amounts reflected in rates.

The Company Is Exposed to Risks from the Environmental Consequences of Their Operations

Con Edison is exposed to risks relating to climate change and related matters. Con Edison of New York may also be impacted by regulations requiring reductions in air emissions. In addition, the utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the utilities' operations and are present on properties or in facilities and equipment currently or previously owned by them. Electric and magnetic fields are found wherever electricity is used. The company could be adversely affected if a causal relationship between these fields and adverse health effects were to be established. Negative perceptions about electric and magnetic fields can make it more difficult to construct facilities needed for the companies' operations.

A Disruption in The Wholesale Energy Markets or Failure by an Energy Supplier Could Adversely Affect the Company

Almost all the electricity and gas the utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. Con Edison Energy and Con Edison Solutions also depend on wholesale energy markets to supply electricity to their customers. A disruption in the wholesale energy markets or a failure on the part of the company's energy suppliers or operators of energy delivery systems that connect to the utility's energy facilities could adversely affect the company's ability to meet its customers' energy needs and adversely affect the company.

The Company Has Substantial Unfunded Pension and Other Postretirement Benefit Liabilities

Con Edison has substantial unfunded pension and other postretirement benefit liabilities. The utilities expect to make substantial contributions to their pension and other postretirement benefit plans. Significant declines in the market values of the investments held to fund the pension and other postretirement benefits could trigger substantial funding requirements under governmental regulations.

Con Edison's Ability to Pay Dividends or Interest Depends on Dividends from Its Subsidiaries

Con Edison's ability to pay dividends on its common stock or interest on its external borrowings depends primarily on the dividends and other distributions it receives from its subsidiaries. The dividends that the subsidiaries may pay to Con Edison are limited by the NYSPSC to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis, with certain exceptions.

The Company Requires Access to Capital Markets to Satisfy Funding Requirements

Con Edison estimates that their construction expenditures will exceed \$6 billion over the next three years. The company expects to use internally-generated funds, equity contributions from Con Edison and external borrowings to fund the construction expenditures. The competitive energy businesses are evaluating opportunities to invest in renewable generation and energy-related infrastructure projects that would require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds and the sale of its securities. The company does not expect to need to issue additional common equity in 2012. Changes in financial market conditions or in the companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof.

The Internal Revenue Service Has Disallowed Substantial Tax Deductions Taken by the Company

Con Edison's federal income tax returns reflect certain tax positions with which the Internal Revenue Service does not or may not agree, particularly its tax positions for Con Edison's Lease In / Lease Out transactions and the deduction of the cost of certain repairs to utility plants for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

A Cyber Attack Could Adversely Affect the Company

Con Edison and other operators of critical energy infrastructure may face a heightened risk of cyber attack. In the event of such an attack, the utilities and the competitive energy businesses could have their operations disrupted, financial and other information systems impaired, property damaged and customer information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation and damage to their reputation.

The Company Also Faces Other Risks that Are Beyond Its Control

Con Edison's results of operations can be affected by circumstances or events that are beyond its control. Weather directly influences the demand for electricity, gas, and steam service, and can affect the price of energy commodities. Natural disasters, such as a major storm, heat wave, hurricane, or terrorist attack or related acts of war could damage company facilities. As a provider of essential utility services, the company may experience more severe consequences from attempting to operate during and after such events. In addition, pandemic illness could potentially disrupt the company's employees and contractors from providing essential utility services. Economic conditions can affect customers' demand and ability to pay for service, which could adversely affect the company.

Indian Point

Con Edison currently has a 16-year power purchase agreement (commencing August 2001) with Indian Point for 350MW of the almost 1,300 MW it generates annually. The nuclear facility, which is owned by Entergy Corporation, is up for permit renewal. If the renewal is not approved, it could mean the plant would be closed as early as 2015. The loss of this energy supply source has the potential to impact both reliability and emissions throughout the State of New York and for our customers in the Con Edison service territory.

In November 2012, the NYSPSC directed Con Edison of New York to work with the New York Power Authority (NYPA) to develop a contingency plan to address reliability concerns associated with this potential closure. In February 2013, Con Edison and NYPA submitted their plans, which take into account incremental Con Edison energy-efficiency and demand management programs. The plan provides for the New York transmission owners, subject to required approvals, to begin developing three proposed transmission projects for implementation by 2016. The plan also provides for the issuance by NYPA of a request for proposals for generation and transmission projects that could also be in service by 2016. Under the plan, the New York State Public Service Commission is to designate which projects are authorized to be implemented.

Lease In / Lease Out

In 1997 and 1999, Con Edison Development entered into a transaction in which it leased property and then immediately subleased it back to the lessor (termed Lease In / Lease Out, or LILO transactions). The transactions respectively involve electric generating and gas distribution facilities in the Netherlands. In accordance with the accounting rules for leases, Con Edison is accounting for the two LILO transactions as leveraged leases.

In an audit of Con Edison's tax return for 1997, the IRS disallowed tax losses in connection with the 1997 LILO transaction. In December 2005, Con Edison paid a \$0.3 million income tax deficiency asserted by the IRS for the tax year 1997 with respect to the 1997 LILO transaction. In April 2006, the company paid interest of \$0.2 million associated with the deficiency and commenced an action in the United States Court of Federal Claims, titled Consolidated Edison Company of New York, Inc. v. United States, to obtain a refund of tax and interest. A trial was completed in November 2007. In October 2009, the court issued a decision in favor of the company concluding that the 1997 LILO transaction was, in substance, a true lease that possessed economic substance, the loans relating to

the lease constituted bona fide indebtedness, and the deductions for the 1997 LILo transactions claimed by the company in its 1997 federal income tax return are allowable. In January 2013, the United States Court of Appeals for the Federal Circuit reversed the October 2009 trial court decision and disallowed the tax deductions claimed by the company relating to the 1997 LILo transaction.

Con Edison plans to request the United States Court of Appeals to grant rehearing en banc of the January 2013 decision. As a result of the January 2013 Court of Appeals decision, Con Edison expects to record an estimated charge of between \$150 million and \$170 million (after-tax) in the first quarter of 2013 to reflect the interest on disallowed federal and state income tax deductions and, as required by the accounting rules for leveraged lease transactions, the recalculation of the accounting effect of the LILo transactions. The transactions did not impact earnings in 2012, 2011 or 2010.

In January 2013, to defray interest charges, the company deposited \$447 million with federal and state tax agencies relating primarily to the potential tax liability from these transactions in past tax years and interest thereon. The company estimates (based on current market values) that if it were to negotiate the termination of the transactions, it could receive cash proceeds of approximately \$210 million (pre-tax), which amount could be higher or lower depending on the negotiations.

EH&S Policy

Corporate Key Performance Indicators

Con Edison monitors its performance across a wide range of metrics. In addition to the safety and environmental performance indicators that are discussed in the [Safety Performance](#) and [Environmental Performance](#) sections of this report, Con Edison monitors many company-wide, group-specific and corporate-level performance indicators and metrics throughout its regulated utilities and competitive energy businesses. Some of those indicators include:

Employee development

- Management leadership development
- Employee leadership training completion
- Corporate, women in non-traditional careers, and executive mentoring programs
- Total e-training hours logged
- Employee promotional exam completion
- Employee business competency training completion
- Diversity job fair and recruitment event participation
- Equal employment opportunity case review

Customer focus

- Complaint response and call-answering times
- Customer satisfaction
- Meter-reading cycle
- Storm response
- Energy-efficiency and demand programs

Gas system

- Gas-odor complaint and gas-leak-repair response times
- Oil-to-gas conversions

Steam system

- Operation within normal pressure
- Production-forced outages

Electric system

- Electric network and non-network system availability
- Inspection and preventative maintenance
- Stray voltage testing
- Tree-trimming
- Paper-insulated lead cable replacement
- Transformer installations and circuit breaker retrofits
- Substation upgrades

Competitive energy businesses

- Retail commodity growth and profitability
- New order revenue and net income
- Energy-management net income
- Solar project pipeline development
- Collective renewable-generation development

Other O&M and capital programs and projects

- O&M and capital budgets and clearing
 - Public improvement
 - Aquatic life preservation
 - Work management
 - Resource planning
 - Staffing attrition
 - Cybersecurity
-

Sustainability Strategy



Con Edison of New York delivers energy services in one of the nation's most densely populated urban settings.

Con Edison's sustainability strategy is designed to fulfill our goal of providing our customers and the public with efficient, clean, and sustainable energy, and model green behavior internally. To do this, we have defined six principles which state that Con Edison will:

- Model green behavior internally
- Promote green behavior to external stakeholders
- Innovate to meet customer preferences for a green lifestyle
- Partner with governments to shape policies and standards consistent with its sustainability vision
- Develop infrastructure to advance the use and delivery of value-creating clean energy alternatives
- Incorporate environmental and societal values in its decision-making

Con Edison fosters sustainable business practices by effectively managing corporate programs from an environmental, community, and economic standpoint. In support of our vision, we partner with stakeholders—including customers, community members, public officials, and employees—to support the development and use of programs and projects including, but not limited to, energy-efficient buildings, clean fuels, and renewable energy.

Our work on these types of projects and programs, both internally and externally, is captured as part of a 35-initiative plan. These initiatives are tracked through annual updates. The updates on these initiatives are interwoven throughout this report and are a key to our sustainability at Con Edison. These initiatives are flexible, and a full strategy review will take place in 2013 to remove those that are completed or no longer underway, modify those where conditions require, and identify opportunities to incorporate new initiatives.

Certain metrics have been set for the initiatives in the sustainability strategy. Some of those metrics have been chosen as highlights and can be found throughout this report. This data is also provided on the newly-developed [Data Snapshot](#) page where readers will find a compilation of the key facts, figures and graphs found throughout the report.

Sustainability Strategy

An Integrated Approach to Strengthening Safety Culture

We recognize that the safety of both our employees and the public is paramount to our sustainability program, and Con Edison remains committed to continually improving safety performance. As a measure of progress in achieving this objective, Con Edison of New York has established the vision of an injury-free workplace. A major milestone goal in pursuing that vision is achievement of first-quartile performance among similar utilities by 2014, as measured by the OSHA Incidence Rate. In support of this goal, Con Edison invests in the professional development of its workforce, reinforces safety ownership at all organizational levels through rigorous project design, operating procedures, and analyzes of incident trends to identify improvement opportunities. Important safety concepts are communicated and reinforced through monthly safety meetings, as well via the (THINK)(ASK)(PLAN) communications campaign.

Con Edison's focus on public safety arises from appreciation of the significant impacts its high energy systems can have during operations, maintenance, and construction. Public safety is considered in the earliest stages of design for new electric, gas, and steam systems. As the company modernizes and upgrades existing equipment, and performs routine maintenance activities, detailed procedures and specifications serve as strict guides to achieve quality results in a safe manner. Careful testing and inspection of equipment is performed after work completion to minimize the potential for failures during operation. Further, extensive work area protection requirements are implemented during all phases of work in an effort to keep employees and the public at appropriate distances from potential hazards. These requirements are of critical importance in Con Edison's service territory.

The company also makes use of mass media approaches to communicate useful safety information among customers of its regulated utility companies. Bill inserts and e-mail messaging are distributed in advance of major weather events and to promote customer awareness of various seasonal concerns. In addition, Con Edison of New York and Orange and Rockland websites provide safety information about residential electric and gas use, as well as safety messages about carbon monoxide and operation of generators.

Working toward an injury-free workplace and providing reliable, safe delivery of energy services are principal components of Con Edison's approach to sustainable business.

Integrating Sustainable Solutions

The scope of each sustainability strategy initiative and the business case for long-term efforts is defined as part of a strategic roadmap developed for achieving the operational goals of each project and program. These goals are incorporated into the company's 20-year integrated long-range plan. Additionally, work plans establish a framework for implementing each initiative, setting measurable goals, selecting and training initiative leaders, and charting overall achievement of key milestones on the way to successful completion.

Each initiative is led by a sustainability coordinator, and the company's sustainability strategy relies upon our employees engaging in the sustainability discussion. Our Greening House Ideas program is an electronic suggestion box where any employee can submit an idea and suggest ways to implement the improvement. The ideas are then evaluated for feasibility of application. We look to expand this program in 2013, recognizing that employee engagement is critical to moving our sustainability commitment forward.

Operating Sustainability



Our employees volunteer to plant trees, spruce up parks, and teach kids about nature as part of Con Edison's commitment to protecting natural resources.

Con Edison's sustainability strategy recognizes the importance of balancing economic, environmental, and social responsibility in order to ensure long-term success. This report will highlight strides made in the pursuit of excellence in each of these areas, from the implementation of our new finance and supply chain system, to the growth of our strategic giving and volunteer programs, and our commitment to mitigating our carbon footprint.

Operating sustainably begins with a plan. We recognize the need to implement both mitigation and adaptive solutions to address the challenges of climate change. We know that mitigation efforts may require upfront costs. However, if mitigation efforts are planned and implemented properly, they can also lower costs and reduce risk - measured in both dollars and impact to the environment. Efforts to mitigate climate change not only make good environmental sense, but also good business sense.

Con Edison's climate strategy includes five critical perspectives:

- Integration of climate-change and global-warming principles into our business planning
- Publicly committing to reduce greenhouse gas emissions from company operations
- Expanding our energy-efficiency programs, including customer outreach and education
- Linking the company's carbon footprint to our customers' use of energy, and setting goals to reduce regional emissions
- Advocating for legislation to reduce greenhouse gas emissions that is both proactive and balanced through economy-wide integration

We recognize that the effects of climate change might also include physical damage to Con Edison's facilities and disruption of their operations due to the impact of more frequent and extreme weather events. Such was the case with Superstorm Sandy, which interrupted service to approximately 1.4 million of our customers. While we continue to implement projects to mitigate the impacts of climate change, we have also developed a comprehensive adaptation strategy to upgrade our infrastructure and ensure our ability to better handle similar events. We plan to install stronger flood barriers and more submersible equipment, raise critical equipment, and strategically bring overhead power lines underground. We will install additional state-of-the-art monitoring sensors, switches, and related smart-grid technologies to improve the flexibility of our system. Our long-range investment plan remains focused on keeping our systems reliable and safe for our customers.

Sustainability Strategy

Framing Business Strategy and Priorities

Con Edison's strategy is to deliver reliable energy services and provide a stable foundation for supporting New York's economic future. Con Edison has made gains in improving the energy-efficiency of its own operations and provides customers with resources to become more energy-efficient, both in the way they live at home and in the way they operate their businesses. The company has effective customer outreach programs that provide customers with information about how they can take an active role in reducing their carbon footprint. Con Edison will also broaden customer options for renewable energy, both through Green Power offerings and by helping customers install alternate forms of green-energy generation.

About This Report



Con Edison of New York serves a population of nearly ten million throughout its 660-square-mile service

territory.

Con Edison's approach to sustainability includes providing clear and comprehensive information to stakeholders. The company communicates using the web, media, newsletters, advertising, and other methods, such as social networks like Facebook and Twitter. This sustainability report is part of that communication, and is designed to serve as a transparent view of how Con Edison is working to conduct its business sustainably. The four sections of this report safety, environment, business, and stakeholders represents the focus areas of sustainability that Con Edison integrates into daily operations and long-term business plans. This report addresses these focus areas by presenting key elements of our sustainability strategy, documenting our performance, describing our challenges, and identifying areas for improvement.

Scope of this report

Our report provides information about Con Edison and its subsidiary companies. The greater portion of the information in this document concerns Con Edison's regulated utility companies, Con Edison of New York and Orange and Rockland Utilities. This report complements the company's shareholder [annual report](#).

Sustainability Reporting Guidance

The Global Reporting Initiative (GRI) provides comprehensive guidelines for sustainability reporting that establish a protocol for transparent stakeholder communications regarding business strategy and corporate profile, governance, performance indicators, and more. GRI also includes guidelines intended for specific industries, including the electrical utility industry. Please visit our GRI Index for more information on the guidelines of this report.

Reporting Interval

This report represents Con Edison's performance from January 1, 2012 through December 31, 2012. However, information is also provided about some programs, commitments, and other initiatives that span longer intervals than the 12-month boundary.

Comment on this Report

Thank you for taking the time to learn about Con Edison's commitment to sustainability. We welcome opinions on how we carry out this commitment and on the way in which we report it to stakeholders. If you'd like to comment, please contact:

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Commitment to Safety



The safety of our employees and the public is our first priority. We strive to continuously improve our efforts to recognize and reduce hazards to ensure a safer work environment in all that we do.

Con Edison continued to demonstrate a commitment to safety in 2012 and we had our best year as measured by our Occupational Safety and Health Administration (OSHA) Incidence Rate and number of employees injured. Our safety program elements and communications are developed to support all personnel as they work together to help achieve an injury-free workplace and preserve public safety.

The OSHA Incidence Rate is a federal standard for quantifying work-related injuries and illnesses. In 2009, Con Edison of New York committed to a five-year OSHA Incidence Rate goal of 1.50 or lower by 2014. In 2012, the company surpassed its goal of an OSHA Incidence Rate of 2.21 or lower by achieving a best-ever rate of 1.25. Orange and Rockland achieved an OSHA Incidence Rate of 2.19 in 2012, bettering our goal for the year of 3.54 or lower.

The Way We Work (TWWW) Teaming up to build our safety culture

While 2012 was the lowest OSHA Incidence Rate on record, we recognize that there is still work to be done, as six of our 160 injuries were categorized as a "significant high-hazard." We recognize that we cannot become comfortable with achieving strong OSHA numbers, but must continue to strive for a zero-accident workplace.

In 2012, we continued to focus on the concept of enhancing situational awareness, encouraging our employees to be aware of their surroundings, ask questions, comply with rules, and identify risks and hazards before and during the job. We also began to place a stronger focus on the concept of human performance factors, an approach that many industries, including nuclear power and the military, have used to help reduce their safety incidents. Along with these efforts, we encouraged our employees to complete thorough Job Site Safety Exchanges through two-way dialogue, provided development of professional expertise in the areas of safety and industrial hygiene, and enhanced analysis of accident and incident trends.

At Orange and Rockland, a special safety team made up of union and management employees continues to reinforce a strong safety culture and address the core causes of accidents and injuries. The team has implemented various program elements including field observations and visits by safety team members, ad hoc committees to address specific safety concerns, and truck committees which address the safe operation of larger fleet vehicles.



We strive to achieve an injury-free workplace, and encourage our employees to anticipate hazards so they can be avoided.

While Con Edison employees continuously seek opportunities to use ingenuity to address the hurdles and opportunities in serving our customers, shareholders, and the public safely and reliably, there are a number of programs already in place that lend themselves to continuous improvement. In 2012, we revised or expanded upon a number of established programs and initiatives to achieve the next level of their contribution to the improvement of the company's operations. A selection of them is discussed in this report.

Commitment to Safety

Human Performance Improvement



Our Human Performance Improvement Program aims to reduce incidents caused by avoidable human error.

Through injury trending and analysis, it is apparent that the majority of Con Edison's safety incidents are due to what are referred to as human performance factors, or human error. Human performance evaluates how certain behaviors or actions can result in errors, and how those behaviors and actions can be modified, or barriers added, to prevent errors. We recognize that errors can be avoided by understanding why they occur through the lessons learned from past events. In order to manage human performance, our teams use training, open communication and a questioning attitude, adhering to procedures, site- and self-check, and job briefings.

Human Performance Initiatives in Steam Operations

In 2012, one of our major operating organizations made significant strides in developing a Human Performance Improvement Program, integrating these tools into their existing strategy and communicating to their employees the importance and effectiveness of each. We look to foster an environment where each employee understands, uses, and promotes these tools in order to avoid hurting themselves, fellow employees, or members of the public. In 2013, the Human Performance Improvement Program will be taken company-wide with the establishment of a cross-functional steering team.

Commitment to Safety

Job Safety Analysis

A Job Safety Analysis (JSA) identifies potential hazards, associated with each step of a particular job or task, steps to eliminate or reduce them, and specifies controls needed to perform the job or task safely. They are designed to be utilized during the planning phase of projects and can also be used for job briefings as a means of evaluating each step of the task at hand. Supervisors can use the findings of a JSA to eliminate and prevent hazards in their workplaces.

The JSA program grew significantly in 2012 with the expansion of a company-wide electronic library where JSAs are compiled, making them easily accessible to all employees and providing models for future JSA development. The efforts of the JSA program are yielding results as well, with a 33 percent reduction in injuries where inadequate job planning was a root cause. In 2013 we will continue to drive the completion of additional JSAs, prioritizing development based on the complexity of the task reviewed.

JSA Binders Introduced in Electric Operations

Commitment to Safety

Training Evaluation Continuum



Our state-of-the-art Learning Center offers a full complement of EH&S training courses.

The Learning Center is Con Edison's training, meeting, and conference center in Long Island City, New York. The facility has 35 classrooms, 39 laboratories, a library, auditorium, and cafeteria. The Learning Center offers more than 800 classes, covering technical courses, as well as skills enhancement and leadership development for Con Edison of New York and Orange and Rockland employees.

A full complement of EH&S training courses improve employee understanding of regulations, company policies, procedures, technologies, and operations. During 2012, nearly 12,000 employees received training at The Learning Center. In addition, safety-related training was provided to a number of local external organizations, including the New York City Department of Environmental Protection, the Port Authority of New York, other local utilities, and electrical and gas contractors.

Training coordinators within each organization work with management to determine exactly which training courses each employee should have. Several employees took advantage of the growing number of interactive distance-learning and web-based courses (especially certain annual refresher training courses) accessible through Con Edison's internal training portal and the EH&S Connect website. Formal on-the-job training (OJT) is conducted for employees by each operating department using curricula developed by personnel from The Learning Center, Corporate EH&S, and operating departments. Available OJT courses cover safety considerations for a broad range of company operations.

At Orange and Rockland, the Environmental Health, Safety and Training Department provides safety training covering applicable regulatory standards in cooperation with local management. The department also coordinates safety seminars for public organizations, police academies, fire departments and rescue teams on safe practices when responding to emergencies at electric and gas facilities.

In an ongoing effort to improve the strength of Con Edison's EH&S-specific training, the company formed the Training Evaluation Continuum (TEC) in 2012. The TEC is a holistic review and recommendation process for how EH&S is incorporated into procedures, and how the associated training is developed, delivered, retained, and applied. Each TEC review is performed by a cross-organizational team comprised of corporate subject matter experts, representatives from operating organizations who deal with the topic being reviewed, as well as instructors from the company's Learning Center. The review is essentially a gap analysis where the team sets expectations for what procedures and training for that topic should contain and comparing the existing documents and courses to those expectations. At the conclusion of each review cycle, a final report is completed outlining the recommendations made by the team based on their observations and discussion. The review team also identifies metrics by which successful implementation of the recommendations can be measured. In 2012, a total of nine TEC reviews were completed with recommendations that are being evaluated and implemented throughout 2013.

Hearing Conservation

Federal regulations require that private sector employers develop a hearing conservation program and provide worker protection against the effects of noise exposure when sound levels exceed a certain level over an eight-hour period. Con Edison provides its employees guidance on identifying noise hazards, performing noise monitoring, controlling noise, selecting hearing protection, and employee training and record-keeping.

During 2012, Con Edison used exposure data gathered in the prior two years to re-assess our employee population for inclusion in the Hearing Conservation Program. This involved reviewing the exposures of all employees by section and title, developing a roster of over-exposed employees, and categorizing employee noise exposure. Understanding which employees are at-risk for hearing loss permits us to focus time and resources on protecting and monitoring our most susceptible employees.

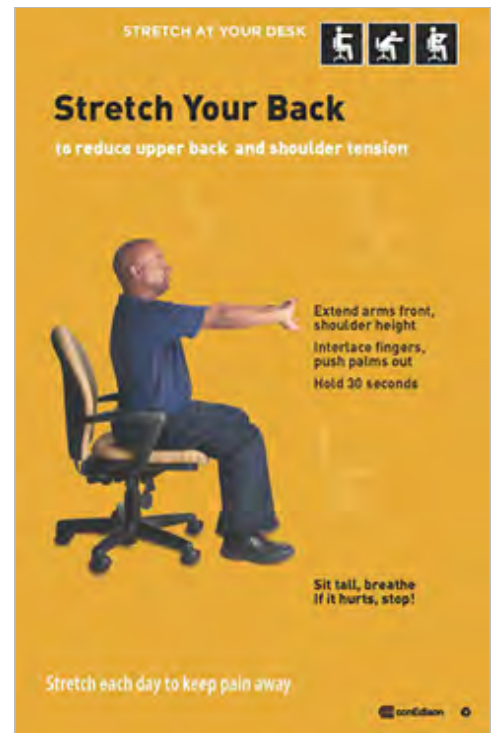
In 2013, we will build on these efforts to continue to improve identification of our employees that should be included in the Hearing Conservation Program, and to improve employee safety by developing communications to inform employees of the major sources of noise in our various workplaces.

Ergonomics

Ergonomics is a mechanism for promoting a healthy workplace by reducing the possibility of employees developing musculoskeletal disorders. By recognizing and reducing ergonomic stressors on the job site, in the office, and in between, Con Edison decreases the risk of soft tissue injuries in the workplace. Repetition, lifting, awkward postures and contact stress are examples of ergonomic stressors for our employees.

In each of the past three years the company has seen a significant decline in ergonomic injuries, and in 2012 we experienced 50 percent fewer ergonomics-related injuries than we did in 2011. However, we recognize that maintaining this level of performance will be challenging. It will require a new focus on risk reduction, enhanced trend analysis, and knowledge transfer among field personnel closest to the activities that can lead to ergonomics-related injuries.

In 2013, we will work to create this proactive risk-reduction focus by incorporating ergonomic considerations into our Job Safety Analysis (JSA) program. We will develop criteria for including ergonomic risk categories, and update or develop JSAs for those tasks that were initially deemed low risk for traditional injuries, but which would carry a significant risk of ergonomic injury.



To prevent the risk of soft-tissue injuries, we encouraged employees to stretch their muscles in the office and in the field.

Commitment to Safety

Communication

At Con Edison, open communication is critical to success and continued improvement in our safety performance. We offer a number of means by which safety information can be communicated to employees, but also so that employees can communicate safety concerns to supervisors and subject matter experts who are able to address them quickly and effectively.

Each month, every employee receives a *Speaking Safety* message from Con Edison of New York President Craig Ivey. These concise messages keep readers current about safety-related topics of interest, provide year-to-date updates on safety performance, and reinforce the company's commitment to achieving an injury-free workplace.

Employees also have access to environment, health, and safety communications, policies and procedures from the *EH&S Connect* intranet site, and hard copies of certain safety documents are available as needed.

Con Edison produces and issues a monthly video news magazine called *The Excellence Files*, covering environmental, health, and safety issues, special features, lessons learned from significant events, and tool or process innovations. The series is available to all employees through the EH&S website. Episodes are regularly featured at monthly safety meetings which are hosted by local organizations throughout the year to celebrate achievements, review lessons learned, and focus on EH&S performance.

Safety is also a focus every day as first-line supervisors conduct daily job briefings covering environmental, health, and safety issues at the start of the shift when work is assigned, and during the job, as needed, if changes are made.

Con Edison encourages employees to advise their managers of any identified unsafe conditions or risky situations that could result in accidents or injuries. Management and union employees are provided with a *Close Call* system for reporting situations where accidents or injuries were narrowly avoided. The *Close Call* program is enhanced by the Good Catch! program, which recognizes employees for exceptional situational awareness and strong questioning attitudes that may have helped them recognize a Close Call.

Any employee is able to call a *Time Out* if an environmental, health, or safety issue arises on the job. If an employee has an EH&S concern, they must discuss it with their supervisor before proceeding with the job. After discussion, if there is still uncertainty on how to proceed or the concern is not adequately addressed, the employee has the right

to call a *Time Out*. When a Time Out is called, work stops until an EH&S representative and subject matter expert have addressed the relevant concerns, or an alternate work plan has been organized. Top management regularly communicates support for the program and encourages employee participation. The *Time Out* program empowers employees to stop work when EH&S concerns arise in the field, and to resolve the issues before work proceeds.

O&R communicates safety messages through health and safety training programs, skills-training programs, and daily job assignment briefings by supervisors and crew chiefs. Animated safety messages are relayed on electronic bulletin boards throughout the facilities and "Safety Grams" are documents distributed to employees on timely issues such as recent accidents or seasonal safety concerns. The (THINK)(ASK)(PLAN) program was deployed to O&R for the second year in 2012.

Commitment to Safety

The Rules We Live By

Con Edison maintains the *Rules We Live By* requirements drawn from various operational procedures and specifically designed to prevent significant injuries. Operating groups have identified key procedures required to control energy sources or mitigate their impact on personnel or the public. Violations of the *Rules We Live By* are not tolerated; both company union and management employees, as well as contractors, face significant penalties for infractions.

During 2012, there were 16 violations of the *Rules We Live By*. Seven incidents involved company employees, and nine involved contractor employees. We continue to review the rules themselves and each violation with company employees. The importance of adhering to these critical safety requirements is emphasized at gatherings that include contractor principals, senior managers, and field personnel. Adherence to these rules will further guard against instances of severe injury or fatality, or significant risk to employees or the public.

2012 was the first full year that Orange and Rockland also had *Rules We Live By*. Orange and Rockland's rules are slightly different—tailored to focus on the potential for high hazard injuries—but similarly reinforce company-wide expectations and encouragement of employees and contractors to maintain ground rules. In 2012, there were three violations of the *Rules We Live By*, all of which involved contractor employees.

Commitment to Safety

Job Planning



Job Site Safety Exchanges foster open communication, discussions about safety practices, and help prevent injuries.

Safety is critical in every step of the job, especially during planning. Con Edison incorporates safety considerations in the planning process procedurally through the environment, health, and safety review of every project the company undertakes, ensuring the review of safety issues in the early planning and design phase. An evaluation of the task hazards and safety precautions is reviewed with employees during the job briefing prior to every job and whenever the job changes. We also coach on adherence to planning and observance of safety best practices during Job Site Safety Exchanges.

Coaching Best Practices in Manhattan Electric Operations

These exchanges are intended to open up a dialogue between employees where opinions can be expressed, working practices discussed, and information shared. If a problem is discovered, it can be immediately addressed and corrected in a safe learning environment. The evaluations are most often performed by first-line supervisors, as well as by all levels of management, and members of the union safety committees, but they are not conducted to find faults or lay blame. In 2012, we documented over 29,000 Job Site Safety Exchanges.

At Con Edison, we believe that on-the-job safety discussions can help identify broad-based trends, revealing which safety initiatives are working well, and where there are opportunities for improvement. In 2012, we placed a significant effort on this concept, performing monthly analysis of the safety exchanges to provide data to organizations which could drive safety programming and communications.

Commitment to Safety

Situational Awareness

For a third year, Con Edison committed to achieving an injury-free workplace through a focus on the concepts of situational awareness and a questioning attitude. We encourage employees to remain alert to their surroundings at all times and to draw on their experience, training, and skills to evaluate every task. They are encouraged to speak openly, ask questions, and remain flexible to changing working conditions. Once again, we saw positive results with a 45 percent reduction in injuries with situational awareness as a root cause from 2011 to 2012.

Situational Awareness Helps Avoid Feeder Damage

The (THINK)(ASK)(PLAN) communications was campaign launched in 2010 to enhance the understanding of how situational awareness and a questioning attitude relate to the work that we do. The campaign incorporates a number of different avenues for communication, including posters, informational cards, and videos. In 2012, the company enhanced its corporate (THINK)(ASK)(PLAN) campaign to include the bi-monthly release of a themed communications package which is selected depending on the trending of injuries or feedback from the field. This was done to encourage organizations to develop (THINK)(ASK)(PLAN) communications on a more local level, addressing specific concerns in a more detailed manner. The colorful and engaging posters and videos in this package feature Con Edison employees talking about their experiences and offering safety tips. The campaign reinforces the importance of employees thinking jobs through before beginning, asking for clarification if unsure, and planning ahead while anticipating potential problems

Commitment to Safety

Hazard Communication Program

The Hazard Communication (HAZCOM) standard under the Occupational Safety and Health Act (OSHA) covers any hazardous chemicals present in the workplace that are used in such a manner that employees may be exposed under normal conditions of use or in a foreseeable emergency. In an effort to provide a more unified, global system of labeling hazardous materials OSHA has revised its hazardous communication standards. This has been the first major revision to the Hazardous Communications Standard in over 30 years adopting the Globally Harmonized

System (GHS) for classifying and labeling of chemicals. At Con Edison, this impacts both the production of labels on the chemicals themselves as well as the safety data sheets which inform employees of the hazards of those chemicals. These changes align chemical manufacturers around the world. Con Edison's HAZCOM program exceeds the requirements of the OSHA standard in areas in which the company has determined additional protective measures to be in the best interest of the employees.

The Con Edison HAZCOM program requires the following

- A written Hazard Communication Program that contains procedures for compliance with the OSHA HAZCOM standard
 - A current list of chemicals present in each facility
- Employees on all shifts must have access to safety data sheets (SDS) for chemicals present in the workplace
Employees must be made aware of the existence and contents of the OSHA HAZCOM standard and the company's written Hazard Communication Program
Training for every Con Edison employee concerning the hazards of chemicals present in the workplace
Containers of chemicals present in the workplace must be labeled with product name, pictogram or classification, signal word, and information on any potential hazard
Contractors must inform the company which chemicals their employees may be exposed to while working at Con Edison
Chemicals brought into the facility by contractors must be identified to Con Edison personnel who may be in the area where the chemicals will be used

Con Edison maintains information about the chemicals purchased by the company in the Chemical Reporting System (CRS). The CRS can be used by company employees to retrieve SDS and summary sheets for display or printing.

Commitment to Safety

Employee Innovation



Our employees developed significant innovations in 2012 to reduce risk and enhance safety.

Committed participation at all levels, from the executive officer through the entry-level employee, is essential in working toward an injury-free workplace. Con Edison has made gains in establishing a strong safety culture that encourages employees to internalize the corporate commitment to safety and apply it every day on every job.

As a result of their personal commitment to safety, many Con Edison employees, working singly or in teams, introduce significant innovations that can be applied company-wide. These initiatives substantially reduce safety risks associated with recurring work, or common tasks. Some employee-developed technologies are so distinctive that they are awarded patents, and in certain cases, the methods and technical innovations draw interest from other utility companies nationwide. A brief review of some safety enhancements introduced by employees during 2012 demonstrates the real-world experience that individuals and teams harness to keep colleagues throughout the organization safer on the job.

Cable cutting-head holder

Con Edison of New York electric operations crews at times come across active secondary faults in underground structures. The company's current engineering specifications don't allow employees to enter an underground facility that's experiencing an active secondary fault. The fault has to be isolated first, and this is done by cutting the associated cable.

Traditionally, employees made that cut with an improvised tool. They used a heavy tape wrap to fasten a cutting head to a wooden stick, then used this to reach down into the underground space to sever the cable. Members of a cross-functional team recognized the problem with this "rough-and-ready" approach. If the tape let go, the cutting head could fall in the hole and be difficult to retrieve, especially with an active fault condition. The stick being used might be too short, too long, or too flimsy.

Members of this team wanted to develop a better alternative. They designed and developed a new cutting-head holder. This item holds the head firmly and consistently. It won't let the head fall in the hole, and it also functions as a cable grabber. Using this new tool makes a demanding job much safer for the employees performing the work. It is easy to use, and can be deployed quickly, which is a real advantage during an active fault. It is also a good example of how this team identified a problem, worked out a solution, and brought it to the field where it could help colleagues throughout the company work more safely.

Meter-disconnect adapter

Disconnecting electrical services at customer premises is a common job, and this team developed a way to make it safer. Until recently, disconnecting power at a customer's premises could involve a number of mechanisms that would interrupt electrical services at the meter socket while the meter remained in place. Because of the variety of meters and meter sockets in use throughout Con Edison of New York's service territory, field personnel often had to carry many different types of hardware to work with different equipment varieties.

Once the customer's service was restored, the gear used to interrupt power was removed, but it had the potential to loosen meter socket jaws, creating a so-called hot-socket condition. If this happened, the meter pan could overheat, creating a potential safety risk both for the customer and the company employee working to repair the condition.

This team eliminated that risk by designing an all new meter-disconnect adapter. This new unit fits all meter socket configurations, and will not create hot sockets after removal. In addition, it functions with AMR meters by allowing the meter itself to remain powered while interrupting electricity to customer premises. This way, the meter can continue to communicate so that the company can monitor the premises to confirm no power is being used. The patented adapter design is now in use throughout Con Edison of New York's service territory, and other utility companies have expressed interest in using the adapter for their own operations.

Portable cable winch

In some settings, installing cable for new customers requires pulling the conductors through new ducts using a rope. That introduces safety and ergonomic risks for employees doing the job. When service is needed in a new development, crews are dispatched to install ducts and cable. Crews are often at work before streets and sidewalks are completed which means they often work in muddy, uneven, and unstable ground. That also means that larger vehicles equipped with capstans for cable pulling can't be positioned where they're needed.

Until recently, cable pulling relied on a rope tug, but poor footing and the potential for muscle strains during the pull presented a safety risk for the employees pulling on the rope. A team of Con Edison of New York employees came up with a simple and innovative solution: make the cable-pulling equipment smaller and more maneuverable.

Together, the team researched, identified, and tested a portable winch that attaches to any vehicle equipped with a trailer hitch. Typically, smaller vehicles, like vans and pick-ups, can be driven to where they're needed, even on a congested, muddy construction site. Then the compact winch does the pulling, and eliminates the safety and ergonomic risks of a rope tug. To make sure the safety advantages of this new gear were fully exploited, team members also prepared an on-the-job instructional presentation that trains employees on how to use the new equipment.

Vault-door safety latches

There are thousands of vaults with heavy hinged doors throughout Con Edison of New York's service territory. Those heavy doors pose a safety risk when they are raised to the open position so that employees can work in the vault. Until now, the doors were held up with a bracing strut or similar technique that crews had to position and fasten in place. One of the more severe injuries that occurred in 2012 involved one of these heavy doors coming down on an employee's arm with about 750 pounds of force, and leaving him with compound fractures to one arm and possible nerve damage.

In an effort to prevent this type of injury, employees reached out to a manufacturing firm and worked with the company to develop an automatic latching mechanism for vault doors. Using the team's device, when vault doors are lifted up, the latch automatically locks them in the fully open position. To confirm the latch could stand up to real-world conditions, the team subjected their new device to some very demanding tests. With the latch holding a vault door in the up position, they applied enough pressure against the door to bend the frame, but the latch still prevented the door from falling closed. An initial production run of latches was installed at 49 initial locations, and installations will continue at thousands more to help reduce the risk of injury to company employees.

Commitment to Safety

Public Safety



Con Edison is committed to safety, and takes extensive precautions when performing field work to protect the public from potential hazards.

Con Edison is committed to integrating public safety considerations in system planning, design work, and system operations. Formal periodic inspection, testing, and maintenance of electric, gas, and steam transmission and distribution infrastructure confirms that system elements will continue to provide safe and reliable service. When field work is performed, extensive requirements for work-area protection are implemented to make certain that Con Edison employees and the public are protected from potential hazards. To help identify and quickly report any hazards that may be associated with street work, a cross-functional team of operating personnel, the Work Area Protection Committee, has been assembled to meet regularly for the purpose of identifying and sharing best practices.

Con Edison of New York also regularly communicates useful safety information to customers in our regular Customer News bill insert. O&R customers receive an insert titled @home. These publications provide seasonal safety tips for severe weather and remind customers about staying safe around downed power lines. In addition, the inserts along with O&R and Con Edison of New York websites offer safety tips about residential electric and gas use, along with information about carbon monoxide and generator safety. In 2012, Con Edison also began to send e-mail communications in preparation for and during severe weather, reminding customers how to report outages and sharing critical safety information related to the storm.

Stray voltage testing

Con Edison of New York performs extensive stray-voltage testing on an ongoing basis. Stray voltage is the term for the presence of electrical energy where it should not be present, such as on lampposts, sidewalk grates, or other structures. The company uses a fleet of vehicle-mounted-mobile stray-voltage detectors to test equipment and ensure public safety. The high-tech vehicles are dispatched throughout the company's service territory year-round and use sensors to detect stray voltage as low as one volt on manhole covers, gratings, service boxes, light poles, neon signs, and other structures. Stray voltage can also be detected through manual contact voltage testing.

The mobile stray-voltage-detectors enable Con Edison of New York to perform multiple scans of geographic areas more quickly than using manual testing alone. The vehicles have the advantage of not needing to make direct contact with a structure to test it for stray voltage. The manual testing program, involving crews with hand-held voltage detection equipment, surveys structures in New York City and Westchester County once a year. The vehicles, however, are able to conduct system-wide surveys far more frequently. In 2012, the company completed 11 system sweeps using the mobile detectors. In 2012, as a result of stray-voltage surveys, the company found and eliminated 3,056 cases of stray voltage. Of this total, 1,637, approximately 54 percent, were on non-company equipment, such as streetlights, electric signs, and other structures.

Orange and Rockland carries out comparable stray-voltage testing in its territory. During 2012, there were 101,890 overhead and 18,324 underground distribution structures tested. In addition, 6,577 transmission structures and 69 substation fences were stray-voltage tested. 2,522 traffic signals and street lights were also tested. For all of 2012, there were 18 stray-voltage findings in excess of one volt identified in the Orange and Rockland service territory. All were corrected, and there were no associated injuries.

Commitment to Safety

Contractor Safety



Working together, our employees and our contractors are committed to working safely.

When Con Edison enters into a relationship with a service contractor (such as for excavation, construction, or system maintenance), we verify that the vendor has the financial resources and insurance to meet our needs. We then conduct a rigorous environmental, health, and safety review of the vendor to validate its environment, health and safety programs, including a review of injuries and the history of associated OSHA citation activity.

In certain cases, we require contractors to participate in environment, health, and safety training (available through on-line programs). Contractor health and safety plans are reviewed by company subject matter experts before the contractor begins work. Where a contractor has experienced recent accidents or violations on Con Edison assignments, we may require them to hire a third-party monitor to ensure that they are performing work in accordance with applicable environment, health, and safety requirements.

Con Edison's Purchasing Department issues a quarterly Newsletter for Contractors, covering recent violations, new regulations, as well as best EH&S practices employed by exemplary contractors.

Contractors regularly undergo on-site inspections by trained and experienced Con Edison personnel, whose observations will form the basis of semi-annual report cards. They are also a part of our Job Site Safety Exchange program, opening up the lines of communication on safety topics daily between the vendor and our employees. We maintain a special Action Line for employees to report contractor environmental, health, and safety violations and potentially risky behavior. Purchasing uses a special committee to review contractor violations and assess disciplinary action (e.g. replace site manager or field personnel, undergo special training, or lose eligibility for further contracts for a specified period of time).

These steps help to ensure that contractors work safely on company assignments, and in compliance with applicable environment, health, and safety regulations. Achieving continuing improvement in contractor OSHA Incidence Rates is a key performance measure at Con Edison of New York. In 2012, the company's contractors collectively had an OSHA Incidence Rate of 1.55, surpassing the goal of 2.21 or lower established for the year.

Similarly, Orange and Rockland follows a defined procedure for ensuring that contractors follow certain safe and environmentally compliant practices. Orange and Rockland began reporting its contractor OSHA Incidence Rate in 2012, and recorded the rate of 2.95 at year's end.

Safety Performance



Orange & Rockland achieved an OSHA rate of 2.80 in 2012.

For the second year in a row, both Con Edison of New York and Orange and Rockland broke company OSHA rate safety records. We will continue to strive toward becoming a zero-injury workplace by stressing the elements of our overall safety program, and work to reduce the potential for injuries to be severe when they do occur.

Con Edison of New York OSHA Incidence Rate

Con Edison of New York Recordable Injuries*

**Recordable Injuries are those where medical attention beyond first aid is required.*

Con Edison of New York Recordable Illnesses

Orange and Rockland OSHA Incidence Rate

Orange and Rockland Recordable Injuries*

**Recordable Injuries are those where medical attention beyond first aid is required.*

Orange and Rockland Recordable Illnesses

Improvements to come in 2013

Much of improving service reliability for our customers, maintaining regulatory compliance, adhering to a cost-conscious mindset, and strengthening the company's safety culture is dependant upon Con Edison personnel thinking forward, assessing risks and opportunities ahead of time, and being prepared for changes to daily work as much as we are for our long-term projects. In 2012, opportunities for improvement in project environment, health and safety risk planning and underground firefighting response were identified.

Improvements to Come in 2013

Managing Project EH&S Risks

Because environmental, health, and safety conditions can change frequently during the course of a project, missing the opportunity to identify these concerns up front poses a risk to the company, as well as to the public.

Con Edison's policies incorporate these concerns into project planning. As an example, the company has established a checklist which is a critical tool in evaluating environmental, health, and safety concerns, as well as opportunities to improve project design and construction. In 2013, the company will evaluate the effectiveness of this process. This evaluation will include how these checklists are used in project inception, as well as how the environmental, health, and safety concerns are reevaluated over the course of a project's life. Improvements will be identified and implemented to more effectively use these tools.

Improvements to Come in 2013

Advancing Firefighting Techniques



Con Edison developed new firefighting techniques in 2012 that puts out flames quickly and cools burning equipment better than before.

Con Edison of New York adopts a proactive approach to fire safety for its own facilities and for responses to fires involving energy-delivery systems that may have an impact on public safety. A comprehensive regimen of fire/life-safety assessments is conducted at facilities occupied by different operating groups throughout the company. Facilities personnel participate with visiting fire/life-safety professionals to discuss any issues assessments reveal, and to collaborate on plans for lowering fire risk and strengthening compliance with applicable fire and building codes.

In addition, the company has collaboratively developed innovative fire-fighting techniques, including methodology for using water to fight fires on live electrical equipment.

During 2012, another innovation was introduced that is particularly effective when suppressing fire in manholes or other enclosed structures. It involves the use of a new fire suppression agent called Fire Ice that is added to a hose stream in correct proportions and applied to faulting equipment. The additive helps extinguish flames quickly and dramatically cools burning equipment much more effectively than water alone. This speeds putting out fires and reduces the risk of hot equipment reigniting. With manhole events, there is the possibility that superheated combustion gases and flames may move to adjacent manholes through connecting ducts. The Fire Ice additive can also be used to douse nearby structures to lower the likelihood of ignition originating from the initial fire and degradation to the grid.

A team of Con Edison employees reached out to the Fire Department of New York (FDNY) research and development group to demonstrate the new extinguishing agent. FDNY representatives were shown how Fire Ice could be safely employed to douse live electrical fires in an underground structure. Because of the collaboration with the FDNY, the equipment used in the demonstration was compatible and easily adaptable for first responders. At the conclusion of the demonstrations, the FDNY agreed to pilot a program in Brooklyn using Fire Ice for underground vault and manhole fires. As a result, the possibility of collateral damage to electrical equipment is reduced, the ability to quickly extinguish these types of fires limits the quantities of smoke and other combustion by-products, and the effectiveness of the method limits exposure to fire hazards for firefighters, company employees, and the public. In 2013, this firefighting technique will be deployed across the company to those employees trained to respond to underground vault and manhole fires in conjunction with the FDNY.

Improvements to Come in 2013

Enhancing Systems

Continuous maintenance and efforts to advance health and safety systems already in place at Con Edison were not new to the company in 2012. Industrial hygiene sampling and the collection and analysis of health and safety data across the company have been in place at Con Edison for quite some time. In 2012 they were both targeted for upgrades as discussed below.

Proactive Industrial Hygiene Sampling System

Current OSHA requirements mandate lengthy retention of exposure assessment documentation, which must in turn satisfy regulatory scrutiny and provide defensible information for worker compensation proceedings. Further, assessment results constitute a basis element in exposure control design. Con Edison's existing process and supporting software systems require an extensive review effort to ensure compliance and employee safety. Targeting this process for improvements will increase our efficiency and effectiveness.

In 2013, the company will enhance efforts in industrial-hygiene sampling to include establishing an exposure-assessment review process that enables prioritization of tasks and activities for revisit over the long-term. We plan to implement a consistent approach to systematic industrial-hygiene exposure assessments that will support our efforts to evaluate potential exposures, drive air-monitoring strategies, and confirm and document the effectiveness of control measures for protecting worker health and eliminating work-related illness.

Safety & Health Information Management System

The Safety & Health Information Management System (SHIMS) is Con Edison's repository for all safety and health information. As user requirements become more demanding, the company is preparing to proactively overhaul the system. In 2012, Con Edison committed to a revision of the system that will incorporate both a more streamlined process for entering data, as well as more useful analytical tools and reporting capabilities.

In coming years, the company will be evaluating the need to enhance other environmental, health, and safety systems in a similar fashion.

Reliability



Con Edison provides safe, reliable electric, gas, and steam service to one of the most vibrant regions in the world.

Con Edison is committed to the safe and reliable delivery of energy services. Our systems and services are an important platform for the creation of jobs and development of commerce in the region and beyond. The sustained growth of this economy depends heavily on uninterrupted energy service. The company's infrastructure enables customers to build, develop, and manage their businesses. Keeping Broadway lit, powering Wall Street, serving millions of New York residents, and ensuring that one of the world's great metropolitan areas receives the electric, gas, and steam service it needs to stay active around the clock is what Con Edison has been doing for over a century. That undertaking calls for managing many large facilities and one of the most complex transmission and distribution networks in the world. As a result of the company's commitment to providing the best possible service to our customers, our overhead system alone is twice as reliable as all other utilities in New York State, and 2.5 times more reliable than utilities nationwide. Factoring in our underground network, the company's system is 8.5 times more reliable than the rest of the nation's utilities. That performance has not gone unrecognized. Con Edison was named winner of the 2012 ReliabilityOne™ Award for the Northeast Region for Outstanding Reliability Performance by PA Consulting Group for the company's electricity delivery in 2011.

Maintaining impressive reliability for the company's customers and the public is no easy feat, especially when weather conditions negatively impact our infrastructure. Con Edison prepares for and responds to extreme heat and weather conditions by engaging in multi-organization and stakeholder drills, and by implementing an Incident Command System (ICS) and Corporate Emergency Response Center (CERC) when an emergency is anticipated or occurs without warning. The ICS establishes guidelines for determining the appropriate level of response and mobilizing the appropriate company and external resources in a timely manner in response to any incident. The CERC is the nerve center responsible for communicating and carrying out the directives of the ICS, and adapting response to changing conditions faced by our employees, customers and the public.

Reliability

Heat Wave



Our systems and our employees were ready for a heat wave during the summer of 2012.

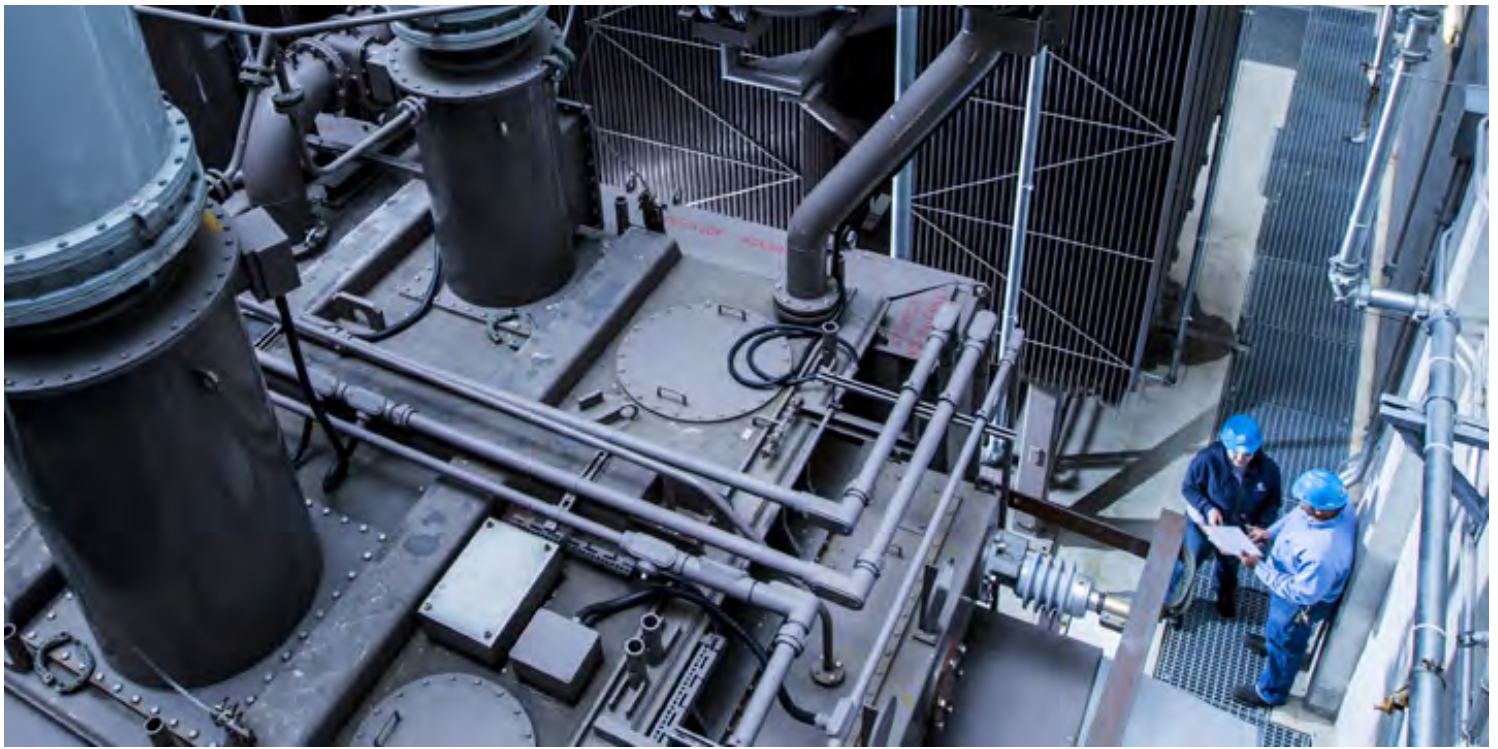
CERC Takes on the Heat

During the summer of 2012, the New York region was subjected to an interval of exceptionally hot weather. Soaring temperatures coupled with high humidity drove increased energy demand in the service territories of Con Edison's regulated utility companies. To help ensure service reliability and cope with heat-related contingencies, both Con Edison of New York and Orange and Rockland had prepared in advance, by making substantial investments in energy-delivery infrastructure. At the tactical level, company employees were available to respond quickly and effectively to heat-related service interruptions.

Preparation

Historically, electrical demand for Con Edison of New York and Orange and Rockland service territories peaks during summer. To accommodate this seasonal rise in consumption, Con Edison invested \$1.2 billion for system improvements for 2012. This year's electric delivery improvements included \$928 million for cables, transformers, and network protectors; \$34 million for transmission upgrades; and \$208 million for new substation installations and related equipment.

Both Con Edison of New York and Orange and Rockland have well-developed contingency plans for responding to heat events, and these were mobilized on a number of occasions during 2012.



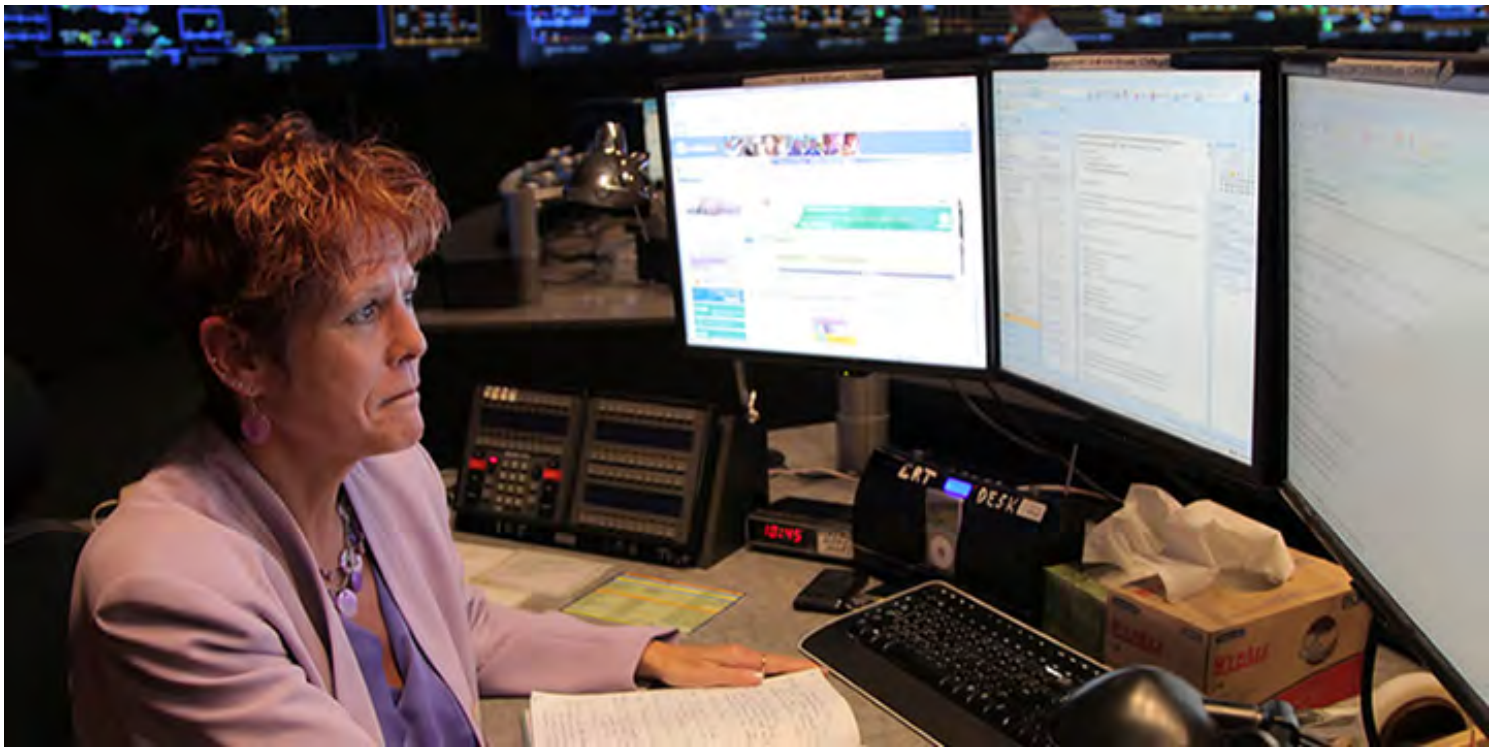
Con Edison invested \$1.2 billion in system improvements in 2012.

Response

In anticipation of any three-day interval when temperatures are expected to exceed 96 degrees, Con Edison of New York implements a Corporate Emergency Response Command (CERC) protocol. A CERC consists of representatives from every operating and support group in the company gathered into a single command center, using the Incident Command System, and coordinating all resources needed to maintain safe, reliable operations throughout any event. At Orange and Rockland, heat watches are announced when extended high temperatures are expected. During a heat watch, field crews focus primarily on emergency work, with normal work being performed as system conditions permit. The advisory also means that distribution system engineers closely monitor the loads on distribution circuits, transformer banks and other key system components to detect any heat-related issues so these can be addressed quickly.

In addition, Con Edison of New York and Orange and Rockland carry out an active outreach campaign to communicate with customers during heat events. Frequent updates are provided on company websites, and advisories are provided to local media to inform customers in neighborhoods that may be subjected to voltage reductions. Customers are also asked to cooperate by minimizing energy use and are encouraged to avoid using nonessential appliances.

Company websites and other communications channels are used year-round to encourage conservation. Both of Con Edison's regulated utility companies offer a range of energy-saving programs and incentives for residential, commercial, and institutional customers. By adopting conservation and energy-efficiency measures, customers can save money and also help system reliability during summer weather extremes.



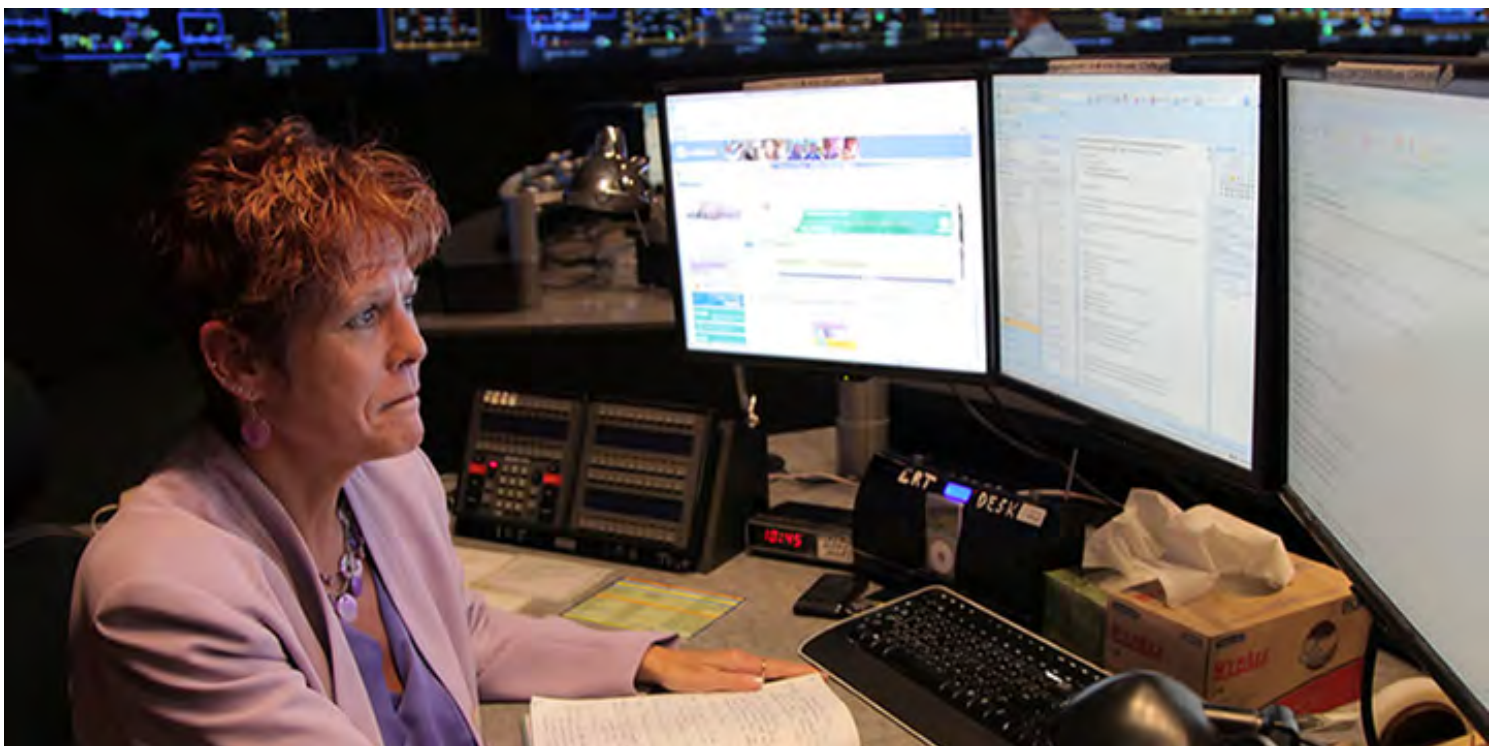
The Corporate Emergency Response Center is activated in anticipation of periods of extreme heat.

Reliability

Superstorm Sandy

2013 State of the Company

Superstorm Sandy was the worst natural disaster to strike Con Edison's customers in the company's history. Sandy caused five times as many outages as the next-largest storm, Hurricane Irene, which hit in August 2011. In Sandy's immediate aftermath, more than a million customers were without power. From the Mid-Atlantic states to New England, extensive flooding devastated shore communities, and caused heavy damage to energy-delivery systems. Thousands of trees were downed by strong winds throughout the New York tri-state area, disabling overhead electrical lines throughout the service territory. Downed trees and flooding also caused road closures and made it difficult for our service vehicles to get around. Overall, the scale of the destruction was unprecedented.



Thousands of company employees were assigned in advance of Sandy, and worked around the clock after the

storm to restore power.

Preparation

In view of the expected severity of the approaching storm, Con Edison of New York activated the Corporate Emergency Response Center the weekend before Sandy struck. The company had extra crews ready to respond to any problems with the electric, gas, and steam systems caused by the storm. Thousands of company employees and field crews were assigned in advance to work around-the-clock to restore power. Orange and Rockland's Storm Function coordinators were ordered to prepare their organizations for activation. Orange and Rockland's first-response organizations prepared weekend work schedules and ramped up staffing. The company's planners consulted with neighboring utilities about the impact along the storm's path and discussed preparations with the various mutual aid organizations to which the company belongs.

At the same time, Con Edison was in constant communication with the New York City Office of Emergency Management, the Westchester County Department of Emergency Services, and other local, state, and federal agencies. Throughout our service territory, company personnel worked closely with city, county, and municipal emergency officials, and with first responders in advance of the storm.

Customers were encouraged to pay close attention to reports from local officials, and the company continued to provide updates through the media before, during, and after the storm.

Response

Sandy struck the New York metropolitan area on October 29. During daylight hours, the storm's effects were moderate. By late afternoon on that day, approximately 68,000 Con Edison of New York customers had lost service, along with approximately 15,000 Orange and Rockland customers. At the same time, field crews from both companies were working to restore service for the affected customers until weather conditions became too severe for crews to work safely.

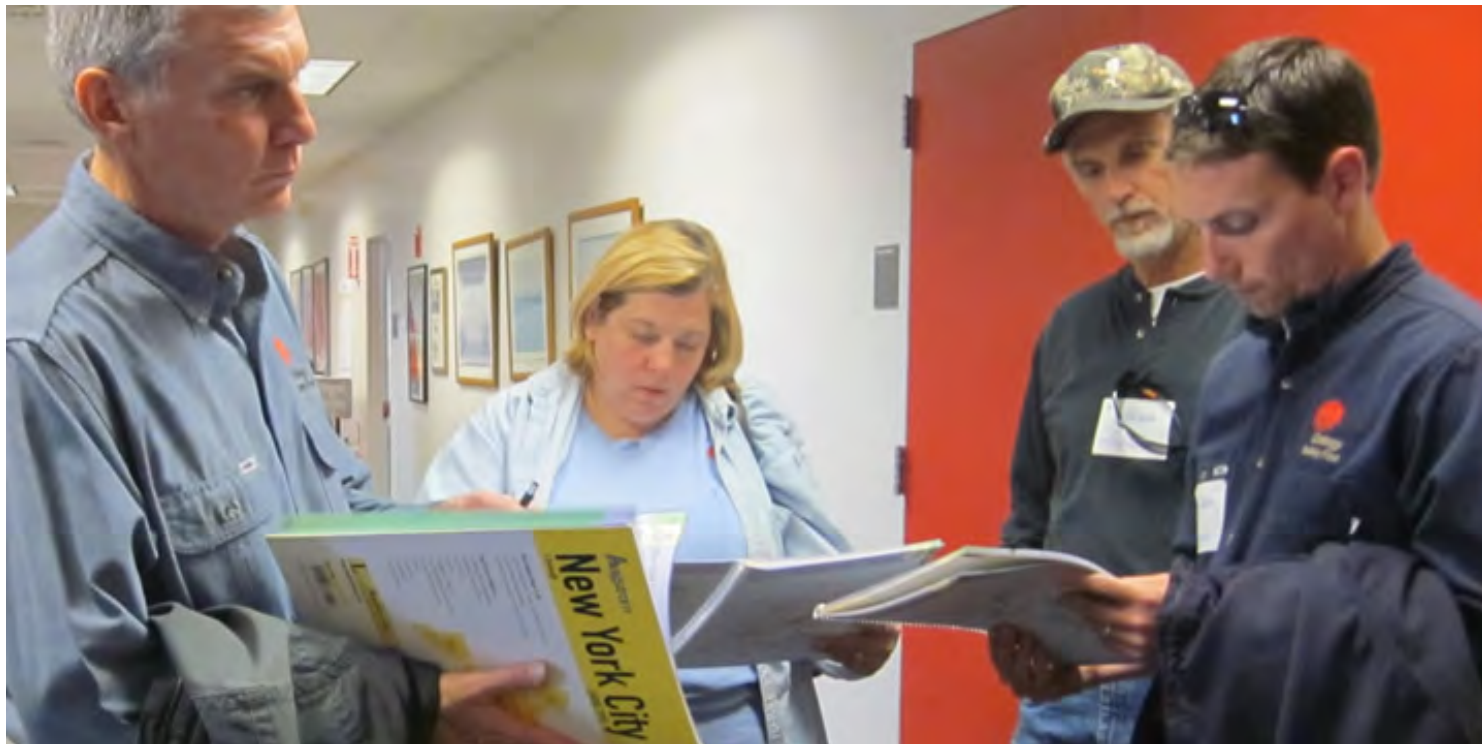


Superstorm Sandy's historic tides flooded parts of Lower Manhattan and caused catastrophic damage to our equipment.

The worst storm damage and flooding occurred overnight, and Con Edison shut down steam and electrical service to Lower Manhattan due to rising water. Transmission-line damage from the storm and flooding in some coastal sections also prompted additional shut-downs in Brooklyn and Staten Island. At the same time, the company was mobilizing all its field employees to assess damage and begin service restoration. Many field crews worked during the immediate aftermath, and continued to work long hours for the balance of the restoration. Because thousands of

overhead lines were brought down by the storm, the company provided special training for employees and assigned them to serve as line guards to safeguard the public against the risk of live conductors. Con Edison also trained members of the New York National Guard for this duty, and hired contractors to provide line guards as well.

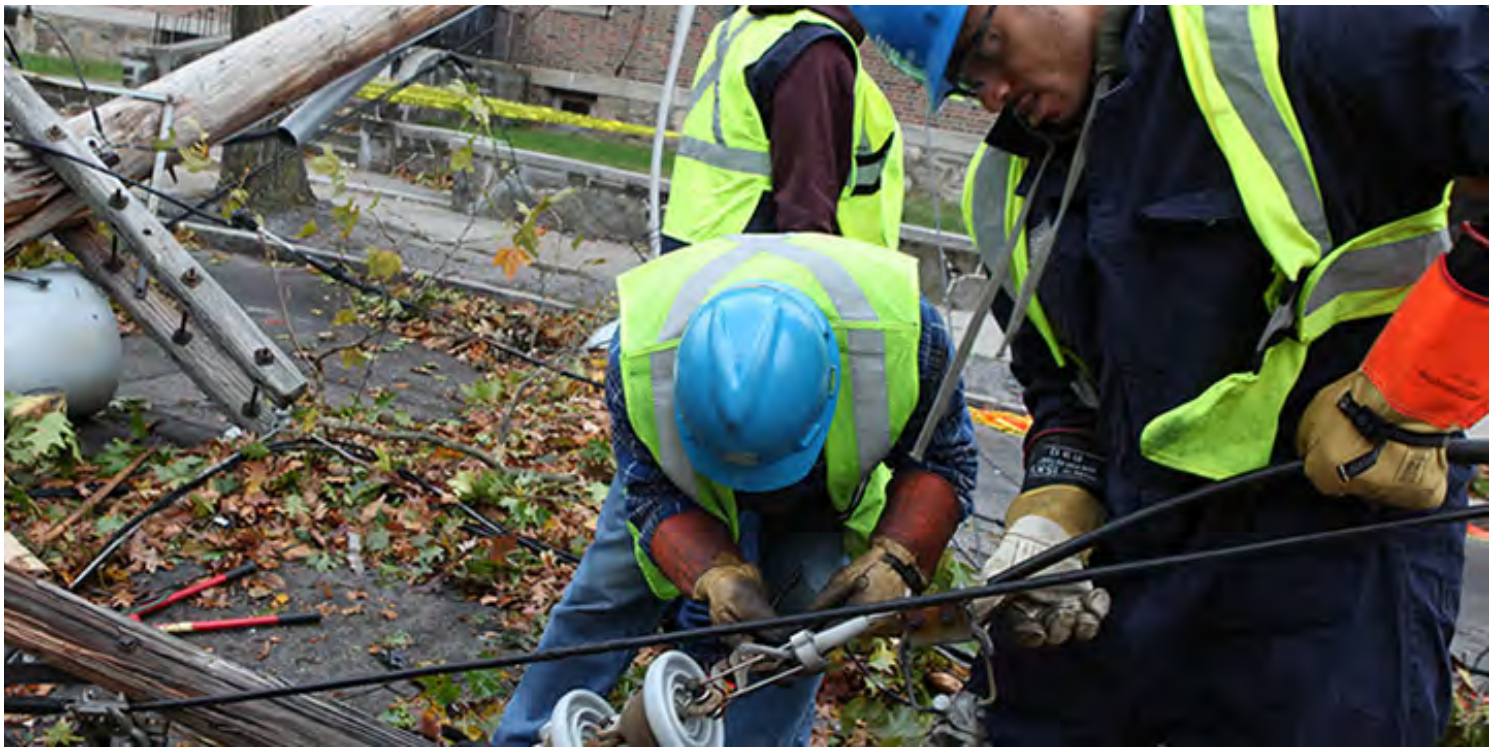
The company arranged for nearly 5,700 members of mutual-aid crews from other utilities, some from as far away as California and Canada, to join in the restoration effort. The company also secured nearly 500 outside utility contractors to assist with storm restoration, and worked to secure additional mutual-aid from utilities in other states. To feed and house these visiting crews, and fuel their equipment, the company erected base camps at the Queens Hall of Science, Citi Field in Queens, Miller Field on Staten Island, FDR State Park in Yorktown Heights, and Rye Playland in Rye.



Mutual-aid crews came from as far as Louisiana, California, and Canada to help us restore power after Superstorm Sandy.

Con Edison continued communicating with customers and officials throughout the storm and during the subsequent restoration. Frequent media updates were released and broadcast, and company websites also provided service updates, situation reports, and outage maps. Customer outreach representatives established outposts throughout the service territory to answer questions, offer assistance, and dispense dry ice.

Within 12 days, the company had restored service to 98 percent of the customers affected by the storm. Company representatives established command centers to help customers in neighborhoods where power was available, but service could not be restored because of damage done to equipment within customer premises. By the conclusion of restoration efforts, Con Edison and mutual aid crews replaced 140 miles of electric cable and responded to 30,000 damage locations. The company went through a six month supply of utility poles and transformers in a single week, and provided 278 tons of wet and dry ice to customers.



Within 12 days, Con Edison restored service to 98 percent of customers affected by the storm.

The Edison Electric Institute (EEI) has named Con Edison of New York and Orange and Rockland Utilities among the winners of its 2012 Emergency Recovery Award. Con Edison of New York and Orange and Rockland received the award in recognition of their exemplary restoration response to one of the worst storms the utility industry has faced.

“Following Superstorm Sandy, Con Edison of New York and Orange and Rockland employees worked under challenging conditions,” said Consolidated Edison, Inc. Chairman and CEO Kevin Burke. “EEI’s recognition honors their outstanding efforts to restore service to our customers quickly and safely.”

The annual Emergency Recovery Award recognizes a member company that puts forth an outstanding effort following a sustained outage within its service territory. A panel of judges chose the winners following a national and international nomination process.

Reliability

Winter Weather



Our crews worked to repair damage caused by heavy snow and ice storms.

The service territory of Con Edison's regulated utility companies can be affected by severe winter weather that includes blizzards, ice storms, heavy wind-driven snows, and intervals of frigid temperatures. In addition to service disruptions, winter weather presents added challenges to service restoration because roads may be blocked by deep snow, and icy conditions may add to the difficulties of travel.

Preparation

Both Con Edison of New York and Orange and Rockland have well-developed contingency plans for responding to winter weather events and mounting timely responses to service interruptions. If there are storm forecasts that suggest the possibility of general service disruptions, the company convenes a Corporate Emergency Response Command (CERC) protocol. Field crews are placed on notice, and arrangements are made to support them for extended repair operations. At the same time, Web alerts and media advisories are issued to warn customers of possible service outages, and these are maintained throughout the storm and subsequent recovery.



The company has well-developed contingency plans to respond to weather events.

Response

All company employees report to their assigned locations to directly or indirectly participate in preparation for around the clock service repair and restoration work in response to major winter storms. The first-response organizations within the company are ramped up and ready to make repairs to storm-related outages. Administrative support personnel are shifted from their normal duties to storm-support work.

Overhead line crews may be supplemented by contractor line and tree crews, underground line crews and gas department crews, all of whom will be working to help provide access to equipment damaged in the storm. Emergency preparedness planners also consult with neighboring utilities about the storm's impact and discuss preparations with the various mutual-aid organizations to which the company belongs.

Communications are maintained using company websites that feature outage maps, and media advisories keep customers updated on restoration progress.



Our employees work around the clock to restore power after major storms.

Reliability

Measuring Reliability

Con Edison has a strong reputation for reliability. The company was named winner of the 2012 ReliabilityOne™ Award for the Northeast Region for Outstanding Reliability Performance by PA Consulting Group for the company's electricity delivery in 2011. Con Edison also received an award for Best Overall System-Wide Reliability.

"These awards for reliability are very gratifying, especially with all of the challenges and the extraordinarily difficult circumstances we faced in 2012," said John Miksad, Con Edison of New York's senior vice president for Electric Operations. "With the hardships so many in our service area have faced with the onset and aftermath of Superstorm Sandy, this affords us only a moment before we redouble our efforts to further strengthen our systems against the possibility of unprecedented weather that our region just experienced. We remain committed to serving our customers going forward with the excellence symbolized by these honors."

Two standard measures of electrical distribution service reliability are the System Average Interruption Frequency Index (SAIFI) and the Customer Average Interruption Duration Index (CAIDI).

SAIFI

SAIFI is compiled year by year, and the figure represents the total number of interruptions divided by the total number of customers served. The lower the value, the better the performance.

	2012	2011	2010	2009	2008
CECONY	0.102	0.147	0.129	0.104	0.126
O&R	0.97	0.96	1.15	1.07	1.22

CAIDI

CAIDI is also compiled year by year, and represents the average time to restore interrupted customers. It is calculated as the total customer-minutes of interruption divided by the total number of customers affected. Once again, the lower the figure, the better the performance.

	2012	2011	2010	2009	2008
CECONY	138.0	162.6	154.2	136.2	118.2
O&R	93.6	98.1	118.7	100.3	96.4

Cultural Transformation



We continue to make progress on our cultural transformation to enhance relationships with our customers and other stakeholders; encourage openness, fairness, and trust; and manage costs.

During 2012, we've continued to make progress with engaging employees in an ongoing cultural evolution that encompasses virtually every aspect of our business. We have seen evidence throughout the company of our cultural transformation to enhance customer and other external relationships, encourage openness, fairness, and trust, and enhance cost consciousness. We are enabling our cultural transformation through development and implementation

of new practices, tools, and processes. We recognize that cultural transformation will happen at a different pace within each area of the company, and will take several years overall to be successful. We continue to focus on signs of progress and examples of success while identifying areas where additional effort and support may be needed.

Cultural Transformation

Cultural Imperatives



We strive to improve our relationships with the people we serve and encourage openness, fairness, and trust.

Throughout 2012 Con Edison introduced new initiatives as well as improved upon several existing programs in order to strengthen our cultural imperatives. These imperatives include managing costs, improving external relationships, and encouraging openness, fairness, and trust.

Cultural Transformation

Managing Costs

Con Edison recognizes that every dollar we invest has an impact on customer bills each month. As a responsible corporate citizen and we need to invest in our system wisely, choosing which challenges to pursue and following the most cost-effective options to overcome those challenges. Choosing the best cost management strategies demonstrates that as a company we're getting the best return possible on the dollars we spend.

Tether your technology

To better administer our expenditures, develop business intelligence that helps us manage costs more effectively, and make purchasing methods consistent company-wide, Con Edison implemented a new purchasing protocol in July of 2012. The new Oracle system, Project One, allows employees in all company organizations to adopt a consistent, common method for procuring goods and services. This makes it easier to purchase material and services, manage inventory, report financial and purchasing data, and analyze data from recorded transactions in order to help develop business plans and budgets.

In addition to the launch of this system, effective cost management is achieved through communication, a collaborative approach to planning and implementation, and the application of ongoing and forward-looking analysis. It requires us to work each day in a more efficient and productive manner, and make a personal commitment to be

accountable for the impact we have. We are also focused on cost consciousness, or the basics for productivity and cost-control. We will ensure that expectations are established, communicated and enforced, and that contracts and material costs are effectively controlled. Con Edison achieves cost management excellence through the improvements in work volume and cost efficiencies, optimized use of overtime, reduced contractor costs, service and maintenance cost reductions, procurement of the most cost-effective energy supplies, elimination of work, and reduction in tax liabilities and other assessments.

Cultural Transformation

Engendering Openness, Fairness and Trust



The principles of The Way We Work focus on strengthening relationships with the communities we serve, and with all who have a stake in our company.

The guiding principles of The Way We Work are: plan the work and work the plan; seek and accept responsibility; communicate openly; work in teams; improve continuously; and celebrate success.

These form the bedrock of Con Edison's commitment to strengthening our culture to become a better company. These principles focus on building stronger relationships throughout our communities, and being open, honest, and trusted with our customers, shareholders, public officials, and all who have a stake in our company. We take this trust seriously and we strive to share more information proactively with those whose lives and businesses we affect.

We also look to engage our workforce in open and honest dialogue, and periodically check in with our employees to see how we're doing.

Two years ago, Con Edison conducted the second company-wide confidential Voice of the Employee survey for Con Edison of New York and O&R. The survey gave employees the opportunity to share their views on significant matters at the company, including their job, work environment, career development, and leadership. The survey assessed employee engagement and measured our results against various benchmarks, including an earlier Voice of the Employee survey conducted in 2009.

The results, once again, clearly identify several strengths. Employees continue to recognize our commitment to operating safely, feel strong connections to the organization, and understand how the work they do contributes to the company's overall success. Employees reported being confident about the future of the company and believe in senior management taking steps to promote the company's long-term success. Employees also commented

positively on the company's commitment to improving workplace culture, and mentioned personally seeing the company's positive efforts to improve in the areas of safety, cost consciousness, and enhancing our relationships with external stakeholders.

The results also provided an effective process for identifying areas in which the company's employees felt there could be improvement. While some employees reported seeing the company's efforts to create a more open and trusting environment, most believe that there is still work to be done. We will continue to strive to be open, fair, trusted and trusting, in all our relationships, both externally and internally. We are following our plan to improve the company's engendering openness, fairness and trust imperative. We know that making progress with respect to this challenging imperative can significantly help to accelerate our cultural transformation. We will continue to target ways to better understand how to assess the success of these efforts. The company's efforts continue to focus on identifying observable behaviors, recognizing how perceptions become realities and how culture change can only happen as assumptions, mindsets, and ultimately behaviors change. Changing culture is also about cascading new behaviors down throughout the company. This change will take time because behaviors are well-rooted but we will be diligent and persistent in working to bring about this change.

Cultural Transformation

Enhancing Stakeholder Relationships



We strive to engage with our stakeholders to keep them informed about our operations, and forge partnerships to further the civic and cultural vitality of the region.

As the operator of an extensive energy-distribution infrastructure in one of the world's most densely-populated corridors, Con Edison has a large group of stakeholders that includes customers, employees, environmental groups, shareholders, elected officials, regulators, and communities where we do business. The company actively participates in an ongoing engagement with its stakeholders to keep them informed, exchange information, find common ground on issues of mutual concern, and partner in the cultural and civic vitality of the region.

One of the most important stakeholder groups Con Edison has is its utility customers. To enhance customer relationships, Con Edison assembled a cross-organizational team to develop a proactive, customer-centric culture, to foster trust and confidence among customers, and to improve value for all stakeholders. We recognize the importance of the customer to our business and want to ensure that we align our systems and employees to meet our customers' needs and expectations.

Con Edison also uses Twitter and Facebook as additional communication channels for those employees, customers, and members of the public looking to find quick updates on general service issues or emergency response work. Proactive communication is a priority for enhancing customer relationships, and in addition to our Twitter feed and Facebook page, we round out communications using outbound calls and e-mails.

Outbound calls were made primarily during the summer months, and in particular during heat events, to administer demand-response programs and alert customers to voltage reductions in their neighborhoods. These calls are a way for us to reach customers and keep them informed of changing situations, the needs of our system, and the importance of the role they play in keeping our system going in these high-load situations.

We also have over a million e-mail addresses for customers throughout the Con Edison service territory. We used those to deliver e-mail communications throughout the year, such as during heat events when we told customers how to conserve energy and gave tips on staying safe and healthy in the sweltering heat. In connection with storms, e-mail communications were sent out giving safety tips for stormy weather and reminding customers of the ways they can report outages. In addition, e-mail communications are also used to inform customers about opportunities to improve efficiency and conserve energy. Though e-mails don't reach every one of our customers, we believe they are a good way of communicating important information to large audiences. We are looking to expand the program in the coming year to include announcements for planned routine work, emergency work, and tree-trimming. Customers can sign up to receive these e-mails by providing their preferred address at conEd.com, or by calling 1-800-75-CONED.

Con Edison's standard for communications with external customers requires that any letter or e-mail sent includes the sender's name and phone number. This is to ensure that the customer has a direct line of communication in order to address any subsequent issues or concerns.

While we're working on communicating better with our customers, we also know the importance of what we can learn when the customer communicates with us. We closely analyze the data provided through our bi-annual customer surveys. This data is helping us to identify areas for improvement as well as highlight areas where we know we're serving the customer well. To supplement this source of information, Con Edison also uses customer focus groups, e-mail surveys, and phone satisfaction ratings. We know the best way to serve customers is to know what they need, and we believe that these efforts will help us to better understand those needs.

Our Customers



We continuously work to improve the service we provide to our customers.

Con Edison is dedicated to providing the world-class service and reliability our customers expect. By planning early when severe weather is expected, we strive to reduce the time it takes to make repairs and restore outages for our customers. We work throughout the year to improve the environment in our communities, continuously research new technologies for our electrical distribution system, and develop new ideas to help our customers conserve energy and resources.

Our Customers

Helping Customers Conserve



Our energy-efficiency programs offer ways to help our customers save money and energy.

Con Edison of New York and Orange and Rockland's energy efficiency, targeted demand-side management and demand-response programs help customers manage their energy use, save money on their energy bills, and reduce their environmental footprint. Con Edison has approved more than 250,000 projects for incentives and rebates through its New York State Energy Efficiency Portfolio Standard programs. From 2009 through 2012, Con Edison's energy-efficiency programs and targeted demand-side management program reduced annual customer energy use by approximately 692,000 MWh and 436,000 DTHs.

Load Shaping

Collectively, these permanent energy savings are avoiding the release of approximately 244,000 tons of greenhouse gases into the atmosphere every year. Additionally, enrollment in the company's demand-response programs grew by more than 10 percent from 2011 to 2012. These programs have enrolled 345 MW and engaged more than 26,000 customers.

Con Edison of New York and Orange and Rockland have an energy-saving program for every type of customer, including rebates for equipment upgrades in reliability-constrained neighborhoods, free smart thermostats, incentives for small and large businesses and low-cost energy surveys. We promote offerings through our Green Team advertising campaign, direct to customers and in traditional and social media including our popular Power of Green Facebook page.

In addition to its customer-focused programs, Con Edison is also a leading provider of energy-efficiency services nationwide through its Con Edison Solutions subsidiary. The company's projects are generating significant energy savings for customers including the U.S. Postal Service, school districts, and the U.S. Department of Defense. A

large project in Miami, FL, for example, is reducing the facility's energy use by nearly 16 percent.

Residential Programs

Through Con Edison programs, customers are empowered to take control of their energy use, better manage their utility bills, and reduce their environmental impact. Residential programs include:

- Rebates for replacing old HVAC systems (Multi-Tenant) (Orange and Rockland)
- Free smart thermostats
- Appliance recycling (Orange and Rockland)
- Low-cost home energy survey



Residential customers can earn rebates by recycling old, inefficient appliances.

Collectively, Con Edison of New York's residential energy efficiency programs are reducing overall electricity use by 130,000 MWh annually. The company's residential demand-response programs shaved peak load by 56 MW in 2012 and kept critical equipment from overloading on the hottest days of the summer.

Add up your savings

Commercial Programs

These programs give business owners and facilities managers the tools they need to manage their energy use to best meet the needs of their businesses. Commercial and industrial programs include:

- Financial incentives to upgrade aging HVAC systems (Small Business) (Large Commercial & Industrial) (Orange and Rockland)
- Energy surveys and studies (Small Business)(Large Commercial & Industrial)
- Free smart thermostat
- Lighten Up! Small Business energy assessment and efficiency upgrades (Orange and Rockland)
- Commercial System Relief Program
- Distribution Load Relief Program



“Con Edison paid for 70% of the cost.”

— Rhonda , Owner, Feinman Custom Frames, Queens

Hear how Rhonda is saving 10-20% by upgrading lights at her small manufacturing business. [>>watch video](#)

Rhonda's lighting upgrades

TOTAL VALUE:	\$3,600
GREEN TEAM COVERED:	\$2,524 (70%)
COST TO RHONDA:	\$1,076
ESTIMATED MONTHLY SAVINGS:	\$215+
PROJECTED PAYBACK PERIOD:	5 months



Find out how the Green Team can help your business save. [>>click here](#)

We offer small business customers free energy surveys and incentives to cover up to 70 percent of the cost of efficiency upgrades.

Granny Made

Collectively, Con Edison of New York's commercial and industrial energy-efficiency programs are reducing the region's electricity use by 560,000 MWh annually. The company's commercial and industrial demand-response programs shaved peak load by nearly 350 MW in 2012. Orange and Rockland's Lighten Up and Big Energy Savings programs have engaged many local businesses, providing free assessments to small businesses and covering 100 percent of the cost for certain efficiency upgrades.

Additionally, through its Targeted Steam A/C Program, Con Edison of New York now offers incentives to reduce or avoid peak demand growth through incentives to customers who replace their end-of-life steam chillers with new steam chillers, switch from electric chillers to steam chillers, or install steam chillers in lieu of electric chillers in new construction or major renovation projects.

Our Customers

Researching Improvement Technology

Con Edison of New York and Orange and Rockland are moving to the forefront of grid-automation technologies through a number of programs that are bringing the world's oldest electrical distribution system to the leading edge of 21st century technology. In partnership with the U.S. Department of Energy through a 2009 grant, we have invested nearly \$300 million in technologies that increase grid operators' real-time visibility of grid conditions, improve operational flexibility, enhance reliability, and strengthen its systems. At the same time, these

improvements enable customers and grid operators to more seamlessly integrate on-site distributed generation into the grid and make more effective use of demand-side management programs.

Specific improvements include:

Redesigned distribution networks in Manhattan by creating sub-networks that correspond with flood zones. This new configuration will reduce the number of customers affected by storm and heat-related outages and will speed restoration if service is affected. These designs mirror similar advancements in Brooklyn and Queens where smart switches were used to enhance reliability and network control. This provides operators with remote control capabilities for detecting and responding to system faults and provides equipment status, voltage and current data in real time. In the future, the system will automatically detect and respond to system faults.

New network configurations in Brooklyn and Queens allow interconnection between two networks and provide operational flexibility during system contingencies.

Newly designed, remotely controlled submersible switches will afford grid operators and storm restoration crews better visibility and enable more targeted operation of the distribution system.

New remote monitoring and predictive technologies allow grid operators to preemptively prevent impending asset failures. More than 13,000 sensors and transmitters have been installed on underground transformers throughout the system.

Four smart-grid demonstrations integrated various elements including PV solar, battery storage, electric vehicle charging stations, building management systems, and demand-response technologies into the control room. These projects paved the way toward enhancing localized grid management through a visualization tool that enabled operators to see which resources could be drawn upon to alleviate constraints in a particular network.

Nearly 4,000 new communicating system meters give grid operators a real-time view of outage management across the system; 580 new remote-controlled switches enhance control and flexibility; and 400 new distribution capacitors support better service to customers under all conditions.

Installed as part of a U.S. Department of Energy grant awarded to New York ISO, new leading-edge synchrophasors will support regional grid-monitoring.

Advanced relay technology allows grid operators the ability to sense and respond to system disturbances more effectively than ever before.

These upgrades, along with others, are changing the way we operate the grid and are making the system more resilient, reliable, and safe for customers in and around New York City.

Our Customers

Distributed Generation



Distributed generation like solar panels and co-generation helps customers lower their carbon footprint.

Distributed generation in Con Edison's service territories has grown by more than 134 MW since 2005, a nearly seven-fold increase. Ranging from photovoltaic solar panels to co-generation for heating and cooling systems, distributed generation provides an important resource that can help customers manage their energy use, reduce their environmental footprint, and support system reliability in their areas.

Renewable distributed generation alone is providing more than 31 MW of nameplate to the Con Edison of New York and Orange and Rockland systems, and growing. Of the 1,500 distributed generation interconnection applications Con Edison has received since the program's inception, 500 were submitted in 2012. This growth makes dollars and sense: for example, a commercial customer who installs a 6 kW photovoltaic system today will save nearly \$1,400 per year in energy costs potentially receiving a net payout as a result of Con Edison's net-metering program. Projects in energy-constrained areas are also eligible for significant financial incentives through NYSERDA programs designed to defer infrastructure upgrades.

Con Edison of New York and Orange and Rockland employ dedicated staff to support customers interested in distributed generation and conduct customer-centered outreach activities to promote these resources. A semi-annual three-day training course for combined heat and power developers in New York City, for example, includes instruction from the New York City Fire Department on relevant fire codes, the New York City Department of Buildings on relevant building regulations, the New York State Energy Research and Development Authority (NYSERDA) on relevant incentive and rebate programs, and Con Edison on interconnection safety requirements and potential rate benefits. We have also supported customers by promoting changes to NYSERDA programs that previously blocked larger solar installations in the downstate region from receiving state financial incentives. As a result of these and other program changes, installing and interconnecting distributed generation today is easier than ever before.

In addition to important cost and reliability benefits, these resources avoided the release of over 7,800 tons of greenhouse gases into the air in 2012, significantly contributing to environmental goals.

Our Customers

Automated Metering

Con Edison of New York and Orange and Rockland have installed more than 1,000,000 communicating electric and gas meters across our service territory. These meters increase convenience for customers who must otherwise provide meter access each month, enable customers to manage their energy bills through voluntary time-of-use

rate structures, and increase safety for company employees who would otherwise need to read meters in dangerous locations. Data from these meters can also be integrated into outage management and demand response programs. Automated meter-reading also eliminates the need for estimated bills because physical access to meters is not required in order to get an accurate monthly reading of energy consumed at the customer's premises. In the longer term, there is the potential for using remote metering to give customers a load usage profile, a better understanding of their day-to-day energy use, and help them to identify the potential for lowering energy use at their premises.

Our Customers

Customer Security Vulnerabilities

In 2012, Con Edison saw an increase of instances in which customers were deceived by scammers into divulging personal information or arranging bill payments through the use of prepaid credit cards and GreenDot cards. Through customer newsletters sent with bills and news releases, we communicated to our customers the importance of not providing account or personal information over the phone without first being certain they are speaking with an authorized Con Edison representative. We also advised customers to be on alert especially if asked to send bill payments to an out-of-state address, and about another scam that promised contest winnings if they supplied their Social Security number. Customers were further encouraged to ensure they are speaking with an authorized Con Edison representative by initiating a call to the company directly at 1-800-75-CONED when they need to discuss account information.

Our Customers

Strengthening Communities Served



Our employees helped plant trees with the New York Restoration Project as part of MillionTreesNYC.

Con Edison has a long tradition of contributing to and maintaining the social, cultural, and economic vitality of our service areas throughout New York City and Westchester County. To do this, we've committed ourselves to providing financial or in-kind support to organizations whose activities advance strong, vibrant, and stable communities. We choose these groups carefully, looking to their ability to use education, training, and special programs and events, to enrich the quality of life of all New Yorkers.

The Power of Giving - 2012 Year in Review



Con Edison sponsored the ElectriCity: Powering New York's Rails exhibit at the New York Transit Museum.

Con Edison supports about 1,200 nonprofit organizations in New York City and Westchester County whose programs illustrate our dedication to healthy and sustainable communities. We commit our time and nearly \$8 million in charitable funding to groups that focus on five areas:

- Education in science, technology, engineering, energy, and mathematics
- Environmental stewardship
- Community partnerships
- Civics
- Arts and culture

Arts & Culture		Matching Gifts	
\$2,382,064	30%	\$482,900	6%
Community Partnership		Civics	
\$2,215,266	28%	\$140,125	1.9%
Environmental		Other	
\$1,435,840	18%	\$17,800	0.1%
Education			
\$1,313,595	16%		

Our Power of Giving program is more than cash grants. It also includes a strong and loyal volunteer corps, employee participation on nonprofit governing boards, partnerships and collaborations, in-kind contributions, and company matching of employee donations.

Cash Grants



Our employees mentored kids and teens and helped build robots with FIRST.



Education

Con Edison supports groups with programs in math, science, engineering, energy, and technology for students from kindergarten through college. In 2012, we provided close to \$1.3 million in charitable funding to organizations that focus on education.



Environmental Stewardship

Con Edison partners with programs that focus on energy efficiency, preservation of natural resources and parklands, environmental education, and green careers. In 2012, we provided about \$1.4 million in charitable funding to environmental groups.



Community Partnerships

Con Edison supports groups that focus on youth, law enforcement, housing services, landmarks preservation, education, and diversity. In 2012, we contributed \$2.2 million to community organizations.



Civics

Con Edison funds programs that provide young people ages 8 to 18 with the skills and opportunities for lifelong civic engagement. We seek to create interest in the democratic process by providing young people with the skills necessary to voice their opinions, affect policy changes, and remain civically engaged throughout their lives. In 2012, we provided \$140,000 to organizations promoting civic engagement.



Arts and Culture

Con Edison supports organizations that contribute to arts and culture in a variety of ways from presenting visual and performing arts to the public to providing arts in education. In 2012, we contributed more than \$2.3 million to arts and culture groups.



Volunteerism

Our volunteer program gives Con Edison employees, retirees, and their families a chance to donate their time and resources to make a difference in the communities we serve. Volunteers participate in diverse and innovative activities at nonprofits throughout New York City and Westchester County. Con Edison employees and retirees donated more than 4,500 volunteer hours across New York City and Westchester County in 2012.



Board Participation Program

Con Edison employees serve on the governing boards of more than 150 nonprofit groups we support and that number increases every year. Our participation on nonprofit boards strengthens our relationships with our nonprofit partners, increases our awareness of community issues, fosters a corporate culture of community involvement, and helps employees develop new skills.



Partnerships and Collaboration

Along with our support, Con Edison also helps create synergies between community-based groups. We actively seek opportunities to foster partnerships and collaborations among nonprofits by connecting them with each other through programs or projects we support.



In-Kind Contributions

Con Edison enhances its support of nonprofit organizations through in-kind, non-cash donations. For example, we donate compact fluorescent light bulbs, services, and loaned labor, whereby an employee with a particular expertise or skill assists a nonprofit on a short-term project or program.



Matching Gifts

In 2012, Con Edison awarded more than \$482,000 to nearly 173 higher education institutions through our employee matching-gift program. We provide a double match for employee and retiree gifts up to \$3,000, and a single match for gifts of \$3,001 up to a maximum of \$7,500 in one calendar year. In 2012, our employee and retiree gifts plus our matching gifts to colleges and universities totaled almost \$800,000.

Our Customers

Organizations Con Edison Supports



Kids learned about nature at Wave Hill.

Con Edison is a proud supporter of more than 1,000 nonprofit organizations throughout New York City and Westchester County. Our support is focused on groups that contribute to education, arts and culture, civics, the environment, and community partnerships.

Our Customers

Featured Organizations Con Edison Supports

Battery Conservancy

The Battery Conservancy was created in 1994 as a notforprofit educational corporation to rebuild and revitalize The Battery, the 25-acre public park at the southern tip of Manhattan, and its major landmark, Castle Clinton National Monument. Serving over 280,000 people working within walking distance and 50,000 residents, the conservancy ensures the health of the Battery's gardens, and continues to update the Battery's plant database and propagate a variety of shrub and perennial species.

City Parks Foundation

City Parks Foundation enriches and connects New Yorkers through free and accessible arts, sports, education and community-building initiatives through its programs in parks throughout all five boroughs of New York City. Through its Learning Gardens program, the City Parks Foundation connects more than 3,000 children, public school teachers, and community members with their local community gardens, improving learning and teaching in public schools, and creating gardens that act as safe, active centers of community life. The City Parks Foundation currently maintains four Learning Gardens Grove Hill Community Playground (South Bronx), Liberty Park (Jamaica, Queens), Umoja Community Garden (Bushwick, Brooklyn) and Abib-Newborn Garden (Brownsville, Brooklyn).

Queens Botanical Garden



We sponsor environmental education programs at the Queens Botanical Garden.

Queens Botanical Garden is a 39-acre living museum where people, plants, and cultures are celebrated through inspiring gardens, innovative educational programs, and demonstrations of environmental stewardship. Located in an ethnically diverse community, Queens Botanical Garden serves over 200,000 visitors each year, offering horticultural collections, education and research initiatives, and public programs that demonstrate environmental stewardship, promote sustainability, and celebrate the rich cultural connections between people and plants. In 2012, Queens Botanical Garden's Environmental Education workshops served approximately 17,000 schoolchildren from more than 200 schools—over 90 percent of them were public school students, many from schools in underserved areas of New York City.

Trout Unlimited—Trout in the Classroom

Trout Unlimited (TU) is the nation's leading coldwater conservation organization, with over 135,000 members in approximately 400 chapters nationwide working to conserve, protect and restore coldwater fisheries and their watersheds. Trout Unlimited achieves this mission by doing stream restoration work, public education and outreach, and conducting scientific research through its flagship program, Trout in the Classroom (TIC). Since its start in 1997, Trout in the Classroom has grown from just two to over 200 schools statewide, serving hundreds of teachers and thousands of students each year, with environmental education programs through which K-12 students and teachers receive trout eggs in the autumn, raise the trout to small fry, and release them in appropriate waters in the spring. Raising trout in the classroom provides excellent context for discussing the need for healthy, clean water throughout the students' drinking water supply watersheds.

Jay Heritage Center



The Jay Heritage Center in Rye offers workshops on energy efficiency and environmental stewardship.

Jay Heritage Center (JHC) is a living, interactive “textbook” for adults and students of every diverse, socioeconomic demographic. The Jay Property in Rye is the boyhood home of New York State’s only native Founding Father, John Jay (1745-1829). Located next to a marshlands preserve with public trails, this sylvan and historic 23-acre park is all that remains of the original 400-acre Jay family estate where America’s first Chief Justice of the Supreme Court and author of The Jay Treaty grew up. The Jay Heritage Center serves hundreds of participants through programs like “Footprints Matter”, a series of energy-efficiency and environmental community outreach workshops. Those who attend these free workshops and events take this vital information and use it in their own workplaces, homes, and backyards, to help sustain their communities and to demonstrate environmental stewardship.

Our Customers

All Organizations Con Edison Supports

100 Hispanic Women, Inc.
 52nd Street Project, Inc.
 92nd Street Y - (YM-YWHA Performing Arts Program)
 Abyssinian Development Corporation
 Actors Fund of America
 Addie Mae Collins Community Service
 African American Men of Westchester, Inc.
 African Refuge Inc
 The After-School Corporation (TASC)
 Alfred E. Smith Memorial Foundation
 Alianza Dominicana, Inc.
 Alley Pond Environmental Center, Inc.
 Alliance for Downtown New York, Inc.
 Alliance of Resident Theatres
 Alliance of Guardian Angels, Inc.
 Alliance to Save Energy
 Alpha Workshops, Inc.
 Alvin Ailey American Dance Theater
 American Museum of Natural History
 American Museum Of The Moving Image

Latino International Theater Festival
 Latino Justice PRLDEF
 League of Women Voters of the City of New York
 Education Fund
 Learning Through An Expanded ARTS Program, Inc.
 Lehman College Center for the Performing Arts, Inc.
 Lehman College Foundation
 Lincoln Center for the Performing Arts, Inc.
 Literacy Partners, Inc.
 Local Initiatives Support Corporation
 Lower East Side Tenement Museum
 Outstanding Renewal Enterprises Inc. Lower East Side
 Ecology Center
 Lower Manhattan Cultural Council
 Madison Square Park Conservancy
 Making Books Sing
 Manhattan Center for Science and Mathematics
 Manhattan College
 Manhattan Land Trust
 Manhattan Theatre Club

American Red Cross of Greater New York
Americans for the Arts
Ansonia Music Outreach
Apollo Theater Foundation, Inc.
Arab American Association of New York
Armory Track and Field Foundation
Art In General
Art Lab, Inc.
Arthur D. Phillips Scholarship Fund
Artists Space , Inc.
Arts & Business Council of New York
ArtsWestchester (Westchester Arts Council)
Asian American Arts Alliance
Asian American Business Development Center
Asian American Federation
Asian Americans for Equality, Inc.
Asian Women In Business
Asphalt Green, Inc.
Aspira of New York, Inc.
Association for Neighborhood & Housing Development,
Inc.
Association of Development Officers
Astoria Performing Arts Center, Inc.
Atlantic Theater Company
Ballet Hispanico of New York
Banana Kelly Community Improvement Association
Bank Street College of Education
Barnard College
Bartow-Pell Mansion Museum
Baruch College Fund - The City University of New York
Battery Conservancy
Battery Dance Company
Bedford Stuyvesant Restoration Corporation
Big Apple Circus
Bloomfield Conservancy
Booker T. Washington Learning Center
Bottomless Closet
Boy Scouts of America
Boys and Girls Club of Mt. Vernon, Inc.
Boys and Girls Clubs of America
Boys Town New York
Boys' Club of New York
Breakthrough New York
Broadway Housing Communities
Broadway Mall Association
Bronx Children's Museum
Bronx Museum of the Arts
Bronx River Alliance
Bronx River Art Center, Inc
Brooklyn Academy of Music
Brooklyn Arts Council
Brooklyn Arts Exchange
Brooklyn Botanic Garden
Brooklyn Bridge Park Conservancy, Inc.
Brooklyn Center for the Performing Arts at Brooklyn
College

Mayor's Fund to Advance New York
Meatpacking District Improvement Association
Medgar Evers Educational Foundation Inc
Metropolis Ensemble
Midori Foundation (Midori & Friends)
Mind Builders Creative Arts Center
Minkwon Center for Community Action
Mo Better Jaguars Football Inc.
Mount Saint Michael Academy
MOUSE, Inc.
Municipal Art Society of New York
Museum for African Art
Museum of American Finance
Museum of Chinese in America
Museum of Contemporary African Diasporan Arts
Museum of the City of New York
Musica de Camara, Inc.
Musical Chairs Chamber Ensemble, Inc.
Myrtle Avenue Revitalization Project LDC
NAACP Northeast Queens
NAACP of Brooklyn
NAACP Staten Island Branch
NARS Foundation Inc
National Action Council for Minorities in Engineering
National Audubon Society
National Dance Institute
National Executive Service Corporation
National Housing Conference, Inc.
National Museum of The American Indian/Smithsonian
Institution
National Urban Fellows, Inc.
Nature Conservancy of New York
Neighborhood Housing Services Of New York City, Inc.
Neighborhood Housing Services of Staten Island, Inc.
Neighborhood Technical Assistance Clinic
New 42nd Street Inc
New Museum of Contemporary Art
New York Botanical Garden
New York Building Foundation
New York City ACT-SO, Inc.
New York City Audubon Society
New York City College of Technology Foundation
New York City Mission Society
New York City Opera
New York City Police Foundation
New York City Police Museum
New York Families for Autistic Children, Inc.
New York Foundation for the Arts, Inc.
New York Foundling
New York Hall of Science
New York Historical Society
New York League of Conservation Voters
New York Police & Fire Widows' and Children's Benefit
Fund, Inc.
New York Public Library
New York Restoration Project

Brooklyn Children's Museum Corporation
Brooklyn Chinese-American Association, Inc.
Brooklyn College Community Partnership
Brooklyn Community Service
Brooklyn Greenway Initiative
Brooklyn Historical Society
BRIC Arts I Media I Bklyn - Brooklyn Information and Culture
Brooklyn Legal Services Corp. A
Brooklyn Museum of Art
Brooklyn Navy Yard Development Corporation
Brooklyn Philharmonic Orchestra
Brooklyn Public Library Foundation
Brooklyn Steppers
Brooklyn Technical Alumni Foundation
Brooklyn Youth Chorus, Inc.
Camp Brooklyn Fund, Inc.
Career Gear
Caribbean American Center of New York
Casa Belvedere, The Italian Cultural Foundation, Inc.
Casita Maria, Inc.
Catholic Charities of Archdiocese of New York, Inc.
CEC Stuyvesant Cove, Inc.
Center for Arts Education
Center for Traditional Music and Dance Inc.
Central Park Conservancy
Chhaya Community Development
Children's Environmental Literacy Foundation
Children's Museum Of The Arts
Children's Storefront
Chinatown Partnership LDC
Chinese-American Planning Council, Inc.
Chocolate Factory Theater
Citizens Committee for New York City
Citizens Housing and Planning Council
Citizens Union of the City of NY
New York City Center
City Parks Foundation
City Year New York
Classroom, Inc.
College of New Rochelle
College of Staten Island Foundation
Colony-South Brooklyn Houses
Columbia Business School
Comite Noviembre
Committee for Economic Development
Committee for Hispanic Children and Families, Inc.
Common Cents New York
Westchester Community Foundation
Community Impact
Community League of the Heights (CLOTH)
Community Word Project
Community Works, Inc.
Constitution Works
Cool Culture
Cooper Union

New York Society For The Relief Of Ruptured & Crippled Maintaining
New York State Institute on Disability, Inc.
New York Theatre Workshop
New York Urban League - Central Office
New York Urban League-Staten Island Branch
New York Yankees
New Yorkers for Parks
Noel Pointer Foundation
North Shore, Staten Island Section, National Council of Negro Women, Inc.
North Shore Waterfront Conservancy of Staten Island
Northern Manhattan Arts Alliance (NoMAA)
Northside Center for Child Development, Inc.
Northside Town Hall Community And Cultural Center Inc
Ohel Children's Home
One Hundred Black Men, Inc.
Operation Exodus Inner City
Opportunities for a Better Tomorrow
Orchestra of St. Luke's
Organization of Chinese Americans, Inc.
Orpheon, Inc.
Pace University
Pakistani Civic Association of Staten Island
Pan Asian Repertory Theatre, Inc.
Parks & Trails New York
Paula Hedbavny School - MS 278
PBA Widows & Orphans Fund
Per Scholas, Inc.
Phoenix Theatre Ensemble
The Picture House Regional Film Center
Playwrights Horizons, Inc.
Poets House
Point Community Development Corporation
Police Athletic League, Inc.
Polytechnic Institute of NYU
Poppenhusen Institute
Posse Foundation
Pratt Institute
Project Hospitality, Inc.
Prospect Park Alliance
Protectors Of Pine Oak Woods Inc
Public Theater New York Shakespeare Festival
Publicolor
Puerto Rican Bar Association Scholarship Fund
Puerto Rican Family Institute, Inc.
Puerto Rican Traveling Theatre Company
Queens Botanical Garden
Queens Centers for Progress
Queens College Foundation, Inc.
Queens Council On The Arts
Queens County Farm Museum
Queens Library Foundation, Inc.
Queens Museum of Art
Queens Symphony Orchestra

CORO New York Leadership Center
Council on the Arts and Humanities for Staten Island
Covenant House New York
Creative Outlet Dance Theatre of Brooklyn
The Crenulated Company Ltd
Crime Victims Support Services of the North Bronx ,
Inc.
Cristo Rey Brooklyn High School
City University of New York (CUNY)
Cypress Hills Local Development Corporation
Dance Theatre Etcetera, Inc
Dance Theatre of Harlem, Inc.
Dance/USA
Dancing in the Streets, Inc.
Dominican Women's Development Center, Inc.
Dominico American Society
Early Stages Program Inc.
East Harlem Business Capital Corporation
East Harlem Tutorial Program
Economic Literacy Coalition
Education Through Music, Inc.
Education Update
Educational Alliance
El Carnaval del Boulevard
El Museo del Barrio
Kaufman Center
Empire State Pride Agenda Foundation
Enrichment Through The Arts, Inc.
Epic Theatre Center
Exploring the Metropolis, Inc.
Family Service of Westchester, Inc.
FCBA, Inc. (Flushing Chinese Business Association)
FDNY Foundation
Federal Law Enforcement Foundation, Inc.
Fifth Avenue Committee, Inc.
Figure Skating In Harlem, Inc.
Film Forum
Flamenco Vivo Carlota Santana
Flatiron/23rd Street Partnership
Flushing Council on Culture and the Arts
Fordham University
Forest Park Trust, Inc.
Fort Tryon Park Trust and the Heather Garden
Committee
Foundation for Ethnic Understanding, Inc.
Foundation for Public Affairs
Fourth Arts Block
Fresh Air Fund
Fresh Youth Initiatives, Inc.
Friends of Alice Austen House, Inc.
Friends of Blue Heron Park, Inc.
Friends of Cunningham Park, Inc.
Friends of Materials for the Arts
Friends of the High School for Environmental Studies
Friends of the New York Transit Museum
Friends of Van Cortlandt Park, Inc.

Queens Theatre
Queensboro Council For Social Welfare, Inc.
Queensborough Community College Fund
Rabbit Hole Ensemble
Rainforest Alliance
Randall's Island Park Alliance, Inc.
Reach The World
Red Hook Initiative Inc.
Redemption, Inc.
Redhawk Native American Arts Council
Reel Works Teen Filmmaking
Regina Opera Company
Renaissance Charter School
Resource Center for Community Development
Resources for the Future
Rev. Linnette C. Williamson Memorial Park Association,
Inc.
Richmond County Orchestra Inc.
Riverdale Neighborhood House
Riverside Opera Company Inc.
Riverstone Senior Life Services
Rocking The Boat
Rosie's Broadway Kids
Roundabout Theatre Company, Inc.
Salvadori Center Education and the Built Environment,
Ltd.
Sandy Ground Historical Society
Scenic Hudson, Inc.
Second Stage Theatre, Inc.
Seniors Helping Seniors, Inc.
Serenade at Historic Christ Church, Inc.
Sheldrake Environmental Center
Snug Harbor Cultural Center & Botanical Garden
Society of the Educational Arts, Inc
Society of the Third Street Music School Settlement,
Inc.
Socrates Sculpture Park, Inc.
South Asian Youth Action
South Bronx Educational Foundation, Inc.
South Bronx Overall Economic Development
Corporation
South Queens Boys and Girls Club, Inc.
Spanish Theatre Repertory Co., Ltd.
St. Ann Center For Restoration and The Arts, Inc.
St. Francis College
St. Francis Food Pantries and Shelters
St. George Theatre Restoration, Inc.
St. John's University
St. John's University - Staten Island
St. Joseph's College
Starlight Children's Foundation
Staten Island Children's Museum
The Staten Island Employment Education Consortium
Staten Island Federation Of Parent Teacher Associations
Staten Island Inter-Agency Council for Aging, Inc.
Staten Island Mental Health Society, Inc.

Friends of Westchester County Parks, Inc.
Full Spectrum Experience. Inc
Generation Citizen Inc
GEO: Global Environmental Options Inc
Gesell Institute of Human Development, Inc.
Ghetto Film School
Girl Scouts Council of Greater New York, Inc.
Girl Scouts Heart of the Hudson, Inc. / Central
Administrative Office
Girls Incorporated Of Westchester County
Goddard Riverside Community Center
Good Shepherd Services
Goodhue Center
Gowanus Canal Conservancy
Grace Church Community Center, Inc.
Gracie Mansion Conservancy
Gran Parada Dominicana del Bronx
Grassroots Environmental Education
Green City Force
Green Guerillas
Green Map System, Inc.
Greenbelt Conservancy, Inc.
Greyston Foundation Inc.
Groundwork Hudson Valley
GrowNYC - d/b/a Council on the Environment of New
York City
Hamilton-Madison House, Inc.
Harbor Lights Theater Company
HarborLAB: Fiscal sponsor, Earth Day New York
Incorporated
Harlem Academy
Harlem Mothers Stop Another Violent End
Harlem Stage
Harmonie Ensemble, Inc.
Hattie Carthan Community Garden
Heartshare Human Services of NY
Henry Street Settlement Senior Companion Program
Hester Street Collaborative, Inc.
Hetrick-Martin Institute, Inc.
Highbridge Voices
Highland Park Community Development Corporation
Hispanic Federation of New York City, Inc.
Hispanic Resource Center Of Larchmont & Mamaroneck
Inc
Historic House Trust of New York City
Historic Hudson Valley
Hong Kong Dragon Boat Festival in New York, Inc.
Hope Community, Inc.
Hope Program, Inc.
Hospital For Special Surgery Fund, Inc.
Hudson Guild
Hudson River Museum of Westchester
Hunts Point Economic Development Corporation
IATI
Ifetayo Cultural Arts Facility Inc.
Imani House Inc.

Staten Island Track Running and Community
Staten Island Zoological Society
Studio Museum In Harlem, Inc.
The Summit School
Sundog Theatre, Inc.
Sunnyside Community Services
Sunnyside Gardens Community Association, Inc
Symphony Space, Inc.
Tada! Youth Theater
Taproot Foundation
Teachers & Writers Collaborative
Teaching Matters
Teatown Lake Reservation, Inc.
Teatro Circulo, Ltd.
Tenet NYC, Inc.
Theatre Development Fund, Inc.
Theatre for a New Audience, Inc.
Theatreworks/USA Corporation
Town Hall Foundation, Inc.
Toy Museum of NY
Transfiguration Education Association
Trees New York
Trey Whitfield Foundation Inc.
Tribeca Performing Arts Center at BMCC
Trout Unlimited
Two Bridges Neighborhood Council, Inc.
TWW, Inc
Union Square Partnership, Inc.
United Community Centers, Inc.
United Hospital Fund
United Neighborhood Houses of New York, Inc.
Universal Temple of The Arts, Inc
Urban Neighborhood Services, Inc
Urban Pathways, Inc.
Van Cortlandt Park Conservancy
Variety Boys and Girls Club Of Queens, Inc.
Village Alliance District Management Association, Inc.
Vineyard Theatre and Workshop Center, Inc.
Visions/Services for the Blind and Visually Impaired
The Volunteer Center of United Way
Wagner College
Metropolitan Waterfront Alliance
Wave Hill, Inc.
Weeksville Heritage Center
West Side Center For Community Life Inc
West Side Community Garden, Inc.
Westchester Chamber Educational Foundation, Inc.
Westchester Children's Museum
Westchester Community College Foundation, Inc.
Whitney Museum of American Art
Wien House (YWHA)
Women's Enterprise Development Center, Inc.
Women's Forum, Inc.
Women's Housing and Economic Development
Corporation
Women's Research and Education Fund

Inner Circle
Intrepid Museum Foundation
Irish Repertory Theatre Company, Inc.
Irondale Ensemble Project
Isabella Geriatric Center
Isamu Noguchi Garden Museum
Jack and Jill of America, Inc. Brooklyn Chapter
Jackie Robinson Foundation
Jacob A. Riis Neighborhood Settlement House
Jacob Burns Film Center, Inc.
Jay Heritage Center
Jazz at Lincoln Center, Inc.
Jazzmobile
Jefferson Market Garden
Jewish Children's Museum
Jewish Community Center - Chabad of West Queens Inc
Jewish Council of Yonkers Inc.
John A. Noble Maritime Collection
Joyce Theater Foundation, Inc.
King Manor Museum
Kings Majestic Corporation
Kingsborough Community College Foundation, Inc.
Kingsbridge Heights Community Center, Inc.
Kips Bay Boys and Girls Club, Inc.
Korean-American Senior Citizens Association of New York, Inc.

Woodside on the Move
World Cares Center
World Music Institute Inc
World Savvy, Inc.
World Trade Center Memorial Foundation
YMCA - Greenpoint
YMCA - Harlem Branch
YMCA - Central Queens (Jamaica)
YMCA - Prospect Park
YMCA - Ridgewood
YMCA - Vanderbilt Branch
YMCA - Westside
YMCA Bedford Branch
YMCA Chinatown Branch
YMCA Dodge of Brooklyn
YMCA McBurney Branch
YMCA North Brooklyn
YMCA of Bronx
YMCA of Cross Island
YMCA of Flatbush
YMCA of Flushing
YMCA of Greater New York
YMCA of Long Island City
YMCA of Staten Island
York College Foundation, Inc.
Young Audiences / New York
Young People's Chorus of New York City, Inc.
Young Women's Christian Association of Queens
YWCA of the City of New York
Young Women's Christian Association of White Plains and Central Westchester
Young Women's Leadership Network

Our Workforce



Our dedicated workforce powers a vibrant region.

Con Edison recognizes that our most important resource is our people. We work hard to promote inclusion, ensuring that our employees represent the full vitality of the area we serve. We have been recognized for our support of diversity as well as for our commitment to a gender-neutral work environment.

Con Edison's corporate culture is built around a strong commitment to ethical business practices. We have established a strong code of conduct for our employees, and empower them to take responsibility; our workforce is required to report violations of ethical standards as well as environmental and safety risks. The six guiding principles of The Way We Work frame how our employees carry out their assignments.

At Con Edison, we work very hard to promote the health and safety of our employees. We also have a competitive employee compensation program consisting of fair wages, augmented by a comprehensive benefits program.

SI Jewelry Master



We Communicate Openly

Be open.
Listen, ask questions, and respect all opinions.

Be honest.
Explain the reasons behind your decisions.

Be trusted.
Keep others in the loop, good or bad, with no surprises.





A Closer Look

We're renewing our focus on The Way We Work with an eye toward:

Maintaining open and honest communication

Managing costs to minimize customer bill impact

Putting safety first in all we do





We Improve Continuously

Engage our customers and communities to build stronger relationships.

Intensify focus on how decisions and plans impact others.

Combine our talents to deliver excellent customer service.

Enhance customer and other external relationships



We communicate openly and honestly to

We reinforce the messages of The Way We

Our goal is continuous improvement to do

build trust.

Work through posters, e-mail
communications and other communications.

things safer, and more efficiently.

Our Workforce

Six Principles of “The Way We Work”



The Way We Work principles guide the way we do business.

Our corporate Code of Conduct is based on our corporate values: service, honesty, concern, courtesy, excellence and teamwork. We have developed six principles for managing our work and maintaining our corporate values. Since their launch in 2001, these six principles have been, and continue to be, the guiding standards for how we manage our work and how we conduct ourselves. They embody our corporate values and are essential to achieving the level of excellence we want in our corporate culture. Known as The Way We Work, these principles include:

Plan the Work and Work the Plan

The company’s future starts with each of us, and how we plan and manage every task, job, and project. This principle calls for us to think through a plan of action, commit to a timeline, track progress, monitor results throughout the work - not just at the end- and incorporate feedback and any lessons learned in future plans. We plan the work and work the plan in order to manage high standards of safety, quality, efficiency, customer service, and environmental responsibility.

Seek and Accept Responsibility

Seeking and accepting responsibility is about leadership at all levels, which requires employees to take initiative and demonstrate ownership and responsibility for all aspects of their work, including safety, quality, cost, and timeliness. This principle calls on us to broaden the view of the work that we do; to always consider the impact of our activities on other business areas, the company as a whole, and our customers. Seeking and accepting responsibility is about stepping up and stepping out of comfort zones, and coaching others who can learn from us. It is about working toward solutions rather than focusing on problems.

Communicate Openly

Communicating openly applies to our individual conversations, group talks, and our companywide communications. It is much more than just providing information; it is a commitment to openness, fairness, and trust, and to helping others understand the reasons behind our decisions. It's about listening to others, questioning and clarifying what we hear, and respectfully challenging each other when we disagree or can offer an alternate view or solution. It's also about being able to state, I made a mistake, and learning from that experience, in an environment that promotes open dialogue, honest feedback, and a questioning attitude.

Work in Teams

Working in teams is about working together to reach common goals and objectives, such as providing excellent customer service. We recognize our interdependence and that we all share responsibility for our company's success. Through teamwork, we value diversity and recognize the importance of the ideas, opinions, skills, knowledge, and experience of others. We help each other. We share the load and share the credit. Teamwork happens within local work groups, in cross-functional groups, and in our work with customers and other outside stakeholders.

Improve Continuously

Continuous improvement starts by recognizing that individuals are lifetime learners who must work hard to develop new skills, increase knowledge, and vary experiences throughout their careers. Through personal growth and development, we improve the results of our own work and the results of our business. Continuous improvement is also about investing time, effort, and resources now to work more efficiently and effectively in the future. It's learning how to do things safer, better, faster, and less costly. We seek out and incorporate feedback and lessons learned into our work. We set clear and high expectations, and help each other to achieve our business goals.

Celebrate Success

Celebrating success is about recognizing and communicating positive results and achievements, and showing the value we place on innovation and creativity. We celebrate success formally and informally, highlighting the behaviors and accomplishments that are consistent with a culture of excellence.

During 2012, Con Edison continued its progress in cultural transformation. Particular emphasis was placed on three cultural imperatives: cost consciousness; openness, fairness and trust; and enhanced relationships with customers and other external stakeholders. To reflect this emphasis, a company-wide employee-communications campaign stressed the integration of the cultural imperatives with The Way We Work principles. The communication effort consisted of a company-wide poster campaign incorporating the three cultural imperatives as part of The Way We Work principles and demonstrating how we can integrate these principles into our work.

Our Workforce

Union Contract Negotiations

This year, we dealt with the challenges associated with the expiration of the Collective Bargaining Agreement with Local 1-2 of the Utility Workers Union of America. Negotiations with the union began in April 2012 with the goal of reaching an agreement by the expiration date at midnight on June 30, 2012.

At the time of expiration, however, the parties were still not in agreement. In the early hours of July 1, after the union did not agree to company proposals to extend the contract or to sign a separate agreement providing there would be no-strike or lockout without advance notice, the company believing that it would be unfair to ask Con Edison customers to live under the threat of a sudden strike that could undermine the reliability of their energy services concluded it had no choice but to lock out the union employees to protect the safety of our system and provide our customers uninterrupted service.

Trained and experienced management personnel staffed essential operations, following through on detailed contingency plans more than half of our management workforce was assigned to maintain essential service for field work. Guided by detailed contingency plans and training for their contingency assignments, management employees

allowed us to continue to deliver safe and reliable service. Our call centers continued to handle high volumes of customer calls as we quickly restored customer outages during heat waves and a severe thunderstorm safely and reliably.

Throughout the contract negotiation process, the company stressed the importance of working to achieve a contract that would be fair and equitable for both employees and customers, and ultimately, a contract was achieved. Our priority continued to be maintaining a safe, professional, and productive work environment for all employees and to assure the delivery of safe and reliable service to our customers.

Our Workforce

Compensation and Benefits



Con Edison's competitive compensation and benefits attract and retain motivated employees to manage and operate the company's extensive energy-delivery systems.

Con Edison offers a competitive compensation and benefits program to attract and retain management and union employees. The wages and benefits of union personnel are negotiated with their respective labor unions Local 1-2, Utility Workers Union of America and Local 3 and 503, International Brotherhood of Electrical Workers.

In 2011, we conducted a comprehensive evaluation of our compensation and benefits programs for management employees (Total Rewards) which included: leadership interviews, focus groups, and surveys to find out our management employees preferences for their Total Rewards programs. Total Rewards include everything the employee perceives to be of value resulting from the employment relationship including compensation, paid holidays, vacation, sick leave, long-term disability insurance, medical insurance, a prescription drug plan, vision care, dental plan, commuter transportation reimbursement accounts, health-care and dependent-care reimbursement accounts, group term life insurance, a stock purchase and 401(k) savings program with a company match and retirement benefits.

The company also provides wellness programs that include annual flu vaccinations, a smoking cessation program, in-house counseling services for employees and family members with substance abuse problems, outside work-home wellness counseling for employees and their families, eldercare counseling and information services, life-planning seminars and discounted admission to cultural institutions.

Based on employee feedback, external benchmarking and review of alternative designs, changes were made to our Total Rewards programs covering management employees effective January 1, 2013. These changes reflect best practices and reallocated costs of the compensation and benefit programs in order to continue offering a market-

competitive compensation and benefits package. At the same time, these changes will help the company mitigate long-range cost increases related to pensions and health care.

Our Workforce

Supporting Strong Business Ethics

Strong business ethics are a core value of Con Edison. Through the years, one of the most important lessons we have learned is that having a strong financial foundation and operational excellence are only part of what it takes to continue a company's success. We also recognize that our Standards of Business Conduct are an integral component of a sustainable company.

Reflecting the company's continuing commitment to ethical operations, the Business Ethics and Compliance group was significantly restructured and strengthened in 2012. Personnel were added to the expanding group, which was moved from the Internal Audit Department to the Law Department. To head the new group, Vice President and Chief Ethics and Compliance Officer Kimberly Strong joined the Company in early January 2012. Ms. Strong was named to the Ethisphere Institute's 2012 Attorneys Who Matter list as a top ethics and compliance officer.

Con Edison's Standards of Business Conduct are founded upon our values of service, honesty, concern, courtesy, excellence and teamwork. These Standards set forth the basic principles that employees must follow in their day-to-day work, which allow the company to carry out our commitments to our customers, our communities, our fellow employees, our shareholders, our business partners, and the public. We completed an update of the Standards of Business Conduct, which was released to all employees of Con Edison of New York, Orange and Rockland, and the competitive energy businesses in early 2013.

During the fall of 2012, the department launched annual Standards of Business Conduct training to all management employees of Con Edison of New York, Orange and Rockland, and the competitive energy businesses. We also continued to conduct ethics and compliance training for new employees, new supervisors and new managers, and to administer FERC-required ethics training.

The department increased visibility among all Con Edison companies through a coordinated communications campaign in 2012. We also presented the updated team structure and mission to expanded staff meetings at Con Edison of New York, Orange and Rockland, and the competitive energy businesses, meeting with approximately 2,000 employees by year end.

We encourage employees to seek advice, ask questions, and report concerns. We provide several resources, including a confidential Ethics Helpline and email address, for employees to contact their ethics and compliance office. Employees may also contact their supervisors or managers, or the corporate ombudsman, among others, to raise issues. A group of five individuals within the Business Ethics and Compliance group are dedicated to investigating allegations of employee misconduct.

The Department also hosted more than 29 energy companies for the third-quarter meeting of the National Energy Compliance Forum, a group that primarily focuses on FERC regulations affecting electric transmission and generation owners.

Department members are active members of the Ethics and Compliance Officers Association, and the FERC group of the Edison Electric Institute. This year, a Con Edison of New York employee was elected chair of Ethics and Compliance Officer Association's Utilities Industry Group. Employees are also participants on the company's Enterprise Risk Management Committee, the Compliance Risk Management team, the Contractor Compliance Committee and the Contractor Oversight Steering Committee.

Just as we keep our employees knowledgeable of their ethical responsibilities, we also work to educate our vendors and contractors on the Standards of Business Conduct. In support of this aim, all vendors with contracts of \$10,000 or more receive an annual letter from the vice president of the company's Purchasing Department, reminding them of the company's gift policy and providing them with a copy of the Standards of Business Conduct that apply to vendors. Those vendors with contracts of \$350,000 or more also acknowledge that they understand and agree to abide by the standards in their dealings with Con Edison.

Diversity and Equal Employment Opportunity

Volunteer 2012

Con Edison employees make their homes in New York, New Jersey, Connecticut, and Pennsylvania, representing one of the most diverse work communities in the country. The company is one of the largest employers in the region. At year-end 2012, Con Edison employed 14,526 people at its regulated utility companies and competitive energy businesses, of which 44.5 percent are minorities, and 19.2 percent are women. To attract and retain talented employees who reflect the social, cultural, and racial diversity of the communities we serve, Con Edison continues to use an integrated approach to recruitment that targets the Internet, job fairs, and strategic partnerships with search firms and other organizations. Of the 599 employees we hired in 2012, 55.1 percent were minorities and 38.9 percent were women. For a comprehensive look at Con Edison's employee development and diversity programs, Con Edison's 2012 Diversity Annual Report available on our website.

Supplier Diversity

Con Edison's award-winning Supplier Diversity Program invites entrepreneurs and executives to partner with us in mutually beneficial business relationships. The program serves as a model for other corporations around the country. As we continue to serve the energy needs of the world's most dynamic marketplace, we look forward to expanding our commercial relationships with New York's vibrant community of women and minority entrepreneurs and business owners.

To support this effort, the Purchasing department conducts seminars at both Con Edison of New York and Orange and Rockland for contractors and minority- and women-owned businesses to describe upcoming business opportunities, to thank contractors who have supported subcontracting efforts, and to encourage contractors to use program vendors in their business ventures. As part of the program, we also help fledgling firms to define themselves in the marketplace and to expand their services.

The Supplier Diversity program met its goal for 2012. Goods and services purchased from minority- and women-owned business enterprises totaled more than \$315 million. Including fuel and gas, expenditures with minority- and women-owned businesses totaled more than \$323 million.

Supplier Diversity Program Expenditures

	2012	2011	2010	2009	2008
Goods/Services	315.7	277.9	285.8	264.0	296.1
Fuel	7.8	16.3	21.3	14.8	9.0
Total \$ in millions	323.5	294.2	307.1	278.8	305.1

Recognition



Con Edison received recognition for the company's commitment to diversity.

In carrying out its mission to deliver energy services safely and reliably, minimize the environmental impact of company operations, and provide a safe and fulfilling workplace that allows a diverse mix of employees to reach their full potential, Con Edison has received recognition from a variety of sources.

We are proud of the continued efforts that we make to ensure a respectful and inclusive environment. At Con Edison, promoting diversity, Equal Employment Opportunity, and Affirmative Action are core values of the company. We acknowledge and reaffirm that these values are an integral part of who we are, how we do business, and how we carry out our mission. Recognition for commitment to diversity included:

Con Edison of New York was named one of the **40 Best for Diversity Elite Companies** by *Black Enterprise* magazine.

LATINA Style magazine named Con Edison one of the **50 Best Companies for Latinas** in the United States. Since 2002, Con Edison has made the magazine's Top 50 list eight times, and earned honorable mentions in 2008 and 2009.

New York State's Regional Employer Appreciation award was presented to Orange and Rockland Utilities during Rockland County's National Disability Employment Awareness Month breakfast. Orange and Rockland Utilities was recognized for its steadfast commitment to employing the disabled as part of its Investment and Recovery Program.

Our Workforce

Celebrating the Success of the Employee



We celebrate the employees who are doing great things for the company and for the world around us.

Con Edison appreciates employee efforts that support the company's success, and it provides frequent recognition for individuals and teams whose work benefits Con Edison, the communities we serve, and the causes that help improve the world for us all.

EH&S Excellence Awards

Each year, Con Edison presents EH&S Excellence Awards at an annual breakfast celebration. These awards are the highest honor the company bestows for notable achievements that strengthen the company's environmental mission, and its effort to attain an injury-free workplace. In 2012, 135 employees were presented with awards either for individual accomplishments, or for work done as members of a team. Award categories correspond to the five Key EH&S Objectives: improve safety performance; strengthen environment, health and safety compliance; enhance relationships with stakeholders; identify and reduce EH&S risk potential; and promote the wise and effective use of natural resources. Employees who have earned three or more EH&S Excellence Awards are appointed to the Circle of Excellence. For 2012, there were four Circle of Excellence honorees [noted by *].



2012 EH&S Excellence Award honorees

Peter Acocella
 Robert Albertelli
 Anastasio Anagnostopoulos
 John Balabanick
 Ronald Belpanno
 *Vincent Boatright
 Aaron Brown
 Caroline Browne
 *Brian Brush
 Johnathan Burk
 David Caldwell
 Matthew Calo
 Joseph Campanile
 Nicholas Caputo
 Joseph Carpenter
 Joseph Carrazana
 Todd Cerniglia
 Angel Chang
 Katherine Chin
 Robert Ciullo
 Arcangelo Coca
 Michael Cotten
 Robert Decaro
 Robert Deobler
 Steven Deonarain
 Anthony DeRosa
 Ian Diamond
 Alan Diaz
 Robert Dijanic
 Thomas Donohue

Martin Holmes
 Ronald Horenburg
 Mohammad Hossain
 Henry Hutchinson
 Christopher Janusz
 Randolph Johnson
 Adelson Jules
 George Karp
 Christopher Katzmann
 Joseph Kay
 Brian King
 Vincent Kisarewski
 Timothy Langan
 Thomas Lasker
 Gene Lattanzi
 Kyle Lee
 Sang Lee
 Vivian Lee
 Joseph Lepore
 Anthony Locascio
 Susan LoFrumento
 Joseph Lopez
 Walter Lyon
 Anthony Maciorski
 Donald Maffei
 Costas Magoulas
 Joseph Mandara
 Edward Manning
 Paul Mapelli
 Kevin Marin

Neil O'Halloran
 *Robert O'Kane
 David Perez
 Christopher Peterson
 Seymour Pham
 Arthur Pichardo
 Nicholas Planson
 Michael Pokler
 Joseph Princiotta
 Kerlean Prout
 Emil Pugliese
 Mike Rajapakse
 Robert Richards
 Richard Rishkel
 Mark Rotondi
 Michael Ruiz
 Jeffrey Rutowski
 Robert Salony
 Kenneth Sanders
 Mariano Savarese
 Jorge Sese
 Dipa Sharif
 Ori Shmul
 James Siesfeld
 Daniel Simon
 Paula Sklavenitis
 Eddie Sleem
 Hector Soto
 Tracy Strang
 Peter Sudol

Robert Duffy
David Duke
Kevin Farrell
Charles Feldman
Eric Fell
Josephine Ferguson
Celestino Fernandez
Daniel Finn
Thomas Foley
Sara Gherman
James Glaviano
Gavin Graham
Kevin Greene
Elton Hanson
Alexander Hoffman

Craig Massaro
Michael Mattson
James McBride
James McCabe
Michael McCroary
William Mehnert
Jerome Miller
James Moses
Michael Muggeo
Rodney Mullings
Lawrence Nardo
Hugh Nisbett
Wilfred Nunez
Michael Nuzzi
Joseph O'Hagan

Ross Joseph Susco
Jeffrey Taxin
Orlando Torijano
Sharnay Torrance
Richard Trapani
Michael Trepiccione
Brian Troy
Jim VanderPas
Ramundo Velez
Michael Vigna
Rommel Villanueva
*Robert Vuono
Kevin Walline
Nikolai Wolfe
Roger Young

Team Awards

Twice a year, Con Edison of New York recognizes outstanding contributions made by teams of employees by presenting TEAM awards. Award categories include: reducing overall costs; growing the business; satisfying customer needs; sustaining energy reliability; developing environmental excellence; helping ensure a safe workplace; developing employee skills; achieving technical excellence; and supporting a competitive market. During 2012, nearly 400 employees working in teams were honored at breakfasts held at the New York Botanical Garden.

Living Our Values

Con Edison confers its distinguished Living Our Values Award on six employees every year. The LOV award is Con Edison's highest honor. Established in 1991, the award recognizes employees who exemplify Con Edison's Corporate Values and the principles of The Way We Work. LOV award winners clearly demonstrate outstanding character and superior accomplishment, and are recognized as men and women who not only live the corporate values at work, but in their personal lives as well.

All employees of Con Edison are eligible for the Living Our Values award. Any employee may nominate another employee who exemplifies Con Edison's corporate values and The Way We Work principles.

A review committee is established to examine each nomination and to interview the candidates' managers and peers. After the examination is complete, the review committee provides recommendations to senior management for final approval. This rigorous review process ensures that only the most deserving men and women are presented with the company's most prestigious honor. When the review process is complete, the six LOV award winners are announced. Presentation of the awards is made at a formal recognition ceremony.

Living Our Values Award winners:

Adrienne Austin, Section Manager in Customer Operations
Antonio Caso III, Electrical Technician in Bronx/Westchester Electric Construction
Thomas F. Cuccia, Senior Technician in Westchester Construction
Hosea A. Greenidge, Senior Specialist in Central Field Services
Doug Morris, Manager in Central Field Services
Catherine Tarrats, Customer Service Representative in Customer Operations

Safety Awards



2012 Safety Leadership Award winners

In 2007, a specially appointed union/management committee was convened to assess gains made in working safely, and to recommend new methods for improving performance. Committee members concentrated on identifying the traits that define safety leadership. The committee subsequently worked to help all employees internalize the commitment to safety by outlining the "The ABCs of Safety Leadership." In this case, the reference was to Actions, Behaviors, and Communications practices that distinguish employees recognized as safety leaders. Individuals who embody these leadership principles are nominated by their union and management peers for Safety Leadership Awards which are conferred at our Annual Safety Conference. In 2012, there were 32 individuals who were presented with individual awards.

Freddie Adolphe
Vito Aglio
Walter Alvarado
John Amato
Jason Ayala
Sarrina Banks
William Bleichner
John Boden
Scott Clausi
Joseph D'Arco
Michael Donohue

Robert Eckstein
Benny Fazio
Robert Gomez
Patrick Groarke
Paul Hammer
Edgar Hernandez
Timothy Kieras
Bryan Kijik
Dennis Lennon
Paul Longo
Desmond Loughran

Charlie Matsis
Kevin McDermott
Matthew Mitchell
Jose Montalvo
Michael Mordeci
John Northrop
Paul Pippa
Modesto Tavarez
Robert Weston
Domingo Zayas

In addition, one operating group, System and Transmission Operations, was recognized in 2012 for maintaining exemplary safety performance throughout their organization.

Our Shareholders



Con Edison has a long record of delivering solid shareholder value, and has increased its dividend each year for the past 39 years.

Con Edison's mission is to provide energy services to our customers safely, reliably, efficiently and in an environmentally sound manner; to provide a workplace that allows employees to realize their full potential; to provide a fair return to our investors; and to improve the quality of life in the communities we serve. Con Edison anticipates that Con Edison of New York and Orange and Rockland, which are subject to extensive regulation, will

continue to provide substantially all of its earnings over the next few years. The utilities have approved rate plans that are generally designed to cover each company's cost of service, including the capital and other costs of the company's energy delivery systems. The following sections present the company's financial highlights, share performance, and return for 2012.

Our Shareholders

Financial Highlights

Con Edison is one of the largest companies in New York State, and plays a major role in the economic development of the New York metropolitan area. We employ more than 14,500 people, purchase goods and services from community-based organizations, and are one of the largest taxpayers in both the city and the state. Our managers identify significant business and operational risks and liabilities to the company, ensuring that they are prudently addressed to minimize their impacts on our performance.

	2011	2012
Operating revenues	\$12,886	\$12,188
Reported net income (GAAP)	\$1,051	\$1,138
Income from ongoing operations	\$1,064	\$1,098
Reported earnings per share (GAAP)	\$3.59	\$3.88
Earnings per share from ongoing operations	\$3.64	\$3.75
Dividends per share	\$2.40	\$2.42
Dividend payout ratio	66%	65%
Average common shares outstanding	292.6	292.9
Total assets	\$39,214	\$41,209
Capital expenditures	\$2,003	\$2,541
Common equity ratio	52.5%	54.1%
Market capitalization	\$18,200	\$16,300
Stock price per share at year-end	\$62.03	\$55.54
Return on equity	9.5%	9.5%
Total shareholder return	30.8%	(6.7%)
Dividend yield at year-end	3.9%	4.4%

Our Shareholders

Share Performance and Return

During 2012, the market price of Con Edison, Inc.'s common stock decreased by 10.46 percent from \$62.03 at year-end 2011 to \$55.54 at year-end 2012. By comparison, the S&P 500 Index increased 13.41 percent and the S&P Utilities Index decreased 2.91 percent.

The total return to Con Edison, Inc.'s common shareholders during 2012, including both price appreciation and reinvestment of dividends, was -6.72 percent. By comparison, the total returns for the S&P 500 Index and the S&P Utilities Index were 16 percent and 1.29 percent, respectively. For the five-year period, 2008 through 2012 inclusive, our shareholders' total average annual return was 7.91 percent, compared with total average annual returns for the S&P 500 Index and the S&P Utilities Index of 1.66 percent and 0.36 percent, respectively.

Our Peers

Con Edison recognizes the importance of collaborating with our peers in an effort to identify best practices and continually improve our sustainability efforts. We look to participate in organizations which offer both the opportunity to interact with those within the utility industry as well as groups with cross-industry membership in order to provide fresh perspective on shared challenges. In an effort to identify best practices for improving what we do and influence policy in a way that protects our customers and our business, Con Edison participates as a member in a number of trade and cross-industry organizations. The following are some of the organizations with which we work.

Electric Power Research Institute (EPRI)

EPRI is an independent, nonprofit organization that conducts research, development, and demonstration (RD&D) to help address challenges in electricity generation and delivery. While the company works with EPRI on numerous projects, we also participate in the EPRI Sustainability Interest Group (ESIG). This group has over 30 members from utility companies and focuses on issues of sustainability.

In 2012, the group completed and published a sustainable supply chain report which is available on the EPRI website. The ESIG also responded to the public comment period for the GRI G4 framework submitting a comment letter representing the feedback of our industry. ESIG is an opportunity to interact with our peer utilities to identify best practices which will move our sustainability program forward.

Environmental Energy Alliance of New York (EEANY) Generation and Transmission and Distribution (T&D) Committee

EEANY was established in 1999 as an informal organization of New York State utilities and generators, with the intention of focusing on New York State-related environmental regulatory issues of particular concern to electric utilities. Con Edison was a founding member and participates in the generating as well as transmission and distribution committees.

In 2012, EEANY participated in legislative discussions on the invasive species best management practice. The group's executive was invited to participate in a modeling conference sponsored by the EPA related to the National Ambient Air Quality Standards and supported the Department of Environmental Conservation (DEC) modeling team.

The Conference Board EH&S Council

The Conference Board, founded in 1916, is a global, independent business membership and research association working to provide leading business organizations with the practical knowledge needed to improve their performance. The purpose of the EH&S Council is to improve the practice of corporate EH&S affairs and the management of related issues by facilitating the exchange of idea and sharing of experiences among peers; furthering the professional development of members; fostering the mutual understanding and partnership among members with reference to EH&S matters and related issues; and where appropriate, providing leadership to the broader business community by sharing insights and perspectives.

Our participation with the Conference Board EH&S Council allows us the opportunity to cross-pollinate ideas and concepts with the members of other industries such as the pharmaceutical, manufacturing, engineering, paper, electronic, chemical, aeronautics, and medical products industries.

Manufactured Gas Plant (MGP) Consortium Membership

The MGP Consortium was founded in 2003 and consists of approximately 30 natural gas and/or electric utility companies. Its mission is to provide a forum for member companies to obtain and share technical and program management information associated with the investigation and remediation of former MGP sites. As both Con Edison of New York and Orange and Rockland move forward in their respective programs to address their former MGP sites, the Consortium is a valuable resource for staff members to obtain information and share experiences on remediating these sites cost-effectively.

The MGP Consortium held three meetings in 2012 where information on the issues dealing with the management of MGP sites was discussed among other utilities that have MGP site responsibility.

Mercer Occupational Safety and Health Group

For 30 years, the Mercer Occupational Safety and Health Group has been a unique, ongoing network of key health and safety leaders from major multinational corporations in a wide variety of industries. Members face the same challenge: to provide safe and healthful working conditions in their organizations and to influence others including employees, government agencies and local communities to work constructively toward common safety and health objectives.

Throughout 2012, Mercer provided quarterly updates on litigation, rulemaking, legislation and best practices. Mercer also organized events such a symposium in Washington, D.C., that offered insights from, and input to, senior officials in the Occupation Health and Safety Administration, the National Transportation Safety Board, and the Chemical Safety and Hazardous Investigation Board.

Managing the Environmental Agenda

Con Edison's utility and energy businesses seek to minimize our impact, and enhance the environment in which we work. We accomplish this through setting aggressive internal Key Performance Indicators for environmental performance, and through sustainably modeling green behavior.

Key Performance Indicators serve as benchmarks to track the impacts our operations may have on the environment. We use these indicators to track the aspects of our environmental impacts that are often regulated by federal, state, or local environmental agencies. These include spills, air emissions, and other releases to the environment. All employees in the company have a vested interest in meeting or out-performing our environmental indicators, because employee compensation is tied directly to whether or not Con Edison succeeds in minimizing our impact to the environment.

Modeling green behavior is manifested through the many programs that go beyond the regulatory requirements of our work. These actions and initiatives are mostly driven by teams of self-motivated employees who find new and exciting opportunities to improve an aspect of their work, and drive solutions to improve or enhance our environment. Some of these actions might be small, such as enhancing a bottle and can recycling system in an employee locker room, and others large, such as removing leaded cable from our electric distribution services.

Managing the Environmental Agenda

Continuing and Enhanced Programs

While Con Edison employees continuously seek opportunities to use ingenuity to address the hurdles and opportunities in serving our customers, shareholders and the public safely and reliably, there are a number of programs already in place that lend themselves to continuous improvement. In 2012, a number of established programs and initiatives were revised or expanded upon to achieve the next level of their contribution to the improvement of the company's operations.

Water Vulnerability

In 2009 Con Edison initiated an assessment to proactively identify and schedule corrective actions and administrative procedures needed to enhance water discharge control and operation. The cross-organizational Water Vulnerability Assessment (WVA) team worked first to develop a water discharge standard of operation focused on establishing the company's expectations for water discharge systems. This standard was then used throughout 2010 to perform a gap analysis throughout the company.

At the conclusion of the WVA team's efforts, 155 projects were identified for completion. The final projects from this effort were finished in 2012. Project deliverables included the development of alarm response procedures, flow diagrams, and updated spill pollution, control, and containment plans. Physical changes to locations were made as well, including the installation of oil containment systems at a number of facilities.

The company is committed to understanding and acting upon knowledge of where its existing programs and processes are vulnerable. Correcting these vulnerabilities will be a clear manifestation of our commitment to protecting the environment, and will be an ongoing theme in future reports.

Spill Management Team

As an outcome of the Water Vulnerability Assessment initiated in 2009, Con Edison established a Spill Management Team (SMT). The SMT's mission is to mitigate, prepare for, respond to and recover from spills to navigable waterways from the substation and transmission systems, continuously striving for excellence in spill management response. Where operating organizations were once charged with handling both the operational and cleanup aspects of a spill response, the establishment of this team allows organizations to focus solely on their operational responsibilities while the SMT handles cleanup efforts. This means customers who lost service are restored faster and spills are addressed by specialized, trained responders.

The team developed more than 280 oil spill contingency plans in 2011, including maps created in partnership with local municipal agencies identifying sewage system pathways by which released oil could travel from Con Edison facilities to a waterway discharge point. The maps also identify areas to prioritize clean-up efforts in the event of an oil spill. Cleaning up these areas first will reduce the risk of oil contamination in the nearby waterways. In the event of a spill, these maps allow for a timelier, more geographically-focused response.

Along with the development of the oil spill contingency plans, the team worked extensively to develop a comprehensive training program. The team partnered with the Clean Harbors Cooperative to complete two days of oil spill training in 2011. Topics included oil identification, booming strategies, basic water flow properties, and a review of the Incident Command System. The team also assumed incident command during the company's annual oil spill response drill, developing a clean-up response plan to a theoretical release of oil to the Hudson River.

The Spill Management Team continued its training and response efforts throughout 2012, and engaged the New York Fire Department and New York City Department of Environmental Protection in an Oil Spill Multi-Year Exercise Program for response training purposes. The response training exercise was conducted at a Con Edison of New York substation, simulating actions based on previous oil spill incidents, and is a model that can be tailored for exercises at other substations.

Protecting Aquatic Wildlife



Con Edison of New York's East River Station withdraws water from the adjacent East River for equipment-cooling purposes. The water circulates through the station's cooling loop and is then returned to the river. Although the water intakes are screened, some aquatic life such as small fish, eggs, and larvae can be drawn through the system or trapped against the screen.

Fish Screens East River

To substantially lower the plant's impact on the river's ecosystem, and to ensure future compliance with stricter state rules regulating water withdrawals, we embarked on a \$35 million project to upgrade the plant's water intakes. In 2012 a previously retired water intake bay was re-activated to supplement the four operating intake bays, thereby reducing the overall intake system's water velocity. A lower water intake velocity will enable fish to swim away from the intake pipes more effectively. Further, a new traveling screen equipped with fine mesh panels was successfully installed within the newly activated bay to minimize the withdrawal or entrainment of smaller eggs and larvae.

In 2013 the company will outfit the remaining four intake bays with new traveling screens equipped with fine mesh panels and install a new dedicated fish return trough. This will ultimately allow aquatic organisms that may become trapped, or impinged, on the new fine mesh screens to be gently removed via a low pressure spray wash system and delicately returned to the river.

Verification testing of the modified intakes will follow the 2013 installation. The project scope and design have been approved by the New York State Department of Environmental Conservation. Once finished, the environmental impact of station operations on the East River's aquatic life will be considerably reduced.

Managing the Environmental Agenda

Invasive Species Management

Invasive species are non-native plant, animal, or microbial species that cause, or are likely to cause, economic or ecological harm or harm to human health. Invasive species have been introduced by human action into a region outside their natural geographic range. Introductions occur along a variety of pathways or vectors, either intentionally such as intentional transport of a species for trade, or by accidental means, as in the case of stowaway species found in the ballast-water of ocean-going vessels.

Most scientists regard invasive species as second only to habitat loss as a threat to biodiversity. The presence of invasive species in a given region is one of the leading causes of endangerment to species native to that region. On a nationwide basis, about half of plant and animal species listed as federally Endangered or Threatened are at risk because of invasive species.

In an effort to combat the spread of invasive terrestrial plant species, Con Edison has worked collaboratively over the past year with other New York State utility companies, the Public Service Commission, and the NYSDEC to develop a state-wide, industry-based Best Management Practice (BMP) for Preventing the Spread of Invasive Terrestrial Plant Species. This BMP received NYSDEC approval and is currently being implemented.

Managing the Environmental Agenda

Network Transformer Monitoring

Con Edison of New York has performed 8,349 laboratory analyses on network transformers to verify their continued safe operation during 2012. These analyses include Dissolved Gas in Oil Analyses (DGOA) and assessment of dielectric properties. As a result of this monitoring program, we replaced 39 transformers in 2012 before failure. This program has also contributed to the overall reduction of in-service transformer failures from 164 in 2005 to 38.

An additional 5,330 DGOA samples were taken from transmission substation transformer compartments to identify potentially-faulty equipment. In 2012, four such transformers were removed prior to failure.

Managing the Environmental Agenda

Chem Lab ISO Certification

The ISO 17025 standard provides specific organizational and procedural requirements for testing laboratories. Laboratories that are accredited to this standard demonstrate that their processes are designed to meet customer needs for result accuracy and usability. Con Edison's ChemLab has obtained ISO 17025 accreditation for its non-environmental tests because:

ISO 17025 accreditation is fast becoming an industry standard requirement for testing laboratories, and the company wants to ensure their customers continue to have confidence in its results; and
The environmental testing that is done through the ChemLab is already accredited to the NELAC (National Environmental Laboratory Accreditation Conference) standard, which incorporates ISO 17025. Because the company performs both environmental and non-environmental tests, we wish to establish uniform expectations for all such testing operations.

Managing the Environmental Agenda

Green Cleaning

In 2012, Con Edison of New York implemented the use of a new line of New York City manufactured and packaged green cleaning products throughout more than 20 company facilities. These products have reduced the potential for employees to come into contact with harsher cleaning chemicals, improved the efficiency of our cleaning operations, and provided an opportunity for cost savings. Going forward, health and safety, purchasing and facilities operational personnel will continue to evaluate cleaning product options that further reduce risks of employee chemical exposure, improve cleaning effectiveness, and contribute to cost consciousness.

Managing the Environmental Agenda

GIS Database Development

Con Edison operates company facilities within or near environmentally-sensitive areas such as wetlands, streams, and even threatened or endangered species habitats. In 2012, Con Edison worked to develop and implement a Geographic Information System (GIS) platform as an environmental planning tool and centralized repository for critical regulatory documents governing company operations within these areas. With application for individual facilities, this platform utilization will increase the efficiency with which personnel can access regulatory information specific to company sites in proximity to such sensitive areas.

Managing the Environmental Agenda

Resource Efficiency

Conservation is a priority at Con Edison, and the wise and effective use of natural resources is one of our five key EH&S objectives. In 2012 Con Edison continued its use of an internal tool for facility managers, and all interested employees, to view and track company-wide and facility-specific data for waste generation and recycling, water consumption, and energy use. The ability to compare trends in annual performance between facilities, or view meter-specific interval readings, and track waste disposal records has increased visibility of these important metrics, and is the first step in driving improvements. As a benchmarking tool, this interface can be used to track the effectiveness of initiatives designed to reduce water and energy consumption at company buildings, and examine the material disposal efficiency of Con Edison's office and field operations.

Reduce Cable Waste

Recovered Waste Materials

By extending the usefulness of the material it discards, Con Edison's resource recovery program lightens the burden on the waste stream and generates revenue, which is good for the environment and for business.

Con Edison of New York minimizes waste and reinforces waste material separation and recycling efforts across the company. A recycling manual, posters located throughout company facilities, training modules, and an internal resource conservation website all include the various classes of waste found throughout company operations, and procedures for proper handling, collection, segregation, and disposal for each material type. Company facilities set aside areas that serve as recycling stations for a variety of waste streams. Clear signage helps sort refuse correctly for recycling.

49th Street Recycling

Material streams recycled by Con Edison of New York in 2012:

Construction and demolition debris	996 tons
Corrugated cardboard	118 tons
Electronic equipment	44 tons
Metal	8,382 tons
Plastic	60 tons
Mixed office paper	348 tons
Sand/soil/dirt (clean construction fill)	36,931 tons
Wood/pallets	511 tons
Trash	4,269 tons

Orange and Rockland is committed to protecting the environment and conserving our natural resources. The company participates in and promotes programs that focus on resource conservation and waste minimization, and continues to explore alternative sustainable practices. These strategies are carried out company-wide.

Orange and Rockland's recycling program continues a long-standing partnership that employs workers from Rockland ARC, a local organization providing support and services to those with intellectual and developmental disabilities. Supervised ARC workers help to break down retired Orange and Rockland equipment into component parts for re-sale.

The ARC workers assigned to Orange and Rockland separate waste paper, bale used cardboard and dismantle old cable, streetlights, reflectors, and meters. Those parts are then sold by Orange and Rockland to recyclers. The program also provides a useful work experience for ARC of Rockland's workforce.

Since the program's inception in 1991, Orange and Rockland and its Rockland ARC partners have recycled more than three million pounds of paper, nearly a million pounds of cardboard, over a million pounds of steel and aluminum wire, and a half million pounds of assorted metals. Orange and Rockland estimates that this program has saved over a million cubic feet in landfill space.

Among the materials recycled by Orange and Rockland in 2012:

Mercury street lamps	4 tons
Fluorescent lamps	< 1 ton
Lead/acid batteries	3 tons
Lighting ballasts	< 1 ton
Used oil	65 tons
Plastic, glass, aluminum	3 tons
Paper	63 tons
Cardboard	29 tons
Scrap cable	79 tons
Scrap aluminum	30 tons
Processed metal	100 tons

Electric and Gas Use

In 2012, Con Edison of New York used 97,422 MWhrs of electricity and 154,020 DTHs of gas for the purposes of powering, lighting, heating and cooling company facilities. These use totals represent decreases of 6.3 percent and 7.0 percent, respectively, from 2011 totals of 103,945 MWhrs and 165,638 DTHs.

Water Consumption

In 2012, we consumed over 3 billion gallons of DEP water, 120 million of which was used for basic water and sewage services at our facilities, with the rest used to generate steam for heating and cooling customers throughout the city.

Managing the Environmental Agenda

Employee Innovation



Employees are encouraged to share their ideas about how to lower our carbon footprint, and improve our environmental stewardship.

Employee Innovation

Con Edison employees have extensive experience designing, managing, and operating electric, gas, and steam infrastructures. The company encourages its personnel to apply this expertise to enhance sustainable business practices. Modeling green behavior internally and progressing toward an injury-free workplace are important aspects of Con Edison's sustainability strategy. Employees are encouraged to contribute their own ideas and initiatives in helping the company reduce its carbon footprint and also improve its environmental stewardship.

Con Edison of New York has an education campaign and an intranet site called Greening House to share news about the company's sustainability efforts and environmental issues. In 2012, employees were invited to submit suggestions and share information using the Greening House Ideas feature of the site. Orange and Rockland's Bright Ideas program encourages employees to develop new ways of working more safely, operating more cost-effectively, conserving energy and reducing environmental impact both on the job and at home, and then putting those ideas to work. One ongoing employee-generated initiative at Orange and Rockland is to conduct energy audits of company facilities and also to identify electronics, copiers, and other office equipment that can be upgraded with comparable EnergyStar devices when replacement is necessary.

Many process improvements, programs, and other innovations suggested by employees have been implemented. Among them are:

A team of employees at Con Edison of New York directed development of a new trenching machine that allows street excavations to be made much more quickly and efficiently than older methods employing jackhammers. The new machine also eliminates the potential safety risks associated with jackhammer operations.

A team of employees at Orange and Rockland applied new methods for providing oil-spill boom protection at a transformer storage yard. The boom installation is more durable and less expensive than the older spill-boom technology it replaces.

When an active secondary fault occurs in a manhole, Con Edison of New York crews cannot enter until the fault is cleared. A team of employees developed a cutting-head holder and cable grabber tool that makes cutting the power to this type of fault easier and safer.

A group of employees at Orange and Rockland created a new safety training curriculum for the company's meter readers. In addition, they actually accompanied newer meter readers as they made their rounds, and using a structured checklist, they noted ways the meter readers could work more safely and minimize their safety risks in the field.

A group of Con Edison Development employees successfully completed the acquisition of a 92 MW solar power installation in California. The energy supplied by this installation is sufficient to satisfy the needs of approximately 10,000 homes for an entire year.

To help the City of New Bedford in Massachusetts expand its use of renewable energy, a team of Con Edison Solutions employees designed a multi-site photovoltaic installation mounted on rooftops of several city-owned properties.

Environmental Performance

Con Edison

Performance Indicator	2012 Actual
Dielectric Fluid Released to Environment (gallons)	27,914
Opacity Occurrences not to exceed NYCDEP Standard	54
SF₆ Emissions (lbs. of gas emitted)	17,292
NO_x Emissions Compliance (%)	100
Wastewater Discharge (SPDES) Exceedances	4

Orange and Rockland

Performance Indicator	2012 Actual
Violations (NOVs)	0
PCB Overhead Transformer Removals	61
Oil Spills	273
EH&S Site Assessments	146
Environmental System Improvements	6

Opacity Exceedances

New York City Department of Environmental Protection (DEP) regulations require Con Edison of New York to report instantaneous or two-minute opacity (or smoke) events at facilities with boilers and other combustion equipment. We had 25 percent fewer opacity events in 2012 than 2011, with 54 events requiring DEP notification. All opacity events are investigated in detail to determine root causes and to develop corrective measures for reducing the likelihood of recurrence.

Con Edison of New York - New York City DEP-Regulated Opacity Exceedances

Nitrogen Oxide (NO_x) and Sulfur Dioxide (SO₂)

Con Edison of New York's steam business accounts for virtually all nitrogen oxide and sulfur dioxide released by the company's combustion of fuel. To minimize the quantity of NO_x and SO₂ resulting from company operations, we use efficient controls to regulate and monitor combustion equipment and low sulfur fuel oil. Operations are carried out according to rigorous procedural guidelines, and sensors constantly monitor flue gases so that personnel can adjust combustion to curb emissions.

Con Edison of New York - NO_x Emission Trends
(thousands of tons)

Con Edison of New York - SO₂ Emission
(thousands of tons)

Dielectric Fluid Releases

Dielectric fluid is a non-conductive liquid used in steel pipes for insulating and cooling electrical transmission feeder cables. Con Edison of New York's pipe-type cable system consists of about 630 miles of feeders and contains approximately nine million gallons of dielectric fluid.

In 2012, we exceeded our goal of releasing no more than 22,000 gallons of fluid into the environment. These oil spills necessitate quick and thorough cleanup to avoid spreading the oil into waterways, and can expose the company to increased liabilities. The majority of fluid leaks in 2012 resulted from corrosion of the steel pipe containing the transmission cables and dielectric fluid.

Con Edison of New York continues to make process and equipment improvements to a sophisticated monitoring system for detecting leaks in its fluid-equipped feeders more quickly. As new feeders are installed over time to meet increasing customer loading, the use of solid dielectric cables, where appropriate, will be a preferred means of reducing the potential for feeder leaks. Our research and development department continues to evaluate and pursue new methods to prevent leaks before they occur by potentially detecting corrosion of the steel feeder pipe. In addition, we continue to explore alternative and less expensive methods to predict, detect leaks, and locate the origin of the leak faster, therefore reducing the impact on the public and the environment.

**Con Edison of New York - Dielectric Fluid Released to the
Environment**
(gallons)

Wastewater Permit Non-Compliance

The New York State Department of Environmental Conservation (DEC) issues permits, and the Department of Environmental Protection issues authorizations to facilities that discharge wastewater or storm water to the environment. These permits and authorizations apply to discharges of wastewater operating under an existing State Pollution Discharge Elimination System (SPDES) permit or a DEP sewer system directive. The performance indicator reflects the number of times a facility operates outside of compliance with their SPDES permit and/or their sewer directive (analytical limits, schedule of compliance, violations) as defined by submission of a non-compliance report to the applicable governing authority. In 2012, we met our internal water quality goal of fewer than 14 wastewater exceedances.

Con Edison of New York - SPDES Exceedances

Reportable Chemical Releases

During 2012, Con Edison of New York had 23 chemical releases that exceeded federally established reportable quantities. Of that total, 18 were releases of antifreeze exceeding 0.13 gallons. Three were releases of refrigerant in excess of 50 lbs, and the remaining two were benzene releases during annual testing at a compressor station. In 2012, Orange and Rockland had no chemical releases above reportable quantities.

The companies take steps to reduce the likelihood of chemical releases by using a comprehensive electronic database to record, track, and analyze trends in spills. Additionally, chemical releases are investigated to determine their source and cause, and identify safer handling procedures. The database information is also shared with

operating organizations to support their efforts at reducing the potential for leak incidents to occur.

Con Edison of New York - Chemical Releases Above Reportable Quantities

Orange and Rockland Chemical Releases Above Reportable Quantities

Hazardous Waste

During 2012, Con Edison of New York shipped 3,800 tons of hazardous non-remediation waste to licensed commercial waste-handling facilities. This is a three percent increase from 2011 levels.

Con Edison of New York Hazardous Waste Manifested Off-site, Excluding Remediation (millions of pounds)

Managing Our Legacy

Hazardous substances, including asbestos, polychlorinated biphenyls (PCBs) and coal tar, have historically been used or produced by Con Edison of New York and Orange and Rockland operations. Some of these sites (many of which are no longer owned by the company) still contain measurable levels of materials that are left over from historic operations. We have made substantial investments in investigating and, when necessary, remediating these sites, and strive to do so with minimal impact to property owners and our neighbors.

We are working closely with local, state, and federal regulatory agencies to identify and address sites that may be impacted by historic operations. A substantial number of sites are addressed under voluntary cleanup programs, where we have committed to minimize adverse impacts on health and the environment. In addition, the company is working closely with the community, keeping the public informed and aware of current projects and programs, through regular meetings, signs and notices, and an informational company website. We work hard to minimize disruptions to the local community, and monitor our impacts on a real-time basis throughout our remediation projects.

We accept our responsibilities for the investigation and cleanup of sites that we have historically owned and operated that were impacted by operations. Under state and federal laws, the company is held financially responsible for its impact to these sites and the remediation of impacted areas. The company sets aside money for the investigation and cleanup of these sites. For more information, please see the annual 10K report (PDF).

Today, we have active remediation sites throughout our service territory, where we are continuing to evaluate and, if necessary, clean up impacted soils and groundwater. We continue to identify areas throughout our service territory where investigation and remediation may be needed.

Managing Our Legacy

Historic Liabilities

We believe firmly in the importance of remediating impacted sites when necessary, for the health of the community and the environment. Remediation requires a substantial investment of time, money, and natural resources as we remove, dispose of and replace impacted soils. Where feasible, we select remedies that reduce the amount of soil that needs to be removed from and replaced at our clean-up sites. We continue to explore treatment options that

are in place, to avoid greenhouse gas emissions and costs associated with removing soils and taking them to landfills or other waste disposal facilities. When feasible and permitted by our regulators, we thoroughly evaluate the quality of soils as they are excavated, to retain as much clean material as possible for backfill.

When excavated soils must be disposed of, we take a portion to thermal treatment facilities. In these facilities, the soil is heated and organic compounds are vaporized and then combusted or otherwise removed. The treated soil can then be used at other locations as fill, reducing the amount of new, clean soil that needs to be taken from other locations for use.

Managing Our Legacy

Manufactured Gas Plant Site Remediation

Many of Con Edison of New York's current remediation sites were formerly the location of manufactured gas plants (MGP), where the company made and distributed manufactured combustible gas. From the early 1800s to the mid 1900s, the company, like many other utilities of its time, manufactured gas in such plants and distributed it in parts of New York City and in Westchester County. At the time, this gas provided many benefits to the community, heating homes and businesses, and lighting the city's streetlamps. However, some of the byproducts of this production may be harmful to human health and the environment.

Today, we are evaluating and monitoring potential and actual risks of exposure to contaminants from these facilities, and we are taking steps to ensure that these risks are minimized. We are working with our regulators to remove these contaminants from the environment or to treat or contain the contaminants so as to minimize potential migration and exposures. Testing, design and/or remediation are already underway at 20 former MGP sites. During 2012, Orange and Rockland spent approximately \$4 million for its MGP program, and Con Edison of New York spent approximately \$14 million.

Con Edison of New York recently completed a remediation at the former East 99th Street Works in conjunction with MTA's Second Avenue Subway construction project. The proximity of this project to high rise residential properties and Metropolitan Hospital presented challenges to remove approximately 6,000 tons of contaminated soils safely. Working closely with the Community Advisory Board and Metropolitan Hospital Management, a plan was developed to remove and dispose of historic contamination from under Second Avenue without impacting local residents or hospital operations. Sustainability strategies used in this project to minimize the impact included carbon filtration to clean air venting from the underground excavation and thermal treatment for contaminated soils, which could ultimately be reused as daily cover in a landfill. For more information about this and other MGP sites, [click here](#).

Reducing Greenhouse Gases



Con Edison Development's solar farm in Pilesgrove, New Jersey, is helping to reduce carbon emissions.

The combustion of fossil fuels at our steam and cogeneration facilities result in the generation of greenhouse gases and other pollutants, principally, carbon dioxide (CO₂), a greenhouse gas; nitrogen oxide (NO_x), the principal pollutant attributed to the formation of smog; and sulfur dioxide (SO₂), a contributor to acid rain. Emissions of nitrogen oxide and sulfur dioxide are regulated under the U.S. Clean Air Act, and are covered in the Environmental Performance portion of this report. Sulfur hexafluoride (SF₆) is a greenhouse gas used in some pieces of the electric distribution system that can be released into the atmosphere through fugitive emissions. Fugitive methane (CH₄) is also a greenhouse gas that is accounted for through our natural gas distribution system.

A team of local scientists working under the New York City Panel on Climate Change (NPCC) compiled a 2010 report to identify the effect of climate change on the New York metropolitan region. According to the report, climate change is likely to cause more-frequent and longer-lasting heat waves across our service territory, as well as increasingly intense and severe storms. Climate change may cause droughts, flooding, and food shortages in other parts of the world. To achieve real reductions of harmful greenhouse gases, climate change must be an important priority for every country, company, and individual. While we await federal climate change regulations that may be enacted in the future, we believe that it is our corporate responsibility to do our part to reduce global emissions today.

We will set our sights on the energy used in buildings, which contributes to approximately 80 percent of New York City's carbon emissions. Con Edison's corporate sustainability strategy aims to curb these emissions by setting goals to:

- Work with the federal, state, and local governments, and other stakeholders to address climate change.
- Maintain an inventory of the company's direct and indirect greenhouse gas emissions.
- Consider the potential impact of business decisions on greenhouse gas emissions.
- Pursue improvements in energy-efficiency and cleaner-burning fuels in our operations and fleet to reduce our greenhouse gas emissions.
- Advocate, promote, and support energy-efficiency improvements and clean energy alternatives among our customers.
- Support new technology development in coordination with other key industry stakeholders.
- Support development of renewable sources of energy and other generation to reduce emissions, including greenhouse gases.

We are committed to curbing our company's greenhouse gas emissions, and have already reduced our emissions by 45 percent since 2005 – surpassing our goal to reduce 40 percent of 2005 levels. We are also doing more to help our customers shrink their own carbon footprints through our energy efficiency programs, environmental-

stewardship and conservation efforts, and providing customers the option to choose cleaner power sources.

Con Edison has been active for nearly a decade in a broad range of initiatives aimed at curbing greenhouse gas emissions. We participate in shaping new environmental policies at all levels of government, and support the continued development of the Regional Greenhouse Gas Initiative (RGGI).

Reporting Our Emissions

In 2008, Con Edison became a founding reporter of The Climate Registry. The Registry helps organizations calculate and report greenhouse gas emissions, and has developed standardized reporting and third-party verification protocols for creating an inventory of emissions. Con Edison has voluntarily submitted to third-party verification of its greenhouse gas emissions under the registry's reporting protocols for three consecutive years. The most recent verification, completed in 2012 for emissions occurring in 2011, was verified under the registry's Electric Power Sector Protocol, which requires disclosure of all direct and indirect sources at company locations. All emissions reports are available on the registry's website, theclimateregistry.org.

Since 2009, Con Edison has been subject to carbon dioxide emissions regulations established by New York State under the Regional Greenhouse Gas Initiative. The initiative, a cooperative effort by Northeastern and Mid-Atlantic states, establishes a decreasing cap on carbon dioxide emissions resulting from the generation of electricity to a level 10 percent below the Initiative's baseline by 2018. Under the initiative, affected electric generators are required to obtain one emission allowance for each ton of carbon dioxide emitted. The allowances are available through quarterly auctions or a secondary market. Con Edison currently purchases allowances for its East River cogeneration plant and was an active participant in the comprehensive program review that took place throughout 2012.

The company is also required to report direct emissions through the U.S. EPA Greenhouse Gas Reporting system. In 2012, the company reported emissions from steam and cogeneration stations where fuel is combusted to produce steam and/or electric energy. The company also reported the emissions resulting from the combustion of natural gas delivered to its customers. The company's reported emissions are accessible through the EPA's greenhouse gas data publication tool.

Con Edison, Inc. Total Green House Gas Emissions [Carbon Dioxide Equivalents (thousands of tons)]

Supporting Cleaner Generation Opportunities

Con Edison's utility companies and affiliates are generally restricted by state regulators from owning large energy generation assets within New York State. However, as an energy service company, Con Edison Solutions is allowed to provide customers in New York State with green power through contracted supply options. The company also provides energy-efficiency and roof-mounted solar power technologies for residential, commercial, institutional, and government customers.

In 2012, Con Edison Development (CED) tripled its portfolio of solar generation assets bringing on nearly 120MW of new generation. This significant growth made it the fifth largest solar project owner in North America.

Along with developing new projects throughout Rhode Island, New Jersey, Massachusetts, and Pennsylvania, in 2012 CED acquired four solar developments totaling 144MW situated in California. These projects provide enough power to serve about 30,000 homes. Each year the solar generation is expected to avoid nearly 230,000 tons of carbon dioxide, which is the equivalent of removing nearly 45,000 cars from the road every year for the life of the projects. The power and environmental attributes are being sold to Pacific Gas and Electric Company under 25-year power purchase agreements.

The development and sale of renewable energy will help to offset greenhouse gas emissions from traditional fossil generation sources in these markets. For more information on these projects, see the Clean Energy Development sections of this report.

Air Emissions Performance



Con Edison’s direct greenhouse gas emissions in 2012 decreased more than two percent from 2011, and 45 percent from baseline 2005 emissions.

Greenhouse gases are reported using carbon dioxide equivalents, or CO₂e, a standardized unit designed to account for the differing warming potentials of the various greenhouse gases. In 2012, Con Edison’s direct greenhouse gas emissions decreased more than two percent from 2011, and 45 percent from baseline 2005 emissions. Con Edison of New York’s steam and cogeneration stations are the company’s largest sources of CO₂ emissions, which are heavily influenced by energy demand and weather.

Con Edison, Inc. Greenhouse Gas Emissions (thousands of tons CO₂e)

Breakdown of 2012 Greenhouse Gas Emissions (thousands of tons CO₂e)

CH4		CO2		SF6	
320	8.9%	3,053	85.3%	208	5.8%

In 2012, the primary source of emissions reduction came through an increased proportion of cogeneration units and an increased gas use across our generating stations overall. Con Edison of New York uses cogeneration technology at its East River Plant in Manhattan for efficient energy production. Cogeneration uses the combustion of natural gas to produce both steam and electricity, effectively lowering the emission rate and improving the efficiency of our steam and electric systems. Our plants consumed close to 92 percent natural gas in 2012, up from 86 percent in 2011, and the company is heading towards having the capability to burn gas at additional steam generation plants by the end of the decade. Gas is cleaner than the #6 fuel oil that currently makes up eight percent of the total fuel burned at our steam plants. Con Edison of New York’s steam stations burn low-sulfur fuel oil to reduce SO₂ emissions.

Con Edison’s vehicle fleet contributes a minute amount (approximately one percent) of total CO₂ emissions. We continue to reduce emissions by using biodiesel fuel, as well as expanding the number of hybrid and alternative fuel vehicles. Currently, roughly half of our vehicle fleet is running on some form of alternative fuel or high-efficiency

engine.

Methane is a greenhouse gas that has 21 times the heat-trapping potential of CO₂. Fugitive methane emissions originate from Con Edison of New York's and Orange and Rockland's natural gas distribution systems. An ongoing program of infrastructure upgrades to the gas-delivery systems of our regulated utilities has contributed to an estimated 15 percent reduction in methane emissions since 1993. Principally through enhanced inspections and maintenance of gas infrastructure, proactive pipe replacement programs, lowered system gas pressures, and increased reclamation of gas left in pipes prior to servicing, Con Edison of New York has consistently made progress in reducing fugitive methane emissions.

Con Edison, Inc. CO₂ Emission Trends
(thousands of tons)

Con Edison, Inc. Estimated CH₄ Emission Trends
(thousands of tons CO₂e)

Con Edison, Inc. SF₆ Emission Trends
(thousands of tons CO₂e)

In 2012, Con Edison completed its 19th year of participation in the U.S. EPA's Gas Star program, a voluntary agreement to reduce natural gas emissions by implementing the program's management practices.

In 1999, Con Edison entered into a memorandum of understanding with the EPA, voluntarily agreeing to reduce its emissions of sulfur hexafluoride (SF₆), a colorless, odorless gas used in high-voltage circuit breakers and switches found chiefly in utility substations. Con Edison reduced its SF₆ emissions by more than 91 percent between 1999 and 2012 through an aggressive equipment replacement and leak detection program, and employee training. Con Edison developed a work-management database to identify and prioritize leak-prone equipment in the system. The company has already surpassed its goal to reduce its emissions below 25,000 pounds of SF₆ by 2020, and has instituted a new goal to reduce SF₆ emissions an additional 25 percent by 2017.

Reducing Greenhouse Gases

Long Term Business Strategies in Clean Energy



At Con Edison, we know that clean energy development by both our competitive businesses and our customers is critical to our long-term strategy. We recognize the important opportunities that this development presents and they are a part of our company's integrated long-range plan.

Reducing Greenhouse Gases

Customer Distributed Resources

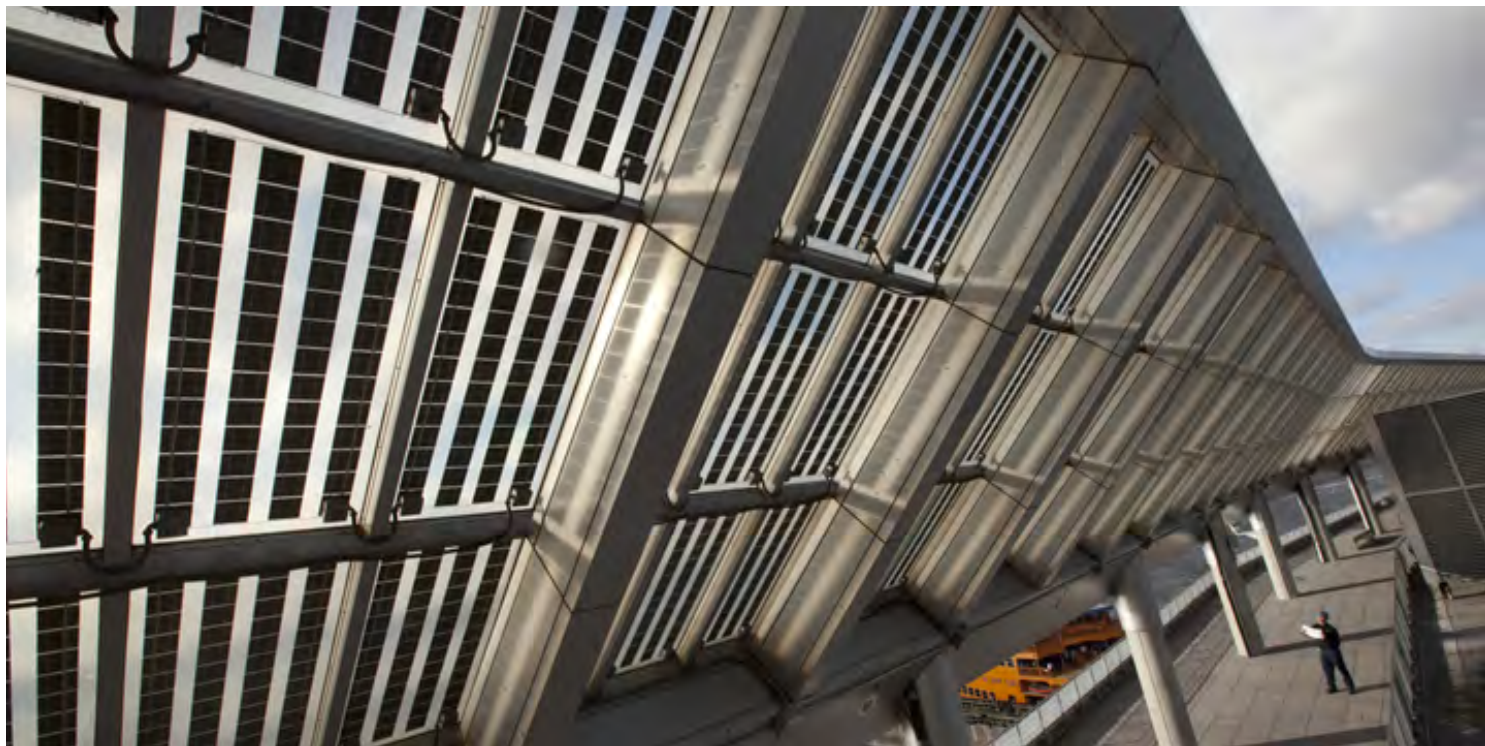
Distributed generation in Con Edison's service territories has grown by more than 134 MW since 2005, a nearly seven-fold increase. Ranging from photovoltaic solar panels to co-generation for heating and cooling systems in large Midtown office buildings, distributed generation provides an important resource that can help customers manage their energy use, reduce their environmental footprint, and support system reliability in their areas.

Renewable distributed generation alone is providing more than 18 MW of nameplate energy to the Con Edison system, and growing. Of the 1,500 distributed generation interconnection applications Con Edison has received since the program's inception, 500 were submitted in 2012. This growth makes dollars and sense: for example, a commercial customer who installs a 6 kW photovoltaic system today will save nearly \$1,400 per year in energy costs—potentially receiving a net payout as a result of Con Edison's net-metering program. Projects in energy-constrained areas are also eligible for significant financial incentives through New York State Energy Research and Development Authority (NYSERDA) programs designed to defer infrastructure upgrades.

Con Edison of New York and Orange and Rockland employ dedicated staff to support customers interested in distributed generation and conduct customer-centered outreach activities to promote these resources. A semi-annual three-day training course for combined heat and power developers in New York City, for example, includes instruction from the New York City Fire Department on relevant fire codes, the New York City Department of Buildings on relevant building regulations, the NYSERDA on relevant incentive and rebate programs, and Con Edison on interconnection safety requirements and potential rate benefits. We have also supported customers by promoting changes to NYSERDA programs that previously blocked larger solar installations in the downstate region from receiving state financial incentives. As a result of these and other program changes, installing and interconnecting distributed generation today is easier than ever before.

In addition to important cost and reliability benefits, these resources avoided the release of over 7,800 tons of greenhouse gases into the air in 2012, significantly contributing to environmental goals.

Con Edison Development in Solar



Con Edison Development develops, owns, and operates renewable and energy infrastructure projects in North America.

Con Edison Development (CED) develops, owns and operates renewable and energy infrastructure projects in North America. Through constructive collaboration, the company is focusing on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. In 2012, CED tripled its portfolio of solar generation assets bringing on nearly 120 MW of new generation. This significant growth made it the fifth largest solar project owner in North America.

Along with developing new projects throughout Rhode Island, New Jersey, Massachusetts, and Pennsylvania, in 2012 CED acquired four solar developments totaling 144 MW situated in California. These projects provide enough power to serve about 30,000 homes. Each year the solar generation is expected to avoid nearly 230,000 tons of carbon dioxide, which is the equivalent of removing nearly 45,000 cars from the road every year for the life of the projects. The power and environmental attributes are being sold to Pacific Gas and Electric Company under 25-year power purchase agreements.

Con Edison Development has over 55 MW of 2013 projects that are in either late-stage development or in the early stages of construction, including a 2 MW project which will be the company's first in the state of Rhode Island.

Con Edison Solutions Energy Services



Residential customers can purchase a blend of hydropower and wind energy.

Con Edison promotes renewable energy development by offering a renewable energy product through its Con Edison Solutions (CES) subsidiary. This product, called Green Power, consists of 100 percent renewable energy.

Residential customers of Con Edison of New York and Orange and Rockland may purchase their full electrical requirements with a mix of 75 percent low-impact hydropower and 25 percent wind energy. For commercial customers, CES can supply between five and 100 percent of their electricity requirements with 100 percent wind energy. Sales of these products have increased the demand for renewable energy during 2012, with total deliveries amounting to approximately 265,000 megawatt hours for the year. CES Green Power is Green-e certified. Green-e is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products. CES is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

In addition, Con Edison Solutions offers programs and services tailored to help customers achieve their individual energy objectives. In 2012 Con Edison Solutions helped to make the Falmouth Youth Hockey, League, Inc.'s new rink one of the most energy efficient rinks in the area. The 49,000-square-foot solar-powered ice rink, with seating for approximately 700 people boasts an NHL-size full sheet of ice, with an additional half sheet to enable more convenient skating opportunities such as additional practices during afternoon and early evening hours. The approximately \$6 million project, is one of the only ice rinks in the region powered primarily by solar panels, with 3,302 solar panels on rooftops and carports producing approximately 900,000 kilowatt-hours of electricity. Along with other energy-efficient design elements, the Falmouth Youth Hockey League has built their arena to consume half of the energy used by similar facilities

Con Edison Solutions has been certified as a state-approved qualified energy services provider in Arizona, Colorado, Connecticut, Delaware, Florida, Kansas, Massachusetts, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, Virginia, Wyoming, and Washington, D.C. While guidelines vary somewhat from state to state, the designation allows Con Edison Solutions to provide energy conservation measures for facilities owned or leased by the state and its political subdivisions. Services may typically include such measures as project management, site energy audits, energy modeling, lighting retrofits, engineering design, construction management, commissioning, training, and ongoing measurement and verification.

In addition to its certification in the specified states, Con Edison Solutions is also a nationwide provider of energy services to the Department of Defense, the Department of Energy, and the U.S. Postal Service.

New York City Policy



The company is actively involved in regional programs and initiatives to support the long-term development of clean-energy sources and conservation.

Con Edison supports the long-term development of clean-energy sources and energy conservation measures through our direct action and through our local and state stakeholders. The company is an active and engaged stakeholder in the following regional programs and initiatives:

The New York State Renewable Portfolio Standard (RPS), which calls for 30 percent of the state's energy to come from renewable resources by 2015.

The New York Public Service Commission's Energy Efficiency Portfolio Standard (EEPS), which is designed to reduce New Yorkers' electricity use 15 percent below forecast levels by the year 2015.

The New York PSC's System Benefits Charge, which funds public benefit programs to accelerate energy innovation through support for scientific research and market analysis, investment in technology development and demonstration, promotion of a clean energy economy through business and market development, acceleration of adoption of clean energy technologies and practices, and the incorporation of more rigorous energy-use standards in codes and industry best practices.

The Regional Greenhouse Gas Initiative (RGGI), representing a nine-state cooperative effort to reduce greenhouse gas emissions from electric power plants by means of a cap-and-trade system.

The State Energy Plan, which develops analyses and policy recommendations to guide the State in reliably meeting its future energy needs in a cost-effective and sustainable manner. The next State Energy Plan was issued in March 2013.

Executive Order 24, signed by Governor Paterson and re-signed by Governor Cuomo, to reduce New York State greenhouse gas emissions 80 percent by 2050.

New York City's PlaNYC, which calls for reducing the city's greenhouse gas emissions 30 percent below 2006 levels by 2017, and advocates a range of clean-energy and conservation measures.

The Policy Objectives section in this report details how Con Edison is helping to achieve the goals of these state and local programs through new or ongoing initiatives using our long-term strategies.

Customer Oil-to-Gas Conversions



We converted 512 New York City buildings burning #4 or #6 oil to cleaner-burning natural gas in 2012, surpassing our goal of 482 conversions.

In 2011 the City of New York passed regulations phasing out the use of #4 and #6 heavy fuel oils. These fuel oils are typically used only by large buildings for heating purposes, but when the fuel is combusted, soot and smog-forming pollutants are released into the atmosphere. As part of the city's goals to reduce local pollutant emissions and improve air quality, the city will stop issuing new permits for #6 heavy fuel oil by the end of 2015, and will do the same for #4 fuel oil by the end of 2030. Con Edison anticipates that many of these large buildings will want to convert their primary fuel source to natural gas supplied from the company's gas distribution system.

Con Edison estimates that 70 percent of the buildings in New York City burning #4 or #6 heating oil are located within the service territory of its gas distribution system. New demand for gas services is creating opportunities for the company to grow our gas business, but it also poses challenges to the logistics of our operations and the management of our infrastructure.

To help manage these opportunities and challenges, Con Edison is tracking and setting annual goals for the number of customers who convert from heavy fuel oil to natural gas. In 2012 we worked with customers to convert 512 New York City buildings burning #4 or #6 fuel oil, surpassing the goal of 482 conversions. Our 2013 goal is to achieve an additional 643 conversions from #4 or 6 oil. From application to boiler ignition, our team is ready to meet the challenge of cleaning New York's air. Please visit our Oil to Gas Conversion website for more information, including how to begin the gas conversion process for your building. In 2012, Orange and Rockland completed over 300 conversions for customers in their service territory.

Eastchester Heights

Policy Objectives



Con Edison's energy-efficiency programs are aimed at reducing electric and natural gas consumption 15 percent by 2015.

New York State has created a number of programs designed to achieve the clean energy goals contained in the RPS, EEPS, SBC and RGGI policies. These programs are supported by collections from our electric and natural gas customers. The company has an interest in evaluating these programs to make sure benefits are being delivered to our customers in the most cost-effective manner possible. Ultimately the company supports these programs because they help achieve benefits desired by our customers: cleaner air and a healthier environment. Additionally, some programs are open to participation by our customers and can help them control their energy costs.

Policy Objectives

Renewable Portfolio Standard

The State's Renewable Portfolio Standard (RPS) program aims to increase the percentage of electricity consumed in New York State that is generated from renewable energy sources. The program is overseen by the Public Service Commission (PSC) and implemented by the New York State Energy Research and Development Authority (NYSERDA). The RPS program has a specific goal: to generate 30 percent of the electricity consumed in the state from renewable energy sources by 2015. To fund the costs of the RPS program, the Public Service Commission (PSC) has imposed a fee collection schedule that is mandatory for all investor-owned electric utilities in the state.

In 2012, we collected approximately \$87 million in RPS fees from electric customers; under the current collection schedule, this fee will peak at \$138 million in 2015. This New York State Energy Research and Development Authority (NYSERDA)-implemented program is currently on-target to achieve the goals set forth in the PSC order authorizing the program. We will also monitor the impacts and focus of the RPS program. Of particular concern is the geographic distribution of the program's spending. After receiving comments in 2010 and 2011 from Con Edison and others on the lack of significant renewable energy development in the downstate region, New York State Energy Research and Development Authority (NYSERDA) developed and implemented a new initiative within the RPS program, called the Regional Program, which reserves \$25 million per year over five years for solar and biogas incentives in NYISO Zones I and J, which comprise a large majority of Con Edison's service territory. This program serves as an example of changes to the RPS program that the company will advocate for in the future should geographic balance continue to be an issue.

System Benefits Charge

The System Benefits Charge (SBC) program funds technology and market development (T&MD) activities relevant to the energy system. The PSC uses SBC to support research and development efforts that serve as a feeder of new technologies to be incorporated into the state's energy-efficiency and renewable energy programs. NYSERDA implements the program under the PSC's supervision. When the program was reauthorized by the PSC in 2011 through 2017 it was estimated that collections from our customers will provide at least \$150 million over the five year term of the program. In 2012, \$20 million in SBC charges were collected from the company's electric customers. The program will focus on a number of areas that should provide benefits to our customers, including smart-grid, electric vehicles, advanced clean power system, advanced building designs, and environmental monitoring and evaluation. Like the RPS program, the SBC T&MD program raises concerns of geographic balance in the program's spending. Of particular concern is whether the program addresses the unique needs of electric customers in New York City and downstate. For example, research is needed to identify ways to incorporate the room air-conditioning units relied upon by residential customers in New York City into demand-response programs that currently use central thermostats to control temperatures.

Energy Efficiency Portfolio Standard

The Public Service Commission (PSC)'s Energy Efficiency Portfolio Standard (EEPS) program supports energy-efficiency initiatives with the aim of achieving a state goal of reducing electric and natural gas consumption 15 percent by 2015. Since the EEPS goal was established in 2008, the state has approved more than 100 energy-efficiency programs. Some of the approved programs are delivered by the state's electric utilities; others are delivered by New York State Energy Research and Development Authority (NYSERDA). In all cases, programs chiefly aimed at increasing customers' energy-efficiency are funded through the EEPS fee collected from both electric and gas customers.

The program has been reauthorized by the PSC for the years 2011 through 2016. The EEPS program, particularly the portion implemented directly by Con Edison, provides benefits to our customers by reducing the need for additional electric infrastructure. As a result, we believe it is appropriate to support somewhat higher EEPS collections in future years, balancing the costs of the program with the impact of those costs on our customers.

Regional Greenhouse Gas Initiative

In addition to monitoring the PSC-approved public policy programs, Con Edison also monitors programs that are funded by our customers but are not itemized on our customers' bills -- in particular, the cost of carbon emissions allowances resulting from New York State's participation in the Regional Greenhouse Gas Initiative (RGGI). This is a compact among 9 Northeast states to require most wholesale generators to purchase carbon allowances offered by the participating states at quarterly allowance auctions. New York's participation in RGGI was initiated by Governor Pataki in a 2005 Memorandum of Understanding that created the regional program and codified in regulation by the New York State Department of Environmental Conservation. In 2012, the company purchased 3.4 M allowances at a cost of over \$6.5 M.

The RGGI programs are implemented by NYSERDA and fund additional spending on renewable energy and energy-efficiency. Con Edison is currently implementing a program supported in part by RGGI funds that would allow customers to do "on-bill" financing of energy-efficiency measures.

In 2012, Con Edison of New York and Orange and Rockland participated in the RGGI program review. The companies maintained their general support for RGGI as an initial step in the country's search for an effective way to reduce carbon emissions. The companies did not take a position on lowering the RGGI cap as proposed by the RGGI states because doing so would increase our customers' bills without a commensurate increase in funding for end-user

energy-efficiency programs to offset the bill increase. However, the companies did successfully advocate for creation of a cost containment mechanism to limit the potential for dramatic increases in allowance prices after the RGGI states lower the regional cap to 91 million tons per year beginning January 1, 2014.

Policy Objectives

Emerging Issues

The field of environmental policy is continually evolving and Con Edison has an emerging issues group specifically focused on following these developments. The overarching goal of the emerging issues function is to ensure that legislative, regulatory, and political/social issues that are in the nascent stages are identified and monitored for their possible impact on the company's design, operation, and maintenance functions. An effective emerging issues function allows the company to be prepared for changes and adjustments to its plans in a proactive, cost-effective fashion consistent with its goal to be in a leadership position in the industry.

There are three major phases of emerging issue management: monitoring ongoing activity and prioritizing the issues to be tracked; intervening in the process of shaping the issue either through a defined regulatory process or as part of an influence entity (e.g., Edison Electric Institute, Electric Power Research Institute, Clean Energy Group, etc.); and implementing the crystallized issue into the ongoing functioning of the company.

In 2012, the Emerging Issues Group monitored and worked on items such as the Regional Greenhouse Gas Initiative program review, EPA's proposed New Source Performance Standards for combustion turbines, the Mercury Air Toxics Standards (MATS) development, and many others at the local, state and federal levels.

Improvements to come in 2013

Much of improving service reliability for our customers, maintaining regulatory compliance, adhering to a cost-conscious mindset, and strengthening the company's safety culture is dependant upon Con Edison personnel thinking forward, assessing risks and opportunities ahead of time, and being prepared for changes to daily work as much as for our long-term projects. In 2012, opportunities for improvement in project EH&S risk planning and underground firefighting response were identified.

Improvements to come in 2013

Managing Project EH&S Risks

Environmental, health, and safety concerns must be incorporated at the early stages of project planning and design in order to minimize potential risks. Con Edison has implemented policies and procedures to build environmental, health, and safety (EH&S) considerations into the planning and design of projects and routine work in order to adhere to regulatory requirements and to achieve environmental, health, and safety excellence. Additionally, these policies and procedures encourage consideration of alternate designs, when possible, to promote resource conservation, use best available technology, reduce risk, and improve project management.

Con Edison implements many projects each year. Environmental, health and safety conditions frequently change through the course of a project. Missing the opportunity to identify these risks up front poses a risk to the company, as well as, the public. As one means of mitigating this risk, the company has established an environmental, health, and safety checklist. This critical tool is used for evaluating the environmental, health, and safety concerns and opportunities to improve project design and construction. In 2013, the company will be looking to evaluate the effectiveness of this checklist and associated procedure. This evaluation will include how the checklist is used in project inception, as well as how the environmental, health, and safety concerns are reevaluated over the course of a project's life. Improvements to this process will be identified and implemented to more effectively use the tool.

Upgrading Generating Stations



Upgrades to our steam generating stations will help lower emissions in the future.

Con Edison of New York's steam system supplies steam for heat, hot water, and cooling to customers in Manhattan, including many of New York's most famous landmarks. The company's steam supply from its steam generation stations and the Brooklyn Navy Yard enable many of New York City's skyscrapers, apartment complexes, and cultural institutions to be built without individual boiler plants, and therefore without chimneys or smokestacks on every building. This eliminates local dispersion of air pollutants at lower elevations.

The company's steam stations reduced emissions in 2012 primarily as a result of reduced steam generation compared to that in 2011. Two key factors contributed to the reduced steam generation. First, the steam system was operated under an improved operating criteria, second, weather related effects such as a warmer winter created less steam demand on the system.

The steam system's operating criteria was modified in November 2012 for a second time since December 2010, to lower the average system operating pressure. These modifications came after a detailed assessment of customer pressure requirements. The modifications allow the company to run its most efficient steam production units more frequently, reduce the use of the least efficient units, and allow for more natural gas and less residual oil to be burned, resulting in reduced emissions.

The warmest year on record was recorded at Central Park in 2012. Because the primary use of the company's steam is for heating, the warmer weather in the heating months called for less steam demand on the system. In addition to warmer weather, in late October 2012, Superstorm Sandy's unprecedented flooding caused interruptions to steam customers. These combined factors recorded the lowest amount of steam purchased by customers since 1959. In summary, the reduced demand on the steam system resulted in less fuel burned and less emissions.

The company is also moving forward with gas addition projects at its 59th Street and 74th Street Generating Stations. Currently there is limited gas-burning capability at the 59th Street Generating Station, and no gas-burning capability at the 74th Street Generating Station. These projects are expected to be operational by July 2013 at the 59th Street Generating Station and December 2013 at the 74th Street Generating Station to comply with new emissions regulations going into effect in July 2014. While the addition of clean-burning gas at these facilities is an important aspect to the company's air-emissions compliance strategy, the company is also anticipating significant savings for its steam customers in the near-term due to the lower price of natural gas, which will displace the #6 fuel oil currently burned at the 59th Street and 74th Street Generating Stations. The total annual emissions

reductions for both generating stations due to the gas addition projects is estimated to be approximately 148,000 tons of CO₂, 500 tons of NO_x, 1,000 tons of SO₂, and 150 tons of particulate matter. The estimated 148,000 ton reduction in CO₂ equates to about a 30 percent and 19 percent reduction for 59th Street and 74th Street Generating Stations, respectively.

Improvements to come in 2013

Enhancing Systems

Continuous maintenance and efforts to advance environmental management systems already in place at Con Edison were not new to the company in 2012. The Company has held its environmental management system to ISO 14001 standards for a decade. In 2012, the environmental management system adherence to ISO standards was renewed and an electronic efficiency measure for environmental information was added, as discussed below.

ISO 14001

Con Edison Company of New York received corporate-wide certification for its environmental management system by demonstrating conformance to the ISO 14001 Standard in 2002. ISO Standards are developed and managed by the "International Organization for Standardization" which was created to standardize products, manufacturing processes and management systems. The ISO 14001 Standard provides a framework for establishing and maintaining a company-wide environmental management system.

The company was recently recertified for an additional three-year period, in April 2011. Annual surveillance assessments conducted by an ANSI-ANAB certified registrar have confirmed the company maintains an effective environmental management system. The company remains committed to the continual improvement of its environmental management system to protect the environment in our service territory.

Environmental Management Information System

Con Edison of New York's Environmental Management Information System (EMIS) is a web-based repository for environmental data, consisting of three modules that are used to track environmental spill incidents, hazardous waste manifests, and waste-water discharge monitoring samples. The system was developed in-house and rolled out in 2006, however recent enhancements to the EMIS waste modules provide the ability to electronically track waste drums from inception to final destination using barcodes. This improvement has created an electronic log book and extended the ability to print and use barcode labels for more efficient waste drum identification. Implementation of this effort has allowed the company to streamline a complex business process, improve data accuracy, enhance the tracking of select waste streams, and reduce costs.

Improvements to come in 2013

Assessing Waste Vulnerability

Con Edison of New York currently generates, handles and disposes of 130 million pounds of non-hazardous waste and eight million pounds of hazardous waste each year. The management of this waste is regulated by various governmental agencies. In order to verify that policies, procedures and processes are in compliance with these regulations Con Edison will perform a Waste Vulnerability Assessment. The company will identify areas where potential waste management risks exist and develop controls for mitigating them.

Following a similar format to the Water Vulnerability Assessment, the Waste Vulnerability Assessment will be a proactive process for identifying and scheduling corrective actions needed to enhance waste management control, demonstrating the company's commitment to environmental excellence and continuous improvement.

Improvements to come in 2013

Protecting Aquatic Wildlife



An upgrade to water intakes at the East River Station protects fish and aquatic life.

Con Edison of New York's East River Station withdraws water from the adjacent East River for equipment-cooling purposes. The water circulates through the station's cooling loop and is then returned to the river. Although the water intakes are screened, some aquatic life such as small fish, eggs, and larvae can be drawn through the system or trapped against the screen.

Fish Screens East River

To substantially lower the plant's impact on the river's ecosystem, and to ensure future compliance with stricter State rules regulating water withdrawals, we embarked on a \$35 million project to upgrade the plant's water intakes. In 2012 a previously retired water intake bay was re-activated to supplement the four operating intake bays, thereby reducing the overall intake system's water velocity. A lower water intake velocity will enable fish to swim away from the intake pipes more effectively. Further, a new traveling screen equipped with fine mesh panels was successfully installed within the newly activated bay to minimize the withdrawal or entrainment of smaller eggs and larvae.

In 2013 the company will outfit the remaining four intake bays with new traveling screens equipped with fine mesh panels and install a new dedicated fish return trough. This will ultimately allow aquatic organisms that may become trapped, or impinged, on the new fine mesh screens to be gently removed via a low pressure spray wash system and delicately returned to the river.

Verification testing of the modified intakes will follow the 2013 installation. The project scope and design have been approved by the New York State Department of Environmental Conservation. Once finished, the environmental impact of station operations on the East River's aquatic life will be considerably reduced.

Sustainability Reporting

Con Edison voluntarily discloses its sustainability strategy, targets, performance and other related metrics through multiple channels. Publicly, the company issues an annual sustainability report which provides public transparency of the company's sustainability performance in accordance with its own methodology and alignment with the Global

Reporting Initiative (GRI) Index. The company also discloses further data and detail of its sustainability profile to investor and industry stakeholders through the Carbon Disclosure Project's climate and water questionnaires, the Dow Jones Sustainability Index questionnaire, and both bank and utility peer third-party assessments.

Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is a not-for-profit organization that looks to reduce the risks of climate change and drive emissions reductions through reporting. As the organization has grown, it has moved beyond reporting of carbon emissions to other areas such as water, forests, and supply chain. In 2012, Con Edison responded to the Climate Information Request as well as to the Water Information Request.

CDP Climate

According to its 2012 S&P 500 Climate Change Report, the Carbon Disclosure Project Climate Information Request is supported by 655 investor signatories with assets of \$78 trillion. Six thousand companies from around the globe were asked to respond to the 2012 Climate Information Request; a total of 343 S&P 500 companies responded, 22 of which were utilities. Con Edison responded to the 2012 request for 2011 information with an emissions reduction of 44 percent from 2005 baseline and outlined the programs that were enacted to obtain those reductions and continue to reduce emissions moving forward. The company's response is public and can be found on their website. The company received a disclosure score of 92, a performance score of B and was proud to be named once again to the Carbon Disclosure Leadership Index (CDLI).

CDP - Water

The Carbon Disclosure Project began requesting information related to water in 2010 and held its first request in the United States in 2012. According to their report, the Water Request is supported by 470 investors with assets of \$50 trillion. A total of 141 of the 345 companies invited to participate responded, 13 of which were utilities. Con Edison responded to the request identifying over 380,000 megaliters of water withdrawals in 2012, as well as risks and opportunities associated with our water-related activities. There is no scoring or rating associated with the water request; however, the company's response is public and available on the CDP website.

Dow Jones Sustainability Index

The Dow Jones Sustainability Index evaluates and ranks the sustainability performance of the largest 2,500 Dow Jones Global Total Stock Market Index companies. Con Edison has disclosed its financial performance, environmental initiatives, and social responsibility to the DJSI for the last three years.

The Climate Registry

Con Edison became a founding reporter of The Climate Registry in 2008. The registry helps organizations calculate and report greenhouse gas emissions, and has developed standardized reporting and third-party verification protocols for creating an inventory of emissions. Con Edison has voluntarily submitted to third-party verification of its greenhouse gas emissions under the registry's reporting protocols for four consecutive years. The most recent verification, completed in 2012 for emissions occurring in 2011, was completed for the second straight year under the registry's Electric Power Sector Protocol, which requires disclosure of all direct and indirect sources at company locations. All emissions reports are available on the registry's website, theclimateregistry.org.

Recognition

Con Edison has been recognized for its environmental and broader sustainability initiatives and performance for many years. A brief review of some notable recognition by regulatory bodies and investor groups in 2012 is provided below.

SF₆ Reduction Technology Innovation

Con Edison has taken its knowledge of ultrasonic detection, and applied it towards developing a wholly new and unique method for identifying very small leaks in SF₆ gas-filled equipment, such as circuit breakers, ground switches and mini-bus equipment. The company's innovative use of ultrasonic probes to detect small SF₆ leaks has enabled us to identify and repair leaks that were previously invisible. This technology has contributed to the company reducing SF₆ emissions by 57 percent since 2009.

Due to the small size of gas streams lost from equipment, and weather conditions, the use of camera and spray technologies were unsuccessful at locating leaks smaller than those from a substantial flange or shaft seal. By using ultrasonic detection accompanied with a liquid leak amplifier, the company has been able to locate and make repairs to over two dozen leaks that collectively added up to a significant improvement toward reducing SF₆ emissions.

Some of the other advantages to using ultrasonic detection over the standard methods are its capabilities of scanning in-service equipment at a distance, and using sound amplification and recording. This enables the company to trend data and schedule repairs more efficiently. The technology can also be used to listen for leaks on the internal components of dual pressure systems. For example, using sound allows leaks to be detected in isolation valves and compressor seals that would otherwise be invisible from outside observations.

Con Edison's method of leak identification has earned the company accolades from the EPA via the 2012 "Best Technological Advancement" Partnership Recognition Award.

Carbon Disclosure Project

Con Edison earned recognition from the international Carbon Disclosure Project (CDP) for the sixth year because of the company's carbon emission reduction and carbon disclosure efforts. In the 2012 rankings, Con Edison was again recognized in the S&P 500 Carbon Disclosure Leadership Index for its successful reduction of greenhouse gas emissions. The CDP, representing over 700 institutional investors who manage \$87 trillion in assets, has again commended the company for the way it discloses climate change information. A key component of CDP's annual S&P 500 report, the index highlights companies that demonstrate the most professional corporate governance approach regarding revelation of climate change information. Companies are scored on their climate change disclosure practices.

Newsweek Green Rankings

Con Edison was listed as the second greenest utility company in the United States, according to Newsweek magazine's 2012 Green Rankings. The rankings were based on the magazine's ratings of a company's environmental footprint, environmental management, and disclosure. Newsweek developed a "Green Score" for each of the 500 largest publicly traded companies in the United States, and Con Edison scored second-highest among the 27 utilities rated. The magazine calls its list the most comprehensive ranking of corporate environmental performance.

Risk Management

Con Edison's business is influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows and financial condition.

The company has established an Enterprise Risk Management (ERM) program to identify, assess, manage and monitor its major operations and administrative risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. Significant risks are discussed with the Board of Directors and its committees throughout the year. In addition, an annual report which includes detailed analysis of the top risks is provided each year.

Material Risk Issues

The Failure to Operate Energy Facilities Safely and Reliably Could Adversely Affect the Company

Con Edison provides electricity, gas and steam service using energy facilities, many of which are located either in, or close to, densely populated public places. A failure of, or damage to, these facilities, or an error in the operation or maintenance of these facilities, could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. In such event, the company could be required to pay substantial amounts, which may not be covered by the company's insurance policies, to repair or replace their facilities, compensate others for injury or death or other damage, and settle any proceedings initiated by state utility regulators or other regulatory agencies. The occurrence of such an event could also adversely affect the cost and availability of insurance. Changes to judicial doctrines could further expand the company's liability for service interruptions.

The Failure to Properly Complete Construction Projects Could Adversely Affect the Company

Con Edison's ongoing construction program includes large energy transmission, substation, and distribution system projects. The failure to properly complete these projects timely and effectively could adversely affect the company's ability to meet their customers' growing energy needs with the high level of safety and reliability that they currently provide, which would adversely affect the companies.

The Failure of Processes and Systems and the Performance of Employees and Contractors Could Adversely Affect the Company

Con Edison has developed business processes for operations, customer service, legal compliance, personnel, accounting, planning and other matters. Some of the company's information systems and communications systems have been operating for many years, and may become obsolete. The company is implementing new financial and supply chain enterprise resource planning information systems. The failure of the company's business processes or information or communication systems could adversely affect the company's operations and liquidity and result in substantial liability, higher costs and increased regulatory requirements. The failure by the company's employees or contractors to follow procedures, or their unsafe actions, errors or intentional misconduct, or work stoppages could also adversely affect the company.

The Company Is Extensively Regulated and Is Subject to Penalties

Con Edison's operations require numerous permits, approvals, and certificates from various federal, state and local governmental agencies. State utility regulators may seek to impose substantial penalties on the company for violations of state utility laws, regulations or orders. In addition, the utilities rate plans usually include penalties for failing to meet certain operating standards. FERC has the authority to impose penalties on the utilities and the competitive energy businesses, which could be substantial, for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability rules. Environmental agencies may seek penalties for failure to comply with laws, regulations or permits. The company may also be subject to penalties from other regulatory agencies. The company may be subject to new laws, regulations, accounting standards or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the companies.

Con Edison's Rate Plans May Not Provide a Reasonable Return

Con Edison rate plans are approved by state utility regulators that limit the rates they can charge their customers. The rates are generally designed for, but do not guarantee, the recovery of the utilities' cost of service (including a return on equity). The company's rate plans can involve complex accounting and other calculations, a mistake in which could have a substantial adverse affect on the company. Rates usually may not be changed during the specified terms of the rate plans other than to recover energy costs and limited other exceptions. The company's actual costs may exceed levels provided for such costs in the rate plans. The company's rate plans usually include penalties for failing to meet certain operating standards. State utility regulators can initiate proceedings to prohibit

the company from recovering from their customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred. The company has from time to time entered into settlement agreements to resolve various prudence proceedings.

The Company May Be Adversely Affected By Changes to Its Rate Plans

Con Edison's rate plans typically require action by regulators at their expiration dates, which may include approval of new plans with different provisions. The need to recover from customers increasing costs, taxes, or state-mandated assessments or surcharges could adversely affect the company's opportunity to obtain new rate plans that provide a reasonable rate of return and continue important provisions of current rate plans. The company's current New York electric and gas rate plans include revenue decoupling mechanisms. Their New York electric, gas, and steam rate plans include provisions for the recovery of energy costs and reconciliation of the actual amount of pension and other postretirement, environmental and certain other costs to amounts reflected in rates.

The Company Is Exposed to Risks from the Environmental Consequences of Their Operations

Con Edison is exposed to risks relating to climate change and related matters. Con Edison of New York may also be impacted by regulations requiring reductions in air emissions. In addition, the utilities are responsible for hazardous substances, such as asbestos, PCBs and coal tar, that have been used or produced in the course of the utilities' operations and are present on properties or in facilities and equipment currently or previously owned by them. Electric and magnetic fields are found wherever electricity is used. The company could be adversely affected if a causal relationship between these fields and adverse health effects were to be established. Negative perceptions about electric and magnetic fields can make it more difficult to construct facilities needed for the companies' operations.

A Disruption in The Wholesale Energy Markets or Failure by an Energy Supplier Could Adversely Affect the Company

Almost all the electricity and gas the utilities sell to their full-service customers is purchased through the wholesale energy markets or pursuant to contracts with energy suppliers. Con Edison Energy and Con Edison Solutions also depend on wholesale energy markets to supply electricity to their customers. A disruption in the wholesale energy markets or a failure on the part of the company's energy suppliers or operators of energy delivery systems that connect to the utility's energy facilities could adversely affect the company's ability to meet its customers' energy needs and adversely affect the company.

The Company Has Substantial Unfunded Pension and Other Postretirement Benefit Liabilities

Con Edison has substantial unfunded pension and other postretirement benefit liabilities. The utilities expect to make substantial contributions to their pension and other postretirement benefit plans. Significant declines in the market values of the investments held to fund the pension and other postretirement benefits could trigger substantial funding requirements under governmental regulations.

Con Edison's Ability to Pay Dividends or Interest Depends on Dividends from Its Subsidiaries

Con Edison's ability to pay dividends on its common stock or interest on its external borrowings depends primarily on the dividends and other distributions it receives from its subsidiaries. The dividends that the subsidiaries may pay to Con Edison are limited by the NYSPSC to not more than 100 percent of their respective income available for dividends calculated on a two-year rolling average basis, with certain exceptions.

The Company Requires Access to Capital Markets to Satisfy Funding Requirements

Con Edison estimates that their construction expenditures will exceed \$6 billion over the next three years. The company expects to use internally-generated funds, equity contributions from Con Edison and external borrowings to fund the construction expenditures. The competitive energy businesses are evaluating opportunities to invest in renewable generation and energy-related infrastructure projects that would require funds in excess of those produced in the businesses. Con Edison expects to finance its capital requirements primarily through internally generated funds and the sale of its securities. The company does not expect to need to issue additional common equity in 2012. Changes in financial market conditions or in the companies' credit ratings could adversely affect their ability to raise new capital and the cost thereof.

The Internal Revenue Service Has Disallowed Substantial Tax Deductions Taken by the Company

Con Edison's federal income tax returns reflect certain tax positions with which the Internal Revenue Service does not or may not agree, particularly its tax positions for Con Edison's Lease in / Lease Out transactions and the deduction of the cost of certain repairs to utility plants for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

A Cyber Attack Could Adversely Affect the Company

Con Edison and other operators of critical energy infrastructure may face a heightened risk of cyber attack. In the event of such an attack, the utilities and the competitive energy businesses could have their operations disrupted, financial and other information systems impaired, property damaged and customer information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased regulation, litigation and damage to their reputation.

The Company Also Faces Other Risks that Are Beyond Its Control

Con Edison's results of operations can be affected by circumstances or events that are beyond its control. Weather directly influences the demand for electricity, gas, and steam service, and can affect the price of energy commodities. Natural disasters, such as a major storm, heat wave, hurricane, or terrorist attack or related acts of war could damage company facilities. As a provider of essential utility services, the company may experience more severe consequences from attempting to operate during and after such events. In addition, pandemic illness could potentially disrupt the company's employees and contractors from providing essential utility services. Economic conditions can affect customers' demand and ability to pay for service, which could adversely affect the company.

Indian Point

Con Edison currently has a 16-year power purchase agreement (commencing August 2001) with Indian Point for 350MW of the almost 1,300 MW it generates annually. The nuclear facility, which is owned by Entergy Corporation, is up for permit renewal. If the renewal is not approved, it could mean the plant would be closed as early as 2015. The loss of this energy supply source has the potential to impact both reliability and emissions throughout the State of New York and for our customers in the Con Edison service territory.

In November 2012, the NYSPSC directed Con Edison of New York to work with the New York Power Authority (NYPA) to develop a contingency plan to address reliability concerns associated with this potential closure. In February 2013, Con Edison and NYPA submitted their plans, which take into account incremental Con Edison energy-efficiency and demand management programs. The plan provides for the New York transmission owners, subject to required approvals, to begin developing three proposed transmission projects for implementation by 2016. The plan also provides for the issuance by NYPA of a request for proposals for generation and transmission projects that could also be in service by 2016. Under the plan, the New York State Public Service Commission is to designate which projects are authorized to be implemented.

Lease In / Lease Out

In 1997 and 1999, Con Edison Development entered into a transaction in which it leased property and then immediately subleased it back to the lessor (termed Lease In / Lease Out, or LILO transactions). The transactions respectively involve electric generating and gas distribution facilities in the Netherlands. In accordance with the

accounting rules for leases, Con Edison is accounting for the two LILO transactions as leveraged leases.

In an audit of Con Edison's tax return for 1997, the IRS disallowed tax losses in connection with the 1997 LILO transaction. In December 2005, Con Edison paid a \$0.3 million income tax deficiency asserted by the IRS for the tax year 1997 with respect to the 1997 LILO transaction. In April 2006, the company paid interest of \$0.2 million associated with the deficiency and commenced an action in the United States Court of Federal Claims, titled Consolidated Edison Company of New York, Inc. v. United States, to obtain a refund of tax and interest. A trial was completed in November 2007. In October 2009, the court issued a decision in favor of the company concluding that the 1997 LILO transaction was, in substance, a true lease that possessed economic substance, the loans relating to the lease constituted bona fide indebtedness, and the deductions for the 1997 LILO transactions claimed by the company in its 1997 federal income tax return are allowable. In January 2013, the United States Court of Appeals for the Federal Circuit reversed the October 2009 trial court decision and disallowed the tax deductions claimed by the company relating to the 1997 LILO transaction.

Con Edison plans to request the United States Court of Appeals to grant rehearing en banc of the January 2013 decision. As a result of the January 2013 Court of Appeals decision, Con Edison expects to record an estimated charge of between \$150 million and \$170 million (after-tax) in the first quarter of 2013 to reflect the interest on disallowed federal and state income tax deductions and, as required by the accounting rules for leveraged lease transactions, the recalculation of the accounting effect of the LILO transactions. The transactions did not impact earnings in 2012, 2011 or 2010.

In January 2013, to defray interest charges, the company deposited \$447 million with federal and state tax agencies relating primarily to the potential tax liability from these transactions in past tax years and interest thereon. The company estimates (based on current market values) that if it were to negotiate the termination of the transactions, it could receive cash proceeds of approximately \$210 million (pre-tax), which amount could be higher or lower depending on the negotiations.

Risk Management

Climate Change Risk Issues



We are actively involved in discussions about the effect more severe weather will have on our systems and our business.

Con Edison acknowledges the statements of the Intergovernmental Panel on Climate Change that emissions of greenhouse gases, including carbon dioxide, are very likely changing the world's climate. We recognize that climate change could impact our customer's demand for energy services and has the potential to cause physical damage to our facilities and disruption of their operations due to the impact of more frequent and more extreme weather-related events.

In response to the risks posed by climate change, we have taken strides to mitigate our impact to the environment, decreasing our greenhouse gas emissions 45 percent from our 2005 baseline. This reduction was achieved through equipment replacement and repair, increased use of natural gas at our steam generation plants, and operational changes in the dispatching of electric generation at our East River Facility. Our methane emissions are reduced through pipe maintenance and replacement programs, by operating system components at lower pressure, and by introducing new technologies. We have been able to 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.

We also work to help our customers reduce their environmental impact through our energy efficiency programs. These are outlined in the Our Customers section of this report.

While we recognize the importance of mitigation activities, we are also working to address climate adaptation opportunities. In late October 2012, Superstorm Sandy caused extensive damage to the utilities' electric distribution system. Superstorm Sandy interrupted service to approximately 1.4 million of the utilities' customers - more than four times the number of customers impacted by the companies' previous worst storm event (Hurricane Irene in 2011). In response, we have developed an extensive plan to prepare our systems to handle storms of this nature. The impact and response to Sandy is discussed in more detail in the Reliability section of this report.

Risk Management

Risks Materialized During Sandy



Superstorm Sandy highlighted the need to address previously-identified risks that could harm our system.

Superstorm Sandy caused significant damage and outages to our customers throughout our service territory. The impact of this coastal storm meant the realization of risks identified by the company's enterprise risk management program. As these were previously-identified risks, response plans and projects had already been initiated to lessen the number of outages and associated restoration time. However, Superstorm Sandy highlights the need to continue to address these risks moving forward. For this reason, when Con Edison of New York filed its rate case

with the Public Service Commission in January 2013, it requested the implementation of programs to strengthen the storm resiliency of its electric infrastructure, as well as implementation of a surcharge mechanism to facilitate cost recovery for additional hardening programs as they may arise in the future.

A Major Storm or Hurricane

We recognize that major storms have the potential to harm our energy delivery systems by means of high winds or severe flooding. These damages could result in widespread outages posing a challenge to our customers in a time of need. Projects exist throughout the different organizations of the company in order to mitigate the impacts of a major storm and avoid the loss of service.

Loss of a Transmission or Area Substation

Our substations send and receive power throughout our system maintaining the reliability of the grid. The loss of a transmission or area substation has the potential to impact the delivery of electricity to a large number of customers. Despite protective measures, flooding at our East 13th Street substation during Superstorm Sandy caused an outage which impacted over 200,000 customers in lower Manhattan. These customers were restored within four days and we are now integrating into our storm hardening plans how to better protect this and other substations.

Shutdown of an Electric Distribution Network

As a precaution, Con Edison preemptively shut down networks in order to avoid extensive damage to company and customer equipment, and to allow company crews to restore power to customers more quickly. While this may cause short duration inconvenience to customers, the benefit of a reduced restoration time made this decision a necessary action in order to prevent a potentially dangerous situation given flooding in the low-lying Battery Park City area.

Risk Management

Continuous Improvement and Auditing

Con Edison maintains a rigorous auditing program, integrated with environment, health, and safety, to confirm regulatory compliance, that proper procedural requirements are correctly implemented, and also to gather information that can help drive continuing improvement. Both facility operations and company-wide programs (e.g. pollution prevention, right-to-know reporting) undergo periodic systematic audits to determine their compliance with applicable regulations and company procedures, as well as the adequacy of EH&S management systems in use.

EH&S audits are conducted by an EH&S group in Con Edison's Corporate Auditing Department. Under the CEI audit policy, this group audits all facilities and programs. On occasion, subject matter experts from other areas of the company have been used to augment EH&S audit teams. The EH&S Auditing group has developed standard protocols tailored to each area of concern that may be encountered at facilities operated by the company to ensure comprehensive and consistent audits. EH&S audits may cover the following areas as applicable:

Environmental Factors

Compliance

Management systems

PCBs

Asbestos, lead, and mercury

Spill prevention

Air pollution control

Health & Safety Factors

Compliance

Management systems

Loss prevention

Personnel safety

Transportation safety

Material/equipment safety

Water pollution control

Industrial health and hygiene

Solid/hazardous waste management

Fire safety/emergency evacuation

Storage tanks

Employee health and medical issues

Leaks and releases

Site remediation

Land use/fish and wildlife

Chemical use approval

Resource use (recycling/pollution prevention)

The Audit Committee of the Board meets with the company's management, including the General Auditor and the company's independent accountants, several times a year to discuss internal controls and accounting matters, the company's financial statements and the scope and results of the auditing programs of the independent accountants and of Con Edison of New York's internal auditing department. Con Edison also engages in a number of third party audits, a selection of which include its financial reporting, greenhouse gas inventorying, and ISO 14001 certification.

Risk Management

Quality Assurance

The EH&S Quality Assurance and Risk Management (QARM) group acts upon the company's known and potential environmental, health and safety liabilities those that might be unknown. Through fieldwork, teams assess equipment, processes, and procedures to identify potential environmental, safety, or health risks. Potential risks are evaluated to determine likelihood of occurrence, defining features, potential severity of possible consequences, and our ability to detect or control them.

Con Edison conducts vulnerability assessments to evaluate potential liabilities that the company has in relation to environmental, health and safety concerns. In 2013, Con Edison will be commencing an assessment of the company's other potential environmental vulnerabilities.

Risk Management

ISO Certification

ISO Standards are developed and managed by the International Organization for Standardization which was created to standardize products, manufacturing processes and management systems. Certification to the ISO Standards provides stakeholders a means of validating that the company is operating in a safe and reliable manner. Additionally, ISO Standards provide a framework for continuous improvement throughout the company.

Con Edison of New York holds certifications to the ISO 14001- Environmental Management Standard and the company's ChemLab has recently obtained certification to the ISO 17025-Lab Quality Standard.

Infrastructure Enhancement



Con Edison upgrades its facilities and infrastructure to prepare for future challenges.

Con Edison works to improve every aspect of its physical plant, energy-delivery systems, management practices, and operating methods to better serve its customers and other stakeholders. The company's goal is not simply to upgrade its equipment and technical support mechanisms, but to adopt a holistic approach aimed at operating the business more sustainably, minimizing the environmental impact of operations, and delivering energy reliably and safely to the homes and businesses in the communities it serves.

Although termed infrastructure enhancements, many of the advances introduced by Con Edison during 2012 go far beyond hardware upgrades, though these are part of the picture too. The company's notion of infrastructure extends to preparing for future challenges to energy-delivery, and also to providing useful, timely information that can help employees manage their planning and day-to-day operations. A brief review of some of these initiatives shows how Con Edison is pro-actively working to drive ongoing improvements in efficiency, reliability, risk mitigation, and enterprise management.

Infrastructure Enhancement

Upgrading Generating Stations



Upgrades to our steam generating stations will help lower emissions in the future.

Con Edison of New York's steam system supplies steam for heat, hot water, and cooling to customers in Manhattan, including many of New York's most famous landmarks. The company's steam supply from its steam generation stations and the Brooklyn Navy Yard enable many of New York City's skyscrapers, apartment complexes, and cultural institutions to be built without individual boiler plants, and therefore without chimneys or smokestacks on every building. This eliminates local dispersion of air pollutants at lower elevations.

Dual Fuel

The company's steam stations reduced emissions in 2012 as a result of reduced steam generation from that in 2011. Two key factors contributed to the reduced steam generation. First, the steam system was operated under an improved operating criteria, second, weather related effects such as a warmer winter created less steam demand on the system.

The steam system's operating criteria was modified in November 2012 for a second time since December 2010, to lower the average system operating pressure. These modifications came after a detailed assessment of customer pressure requirements. The modifications allow the company to run its most efficient steam production units more frequently, reduce the use of the least efficient units, and allow for more natural gas and less residual oil to be burned, resulting in reduced emissions.

The warmest year on record was recorded at Central Park in 2012. Because the primary use of the company's steam is for heating, the warmer weather in the heating months called for less steam demand on the system. In addition to warmer weather, in late October 2012, Superstorm Sandy's unprecedented flooding caused interruptions to steam customers. These combined factors recorded the lowest amount of steam purchased by customers since 1959. In summary, the reduced demand on the steam system resulted in less fuel burned and less emissions.

The company is also moving forward with gas addition projects at its 59th Street and 74th Street Generating Stations. Currently there is limited gas-burning capability at the 59th Street Generating Station, and no gas-burning capability at the 74th Street Generating Station. These projects are expected to be operational by July 2013 at the 59th Street Generating Station and December 2013 at the 74th Street Generating Station to comply with new emissions regulations going into effect in July 2014. While the addition of clean-burning gas at these facilities is an important aspect to the company's air-emissions compliance strategy, the company is also anticipating significant savings for its steam customers in the near-term due to the lower price of natural gas, which will displace the #6 fuel oil currently burned at the 59th Street and 74th Street Generating Stations. The total annual emissions reductions for both generating stations due to the gas addition projects is estimated to be approximately 148,000

tons of CO₂, 500 tons of NO_x, 1,000 tons of SO₂, and 150 tons of particulate matter. The estimated 148,000 ton reduction in CO₂ equates to about a 30 percent and 19 percent reduction for 59th Street and 74th Street Generating Stations, respectively.

Infrastructure Enhancement

Protecting Aquatic Wildlife



An upgrade to water intakes at the East River Station protects fish and aquatic life.

Con Edison of New York's East River Station withdraws water from the adjacent East River for equipment-cooling purposes. The water circulates through the station's cooling loop and is then returned to the river. Although the water intakes are screened, some aquatic life such as small fish, eggs, and larvae can be drawn through the system or trapped against the screen.

Fish Screens East River

To substantially lower the plant's impact on the river's ecosystem, and to ensure future compliance with stricter State rules regulating water withdrawals, we embarked on a \$35 million project to upgrade the plant's water intakes. In 2012 a previously retired water intake bay was re-activated to supplement the four operating intake bays, thereby reducing the overall intake system's water velocity. A lower water intake velocity will enable fish to swim away from the intake pipes more effectively. Further, a new traveling screen equipped with fine mesh panels was successfully installed within the newly activated bay to minimize the withdrawal or entrainment of smaller eggs and larvae.

In 2013 the company will outfit the remaining four intake bays with new traveling screens equipped with fine mesh panels and install a new dedicated fish return trough. This will ultimately allow aquatic organisms that may become trapped, or impinged, on the new fine mesh screens to be gently removed via a low pressure spray wash system and delicately returned to the river.

Verification testing of the modified intakes will follow the 2013 installation. The project scope and design have been approved by the New York State Department of Environmental Conservation. Once finished, the environmental impact of station operations on the East River's aquatic life will be considerably reduced.

Enhancing Business Intelligence

Project One is an initiative by Con Edison to implement a web-based financial and supply chain Enterprise Resource Planning (ERP) system to improve financial planning systems in its utility businesses (Con Edison of New York and Orange and Rockland). Project One was the largest technology investment in the company's history at the time of its implementation throughout Con Edison's utility businesses. Project One, supported by one integrated systems solution, replaced approximately 60 existing systems by the end of 2012. The purpose of realizing corporate strategic drivers is to reduce cost to customers, enhance external stakeholder relationships, strengthen support activities, and to reduce and manage risk.

This integration is designed to facilitate consistent, uniform cost-management practices, and reduce risk stemming from disparate management systems. At the same time, with all utility company functions employing a single platform for financial and supply-chain operations, support service will be improved. All employees can work using compatible, standardized business processes throughout the enterprise.

As a result, transparency of business information will be substantially enhanced, and analytical processes will be helped by ready availability of business intelligence that provides users with an accurate up-to-date picture of enterprise transactions and other operations. In addition, the system is designed to accommodate future accounting standards and make the amendments consistent and accurate for users in all operating groups at Con Edison's regulated utility companies.

Hardening the System



During 2012, we installed nearly 1,900 miles of electrical cable, and replaced nearly 80 miles of gas pipe.

Protecting our systems from extreme weather has long been part of Con Edison's investment plan. From work as basic as trimming trees around power lines to investments in sophisticated smart-grid technologies, the measures give our energy-delivery systems greater flexibility and reliability.

The core of our capital spending—more than \$2 billion annually—continues to go toward replacing and upgrading the equipment of our extensive electric, gas, and steam networks. During 2012, we installed almost 1,900 miles of new electrical cable, including 175 miles of conductors damaged by Sandy, and replaced nearly 80 miles of gas pipe.

We also opened a new substation in Rockland County, to meet growing demand for energy in West Nyack and surrounding communities.

In the post-Sandy era, we will continue to invest in systems that are designed to withstand increasingly severe weather. We have proposed \$1 billion for measures to fortify and protect our systems. We plan to install stronger flood barriers and more submersible equipment, raise critical equipment, and strategically bring overhead power lines underground. We will install additional state-of-the-art monitoring sensors, switches, and related smart-grid technologies to improve the flexibility of our system. Our long-range investment plan remains focused on keeping our systems reliable and safe for our customers.

Sustainable Policies and Standards

It is critical that Con Edison conducts its business ethically, safely, and in an environmentally excellent manner. Our policies and procedures are the road map for achieving those standards.

At the corporate level, policies and procedures include Corporate Policy Manuals, Corporate Instructions, Corporate Environmental, Health and Safety Procedures (CEHSPs), General Environmental, Health and Safety Instructions (GEHSIs), Environmental Specifications, General Accounting Procedures (GAPs), and the Standards of Business Conduct (SBC). Additionally, each organization has policies, procedures, and specifications specific to the work they do. These documents are kept on various websites (some internal, some external) as well as in hard copy at certain locations for easy access to all employees.

Con Edison's environment, health and safety policy affirms the company's commitment to continually improving safety and environmental performance, strengthening EH&S compliance, enhancing relationships with stakeholders, identifying and reducing significant EH&S risk potential and promoting wise and effective use of natural resources.

In order to fulfill this commitment we:

- Continue to improve our approach and performance in protecting people, property and the environment
- Comply with all applicable laws and regulations, and go beyond the minimum required, where practicable, to achieve their spirit and intent
- Use the company's EH&S management system to enhance our efforts
- Integrate EH&S considerations into work and project planning
- Provide the leadership and skills to empower our employees to take the initiatives necessary to achieve our EH&S mission
- Hold employees accountable for EH&S performance
- Model sustainable behavior internally, promote sustainable behavior externally and maintain a commitment to prevention of pollution
- Pursue opportunities, programs and policies that support sustainable business practices
- Continue to strive for EH&S excellence and be responsive to the concerns of our stakeholders
- Set metrics and targets, to drive continual improvement and review them on an annual basis to measure and assess our performance

Clean Energy Development



Con Edison's long-range plan for meeting increased electric demand will include capital investments, advanced grid technology and innovation in response to customer power use, and broader customer options for renewable energy. This support is done on both the regulated and unregulated portions of our business.

For the regulated businesses, a focus is placed on the development of the grid in a way that allows for the integration of customer-sited renewable generation and the implementation of energy-efficiency measures through better grid communication. We also support the effort announced in 2009 by the Governor of New York to meet 45 percent of the state's electricity needs through energy-efficiency (15 percent) and renewable generation (30 percent) by 2015. The mechanism for developing that renewable generation is the Renewable Portfolio Standard, a program managed by the New York State Energy Research and Development Authority (NYSERDA) and is described in detail in the Policy Objectives section of this report.

The competitive energy businesses such as Con Edison Development and Con Edison Solutions are designed to support clean energy development whether it is through the sale of green power or the development of new solar projects throughout the United States.

Clean Energy Development

Con Edison Development

Con Edison Development (CED) develops, owns, and operates renewable and energy infrastructure projects in North America. Through constructive collaboration, the company is focusing on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. In 2012, CED tripled its portfolio of solar generation assets bringing on nearly 120 MW of new generation. This significant growth made it the fifth largest solar project owner in North America.

Along with developing new projects throughout Rhode Island, New Jersey, Massachusetts, and Pennsylvania, in 2012 CED acquired four solar developments totaling 144 MW situated in California. These projects provide enough power to serve about 30,000 homes. Each year the solar generation is expected to avoid nearly 230,000 tons of carbon dioxide, which is the equivalent of removing nearly 45,000 cars from the road every year for the life of the projects. The power and environmental attributes are being sold to Pacific Gas and Electric Company under 25-year power purchase agreements.

Con Edison Development has over 55 MW of 2013 projects that are in either late-stage development or in the early stages of construction, including a 2 MW project which will be the company's first in the state of Rhode Island.

Con Edison Solutions



The Falmouth Youth Hockey League's new rink is one of the only facilities of its kind in the region that is powered primarily by solar panels.

Con Edison promotes renewable energy development by offering a renewable energy product through its Con Edison Solutions (CES) subsidiary. This product, called Green Power, consists of 100 percent renewable energy.

Residential customers of Con Edison of New York and O&R may purchase their full electrical requirements with a mix of 75 percent low-impact hydropower and 25 percent wind energy. For commercial customers, CES can supply between five and 100 percent of their electricity requirements with 100 percent wind energy. Sales of these products have increased the demand for renewable energy during 2012, with total deliveries amounting to approximately 265,000 megawatt hours for the year. CES Green Power is Green-e certified. Green-e is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products. CES is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

In addition, Con Edison Solutions offers programs and services tailored to help customers achieve their individual energy objectives. In 2012 Con Edison Solutions helped to make the Falmouth Youth Hockey, League, Inc.'s new rink one of the most energy efficient rinks in the area. The 49,000-square-foot solar-powered ice rink, with seating for approximately 700 people boasts a NHL-size full sheet of ice, with an additional half sheet to enable more convenient skating opportunities such as additional practices during afternoon and early evening hours. The approximately \$6 million project, is one of the only ice rinks in the region powered primarily by solar panels with 3,302 solar panels on rooftops and carports producing approximately 900,000 kilowatt-hours of electricity. Along with other energy efficient design elements, the Falmouth Youth Hockey League, Inc has built their arena to consume half of the energy used by similar facilities.

Con Edison Solutions has been certified as a state-approved qualified energy services provider in Arizona, Colorado, Connecticut, Delaware, Florida, Kansas, Massachusetts, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, Virginia, Wyoming, and Washington, D.C.

While guidelines vary somewhat from state to state, the designation allows Con Edison Solutions to provide energy conservation measures for facilities owned or leased by the state and its political subdivisions. Services may typically include such measures as project management, site energy audits, energy modeling, lighting retrofits, engineering design, construction management, commissioning, training, and ongoing measurement and verification.

In addition to its certification in the specified states, Con Edison Solutions is also a nationwide provider of energy services to the Department of Defense, the Department of Energy and the U.S. Postal Service.

Clean Energy Development

Regulated Utilities



We encourage our customers to consider installing distributed generation, and we are working on making the installation process easier.

The company anticipates peak demand for electricity to grow by about 20 percent over the next 20 years. Unlike the competitive businesses, Con Edison's regulated utilities are not able to develop renewable energy. However, we strive to make interconnection of new technologies easier and encourage the development of renewable energy by our customers through our Distributed Generation, Smart Grid, and 3G Systems groups.

Clean Energy Development

Projected Electrical Demand

Our electric grid is built to meet peak demand, which could grow by about 20 percent over the next 20 years. In Con Edison's service territory, peak demand, or the maximum electricity our customers could require at any given time, is generally only reached for several hours over the span of a few days during the summer. Prior to the impact of Superstorm Sandy, Con Edison had forecasted the following levels of infrastructure enhancement in coming years:

Con Edison of New York plans to invest an average of \$1.7 billion per year in its electric, gas, and steam infrastructure over the next 20 years, totaling \$33.7 billion in 2012 dollars. These infrastructure investments, supply cost increases, taxes, and fees are expected to raise a typical customer's bill between two to three percent per year, in real terms.

Orange and Rockland plans to invest approximately \$130 million per year in its electric and gas infrastructure over the next 20 years, totaling \$2.5 billion in real 2012 dollars. These infrastructure investments, supply cost increases, taxes, and fees are expected to raise a typical customer's bill between two to three percent per year, in real terms.

We will work to get the most out of every dollar we invest, to continue delivering reliable service while minimizing the impact on our customer bills.

Clean Energy Development

Smart Grid

Con Edison of New York and Orange and Rockland are moving to the forefront of grid automation technologies through a number of programs that are bringing the world's oldest electrical distribution system to the leading edge of 21st century technology. In partnership with the U.S. Department of Energy through a 2009 grant, we have invested nearly \$300 million in technologies that increase grid operators' real-time visibility of grid conditions, improve operational flexibility, enhance reliability, and strengthen its systems. At the same time, these improvements enable customers and grid operators to more seamlessly integrate on-site distributed generation into the grid and make more effective use of demand-side management programs.

Specific improvements include:

Redesigned distribution networks in Manhattan by creating sub-networks that correspond with flood zones. This new configuration will reduce the number of customers affected by storm and heat-related outages and will speed restoration if service is affected. These designs mirror similar advancements in Brooklyn and Queens where smart switches were used to enhance reliability and network control. This provides operators with remote control capabilities for detecting and responding to system faults and provides equipment status, voltage and current data in real time. In the future, the system will automatically detect and respond to system faults.

New network configurations in Brooklyn and Queens allow interconnection between two networks and provide operational flexibility during system contingencies.

Newly designed, remotely controlled submersible switches will afford grid operators and storm restoration crews better visibility and enable more targeted operation of the distribution system.

New remote monitoring and predictive technologies allow grid operators to preemptively prevent impending asset failures. More than 13,000 sensors and transmitters have been installed on underground transformers throughout the system.

Four smart grid demonstrations integrated various elements including PV solar, battery storage, electric vehicle charging stations, building management systems, and demand response technologies into the control room. These projects paved the way toward enhancing localized grid management through a visualization tool that enabled operators to see which resources could be drawn upon to alleviate constraints in a particular network.

Nearly 4,000 new communicating system meters give grid operators a real-time view of outage management across the system; 580 new remote-controlled switches enhance control and flexibility; and 400 new distribution capacitors support better service to customers under all conditions.

Installed as part of a U.S. Department of Energy grant awarded to New York ISO, new leading-edge synchrophasors will support regional grid-monitoring.

Advanced relay technology allows grid operators the ability to sense and respond to system disturbances more effectively than ever before.

These upgrades, along with others, are changing the way we operate the grid and are making the system more resilient, reliable, and safe for customers in and around New York City.

Clean Energy Development

Electric Vehicles

The federal government has pledged to invest significant funds in alternative-fuel vehicles to address climate change and reduce carbon emissions. Con Edison recognizes the benefits of plug-in electric vehicles (PEVs) as a green technology offering drivers greater fuel-economy or using no fuel at all. For these reasons, the company is committed to making the transition from gasoline to electric vehicles as simple and convenient as possible.

In 2012, Con Edison had 666 electric vehicles throughout the Con Edison of New York and Orange and Rockland service territories. We anticipate that number to increase exponentially as consumer awareness rises and prices plateau. We anticipate 6,350 electric vehicles on the system by 2015, and we are preparing for as many as 70,000 to 90,000 electric vehicles to plug in by 2020. While this is a significant number of new vehicles, perspective is important. Con Edison's customers have more than six million room air conditioners. Approximately 750,000 PEVs would have to be on the road in our region to match the electric demand of those six million room air conditioners.

Unlike air conditioners, the Con Edison infrastructure will need to support PEVs throughout the year, and our infrastructure is prepared to accommodate an increase in electric vehicles. In 2012 we worked to identify where in our own system PEVs could stress the infrastructure. We also worked with the City of New York to identify suitable locations for installing electric vehicle DC fast chargers as part of a pilot program with the Taxi and Limousine Commission. The first fast charger in the Con Edison service territory was installed in January 2013 and the second was installed in March 2013. Furthermore, the first curbside charger and third fast charger in our service territory is scheduled to be installed in spring 2013. This charger is to be located behind Con Edison's corporate headquarters in Manhattan.

By encouraging energy-efficiency, off-peak charging, demand response programming, and distributed generation development, we will be able to manage the new loads for these electric vehicles on our grid. Con Edison will look to offer incentives to encourage customers to charge their PEVs during off-peak hours. As a step towards this effort, the Company filed a new SC2 Time of Day (TOD) rate the PSC in January 2013. It provides an adequate amount of off-peak hours for charging most EVs and can be used by residential customers that have a dedicated service for their EV.