

Executive Summary

Con Edison, Inc. (CEI) is one of the nation's largest investor-owned energy companies, with over \$12 billion in annual revenues and \$40 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, Inc. (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).

LEADERSHIP AND STRATEGY

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 200 years. A population of nearly ten million across our service territory depend on us to provide safe, reliable, and affordable energy to light and warm their homes, run their businesses, and help the region grow. The theme of this year's sustainability report – 5 Businesses, 1 Goal: Evolving for the Future – is reflective of our changing industry, customer needs, and regulator priorities. We recognize that to be successful for the long-term, to be truly sustainable, our company must evolve to meet those needs and priorities. Our new Utility of the Future team is working to better define a roadmap for that evolutionary process.

This report outlines the many components of our sustainability strategy which, partnered with our Integrated Long Range Plan, will strengthen Con Edison and help us prepare for the challenges ahead, so that we can thrive and grow as a company for the next 200 years and beyond. Our sustainability strategy outlines how we strive to be an enterprise valued by all stakeholders, incorporating a focus on business, environmental, and community value as the foundation of our company strategy and our employees' day-to-day activities. This vision is supported by six principles and 15 Key Sustainability Aspects which are mapped throughout this report using the icon mapping detailed in the sustainability strategy section.

In 2013, we experienced challenges associated with the Metro North power outage and a hot summer with new record peak energy usage. Significant work was involved with our continuing commitment to fortify the future, as we invest in updates to improve the resiliency of our systems as a result of Superstorm Sandy. 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.

MANAGING OUR BUSINESS

As we further evaluate what the utility of the future means, we recognize that there are essential aspects of our business which will always remain fundamental to our success. We are committed to minimizing our impact to, and enhancing, the environment in which we work. There are five primary areas of focus related to our environmental stewardship disclosure: air quality, water, resource conservation, habitat and biodiversity, and climate change.

- In 2013, we continued with our efforts to reduce our direct greenhouse gas emissions, achieving a 43 percent reduction from our 2005 baseline. We also continue to assist our customers to reduce their own carbon footprint through our energy efficiency programs, oil-to-gas conversion program, and support of both distributed and renewable generation.
- As one of the largest consumers of municipal water in New York City, we purchased over 3.8 billion gallons of water, approximately 110 million of which was used for basic water and sewage services at our facilities while the rest was used to generate steam. A number of water conservation projects were started in 2013 which are helping us to reduce our consumption moving forward.
- The wise and effective use of natural resources is one of Con Edison's five key EH&S objectives. We continue to focus on reducing, reusing, and recycling to minimize consumption. This applies to our use of materials as well as our use of energy and water and we were proud in 2013 to again have a recycling rate of 90% for our non-hazardous waste.
- Our primary impact on habitat and biodiversity is on our overhead transmission rights-of-way (ROW) and in 2013, we continued to enact our Land and Vegetation Management program which was developed, in part, to encourage biological diversity along these passageways. We've also undertaken an initiative in partnership with the New York DEC to reduce the spread of invasive species in ROW. Additionally, in 2013 we continued to investigate and remediate where needed as we look to manage our environmental legacy.
- Our seven climate change principles help guide our work and in 2013 we completed approximately \$36 million of the \$1 billion in storm hardening investments as we adapt our system after two of our most significant storms within two years (Hurricane Irene in 2011 with over 200,000 outages and Superstorm Sandy in 2012 with over 1 million outages) and improve our resiliency.

We also recognize safety as a core value and strive to achieve an injury-free workplace. We coordinate a robust safety program, communicate with our employees every day about the importance of identifying and mitigating hazards, and work to empower employees to take ownership of their own safety and that of their teammates. We rely on our employees to identify ways that we can improve safety. These combined efforts resulted in another record year of safety performance, with Con Edison of New York achieving an OSHA rate of 1.25, and Orange and Rockland reducing their rate to 2.01. Along with a commitment to keeping our employees safe, the safety of our contractors and members of the public are equal priorities for Con Edison.

Con Edison operates in a highly regulated environment and is affected by regulatory and social policy adopted at the federal, state, and municipal level. Between the settlement of the company's rate filing, activities related to the Moreland Commission on Utility Storm Preparation and Response, continuing implementation of the State's Energy Highway initiative, contingency preparation for the prospective retirement of the Indian Point Energy Center, revisions to the State's energy efficiency and renewable energy policies, changes to the Regional Greenhouse Gas Initiative (RGGI) program, and creation of the New York Green Bank, 2013 was a particularly active year.

Finally, the company's continuing commitment to cost management, ethical operations and our rigorous audit program ensure our business remains compliant with regulations, that procedural requirements are correctly implemented, and that we continue to drive improvement.

RELIABILITY AND RESILIENCY

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.

Energizing the greatest city in the world without interruption demands an uncompromising focus on system reliability and resiliency. Each day, we monitor and maintain system components, work with customers to facilitate major construction and renovation, research and develop new technologies, and invest in infrastructure to serve growing areas of our service territory.

ELECTRIC RELIABILITY

Con Edison is known for being one of the most reliable electric service providers in the U.S. — and has been the recipient of numerous reliability awards over the years, including most recently PA Consulting's 2013 ReliabilityOne™ award for the Northeast region. In 2013, Con Edison of New York's electric system, serving approximately 3.4 million customers, performed well, successfully serving a record peak demand of 13,322 MW on Friday, July 19th. Additionally, the reliability of Con Edison of New York's overhead power distribution system was 85 percent better than the industry average. In 2013, Orange and Rockland set a company record for reliability performance, reflecting fewer non-storm-related service interruptions than ever before.

In addition to strengthening our system to better serve growing communities, we're making our electricity networks smarter through leading-edge smart grid distribution automation technologies. In 2013, we installed more than 4,000 smart devices across our system, including remote sensors, monitoring systems, and switches. Each device is integrated into our enhanced control system, expanding operators' real-time view of system conditions and increasing their control over the system.

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GAS RELIABILITY

Safely and reliably supplying natural gas service to our more than 1.2 million gas customers is a daily focus for both Con Edison of New York and Orange and Rockland. The fuel provides many benefits, including lower emissions and more moderate prices than heating oil alternatives. Con Edison of New York customer use of natural gas reached its highest level in 2013 on December 17, when 1,596,947 Dth were drawn through the system. Con Edison of New York's total sales and transportation of natural gas reached nearly 280 billion Dth by year end, 2 percent higher than in 2012. At Orange and Rockland, customer demand peaked at 202 million Dth on January 7, 2014. Throughout the year, Orange and Rockland sales and transportation of natural gas reached over 28 billion Dth of natural gas, 17 percent more than in 2012. To meet rising customer demand, we are enhancing our infrastructure to increase capacity and to protect our customers from any impact that might arise from a disruption to the interstate pipeline delivery system.

For all its benefits, natural gas also has risks. The invisible fuel dissolves in air and can only be detected by an odorant that is added to the fuel for safety or by specialized instrumentation. To protect customers, Con Edison of New York and Orange and Rockland work steadily to quickly respond to leak reports, identify, repair, and replace leak-prone pipes, and survey the system for new damage following weather events. Leak response at Con Edison of New York improved in 2013: our personnel were on location within 30 minutes for 89.0 percent of the total potential leaks reported, and within 45 minutes for 99.4 percent of possible leaks reported. In 2013, Con Edison of New York replaced approximately 52 miles of leak-prone pipe against an annual target of 40 miles. Orange and Rockland replaced 93,000 feet of gas main, exceeding the goal to replace no less than 90,000 feet, and reduced active gas leaks to an all-time low.

STEAM RELIABILITY

Con Edison provides steam service to 1,703 customers in Manhattan through an underground network of steam pipes, a steam-electric generating station, and five steam-only generating stations. Our steam system performed well in 2013, meeting a peak demand of 8.9 million pounds per hour on January 23. The system experienced no major service disruptions, maintaining its reliability rate of 99.9 percent. Our focus on public safety continued in 2013, as we developed and integrated remote monitoring of structures prone to impact following major weather events. Finally, the completion of gas addition projects at two steam generating stations in 2013 will reduce emissions by 148,000 tons annually.

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RESILIENCY

Late in 2012, Superstorm Sandy impacted more than just our physical assets – it impacted the way we think about storm potential. From 2013 to 2016, Con Edison has proposed to invest approximately \$1 billion to improve the resiliency of the electric and gas delivery systems and the steam generating stations. Con Edison of New York completed approximately \$36 million in storm hardening investments in 2013, including measures such as reinforced concrete flood walls around critical equipment, submersible pumps to control water infiltration, flood doors and gates at station openings, and expansive foam sealant in cable conduits and troughs which were installed at nine substations and three generating stations that were impacted by Sandy.

Additionally, last year Con Edison convened a Storm Hardening Collaborative in parallel with the rate cases to provide parties an opportunity to fully examine our proposals. A primary focus of the collaborative was the design standard for flood protection. Through discussions with the Public Service Commission, New York City officials, the Office of the Attorney General, and various other rate case parties including environmental groups, it was agreed that the company would revise its flood protection standard to the most current FEMA 100-year flood level plus three feet as the new design standard for retrofitting stations and protecting critical equipment.

Finally, in 2013 we continued to implement system reliability enhancements to support peak use and address emerging issues like physical and cyber security.

MEETING COMMUNITY NEEDS

Con Edison has a long tradition of contributing to and maintaining the social, cultural, and economic vitality of our service areas. Our community is comprised of all our stakeholders including customers, shareholders, employees, and the over 10 million people that make our service territory the diverse and prosperous region it is known around the world to be.

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CUSTOMERS

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STRATEGIC PARTNERSHIPS

Con Edison supports hundreds of nonprofit organizations in New York City, and in Westchester, Orange and Rockland counties whose programs illustrate our dedication to healthy and sustainable communities. We commit our time and nearly \$8 million in charitable funding. For gifts to academic institutions, Con Edison provides 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 addition, 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.

In addition to financial support, our employees are actively engaged in our strategic partnerships program. Con Edison employee and retiree volunteers participate in diverse and innovative activities at nonprofits throughout our service territory, and donated more than 5,900 volunteer hours in 2013. Additionally, employees served on the governing boards of more than 150 nonprofit groups we support last year.

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EMPLOYEES

Con Edison recognizes that one of our most important resources is our people. We work hard to promote inclusion, ensuring that our employees represent the full vitality of the area we serve. Con Edison's corporate culture is built around a strong commitment to ethical business practices and we made great strides in 2013 in our culture change efforts. We continue to strive to be open, fair, trusted, and trusting, in all our relationships, both externally and internally. The company's efforts focus on identifying observable behaviors, recognizing how perceptions become realities and how culture change can only happen as assumptions, mindsets, and ultimately, behaviors change. While we continue to work on these areas from the top down, 2013 saw the development of grassroots efforts at the organizational level as well.

We also know the value of ensuring our workforce has the ability to improve continually through career development. Con Edison's 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. In 2013, employees spent 565,000 hours doing instructor-led skills-based and leadership training at the Learning Center. Additionally, employees spent 145,000 hours doing eLearning on such topics as Enhancing Customer Relations, Standards of Business Conduct and Safety and Environment training. Employees also have the ability to take advantage of the company's tuition reimbursement and corporate mentorship programs to further their development.

In line with a commitment to employee development, we look to make every voice heard, fostering an inclusive workplace for our employees to realize their full potential. Diversity at all levels of the company helps us see and understand the needs of our customers, the communities we serve, and the employees we work hard to recruit, develop, and retain. In 2013, Con Edison employed 14,653 people, of whom 45 percent are minorities and 20 percent are women. Con Edison hired 911 employees in 2013. Of these, 54 percent were minorities and 36 percent were women. Minorities earned 50 percent of promotions, and women earned 18 percent of promotions. The percentage of minorities in upper-management positions increased from 25 in 2012 to 26 in 2013. The percentage of women in director-level and above positions rose from 28 to 29 percent. We also partner with Nontraditional Employment for Women (NEW), a nonprofit that prepares women for work in traditionally male jobs.

Finally, we look to attract and retain our talented workforce through a competitive employee compensation program consisting of fair wages, augmented by a comprehensive benefits program.

SHAREHOLDERS

Our shareholders are critical to our success as we look to be recognized as a financially sound company and a preferred utility. We strive to adapt our business model to industry changes and manage risk to meet our shareholders' expectation of financial stability and a growing dividend. In 2013, we were proud that Con Edison was named one of the top 40 energy company by Public Utilities Fortnightly magazine, a national industry publication. Additionally, through strong cost management, we were able to again increase the annual dividend for the 39th consecutive year to \$2.46 per share.

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SUPPLY CHAIN

At Con Edison, we recognize that our suppliers are an important part of our value chain and their performance can impact our sustainability. The regulated utilities have a strict vendor qualification process, ensuring that the companies we contract with are able to provide the highest quality goods and services at the most reasonable cost for our customers. Con Edison's award-winning supplier diversity program invites entrepreneurs and executives to partner with us in mutually beneficial business relationships. Our program combines collaboration through programming – such as our partnership with Green City Force – as well as a commitment to purchase goods and services from minority- and women-owned business enterprises which totaled more than \$270 million in 2013. Including fuel and gas, expenditures with minority- and women-owned businesses totaled more than \$288 million. Along with a commitment to invest in our supplier diversity program, we have committed to spend \$3 million annually on green products, which we exceeded in 2013.

A LOOK AHEAD

As we look toward 2014 and beyond, we will use our successes and lessons learned in 2013 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 reliable service, 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.

If you have questions or comments about this report, please let us know by contacting sustainableconed@coned.com.

Letter From The Chairman



To Our Stakeholders:

The energy landscape is changing, and with it, the way we do business.

Our customers have higher expectations than ever before, and they want more choices for the energy that powers their lives. Many New Yorkers are lessening their impact on the environment by participating in our energy efficiency programs, converting their buildings from oil to natural gas, and choosing steam for heating and cooling.

There has been more interest in solar installations, microgrids, and renewable technologies that will help grow our business. At the same time, for the millions of customers who rely on our traditional pipes and wires, we must maintain the safe and excellent service and reliability we're known for. And we must do all of this while protecting the environment and managing risks that could challenge us in the future.

As the sixth largest solar provider in the nation, Con Edison is helping to meet growing demand for cleaner energy. Wind power in Ohio, Nebraska, and South Dakota, and solar farms in California, Nevada, and Texas have broadened our reach. We're doing our part to help us all breathe easier, reducing our own carbon footprint by approximately 45 percent in the last decade.

Closer to home, the safety of the public and our people is at the forefront of all that we do, and our focus is paying off. Both Con Edison of New York and Orange and Rockland surpassed their five-year safety goals in 2014.

We increased our commitment to educate New Yorkers about gas safety with a multilingual "Smell Gas. Act Fast." campaign, and launched a new online map to pinpoint gas leaks. Inspections of our gas system have increased, and we're upgrading our infrastructure by replacing miles of gas mains.

We are more than halfway through our four-year, \$1 billion plan to fortify our energy infrastructure against the threat of extreme weather. We are vigilant about strengthening our physical and cyber security defenses and regularly practice cyberattack drills so we are ready to respond to any threats against our systems.

Our 15,000 dedicated women and men participated in more than 600,000 hours of training in 2014 to build a stronger workforce.

Con Edison is proud to support nonprofit organizations across our region working to build strong communities, preserve the environment, and clean up parks and waterways.

This report represents our efforts to learn and adapt to the challenges ahead so we can lead the way forward. We will continue our commitment to provide safe and reliable service, protect the environment, and brighten our communities, for the benefit of those we serve and our company.

-John McAvoy, Chairman and CEO, Consolidated Edison, Inc.

Utility of the Future



The electricity sector is in the midst of transformational change, driven by advances in distributed technology, the growth of accessible North American natural gas reserves, and increasing policy emphasis on reducing greenhouse gas emissions. Together, these trends are driving exponential growth in distributed energy resources across the country. At the end of 2014, more than half a million homes had solar panels installed.

To keep pace with this change, utilities and regulatory agencies from coast to coast have been evaluating regulatory and rate structures, grid operations, infrastructure planning, and customer engagement strategies. Policies like net metering, renewable energy credits, community choice, and energy efficiency incentives are being reexamined to better align outcomes within this changing landscape.

Through this transformation, Con Edison sees opportunity to better serve our customers, enhance our efficiency, advance cost-effective clean energy, and create additional value for our shareholders. As we move forward, we believe our customers must remain at the center of what we do. Utilities must also do more to work hand-in-hand with third parties to develop innovative new solutions, fully integrate alternative energy resources into the grid, and unlock the potential of a more interactive customer-centric grid.

In New York, the Public Service Commission instituted the “Reforming the Energy Vision” proceeding in April 2014. This initiative takes a holistic view of the future of the electricity sector, with the goal of animating distributed energy markets, enhancing customer engagement, and enhancing power system efficiency.

Con Edison’s Utility of the Future team is working in partnership with the New York State Public Service Commission to advance these objectives and coordinate measures across the company to explore future utility models.

Five Business Overview



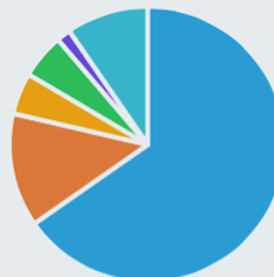
From our early history lighting gas lamps to today's cutting edge electric vehicle and smart-grid technologies, Con Edison has powered New York for nearly 200 years. Nearly 10 million people depend on us to provide safe, reliable, and affordable energy to light and warm their homes, run their businesses, and help the region grow. Our five businesses' goal of evolving for the future encompasses changing industry, customer needs, and regulatory priorities. The theme of this year's sustainability report – Measuring for Success – is reflective of how we gauge and report on that evolution.

A breakdown of 2014 revenue for Con Edison, Inc. is provided below by business for Consolidated Edison Company of New York, Inc. (CECONY), Orange and Rockland Utilities, Inc. (O&R), and the competitive energy businesses (CEBs), which are comprised of Con Edison Solutions, Con Edison Development, and Con Edison Energy

REVENUE BY BUSINESS

(MILLION \$)

• CECONY ELECTRIC	\$8,437
• CECONY GAS	\$1,721
• CECONY STEAM	\$628
• O&R ELECTRIC	\$680
• O&R GAS	\$212
• CEBS	\$1,241

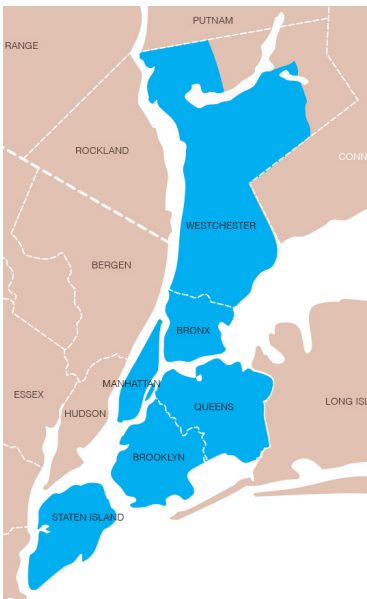




CONSOLIDATED EDISON, INC.

Con Edison, Inc. (CEI) is one of the nation's largest investor-owned energy companies, with over \$12 billion in annual revenues and more than \$44 billion in assets. The principal business segments of Con Edison, Inc. are Consolidated Edison Company of New York, Inc. with regulated electric, gas, and steam utility activities; Orange and Rockland Utilities, Inc. 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 \(http://conedison.com\)](http://conedison.com).

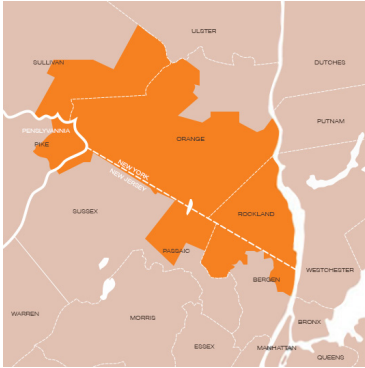


CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Con Edison of New York (CECONY) is CEI's largest subsidiary. It is a regulated utility providing electric service to approximately 3.4 million customers throughout New York City (except for a small area of Queens) and most of Westchester County. Con Edison of New York also provides natural gas service to approximately 1.1 million customers 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 approximately 1,700 customers in 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 more than 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 \(http://www.coned.com\)](http://www.coned.com).



ORANGE AND ROCKLAND UTILITIES, INC.

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. O&R provides electric service to approximately 0.3 million customers and gas service to over 0.1 million customers in its service territory of 1,350 square miles and population of roughly 740,000. For more information, visit the O&R website, [oru.com \(http://oru.com\)](http://oru.com).



CON EDISON SOLUTIONS, INC.

Con Edison Solutions (CES) 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; Falls Church, Virginia; Houston, Texas; Tampa, Florida; Overland Park, Kansas; Nashville, Tennessee, and Bloomington, Minnesota. 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, Ohio, and the District of Columbia, and retail gas commodity customers in New York and New Jersey. For more information, visit the CES website, [conedsolutions.com \(http://conedsolutions.com\)](http://conedsolutions.com).



CON EDISON DEVELOPMENT, INC.

Con Edison Development (CED) develops, owns, and operates renewable and energy infrastructure projects. The company focuses its efforts on projects that provide stable earnings and leverage the core strengths of Consolidated Edison, Inc. CED functions as a growth vehicle for the Competitive Energy Businesses and focuses on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. Through its deep resources and trusted relationships with a range of energy-related companies, Con Edison Development has built a robust pipeline of renewable energy projects, and has opportunistically grown its portfolio to more than 550 MW as of year-end 2014. For more information, visit the CED website, [coneddev.com \(http://coneddev.com\)](http://coneddev.com).



CON EDISON ENERGY, INC.

Con Edison Energy (CEE) manages the output and fuel requirements for 5,100 MW of third-party generating plants in the Northeast. The company also provides wholesale hedging and risk management services to CES and CED. In addition, the company contracts for and optimizes energy assets such as transmission, ISO interfaces, natural gas storage and transportation. For more information, visit the CEE website, [conedenergy.com \(http://conedenergy.com\)](http://conedenergy.com).

Strategy

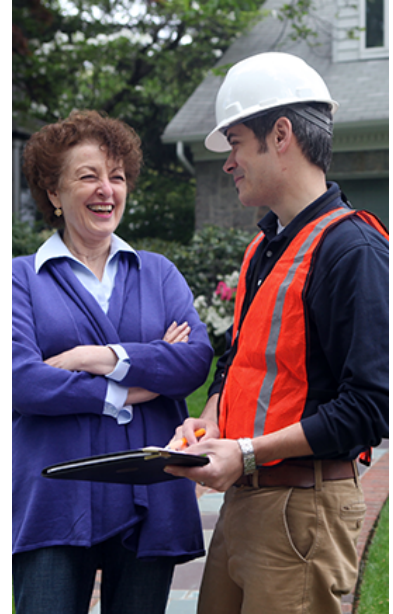
Con Edison's strategy is to deliver reliable energy services and provide a stable foundation for supporting New York's economy. At Con Edison, we have two strategic documents – our Integrated Long Range Plan and our Sustainability Strategy. These companion documents work together to identify ways that we can add value for all of our stakeholders through the services we provide, our different business models, and our commitment to excellence in all that we do.

INTEGRATED LONG RANGE PLAN

In an effort to better plan for the next 20 years, Con Edison has developed an Integrated Long Range Plan (ILRP), the first iteration of which was published in 2012. While flexible to the evolution of our industry and technologies, the ILRP outlines how the utilities will use an integrated approach across our electric, gas, and steam businesses to meet the needs of our stakeholders as we work to provide safe, reliable, clean, innovative, and cost-effective energy services for a sustainable future.

There are three key objectives of the ILRP:

1. Help our customers use less energy and lower their energy costs: Our energy efficiency and demand response programs reduce our system peak and help us defer large capital investments. Focusing on oil-to-gas conversion opportunities will provide a path for growth in our gas business, and savings on heating costs for our customers.
2. Improve our use of existing assets: Improved project management and work management processes will help us make more strategic infrastructure-planning decisions, manage costs, and lower maintenance expenses. Along with the implementation of smart grid technology, these efforts will help us to remain one of the world's most reliable utilities for the 10 million people who depend on us each day.
3. Minimize the impact bills have on our customers: We will do this through an array of approaches, including promoting our energy efficiency programs to save customers money and energy. We will also advocate on behalf of customers to minimize the supply charges, taxes, and fees that we do not control.



As we strive to meet these goals, we will continue to focus on the importance of improving customer service, meeting governmental and our own internal environmental standards, and maintaining reliability and safety.

The company continues to update its long-range plans to reflect changes in our operating environment and the needs of our customers, as well as growing adoption of distributed energy resources. To learn more about Con Edison's long-term goals and our plan to reach them, please read the full text of the Integrated [Long Range Plan](http://www.coned.com/publicissues/PDF/Integrated%20Long-range%20Plan.pdf) (<http://www.coned.com/publicissues/PDF/Integrated%20Long-range%20Plan.pdf>).

SUSTAINABILITY

Our 2014 sustainability effort focused on ensuring a zero-harm environment to the public, our employees, and the environment. The six principles below guide our efforts on safety and sustainability.

Business Value

1. Provide our customers and the public with safe, reliable, cost-effective, efficient, and clean energy
2. Adapt our business model to industry changes and manage risk to meet our shareholders' expectation of financial stability and a growing dividend

Environment

1. Reduce our environmental footprint, making wise and effective use of natural resources
2. Address the challenges of climate change and its impact on our business

Community

1. Develop a work environment that fosters a diverse, high-quality and engaged work force valuing safety, sustainability, and business ethics
2. Support the vitality of our communities and engage our stakeholders regarding strategy and performance

The stories, information, and data presented throughout this report will highlight the progress that we've made in these areas, as well as outline our focus for continued improvement in the coming years.

KEY SUSTAINABILITY ASPECTS AND MATERIALITY

As a key step of our strategy redesign, we worked to identify what aspects we deem material to the sustainability discussion for Con Edison. Our work began using the EPRI 2013 Technical Report [Material Sustainability Issues for the North American Electric Power Industry](http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?ProductId=000000003002000920) (<http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?ProductId=000000003002000920>). This report outlines 15 material sustainability issues for the industry as a whole. These issues were determined through a literature review, nearly four dozen interviews with utilities and stakeholder organizations, and a survey of nearly 300 people from utilities or stakeholder organizations. Using the material issues identified in this report as the basis for our work, we then overlaid our own Con Edison and service territory-specific policies, procedures, plans, and goals. As a result of that process, we developed the following list of 15 Key Sustainability Aspects for CEI:

BUSINESS VALUE



Financial Performance



Workforce development



Regulatory Impact and Policy Management



Energy Sourcing and Reliability



Innovation and Technology

ENVIRONMENT



Air Quality



Water



Habitat and Biodiversity



Resource Conservation



Climate Change

COMMUNITY



Employee and Public Health and Safety



Corporate Culture



Customer Relationship



Community Support and Development



Stakeholder Engagement and Collaboration

It should be noted that these issues were identified using the definition of materiality from the EPRI report: "...a 'material' sustainability issue is an environmental, social, and/or economic issue that has the potential to impact the long-term viability of electric utilities and/or their stakeholders. Importantly, this is different from but related to financial materiality, which is a threshold for influencing the economic decisions of investors. Material sustainability issues reflect a wider range of stakeholders and are not limited to topics that have a significant financial impact on the organization."

The icons above will be used to identify corresponding KSAs throughout each section of this report. For information on those issues the company has deemed financially material, please see the section on Enterprise Risks.

Our goal for 2014 is to evaluate our approach to these issues and how we might be able to better engage our stakeholders in the discussion of materiality. We are also now looking toward better defining metrics in each of these areas to provide a more transparent and consistent way of gauging our progress.

Enterprise Risk



The five companies and respective businesses that comprise Con Edison are influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows, and financial condition. The companies have established an enterprise risk management program to identify, assess, manage, and monitor its major business risks based on established criteria for the severity of an event, the likelihood of its occurrence, and the programs in place to control the event or reduce the impact. The companies also have financial and commodity market risks.

A robust discussion of each enterprise risk below is located [here](http://investor.conedison.com/phoenix.zhtml?c=61493&p=irol-reportsAnnual) (<http://investor.conedison.com/phoenix.zhtml?c=61493&p=irol-reportsAnnual>) on pages 47-50 of Con Edison's 2014 Annual Report.

Regulatory / Compliance Risks

- The company is extensively regulated and subject to penalties
- The utilities' rate plans may not provide a reasonable return
- The company may be adversely affected by changes to the utilities' rate plans
- The intentional misconduct of employees or contractors could adversely affect the company

Operations Risks

- The failure of, or damage, to the companies' facilities could adversely affect the company
- A cyber-attack could adversely affect the companies

Environmental Risks

- The company is exposed to risks from the environmental consequences of their operations

Financial and Market Risks

- A disruption in the wholesale energy markets or failure by an energy supplier could adversely affect the companies
- The companies have substantial unfunded pension and other postretirement benefit liabilities
- Con Edison's ability to pay dividends or interest depends on dividends from its subsidiaries
- The companies require access to capital markets to satisfy funding requirements

Other Risks

- The companies' strategies may not be effective to address changes in the external business environment
- The companies also face other risks that are beyond their control



Environmental Performance

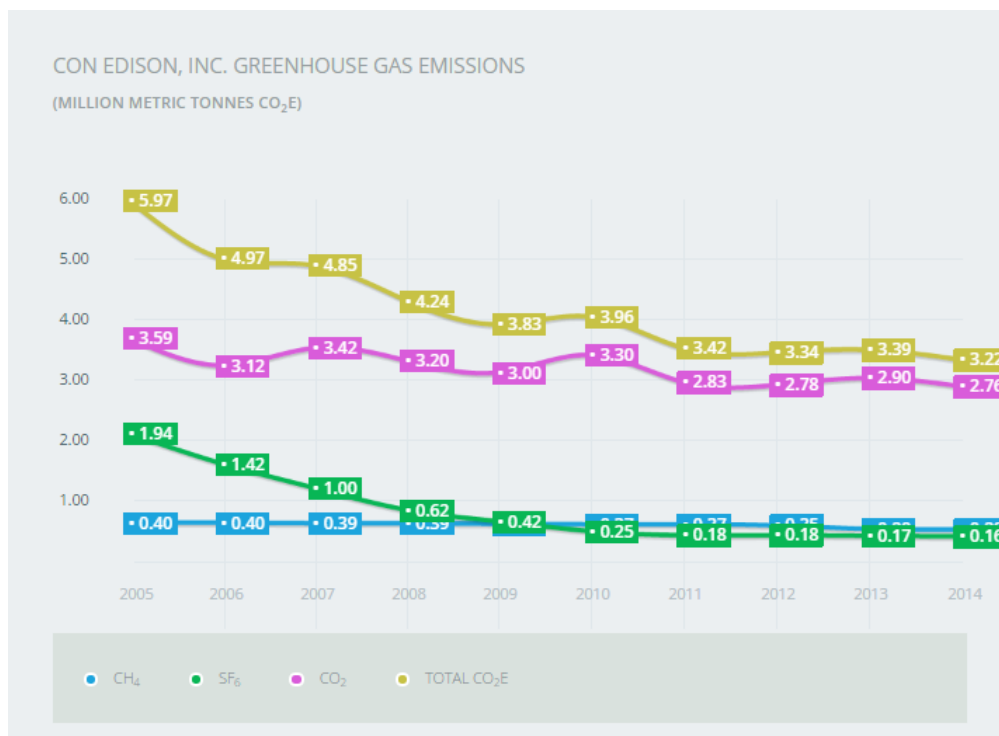
The company's sustainability strategy is focused on two concepts regarding our environmental stewardship: mitigation and adaptation. From a mitigation standpoint, we strive to reduce our environmental footprint, making wise and effective use of natural resources. We also recognize that our climate is changing and that we must adapt our company to address the challenges of climate change and its impact on our business. We have identified five Key Sustainability Aspects related to our environmental performance and defined success in those areas as follows:

- Air: Reduce direct and indirect emissions to improve air quality
- Water: Enhance the efficiency of our water use and seek opportunities to improve water quality
- Habitat and Biodiversity: Manage our environmental legacy and minimize our impact to natural ecosystems
- Resource Conservation: Focus on reducing, reusing, and recycling to minimize consumption
- Climate Change: Design our work in consideration of climate forecasts

The following sections outline our progress in these areas, as well as the goals we look to achieve in the future as we strive to be a good environmental steward and corporate citizen.

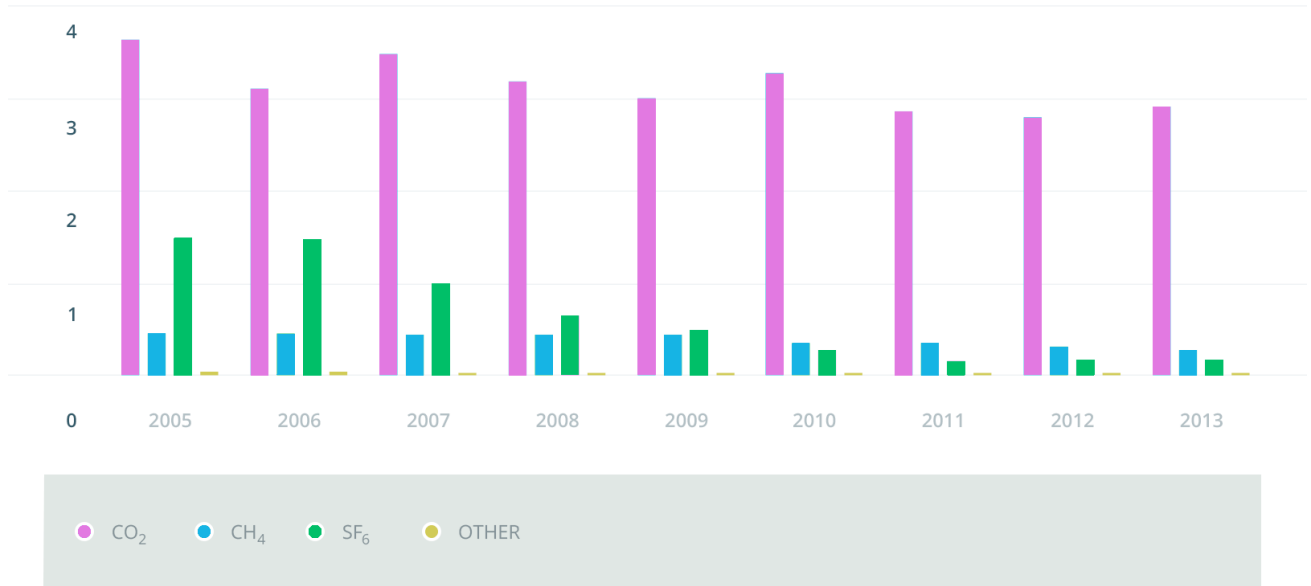
AIR

Since the 1990s, Con Edison has made significant strides in our efforts to reduce air emissions and our impact on air quality. As outlined in the 2013 IPCC Working Group One report, we recognize that greenhouse gas emissions impact climate change. For that reason, we have made substantial efforts to reduce our direct and indirect emissions of greenhouse gases. The company also continues to make significant progress in the reduction of criteria air pollutants such as nitrogen oxides and particulate matter.



CON EDISON, INC. GREENHOUSE GAS EMISSIONS

(MILLION TONS)



DIRECT EMISSIONS



We are committed to curbing our company's greenhouse gas (GHG) emissions, and have reduced our emissions by 47 percent since 2005 – surpassing our goal to reduce 40 percent of 2005 levels by 2020. 2014 GHG emissions were 7 percent lower than the previous year. The following is an overview of our GHG emissions:

- *Carbon Dioxide:* The primary driver of Con Edison's CO₂ emissions is the company's steam business. In 2014, steam deliveries were 23,017 MMBlbs, up from 21,923 MMBlbs in 2013. Con Edison of New York produces its steam at the company's one steam-electric generating station and four steam-only generating stations. We saw a decrease in CO₂lbs/MMBTU from 125.22 in 2013* to 121.41 in 2014.

**Reflects an adjusted 2013 figure*

In an effort to reduce costs to our customers and meet regulatory requirements pertaining to air quality, the company completed gas addition projects at its 59th Street and 74th Street stations in 2013. 2014 was the first full year of natural gas capability at the stations, and in addition to reducing fuel costs to our customers, CO₂ emissions were reduced by more than 150,000 tons. These projects also contributed to a 17-percent reduction in the nitrogen oxide rate for the company's steam business.

Along with efforts to reduce our emissions at the steam plants, Con Edison of New York participates in the Regional Greenhouse Gas Initiative (RGGI) for the emissions from its East River cogeneration plant. The second RGGI compliance period was 2012 – 2014, and during this time, allowances were purchased to cover emissions generated during the compliance period. Further information on RGGI and Con Edison's involvement can be found in our [Regulatory Impact and Policy Management \(http://coned.dev.limusdesign.com/managing-our-business/policy-management-and-regulatory-impact/\)](http://coned.dev.limusdesign.com/managing-our-business/policy-management-and-regulatory-impact/) section.

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

- *Methane:* CH₄ is a greenhouse gas with 25 times the heat-trapping potential of CO₂. Fugitive methane emissions originate from Con Edison of New York and Orange and Rockland's natural-gas distribution systems.

In 2014, Con Edison of New York replaced approximately 65 miles of leak-prone pipe against an annual target of 60 miles. This achieved the main replacement performance measure required under its current gas rate agreement. Under the terms of its gas rate agreement, Con Edison of New York will be replacing 65 miles in 2015 and 70 miles in 2016. In 2014, O&R replaced over 17 miles of gas main, exceeding the goal to replace no less than 90,000 feet, and reduced active gas leaks to an all-time low.

Con Edison also replaced 32.3 miles of cast iron main in 2014 compared to a target of 30 miles required under the current gas rate agreement. The total gas leak backlog in 2014 was 740 leaks compared to an annual Public Service Commission goal of 950. Finally, total incoming gas leaks identified in 2014 were 8,717. A total of 10,961 repairs were made resulting in the backlog of 740 leaks described above. Together, these activities resulted in an estimated reduction in methane emissions of 0.009 million metric tons of carbon dioxide equivalent (based upon greenhouse gas reporting per foot emission factors for pipe materials).

- *SF₆:* 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.

SF₆ emissions from substations were estimated at 15,901 lbs. in 2014, below the 2014 goal of 16,000 lbs. This value represents an approximate 3.6-percent decrease from 2013, and a 92-percent reduction since 2005.

The company has already surpassed its goal to reduce its emissions below 25,000 lbs. of SF₆ by 2020, and is on target to meet its new goal set in 2012 to reduce SF₆ emissions an additional 25 percent by 2017.

INDIRECT EMISSIONS

While Con Edison is committed to reducing emissions related to our operations, we recognize that our customers' emissions also impact the quality of the air throughout our service territory. At the regulated utilities, we are committed to helping our customers find ways that they can reduce their own carbon footprint:

- The cleanest megawatt is the megawatt that is never produced. Find out more about the energy efficiency offerings in our Customer Energy Efficiency section.
- Converting customers from oil to natural gas has made significant contributions to cleaner air throughout the city. Find out more about our conversion program in the Customer Oil-to-Gas Conversion section.
- Renewable generation installations, such as PV solar, are another way customers can reduce their emissions. Visit the Customer Distributed Generation page to find out more about how the utilities are assisting our customers to install and integrate more solar on the grid.



Additionally, the structure of the New York regulatory system means that other agencies may use money collected from our customers to implement clean technology programs. These include the following:

- New York State Energy Research and Development Authority (NYSERDA) and New York utilities are responsible for implementing the Energy Efficiency Portfolio Standard (EEPS) that supports energy efficiency, targeted demand-side management, and demand-response programs.
- NYSEERDA is responsible for implementing the Renewable Portfolio Standard (RPS), entering into long-term agreements with developers and paying renewable premiums based on facilities' energy output.
- The PSC uses the Systems Benefit Charge 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. This program is also administered by NYSEERDA.

RENEWABLE GENERATION

We recognize that in order to meet our stakeholders' desire for cleaner energy, renewable generation must also be a part of the mix. Along with distributed generation initiatives at the regulated utilities, a focus on renewable generation in the competitive businesses is helping us to meet these expectations.

Con Edison Solutions

Con Edison promotes renewable energy development by offering renewable energy products through its Con Edison Solutions (CES) subsidiary. This product, called Green Power, consists of 100 percent renewable energy. Residential customers in the state of New York may purchase a mix of 65 percent low-impact hydropower and 35 percent wind energy, or purchase 100 percent wind energy for their full electricity requirements. For commercial customers, CES can supply between five and 100 percent of their electricity requirements with 100 percent wind energy. Con Edison Solutions also offers similar options to residential and business customers in Connecticut and to business customers in Pennsylvania, Massachusetts, New Jersey, New Hampshire, and Texas. Con Edison Solutions Wind 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.

In 2014, CES enrolled over 1,500 new customers into these various renewable products, for a total of over 19,000 customers and sales of more than 234,000 MWh.

In addition to its retail electric Green Power and its energy efficiency services, CES also owns renewable energy projects in Massachusetts, New York, Ohio, California, and New Jersey with an aggregate capacity of 30 MW (AC) which includes 20.4 MW operating and 9.1 MW under construction equaling an estimated annual production of 62 GWh of energy. Included in these numbers is the company's first wind installation. Two wind turbines at a Honda Motors transmission plant in Ohio now produce approximately 10 percent of the plant's electricity needs. This is the first major automotive manufacturing facility in the United States to obtain some of its electricity directly from wind turbines located on its property. [To learn more, click here \(http://www.conedsolutions.com/News/newsview/14-01-09/Wind_Turbines_Begin_Providing_Renewable_Energy_at_Honda_Transmission_Plant_in_Ohio.aspx\)](http://www.conedsolutions.com/News/newsview/14-01-09/Wind_Turbines_Begin_Providing_Renewable_Energy_at_Honda_Transmission_Plant_in_Ohio.aspx). Con Edison Solutions is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

Con Edison Development

Con Edison Development (CED) completed five solar projects in 2014, totaling 247 MW – bringing the total capacity of solar projects to 568 MW. These assets are located in Nevada, Nebraska, South Dakota, Texas, and California. Con Edison Development has long-term power purchase agreements in place for all these assets.

Con Edison Development embarked on its first wind project in 2014 when it partnered with Sempra U.S. Gas & Power on the 75-MW Broken Bow II project in Custer County, Nebraska. Under the sales agreement, Sempra U.S. Gas & Power and Consolidated Edison Development holding companies will each own a 50-percent interest in the wind facility. Sempra U.S. Gas & Power will continue to provide operations and maintenance services for the plant, which generates enough renewable energy to power about 30,000 Nebraska homes. To learn more, [click here \(http://www.marketwired.com/press-release/sempra-us-gas-power-consolidated-edison-development-announce-solar-partnership-nyse-ed-1793107.htm\)](http://www.marketwired.com/press-release/sempra-us-gas-power-consolidated-edison-development-announce-solar-partnership-nyse-ed-1793107.htm).

Con Edison Development also acquired another wind project in South Dakota. This 20 MW project generates enough electricity to power approximately 7,000 homes. Con Edison Development also completed three solar projects in Texas, California, and Nevada. These projects deliver a combined 190 MW, or enough electricity to power approximately 30,000 homes.

Con Edison Development continues to identify opportunities for renewable generation, and to build its renewable energy pipeline. During early development, CED works with local communities, and state and federal agencies. By addressing issues identified early in the process, CED can work with regulatory agencies and other stakeholders to resolve problems before construction begins.

REPORTING 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 five consecutive years. The most recent verification of emissions, occurring in 2013, was again 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 (<http://theclimateregistry.org>).

The company also reports direct emissions through the U.S. EPA Greenhouse Gas Reporting system. In 2014, 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, methane emissions associated with the company's natural gas delivery system, and SF₆ emissions from the company's electric substations. The company's reported emissions are accessible through the EPA's greenhouse gas data publication tool.

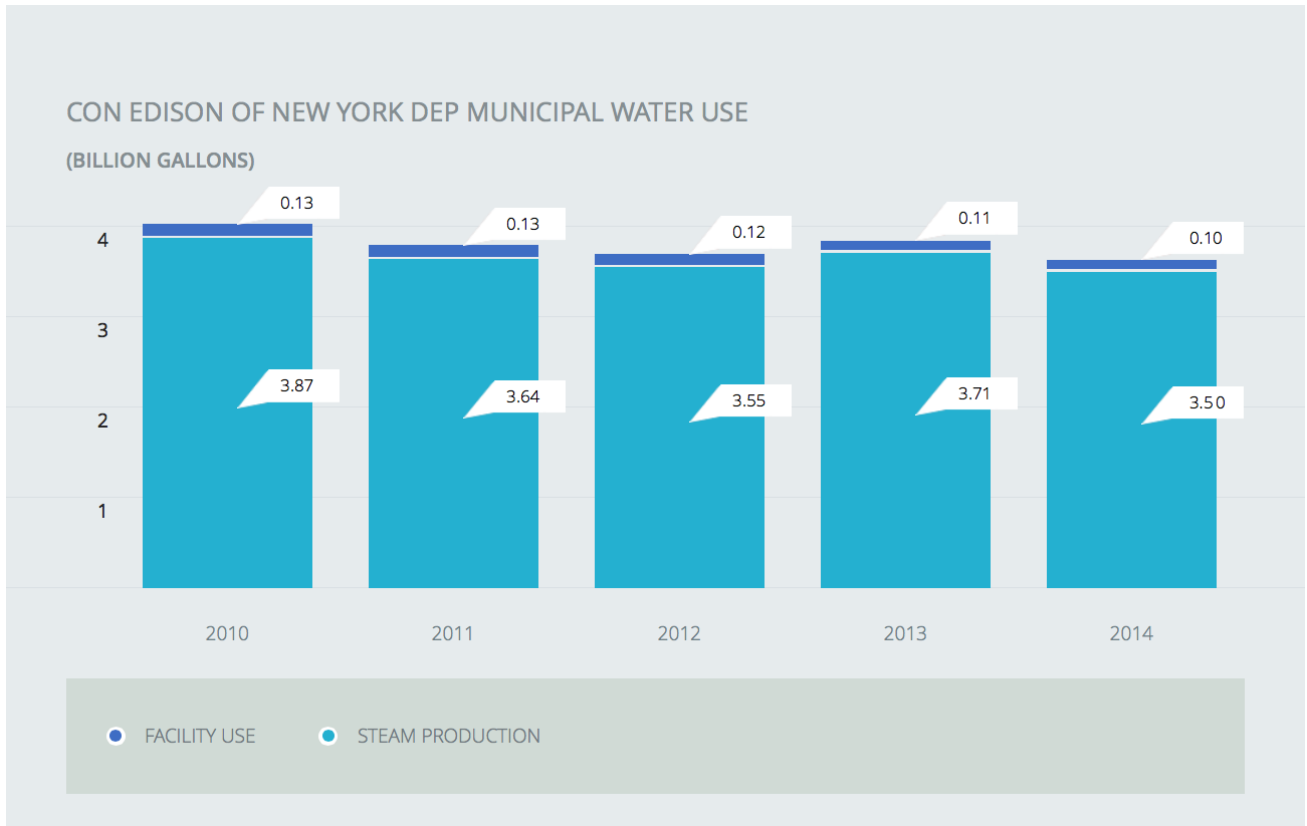
Voluntary reporting was also completed through disclosure to CDP.

WATER

We strive to enhance the efficiency of our water use and seek opportunities to improve water quality. Con Edison is the second largest consumer of municipal water in New York, driven by Con Edison of New York's steam business. In 2013, we consumed 3.6 billion gallons of municipal water, 3.5 billion of which were used to generate steam for heating and cooling customers throughout the city, and approximately 100 million of which was used for basic water and sewage services at our facilities.

Con Edison also uses water withdrawn from the Hudson and East Rivers for cooling at its steam generation plants. This water is returned directly to the river at quality levels specified in SPDES permits with limited to no impact to water quality or quantity as a result of this process. Our withdrawals of river water are reported to the New York State Department of Environmental Conservation on an annual basis as required.

We recognize that we face risks related to water. While parts of the country deal with droughts and concerns about water availability, flooding is a primary concern in the Northeast. Con Edison has made significant investments to mitigate the risk of infrastructure flooding, in preparation for increasingly severe and frequent storms like Hurricane Sandy, which brought historic tidal surges. To learn more, visit the Resiliency section of this report.



RESOURCE CONSERVATION



The wise and effective use of natural resources is one of Con Edison’s five key EH&S objectives. We have evolved our approach to resource conservation, moving from a focus on waste segregation to a more-encompassing focus on reducing, reusing, and recycling to minimize consumption. This applies to our use of materials as well as our use of energy and water.

WASTE

Con Edison's goal is to manage materials at the beginning of their life cycle, to reduce waste down the line. To do that, we are shifting our employees away from a singular focus on waste segregation, to a broader understanding of resource conservation and materials management. We work to quantify how much reusable material we consume throughout the company, with a focus on the repair and refurbishment of equipment from the transformer shop, the electric and gas meter shops, and our Van Nest fabrication shop. By reconditioning and reusing equipment, we are contributing less to our waste stream, as well as avoiding costs from new purchases. When a material has reached its useful life and we must dispose of it, we first look to recycle it.

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 contain recycling stations for a variety of waste streams, with clear signage to sort refuse for recycling.

Orange and Rockland, too, is committed to protecting the environment and conserving natural resources. The company participates in and promotes programs that focus on resource conservation and waste minimization, and continues to explore alternative sustainable practices.

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. O&R then sells those parts 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 of landfill space.

ENERGY

We are always looking for ways to improve efficiencies, and we continue to see improvements in the consumption of both electric and natural gas. In 2014, Con Edison of New York used 313.8 billion BTUs of electricity and 155.8 billion BTUs of gas for the purposes of powering, lighting, heating, and cooling company facilities. This represents a 2-percent increase in electrical consumption, and a 4-percent decrease in gas consumption over 2013 totals of 307.6 and 161.9 billion BTUs, respectively.

WATER

At Con Edison, we are committed to the quality and efficiency of water use in our operations. To learn more about our water consumption in 2014.

HABITAT AND BIODIVERSITY



We aim to reduce our impact on natural ecosystems in order to protect habitats and biodiversity. Our Land and Vegetation Management program was developed, in part, to encourage biological diversity along our overhead transmission rights-of-way (ROW). This is achieved by three primary objectives:

- Selective management of vegetation to provide a diversified habitat as a means to enhance and maintain a diversified mix of wildlife on the ROW
- Disposal of wood waste on-site in a manner that provides cover and protection for a variety of birds, mammals, and reptiles
- Protection of site conditions and plants to encourage reproduction and spreading of desirable grasses, forbs, and shrubs

In 2013, five fine mesh screens were installed to filter fish, eggs, and larvae from the intake of the East River Generating Station. This measure, plus the installation of a dedicated fish-return system, helped to reduce the impact of the plant on the river, in compliance with governing regulations. In 2013, the screens remained, and we monitored to verify the system's effectiveness.

The fish-return system uses a low-pressure spray wash to gently remove any aquatic organisms trapped on the new fine mesh screens, and delicately return them to the river. The system is currently undergoing tests, and we expect the results to confirm a considerable reduction in our station's impact on East River aquatic life.

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 we 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.

The company is held financially responsible under state and federal laws for its impacts 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 our annual 10K report.

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, Con Edison, 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, including heating homes and businesses, and lighting the city's streetlamps. However, it is now known that some of the byproducts of this production may be harmful to human health and the environment. Through the end of 2014, investigations were started at all 51 Con Edison of New York MGP Sites, and were completed at all or portions of 32 of those sites. Remedial investigations have been completed at all seven Orange and Rockland MGP Sites. Orange and Rockland has received the New York State Department of Environmental Conservation's decision regarding the remedial work to be performed at six of those sites, three of which have been completed.

During 2014, Orange and Rockland spent approximately \$9 million for its remediation programs, including approximately \$8 million for its MGP program, and Con Edison of New York spent approximately \$20 million for its remediation programs, including approximately \$9 million for its MGP program.

CLIMATE CHANGE



Con Edison acknowledges that climate change is a critically important challenge, and we are designing our work in consideration of climate forecasts. Addressing climate change will need to involve all sectors of the economy and all sources of greenhouse gas (GHG) emissions.

In support of this Key Sustainability Aspect, we have identified seven climate change principles:

1. Work with federal, state, and local governments, and other stakeholders to address climate change.
2. Maintain an inventory of the company's direct and indirect GHG emissions.
3. Consider the potential impact of business decisions on GHG emissions.
4. Pursue improvements in energy efficiency in our operations to reduce our GHG emissions.
5. Advocate, promote, and support energy efficiency improvements among our customers.
6. Support new technology development in coordination with other key industry stakeholders.
7. Support development of renewable sources of energy and other generation that reduces emissions, including GHGs.



There are two approaches to handling climate change – adaptation and mitigation. To learn more about our mitigation efforts, visit the Air Quality section of this report. To learn more about our efforts in adaptation, see the [Resiliency \(http://coned.dev.limusdesign.com/reliability-and-resiliency/resiliency/\)](http://coned.dev.limusdesign.com/reliability-and-resiliency/resiliency/) section of this report.

Safety



At Con Edison, Zero Harm is our commitment to realizing injury-free work performance and getting the job done without harm to the public, our contractors, or our employees. We coordinate a robust safety program, communicate with our employees every day about the importance of identifying and mitigating hazards, and work to empower employees to take ownership of their own safety and that of their teammates. We also rely on our employees to identify ways that we can improve safety. These combined efforts resulted in another great year of safety performance, with Con Edison of New York achieving an OSHA rate of 1.31, and Orange and Rockland reducing their rate to 1.26. Also of note, Con Edison of New York saw a 50-percent reduction in the occurrence of high severity injuries. More about our efforts to keep the public and the contractors safe are discussed in this report's Contractor and Public Safety sections.

PUBLIC



Con Edison is committed to public safety, and we incorporate safety considerations into our system planning, design work, and system operations. We conduct formal periodic inspections, testing, and maintenance of our electric, gas, and steam transmission and distribution infrastructure to ensure that system elements will continue to provide safe and reliable service. Our work in the street meets extensive requirements for work-area protection to keep our employees and the public safe from potential hazards. Our safety teams and committees meet regularly to identify and share best practices to quickly mitigate street-work hazards.

Con Edison of New York regularly communicates safety information to customers in the quarterly Customer News bill insert. Orange and Rockland customers receive an insert titled *@home* four times per year. Both publications include energy safety information, seasonal safety tips, severe weather safety advice, and reminders about staying safe around downed power lines. Both companies also send separate bill inserts throughout the year regarding energy safety and gas safety, along with other messages like gas pipeline safety, Call 811, storm preparation tips, Smell Gas/Act Fast, and CO safety.

Orange and Rockland and Con Edison of New York both offer safety tips on their websites, including information about residential electric and gas use, carbon monoxide, and generator safety. In addition, both companies use paid advertising online and in print to remind people what to do if they think they smell gas. Con Edison and Orange and Rockland also send emails to customers with energy safety tips and storm safety information before and during severe weather to remind customers how to report outages. Press releases on this subject are also issued and posted on the website.

CONTACT VOLTAGE TESTING

Con Edison of New York performs ongoing extensive contact-voltage testing. Contact-voltage is the presence of electrical energy where it should not be present, such as on traffic lights, lampposts, and sidewalk grates. We use a fleet of vehicle-mounted detectors to identify locations and sources of contact voltage. These high-tech vehicles are dispatched throughout the company's service territory year-round, and are equipped with sensors to detect as little as 1 Volt. Handheld devices are also used for manual detection of contact voltage.

The mobile contact-voltage-detectors have a distinct advantage over the manual testing technique. Because the mobile detectors do not require direct contact with objects to identify contact voltage, we can survey large geographic areas more quickly, and repeat the scans multiple times in any given year. The manual testing program surveys structures in New York City and Westchester County once each year. In 2014, our mobile detectors completed 13 system scans. These detection programs found and eliminated 3,298 cases of contact voltage. Of these cases, 1,288, approximately 39 percent, were on non-Con Edison equipment, such as streetlights, electric signs, and other structures.

Orange and Rockland carries out comparable contact-voltage testing in its territory. Orange and Rockland tested 17,796 overhead and 613 underground distribution structures in 2014, along with 2,501 traffic signals and streetlights. In 2014, there were five contact-voltage findings in excess of 1 V identified in the O&R service territory. They were corrected, and there were no associated injuries.

STRUCTURE INSPECTIONS



Our underground system has approximately 278,000 manholes, service boxes, transformer vaults, and above ground pad-mounted structures; approximately 24,700 miles of underground ducts; and approximately 95,000 miles of underground cable including primary, secondary, and service cables. High voltage (primary) network cables operating at primary voltages supply underground distribution transformers that step the voltages down to levels that are used to power customer equipment

The Commission's Safety Standards require utilities to inspect all electric facilities at least once every five years. In addition, the Safety Standards require that defective equipment found during inspection be repaired. In accordance with the Safety Standards, Con Edison uses severity levels to establish priority for repairs and scheduling.

In 2014 the company completed approximately 84,000 underground inspections.

LEAK MAPPING

Driven by our firm commitment to safety, Con Edison and Orange and Rockland have always far exceeded requirements for communicating about the safe use of natural gas. For years, we have surpassed (INDUSTRY OR REGULATORY?) guidelines to include gas safety messages in two bill inserts per year. Instead, we developed a comprehensive and integrated multi-lingual campaign aimed to educate all New Yorkers about the importance of recognizing and reporting gas leaks year-round.

We include gas safety messaging in each issue of Con Edison's quarterly Customer News insert, as delivered to all 3.3 million Con Edison customers. Gas safety is also included in O&R's @Home bill insert, as delivered to all 430,000 O&R customers. An annual energy safety campaign includes a gas safety message in ads that run in local newspapers, on the radio, and in the subway. We produced a gas safety video describing how to recognize and report gas leaks and the hazards of carbon monoxide.

The automated on-hold messaging provides another gas safety emphasis opportunity. A gas safety message is played for all customers who are not immediately able to reach a customer service representative at our call center. The center fields approximately 6.5 million calls per year.

Our long-term partnership with Scholastic, Inc., teaches nearly 100,000 students in grades 3 through 8 about energy safety. Customer Outreach staff distribute brochures including gas safety information at community events. Our mobile apps include information about identifying and reporting the smell of gas. An annual mailing to contractors reminds them about the importance of calling 811 before they dig.

In 2014 we continued to expand our already-robust efforts to further broaden our reach to the 10 million people who live and work in our service area. Our audience includes our customers, the general public, first responders, and elected officials, as well as contractors who perform work around gas lines. In 2015 we also established a [Con Edison Gas System Update](http://www.coned.com/east-harlem-response/) (<http://www.coned.com/east-harlem-response/>) website which shares the company's understanding of the March 12, 2014 incident in East Harlem, highlights the interactive gas leak mapping we've developed for the public in the past year, and informs about our enhanced gas safety website.

We recognize that we serve the most diverse population in the world, in a crowded communications market. To make the biggest impact and ensure these important safety messages are reaching all customers, we have expanded our multi-lingual offerings from just Spanish to now include four more languages widely spoken among our customer base: Chinese, Korean, Russian, and Haitian Creole.

Our updated peel-and-sniff bill insert includes a language block with all five foreign languages, and a QR code offers a quick link to gas safety information on our website where Google translations are also available. In addition, our call center can arrange for translations of any language not spoken by our operators. We are also reaching out beyond bill inserts and our traditional energy education campaign to promote gas safety messages on social media and through ethnic radio stations and many print publications' websites.

Research shows that the majority of New Yorkers are "very" or "somewhat familiar" with the smell of natural gas. Although they are routinely informed about the urgency of reporting a gas leak immediately, there is a gap between people's understanding that it is an emergency and their behavior when it comes to reporting it.

More research, including focus groups and phone surveys, helped us to better understand the disconnect between identifying the odor and associating it with an emergency requiring immediate action. We learned that some people, especially apartment-dwellers, don't make the call because they assume someone else already has. We also learned that some residents following their building's protocol opt to call their building superintendent first instead of letting us know they suspect a gas leak. Still others expressed concerns about having to identify themselves to authorities if they made a call.

Based on the insights from that research, we launched the "Smell gas. Act fast." campaign that featured bolder graphics and a clearer call to action, as well as instructions to call 911 or Con Edison/O&R right away, raising the level of urgency. We also let the public know that calls can be made anonymously. Further research conducted by the Northeast Gas Association confirmed our findings about these barriers.

Our revamped energy education campaign focuses on gas safety messaging for the print, outdoor (subway, phone kiosks, and bus shelters), and digital media outlets. To that end, we conducted an online digital ad campaign to test headlines and select copy based on audience engagement. Insight from our market research and this digital testing led us to a new headline for one of our gas safety print ads: "You thought they reported the gas leak. They thought you did." Since June, our energy campaign has reached a print audience of 5.3 million, a digital audience of 17.8 million, a radio audience of 300 million, and subway impressions of 1.7 billion.

Most recently, Con Edison launched the first interactive online gas leak map that provides the location of current leaks on the system along with data indicating the severity of the leaks. Updated every 24 hours, the map provides greater transparency about gas leaks and reinforces the need to report the smell of gas.

EMPLOYEE



Working toward an injury-free workplace requires commitment from all levels, from the CEO to the entry-level employee. Con Edison has made gains in establishing a strong safety culture that encourages employees to internalize and apply the corporate commitment to safety every day on every job.

As a result of their personal commitment to safety, many Con Edison employees, working independently 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. Some examples include developing a matrix of error-avoidance tools to improve job planning and work performance, engineering means for inspecting structures before entering them, rethinking efficiency opportunities in oil management, and providing equipment manufacturers with feedback and alteration requests that will led to improved performance.

PERFORMANCE



Con Edison's commitment to safety again drove performance improvement in 2014. Our safety program and communications support all personnel as they work together toward an injury-free workplace and to improve public safety. Con Edison of New York and Orange and Rockland share lessons learned and ideas through company communications, event reporting and various safety committees.

The OSHA Incidence Rate is a federal standard for quantifying the frequency of work-related injuries and illnesses. In 2009, Con Edison of New York committed to a five-year goal of achieving an OSHA Incidence Rate of 1.50 or lower by 2014. In 2014, the company surpassed its goal by achieving a rate of 1.31.

While our OSHA Incidence Rates were at an all-time low last year, we recognize that reducing the severity of injuries is most important. Two of Con Edison of New York's 158 injuries in 2014 were categorized as a "significant high-hazard." Although no high severity injury is acceptable, this level marks a 50-percent reduction from prior year's performance, and the all-time lowest number since the metric was introduced in 2008.

Orange and Rockland achieved an OSHA Incidence Rate of 1.26 in 2014, bettering its goal of 2.50 or lower. At Orange and Rockland, programs and processes are designed to heighten safety awareness while reducing occupational injuries and preventable motor vehicle collisions. In 2014, these programs and processes included the following:

- Use of the No Injury Program (Close Call) to identify and mitigate risks prior to an incident. In 2014, Orange and Rockland revised their program to enhance mitigation and reduction of risk across the company.
- Continued use of physical and occupational therapists to reduce the potential for injuries related to strains, sprains, and ergonomic stressors.
- Supporting Safety Team ad-hoc committees in evaluating accident trends and developing recommendations for reducing both occupational injuries and motor vehicle collisions.

JOB PLANNING



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.

A Job Safety Analysis (JSA) identifies potential hazards associated with each step of a particular job or task, recommends steps to eliminate or reduce them, and specifies controls needed to perform the job or task safely. They are designed to be used 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 continued to grow in 2014, with an additional 19 tasks completed using the standard JSA template that was developed for all organizations. A majority of tasks reviewed and completed focused on electrical tasks in the Overhead area of Electric Operations.

In 2015, Con Edison is encouraging collaborative efforts related to safety improvements, and JSAs are being recommended as a way to achieve that Key Performance Indicator. To achieve a Zero-Harm culture across Con Edison, we will engage all employees in building shared values that prevent harm to one another, the public, and the environment. This program element will use the JSA as a tool/reference during the creation of job briefings, and as a reference during Job Site Safety Exchanges (JSSE).

SELF ASSESSMENT

Analysis of injury trends shows that a significant portion of Con Edison's safety incidents are caused by human performance factors, or human error. Human performance evaluates how certain behaviors or actions can result in errors, and how modifying those behaviors and actions can prevent them. We seek to identify the situations when errors are most likely to be made and apply the appropriate tools to prevent them. In addition, we analyze lessons learned from past events to avoid repeating errors. Tools we use to avoid errors include:

- Training
- Effective communication
- Questioning attitude
- Procedure adherence
- Self-check/peer-check
- Job briefings



In 2014, the focus was on "self-assessment." This is the formal or informal process of identifying one's own opportunities for improvement by comparing present practices and results with desired practices, results, and standards. Because no one knows how things are done better than those working in the organizations, "self-assessments" can be the most effective means of identifying latent weaknesses within the organization.

With the continued use of error-avoidance tools, we have seen tremendous improvement in areas such as operating errors, OSHA recordable injuries, and significant human performance incidents. Human performance initiatives have positively influenced our performance. Employees are much more aware of the human performance lapses that result in safety-related incidents, including motor vehicle collisions. The increase in human performance awareness coupled with the use of error-prevention tools has raised employees' focus of "being in the moment," and resulted in increased situational awareness and reductions in errors, injuries, and incidents in general.

In 2014, we developed the human performance awareness e-learning module. This was used as awareness training for all Central Operations' employees, and as an introduction for new employees. Going forward, it is the intention that all organizations within the company will develop a similar approach, which will help strengthen our goal of becoming an injury-free company.

COMMUNICATION

At Con Edison, open communication is critical to success and continued improvement in our safety and environmental performance. We communicate safety messages to employees through health and safety training programs, skills-training programs, and daily job briefings by supervisors and crew chiefs. We encourage employees to submit "Close Calls" – incidents that had the potential to cause injury, property damage, or environmental harm, but didn't. Lessons learned from these events can prevent similar occurrences from happening again.

Con Edison communicates urgent safety and environmental need-to-know information such as recent incidents, or seasonal messaging to its employees through "EH&S Alerts," which are targeted e-mails with a distinctive format that identifies them as priority communications. In 2015, we will improve our outreach to our field forces by expanding the reach of our messaging via new electronic screens at work locations.

Orange and Rockland's Corporate Communications group continues to partner with its safety experts to reinforce important employee messages across all internal platforms. Themes ranging from slip, trip, and fall prevention to tick bite protection are covered via Orange and Rockland's weekly newsletter, intranet, electronic messaging boards, posters, safety videos, and monthly Orange and Rockland update presentations. The (Think)(Ask)(Plan) program remains our brand for safety-related communications and was highlighted in a 2014 video series focused on worksite safety. We also communicate the importance of job briefings, signage, flagging, personal protective equipment inspection, seatbelts, wheel chocks, safety vests, and safety cones in 15-second video vignettes. These communications to employees on timely issues such as recent accidents or seasonal safety concerns supplement information distributed in "Safety Grams," supervisor updates, and weekly and monthly reports.

CONTRACTOR

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 review of the vendor to validate its environment, health, and safety programs, including a review of environmental compliance violations, past safety performance, and any OSHA citations. Depending on the scope of work, we will also perform a telephone interview and ask targeted questions to ensure that the vendor can maintain compliance with applicable rules and regulations.

Contractors are expected to perform to the same level as our own workforce and must comply with Con Edison's EH&S requirements, including the Rules We Live By and Time Out procedures. Further, Con Edison includes contractor injury incidence as a component of the Safety Index, setting a performance goal equal to that for company employees.

Contractor health and safety programs and site- and task-specific environmental, health, and safety plans (eHASPs) are reviewed by company subject matter experts and EH&S personnel before the contractor begins work. We offer several resources to help contractors develop suitable eHASPs, including online training, an eHASP template and numerous guidance documents. Where a contractor has experienced recent incidents 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 Supply Chain department issues a quarterly Newsletter for Contractors, covering recent violations, new regulations, and best EH&S practices employed by exemplary contractors.

Contractors regularly undergo on-site inspections by trained and experienced Con Edison personnel, whose observations form the basis of semi-annual report cards. We also maintain a Contractor Oversight System, and a special Action Line is in place for employees to report contractor environmental, health, and safety violations and potentially risky behavior. A Supply Chain committee reviews contractor violations and assesses 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 assure 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 2014, the company's contractors collectively had an OSHA Incidence Rate of 1.01, surpassing the goal of 1.50 or lower established for the year.

Orange and Rockland requires contractors to complete and submit an environmental, health, and safety program prior to commencement of work. These documents are reviewed and accepted by O&R's EH&S department. This department, as well as the organizations responsible for the contractors performing the work activities, conducts field audits of work sites to ensure that the contractor is in compliance with their scope of work and associated work rules. Deficiencies or infractions are documented and entered into the Contractor Oversight System and used to negotiate future contracts.

Policy Management and Regulatory Impact



Con Edison operates in a highly regulated environment and is affected by regulatory and social policy adopted at the federal, state, and municipal level. A number of significant proceedings that may impact the sustainability of electric service in New York were initiated by or received significant focus from the New York Public Service Commission (NYPSC) in 2014. These proceedings include: Reforming the Energy Vision (REV), which assesses the impact of distributed energy resources on the utility business model; the Clean Energy Fund (CEF) which will consider the future path of clean energy activities implemented by the New York State Energy Research & Development Authority (NYSERDA); the Renewable Portfolio Standard program which funds renewable energy projects in the state; and the New York Green Bank, which seeks to remove barriers to using private capital to fund clean energy projects in the state. In addition, the US Environmental Protection Agency proposed a rulemaking that would seek to limit CO₂ emissions from existing electric generation plants. The NYPSC also approved a settlement for rate filings affecting Con Edison's electric, gas, and steam services.

The company seeks to provide input on state policy management and regulatory impact as we advocate our business positions and coordinate consistent regulatory and policy communications to meet the needs of our customers and shareholders.

REFORMING THE ENERGY VISION

In April 2014 the NYPSC established the REV proceeding with the purpose of examining the electric utility regulatory and business model in the context of the potential growth of distributed electric resources and the development of new technologies. The NYPSC articulated six core policy outcomes intended to better align the role and operations of utilities to enable market- and customer-driven change:

- Customer engagement
- Distributed market animation
- System-wide efficiency
- Fuel and resource diversity
- System reliability and resiliency
- Carbon reduction

In August 2014, the NYPSC issued its Straw Proposal on “Track 1” policy issues in the REV proceeding, focusing on the operational aspects of creating energy markets at the distribution level. In the proposal, markets would operate via a Distributed System Platform, addressing distribution system planning and operations issues with inclusion of a market operations role. Other issues contemplated in Track 1 include utility ownership of distributed energy resources, sharing of customer and system information, benefit-cost analysis, demonstration projects, and clean energy programs. Significantly, the Straw Proposal included consideration of the state’s utilities taking over the role of renewable energy procurement from NYSERDA. Con Edison has expressed interest in assuming this role, provided it is allowed to directly own renewable resources because such ownership is a less expensive way to procure renewable energy compared to long term contracts between utilities and private developers.

“Track 2” of the proceeding addresses New York’s regulatory framework and explores changes that could be made to better align utility interests with policy objectives. Issues under consideration include: rate and tariff design, alternate regulatory schemes such as the U.K.’s ‘RIIO’ regulatory model, and performance-based regulation. At a November technical conference on Track 2 sponsored by NYU for the Commission’s benefit, expert speakers counseled a measured approach to regulatory changes

Commission rulemakings have been issued on narrow and well-defined REV issues. The Commission issued an order in Track 1 on February 26, 2015. The order confirms that the incumbent utilities will operate the Distributed System Platform, establishes a separate track to consider the issue of large scale renewable energy in the state, but only allows utilities to own distributed energy resources in the cases of energy storage on utility property, to facilitate programs for low and moderate income customers, as part of demonstration projects and as a backstop if the market does not respond. A straw proposal on Track 2 is expected in the second quarter of 2015.

Specific issues receiving early attention include:

Deferring utility infrastructure investments-

Targeted use of distributed resources and energy efficiency has the potential to defer utility infrastructure investments. In line with the REV vision, the NYPSC recently approved a Con Edison proposal for the Brooklyn-Queens Demand Management program (BQDM) that would defer the need to build a major substation in an area with higher-than-forecast growth. The BQDM program aims to locate 52 MW of distributed resources, thus pushing the need for a new substation from 2017 until 2024. The NYPSC also approved the company’s proposal to earn a rate of return on the costs of the project and incentives related to achieving resource acquisition targets, supplier diversity, and lower costs for customer-side solutions. The NYPSC will allow Con Edison to install and own energy storage devices on its own property when directly integrated into utility distribution services as part of the program, but will only allow ownership of distributed generation if the market does not respond to requests for these types of resources.

Demonstration Projects-

Con Edison is currently developing a portfolio of demonstration projects designed to test REV concepts. Potential projects include electric vehicle charging, grid-connected community solar, multi-tenant advanced metering coupled with energy usage analysis, and variable pricing.

Stakeholder Processes-

Two stakeholder processes were launched in January 2015. The first is focusing on the technology platform needed to animate distributed energy markets, and the second is focusing on market design elements. The state's utilities are participating in each process.

CLEAN ENERGY FUND

New York currently has ratepayer-funded public policy programs focused on energy efficiency (Energy Efficiency Portfolio Standard program, EEPS), renewable energy (Renewable Portfolio Standard program, RPS), and energy R&D (Technology and Market Development programs, T&MD). NYSERDA implements the RPS and T&MD programs entirely, and NYSERDA and the utilities implement the EEPS program. In total, these programs collect \$368 million annually from Con Edison's and O&R's customers via a bill surcharge. They will expire at the end of 2015 unless reauthorized by the NYPSC. In May 2014, the NYPSC proposed to consolidate these funds into a single Clean Energy Fund (CEF) and, in the process, substantially change how NYSERDA uses these funds to align with the Reforming the Energy Vision (REV) proceeding. NYSERDA issued a Clean Energy Fund proposal in September 2014, but the NYPSC has required it to issue additional information on the Clean Energy Fund, which is due on June 8, 2015. NYSERDA also proposes collecting \$782 million from PSC-jurisdictional electric customers to fully capitalize the NY Green Bank at \$1 billion. NYSERDA has been reaching out to utilities and stakeholders for input on its proposed plan, and has indicated it will shift its focus to upstream market development and away from incentive-based programs. Utilities may take over energy efficiency programs and renewable energy procurement from NYSERDA.

EPA PROPOSED CARBON EMISSIONS REGULATIONS

In June 2014, the EPA proposed limits on CO₂ emissions from existing fossil fuel-fired generators above 73 MW under §111(d) of the Clean Air Act. The proposal seeks a 30-percent reduction in CO₂ emissions from the nation's 2005 levels by 2030. To determine achievable reductions for each state, EPA modeled a "Best System of Emissions Reduction" using four "Building Blocks": 1) improved heat rates for coal-fired plants; 2) increased utilization of natural gas combined cycle plants; 3) generation from nuclear and renewables; and 4) energy efficiency. New York's target is a 44-percent reduction from 2012 levels by 2030. States do not have to follow the building blocks in their compliance strategy and have considerable flexibility in implementing the rule, including regional implementation plans. EPA highlighted RGGI as an example of a regional implementation plan. On December 1, Con Edison submitted joint comments with other NY transmission owners, generators, and national and regional clean energy groups. We also participated in EEI and AGA comments. EPA scheduled the final rule for release in June 2015.

New York has few coal-fired plants and already relies heavily on natural gas generation; accordingly, increased renewable generation (including Canadian hydro) and energy efficiency could be the primary means for meeting the target. In its projection, EPA anticipates energy generated by non-hydro renewables in the state will increase by approximately five times 2012 levels, and assumes energy efficiency will reduce end-use by 11 percent by 2030 when compared to business-as-usual forecasts. The NYISO has expressed concern about the implications of these changes on reliability.

Con Edison is generally supportive of EPA's efforts to reduce greenhouse gas emissions, while allowing for the continued reliable operation of the power grid. EPA should modify its "best system of emissions reduction" to better reflect the operational realities of the power system, ensure equity among state targets, and recognize the reductions already achieved by early-action states like New York. EPA should accept RGGI as New York's compliance mechanism.

The rule will likely result in encouraging the development of large-scale renewable resources and expanded transmission projects within the state. NY Transco, a partnership of the state's investor-owned transmission companies, will facilitate transmission development that can access renewable energy, and Con Edison is prepared to take on the role of procuring renewable energy for its customers.

RATE CASE



At the close of 2013 parties to Con Edison's rate cases for electric, gas, and steam agreed to a Joint Proposal (JP) resulting in a two-year electric rate plan and three-year rate plans for gas and steam effective January 1, 2014. The result was a revenue requirement freeze for electric, gas, and steam over the term of their respective rate plans.

Major components of the joint proposal include the following:

- Investment in capital projects and programs to address reliability, storm hardening and resiliency, new business and oil-to-gas conversions
- Continuation of revenue decoupling mechanisms for electric and gas
- Enhanced low-income discount programs for electric and gas customers
- Modifications and additions to the electric, gas, and steam safety and reliability performance and customer service metrics
- Additions to the leak-prone gas pipe replacement program and new reliability program to target replacement of leak-prone pipe in flood zones in New York City and Westchester County
- Improvement and expansion of the oil-to-gas conversion program
- Approval of current storm hardening projects and programs, and conditional approval of future projects that are reviewed by an ongoing stakeholder collaborative
- Consideration of non-wires alternative plan (e.g., distributed resources) for the Brownsville section of Brooklyn, expecting significant load growth
- Company study of future use of Hudson Avenue Property
- Steam customers now eligible for bill credits (in place now for electric and gas customers) in certain circumstances of a storm outage



The Joint Proposal was supported by the following signatories:

- Con Edison
- Department of Public Service Staff
- City of New York
- Consumer Power Advocates
- New York Energy Consumers Council, Inc.
- New York Power Authority
- Utility Intervention Unit (NY Department of State)
- Astoria Generating Company, L.P.

- Pace Energy and Climate Center
- Columbia Center for Climate Change Law
- Environmental Defense Fund
- NRG Energy

Subsequently, on February 21, 2014, the PSC issued an order approving the rate plans in the joint proposal with two relatively minor modifications. The full [Joint Proposal and PSC Order \(http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b3881B193-8115-4BA0-A01A-B8D373D59726%7d\)](http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b3881B193-8115-4BA0-A01A-B8D373D59726%7d) can be found on the New York Public Service Commission Site.

ENERGY HIGHWAY AND THE INDIAN POINT CONTINGENCY



In 2012 Governor Cuomo championed the Energy Highway Initiative promoting public-private partnerships to renew the State's energy infrastructure while protecting the environment and creating opportunities for economic growth and job creation. Accordingly, the PSC initiated two proceedings seeking 1,000 MW of AC transmission upgrades to reduce transmission constraints from upstate to downstate, and transmission, generation, and demand side management solutions to maintain reliability in the event the nuclear power plants at Indian Point are shut down. Con Edison and the New York Power Authority (NYPA) were directed to develop an Indian Point Contingency Plan for solutions to address a possible 2016 Indian Point retirement.

In response to the Energy Highway initiative, the New York State transmission owner (NYTOs), including Con Edison and Orange and Rockland, proposed to create and jointly own a transmission company, New York Transmission Company (NY Transco) to develop, construct, and own transmission facilities in New York State. On behalf of NY Transco, the NYTOs submitted responses to the PSC proceedings. Con Edison and NYPA also submitted three Transco projects in the Indian Point proceeding. More information is available at the NY Transco website.

In November 2013, the PSC approved the three NY Transco projects proposed by Con Edison with NYPA and New York State Electric and Gas Corporation (NYSEG) to prepare for potential Indian Point shutdown in 2016. Two of the projects, Ramapo to Rock Tavern and Staten Island Unbottling, will be developed by Con Edison until they can be transferred to NY Transco. In its order, the PSC also endorsed the NY Transco cost allocation for these projects and supported the plan to file with Federal Energy Regulatory Commission (FERC) for rate recovery for the three Indian Point Projects. In a separate order in the same proceeding, the PSC approved a proposal filed by Con Edison and New York State Energy Research and Development Authority (NYSERDA) to reduce load by 100 MW by the summer of 2016 using energy efficiency and demand reduction projects, plus another 25 MW through new combined heat and power projects.

In response to the Energy Highway initiative, It was originally envisioned that New York State Transmission Owners (NYTOs) would form a public-private partnership to create and jointly own a transmission company, New York Transmission Company (NY Transco), which would develop and own transmission facilities in New York State. Legislative authority needed by NYPA and LIPA to join has not been enacted. As a result, the investor-owned NYTOs created the NY Transco in Fall 2014. The NY Transco filed with the FERC on December 4, 2014 for transmission rates, including incentives, cost allocation, and permission to assume utility assets.

- In October 2013, NY Transco filed a transmission siting application with the NYPSC to build four transmission projects totaling \$1.3 billion that address congestion from upstate to downstate. The proceeding is competitive, with other developers seeking Article VII certificates to build similar upstate/downstate transmission solutions.
- In November 2013, the NYPSC approved the three NY Transco projects proposed by Con Edison, NYPA and NYSEG to prepare for potential Indian Point shutdown in 2016. In its order, the NYPSC also endorsed the NY Transco cost allocation for these projects and supported NY Transco's plan to file with FERC for rate recovery. In a subsequent order the NYPSC endorsed a different cost allocation for projects resulting from the AC Transmission proceeding.
- Responding to a PSC request for transmission developers to revise their proposals to minimize customer impact, in January 2015 the NY Transco filed updates to its projects so that the visual impact of transmission towers will be mitigated and all transmission will be constructed on existing rights of way or utility owned property.
- More information is available at nytransco.com (<http://nytransco.com/>).

As part of the Commission's approvals in November 2013, Con Edison was authorized to work jointly with New York State Energy Research and Development Authority (NYSERDA) to implement demand-side management and combined-heat-and-power programs, using direct financial incentives, as part of a "no regrets" solution in response to the Indian Point Contingency Plan. The company and NYSERDA now administer the Demand Management Program, targeting 125 MW of permanent, peak-coincident electric load reductions by June 2016 through energy efficiency and demand reduction projects as well as new combined-heat-and-power projects. The total investment is estimated to be \$285 million (consisting of incentives and administrative costs), excluding carrying costs. The company was authorized to recover all costs from its customers on a deferred basis over a 10-year period and the company will accrue the cost to finance the deferred expenditures using its allowed pre-tax weighted cost of capital rate.

REGIONAL GREENHOUSE GAS INITIATIVE



Since 2009, Con Edison has been subject to carbon dioxide emissions regulations established by New York State as part of its participation in the Regional Greenhouse Gas Initiative (RGGI). The Initiative, a cooperative effort by nine northeastern and mid-Atlantic states (RGGI States), established a decreasing cap on carbon dioxide emissions from electricity generation that will lead to a 15-percent reduction in regional emissions between 2014 and 2020. Under RGGI, affected electric generators are required to obtain emission allowances to cover their carbon dioxide emissions, available primarily through auctions administered by participating states or a secondary market.

While Con Edison sold most of its power plants in the late 1990s, the company still owns one power plant that is subject to the RGGI cap: the East River Generating Station. Con Edison of New York met its requirement of 6.3 million allowances for the first RGGI compliance period (2009—2011) and is managing auction purchases in preparation for complying with the second compliance period (2012—2014).

In February 2013, after a comprehensive stakeholder review, the RGGI States proposed major changes to the RGGI program, including a one-time, 45-percent reduction in the regional emissions cap for 2014, and further reductions of 2.5 percent each year from 2015 to 2020. Additionally, the RGGI States implemented a new cost containment mechanism, supported by Con Edison, which will limit the impact of allowance price spikes on the supply portion of our customers' bills. New York State adopted the new rules, and the lower, 91-million ton cap is effective as of January 1, 2014.

Under the revised RGGI emissions cap, New York will receive incremental revenues from allowance auctions, above and beyond the \$728 million it has collected through the first 26 auctions. As agreed upon in the original "model rule" of the RGGI partnership, each participating state directs its own strategy to invest its auction proceeds in a manner that supports its unique policy objectives, needs, and circumstances. This policy raises redistribution concerns if states invest funds in programs outside of the electric sector. In New York, for example, more than half of the RGGI-funded investments to date were allocated to programs that either indirectly benefit electric customers, or do not benefit them at all.

RENEWABLE PORTFOLIO STANDARD



New York's Renewable Portfolio Standard (RPS) goal is to obtain 30 percent of state electricity consumption from renewable resources by the end of 2015 (from a base of 19 percent in 2004). Currently, NYSERDA implements the RPS program for the customers of investor-owned utilities, using funding of \$3 billion from electric customers. The company's customers provide about half of the total funding. LIPA, NYPA and the voluntary green energy purchases by consumers also are expected to increase renewable energy consumption in the state.

NYSERDA administers two primary programs to provide incentives to renewable energy projects: the 'Customer-Sited Tier' program funds renewable energy resources (mostly solar) installed on customer property behind the customer's meter; the 'Main Tier' program competitively solicits large renewable resources, offering 20 year contracts for their renewable energy attributes. 92 percent of the program's renewable energy comes from the Main Tier.

NYSERDA has achieved about half of its portion of the 2015 goal, but in a recent review acknowledged that it was likely to fall short of achieving the 30 percent goal by the end of 2015. NYSERDA's CEF proposal does not contain any funding for large renewable resources. DPS Staff has proposed having the utilities take over the Main Tier program and purchase both the renewable energy attributes and power from new renewable projects through long-term contracts. The state's utilities are willing to procure renewable energy, but have advocated strongly in favor of allowing utilities to own

renewable energy resources as a primary procurement method. DPS Staff will issue a large-scale renewables options paper in mid-2015.

In 2014, NYSERDA reported that the environmental benefits of electricity generated by renewable generation from 2006 through 2013, as opposed to the State's "system-mix," amounts to reduced emissions of approximately 5,400 tons of nitrogen oxides, 10,600 tons of sulfur dioxides, and 5.3 million tons of carbon dioxide.

NYSERDA issued one solicitation for new renewable resources in 2014, and announced in November 2014 that it would procure 164 MW of incremental renewable energy from wind and hydro resources in New York State. NYSERDA has issued one RPS solicitation in 2015 and plans to issue another RPS solicitation in 2016.

SYSTEMS BENEFIT CHARGE



The System Benefits Charge (SBC) program funds technology and market development (T&MD) activities relevant to the energy system. The PSC uses the 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. The New York State Energy Research and Development Authority implements the program under the PSC's supervision.

When the program was reauthorized by the PSC in 2011 through 2016 it was estimated that collections from our customers will provide at least \$150 million over the five-year term of the program. In 2013, \$26.3 million in SBC charges were collected from the utilities' electric customers.

The T&MD programs currently funded by the SBC are expected to continue after 2016, funded under the Clean Energy Fund collections once those are approved by the NYPSC.

NEW YORK GREEN BANK



On October 28, 2013, the companies and other investor-owned utilities in New York State made a joint filing to the PSC supporting the establishment of the New York Green Bank, an entity with the mission to advance the state's clean energy goals by reducing or eliminating financing-related barriers to clean energy adoption by customers. Con Edison offered comments related to future funding for the Green Bank, such as using RGGI funds. On December 19, 2013, the PSC approved the establishment of the New York Green Bank, with an initial capitalization of \$218 million, comprised of \$165 million of funds from NYSERDA and utility energy efficiency and renewable energy budgets, and \$45 million of RGGI funds allocated to the New York Green Bank by NYSERDA. The New York Green Bank has stated that it has a goal of reaching a capitalization of \$1 billion, and in December 2014 NYSERDA submitted a petition to the NYPSC requesting \$781 million in funds (to be provided over four years, 2015-2018) to achieve the Green Bank's capitalization goal. The company filed comments supporting the overall goals of the Green Bank but expressed concern about the impact on customers and suggested a number of ways to mitigate that impact, including raising a portion of the funds from other electric customers who might not otherwise contribute to the Green Bank, such as LIPA and NYPA customers, and relying on RGGI funds to provide a portion of the requested capital.

POLITICAL ENGAGEMENT



Public policy decisions at all levels of government can have significant implications for the companies' customers, the energy systems we manage, and the future direction of the companies. Accordingly, Con Edison exercises its fundamental right and responsibility to participate in the political process. We adhere to all applicable national, state, and local laws and regulations governing the public policy process, and have internal policies and practices so that we adhere to applicable reporting requirements.

Our engagement in the political process is grounded in and guided by our commitment to our Standards of Business Conduct. Our efforts in this regard meet high ethical standards, are done in accordance with strict company procedures and guidelines, and in a manner that demonstrates accountability and transparency.

No corporate funds are used for political contributions to candidates or political parties. The companies do not make independent expenditures in support of or in opposition to a candidate or political party. No corporate payments have been made, nor do we intend to make payments, to influence the outcome of ballot measures.

Con Edison Political Action Committee

The Consolidated Edison Inc. Employees' Political Action Committee (CEIPAC) is a non-partisan political action committee.

- The CEIPAC is funded entirely through voluntary contributions from eligible employees; employees are not reimbursed, directly or indirectly, for political donations or expenses. Contributions are reported to relevant federal, state and local campaign finance agencies, as required by law.
- Political disbursements made through the CEIPAC are made without regard to the personal or political preferences of Company officers and executives.
- The current members of the CEIPAC Executive Committee are the: Vice President & Controller of Con Edison of New York (CECONY), Senior Vice President Public Affairs of CECONY, Vice President Government Relations of CECONY, President and Chief Executive Officer of Consolidated Edison Solutions, and President and Chief Executive Officer of Orange and Rockland Utilities.
- The CEIPAC Executive Committee factors in many criteria when deciding whether to approve contributions, including a candidate's position on issues; voting records; incumbents leadership on key committees; and the extent of a member company's presence in a district.
- Con Edison's internal auditing department conducts periodic reviews of CEIPAC's practices and procedures, and an independent auditing firm audits the financial statements of the CEIPAC on a yearly basis.

Grassroots Advocacy Network

Con Edison's Grassroots Advocacy Network engages employees and retirees in the evolving political landscape, educating them on issues important to them and the company. Through the Grassroots Network, employees and retirees receive monthly newsletters, updates on policy and political issues and information on elections and voting. The Grassroots Network also provides opportunities for employees and retirees to attend events on emerging topics of interest and engage their local elected officials by taking action on relevant issues that come up throughout the year.

Governance and Business Ethics



At Con Edison we recognize the need for strong corporate values. 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 firmly believe that doing business in an open, ethical, and fair manner creates business success that benefits all our stakeholders — our investors, our customers, and our employees.

GOVERNANCE



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

The vice president of corporate EH&S is responsible for developing programs to ensure compliance, and to work toward EH&S excellence. In addition, corporate EH&S supports the operating departments responsible for maintaining day-to-day compliance with standards. The corporate EH&S vice president reports directly to Con Edison of New York's president.

Throughout 2014, the EH&S vice president headed an EH&S Committee to oversee and implement the company's strategic plan. The team consists of the Senior Vice Presidents from operating departments, the Chief Ethics and Compliance Officer, and leaders from the Law Department, Occupational Health, Human Resources, Auditing, and EH&S. This committee also develops strategic and annual goals that help drive the company's EH&S and sustainability efforts.

The EH&S vice president and appropriate EH&S leaders meet quarterly with Con Edison's chairman and monthly with the president of Con Edison of New York to review the status of major EH&S projects and issues.

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– consists of outside consultants who are independent attorneys. The board reports to the chairman on components of EH&S programs and the status of efforts to attain EH&S excellence.

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, and further expanded in 2013 and 2014.

Con Edison's Standards of Business Conduct are founded upon our values of service, honesty, concern, courtesy, excellence and teamwork, and our commitment to our major stakeholders: our customers, fellow employees, communities, and shareholders. The 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, O&R, and the competitive energy businesses in early 2013.

Training on various ethics topics is completed annually by all employees of Con Edison of New York, O&R and the competitive energy businesses. We also conduct ethics and compliance training for new employees, new supervisors, and new managers, and administer FERC-required ethics training.

The department also increases the visibility of our ethics messages among all CEI companies through coordinated, themed communications campaigns. In 2013, Con Edison began the Values in Actions (VIA) Advisors network with 15 representatives. This network of employees, nominated by their officers, assist with the dissemination of ethics and compliance messages and act as a resource for fellow employees regarding integrity-related issues within the business units. In 2014, we expanded the VIA Advisors network to include employees from 27 company organizations and each of our major business units – providing greater representation throughout the company.

We encourage employees to seek advice, ask questions, and report concerns. We provide several resources, including a confidential Ethics Helpline, webform, 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 individuals within the Business Ethics and Compliance group is dedicated to investigating allegations of employee misconduct.

Department members are active members of the Ethics and Compliance Officers Association, and the FERC group of the Edison Electric Institute. A Con Edison of New York employee has served as chair of the Ethics and Compliance Officer Association's (ECO) Utilities Industry Group, and others have presented and participated at the ECO's annual conferences. BEC employees are also representatives 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. Our Vendor Outreach Program, launched in 2014, provides assistance to Con Edison vendors in developing their own ethics and compliance programs.

Auditing and ISO Certification



To ensure the effectiveness of financial systems and operational performance, our auditing department provides an independent, fair, and objective appraisal of our facilities, operations, systems, and programs. These audits are performed in accordance with priorities established by the General Auditor in consultation with the CEO and the board's audit committee. Additionally, we recognize that third-party verification of our efforts is also of value and so we have our EH&S management system ISO-14001 certified.

AUDITING

Consolidated Edison, Inc. (CEI) conducts an auditing program for all affected subsidiaries and affiliates. Both facility operations and companywide programs undergo periodic audits to determine compliance with regulations and procedures, as well as the adequacy of EH&S management systems in use.

EH&S audits are conducted by a division of Con Edison of New York's Corporate Auditing department. Under corporate audit policy, this group audits facilities and programs. The EH&S Auditing Group is staffed with personnel experienced in auditing protocols, regulatory requirements, and company procedures. 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. Formal audit reports are prepared and distributed to all officers whose organizations have responsibilities for corrective actions based on audit findings. Senior officers receive copies of audit reports. The ombudsman, independent auditors, and the Environmental Quality Review Board also receive EH&S audit reports. The board's audit committee receives a summary of all audits performed on a quarterly basis.

Environmental, Health, and Safety Protocols

- Air Pollution Control
- Asbestos Management
- Astoria Hazardous Waste Treatment, Storage, and Disposal Facility (TSDF)
- CERCLA – EPCRA
- Employee Health and Medical Issues
- Employee Safety
- Industrial Hygiene
- Loss Prevention and Emergency Response
- Marine Terminals
- Polychlorinated Biphenyls (PCBs)
- Pesticide Management
- Protection of Wildlife
- Solid and Hazardous Waste Management
- Spill Prevention Control and Countermeasure Plans (SPCC)
- Underground Storage Tanks
- Water Pollution Control

In addition, we have established a formal self-assessment program for company organizations to monitor their own compliance systematically. The EH&S Auditing Group administers this program by developing the self-assessment protocols, training personnel in their use, and monitoring compliance with program guidelines.

ISO CERTIFICATION

The International Organization for Standardization (ISO) 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 effective management systems. Additionally, ISO Standards provide a framework for continual improvement throughout the company.

Con Edison of New York's Environmental Management System is certified to the ISO 14001:2004(E), Environmental Management Systems Standard and the company's Chemical Laboratory operations are certified to the ISO/IEC 17025:2005(E), general requirements for the competence of testing and calibration laboratories standard.

It is the policy of Con Edison to be a leader in protecting the environment and ensuring the health and safety of employees and the public. The company is committed to improving safety and environmental performance; strengthening environment, health and safety (EH&S) compliance; enhancing relationships with its stakeholders; identifying and reducing significant EH&S risk potential, and promoting wise and effective use of natural resources. In addition to complying with all applicable laws and regulations, Con Edison will:

- a. Pursue opportunities to improve the effectiveness and efficiency of Con Edison programs that protect people, property, and the environment.
- b. Be responsive to the concerns of its stakeholders, both internal and external.
- c. Integrate EH&S considerations into its work and project planning.
- d. Model sustainable behaviors internally, promote sustainable behavior externally, and maintain a commitment to the prevention of pollution.
- e. Pursue opportunities, programs, and policies that support sustainable business practices and the reduction of EH&S risk.
- f. Provide the leadership and training for employees to exercise their initiative and achieve EH&S expectations.
- g. Manage an integrated health and wellness promotion program that fosters a healthy, engaged, and motivated workforce.
- h. Promote a "predict and prevent" mindset through proactive self-assessment.
- i. Set metrics and targets to drive continual improvement and review them on an annual basis to measure and assess Con Edison's EH&S performance.
- j. Utilize an EH&S management system to enhance its efforts.

Cost Management



As part of our promise to provide our customers with safe, reliable service, we also recognize that every dollar that we invest has an impact on their bill each month. As a responsible corporate citizen and as a competitive business, 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.

Our excellence in cost management is achieved through communication, a collaborative approach to planning and implementation, as well as 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.

Reliability



Maintaining our world-class service reliability is a top priority for Con Edison. Our investments in our electric, gas, and steam infrastructure demonstrates our commitment to providing reliable service for our customers today and for decades to come.

Con Edison of New York's 2014 reliability performance on the System Average Interruption Frequency Index (SAIFI) for 2014 included 107 per 1,000 system customers served, 343 per 1,000 non-network customers served, and 25.2 per 1,000 network customers served. Performance on the Customer Average Interruption Duration Index (CAIDI) for the year included 3.02 hours, 1.83 hours, and 8.62 hours, respectively.

ELECTRIC

Con Edison is known for being one of the most reliable electric service providers in the U.S.—and has been the recipient of numerous reliability awards over the years, including PA Consulting's 2014 ReliabilityOne award for the Northeast region.

PEAK PERFORMANCE



During the winter of 2013/2014 CECONY and O&R service territories experienced a polar vortex, a large pocket of very cold air, which sits over the polar region during the winter season and finds its way down to the U.S. Because of this phenomenon the winter had 32 days below freezing and 18 snow days, which was more than any year in the past five years. CECONY also saw the largest amount of rock salt dispersed in NYC in the last five years – 122% higher than the average amount of salt in the previous four years. The mixture of salt and water is highly conductive of electricity and advances the deterioration of cables, connections, and transformers creating the short-term result of increases in electrical shocks and failure of underground electrical equipment and the long-term result of the potential for future electric equipment failures. The number of electric shocks and manhole events more than doubled over the preceding winter. Despite the impacts of the polar vortex, Con Edison continued to provide reliable and cost effective service to its customers. The Company earned the PA Consulting Group's 2014 Outstanding System Reliability Award. The award recognizes superior annual system-wide reliability performance for customers. We were also named best in the Northeast Region.

Con Edison of New York's electric system performed very well in 2014, successfully serving a peak demand of 11,763 MW on Wednesday July 2nd. However, electric delivery volumes decreased 1.1 percent from 2013 and were 0.9 percent lower than budget.

After adjusting for variations, primarily weather, delivery volumes were 0.1 percent below 2013 and 0.3 percent below budget. Distribution feeder lines marked their best performance in 10 years and the system experienced fewer transformer failures than in any of the past eight years. Orange and Rockland successfully met a peak demand of 1,370 MW on July 2, 2014 at 3 p.m. The system performed well throughout the remainder of the year.

Con Edison of New York and Orange and Rockland completed key electric infrastructure improvement initiatives in 2014, fortifying lines and equipment across the service territory. CECONY's robust and wide-reaching storm hardening program continued into its second year and began to reap important system benefits. In 2014, the Company installed submersible switches and replaced non-submersible transformers with submersible units. The Fulton and Bowling Green networks in Manhattan and the Brighton Beach network in Brooklyn were redesigned to allow flooded equipment and/or areas to be isolated instead of de-energizing the entire network. Based on analysis of actual damage sustained on the overhead distribution systems this year, CECONY estimates that more than 43,000 customer interruptions were avoided in 2014 as a result of the automatic switches and fuses that have been installed system-wide. CECONY also increased the reliability of 9 overhead auto loop systems by establishing spur loops and installing more resilient equipment. For its electric distribution substations, CECONY introduced improvements in 31 area substations.

To provide for reliable service in the future, CECONY, along with other NY investor-owned utilities, formed the NY Transco LLC, a transmission company whose mission will be to construct and own transmission facilities that will reinforce and augment the existing backbone system in NY. Three projects have been identified for NY Transco: (i) a Ramapo to Rock Tavern line; (ii) the Staten Island Unbottling project; and (iii) the Fraser to Coopers Corners Reconductoring project.

ENERGY HIGHWAY

In addition to strengthening our distribution networks, we are also partnering with other utilities to bolster New York's high-voltage transmission system. For more information on this topic, please read on within the [Policy Management and Regulatory Impact \(/managing-our-business/policy-management-and-regulatory-impact/\)](#) section of this report

REFORMING THE ENERGY VISION

In April 2014 the NYPSC established the REV proceeding with the purpose of examining the electric utility regulatory and business model in the context of the potential growth of distributed electric resources and the development of new technologies. The NYPSC articulated six core policy outcomes intended to better align the role and operations of utilities to enable market- and customer-driven change:

- Customer engagement
- Distributed market animation
- System-wide efficiency
- Fuel and resource diversity
- System reliability and resiliency
- Carbon reduction



In August 2014, the NYPSC issued its Straw Proposal on “Track 1” policy issues in the REV proceeding, focusing on the operational aspects of creating energy markets at the distribution level. In the proposal, markets would operate via a Distributed System Platform, addressing distribution system planning and operations issues with inclusion of a market operations role. Other issues contemplated in Track 1 include utility ownership of distributed energy resources, sharing of customer and system information, benefit-cost analysis, demonstration projects, and clean energy programs. Significantly, the Straw Proposal included consideration of the state’s utilities taking over the role of renewable energy procurement from NYSEERDA. Con Edison has expressed interest in assuming this role, provided it is allowed to directly own renewable resources because such ownership is a less expensive way to procure renewable energy compared to long term contracts between utilities and private developers.

“Track 2” of the proceeding addresses New York’s regulatory framework and explores changes that could be made to better align utility interests with policy objectives. Issues under consideration include: rate and tariff design, alternate regulatory schemes such as the U.K.’s ‘RIIO’ regulatory model, and performance-based regulation. At a November technical conference on Track 2 sponsored by NYU for the Commission’s benefit, expert speakers counseled a measured approach to regulatory changes. Commission rulemakings have been issued on narrow and well-defined REV issues. Further action on broader questions posed in Track 1 in the first quarter of 2015 and a straw proposal on Track 2 is now expected in the second quarter of 2015.

Specific issues receiving early attention include:

Deferring utility infrastructure investments-

Targeted use of distributed resources and energy efficiency has the potential to defer utility infrastructure investments. In line with the REV vision, the NYPSC recently approved a Con Edison proposal for the Brooklyn-Queens Demand Management program (BQDM) that would defer the need to build a major substation in an area with higher-than-forecast growth. The BQDM program aims to locate 52 MW of distributed resources, thus pushing the need for a new substation from 2017 until 2024. The NYPSC also approved the company’s proposal to earn a rate of return on the costs of the project and incentives related to achieving resource acquisition targets, supplier diversity, and lower costs for customer-side solutions. The NYPSC will allow Con Edison to install and own energy storage devices on its own property as part of the program, but will only allow ownership of distributed generation if the market does not respond to requests for these types of resources.

Demonstration Projects-

Con Edison is currently developing a portfolio of demonstration projects designed to test REV concepts. Potential projects include electric vehicle charging, grid-connected community solar, multi-tenant advanced metering coupled with energy usage analysis, and variable pricing.

Stakeholder Processes-

Two stakeholder processes are scheduled to launch in January 2015. The first will focus on the technology platform needed to animate distributed energy markets, and the second will focus on market design elements. The state's utilities will participate in each process.

GAS

Con Edison of New York and Orange and Rockland safely and reliably supply natural gas to more than 1.2 million gas customers. The fuel provides many benefits, including lower emissions and more moderate prices than heating oil alternatives. To meet rising customer demand, we are enhancing our infrastructure to increase capacity and to protect our customers from any reliability impact that might arise from a disruption to the interstate pipeline system.

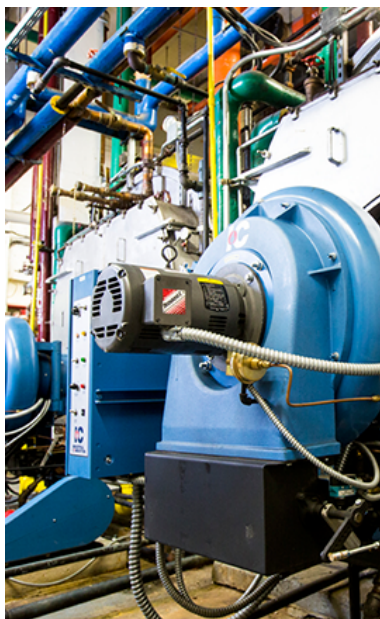
For all its benefits, natural gas also has risks. The invisible fuel dissolves in air and can only be detected by an odorant that is added to the fuel for safety or by specialized instrumentation. To protect customers, Con Edison of New York and Orange and Rockland immediately respond to leak reports, and identify, repair, and replace leak-prone pipes, and survey the system for new damage following weather events.

SYSTEM PERFORMANCE

Con Edison customer use of natural gas reached its peak for the 2014/2015 winter season through January at 1,118 MDt on January 7, 2015. Con Edison of New York's total sales and transportation of natural gas exceeded 307,000 million MDt by year end, nearly 10 percent higher than in 2013.

In Orange and Rockland, customer demand also peaked on January 7, 2015 at 191 MDt. Throughout the year, Orange and Rockland customers used 27,000 million MDt of natural gas, nearly 6 percent more than in 2013.

INFRASTRUCTURE UPGRADES



Key improvements were made to our natural gas transmission and distribution network in 2014 to meet growing demand and enhance system reliability. Con Edison's main replacement program continued, replacing over 64 miles of leak-prone iron and steel pipe. In addition, we replaced 2.36 miles of leak-prone iron and steel pipe in flood-prone areas. We have replaced 280 miles of leak-prone pipe over the past five years. Crews also replaced 4,729 customer service lines and converted nearly 1,500 large New York City buildings from oil to gas, and installed more than 2,000 other new business services in 2014. Significant upgrades were also made to Con Edison's natural gas transmission interconnection infrastructure to increase capacity. A new interconnection to the TETCO pipeline was brought into service via the Spectra gate in lower Manhattan. The project increases pipeline capacity into the Con Edison system and significantly improves system reliability in the event an unexpected disruption at other transmission interconnections. Additional upgrades were made to pipeline system components serving the territory to increase capacity.

STEAM

Con Edison provides steam service for 1,691 accounts, representing approximately three million customers in Manhattan through an underground network of steam pipes. By generating steam primarily through cogeneration, we provide efficient steam production and reduce emissions that would otherwise be generated by customer-sited boilers and equipment. Con Edison's steam system is evolving to reduce costs to customers, sustain optimal reliability, and help improve our environmental footprint.

Our steam system performed well in 2014, meeting a peak demand of 8.9 million pounds on January 23. The system experienced no major service disruptions, maintaining its reliability rate of 100 percent. Our focus on public safety continued in 2014, progressing with the development and integration of the remote monitoring of structures prone to impact following major weather events.

Steam Accomplishments

One steam generating station eliminated the need for the existing 1,000 gallon bulk caustic storage tank, which is currently regulated by the jurisdiction of the New York State Department of Environmental Conservation (NYSDEC), and replaced it with two 120-gallon storage units. This effort has made the station environmentally friendlier and safer for our employees, while also reducing operating costs by approximately \$15,000 per year in fees and inspections. This effort also eliminated the need for hazardous bulk chemical deliveries to the station. One steam generating station was awarded third place among 84 national stations considered for Emerson's 2014 Reliability Program of the Year. The station used new technologies and process changes to streamline preventative maintenance work and reduced the forced outage rate. These measures increased steam availability to provide customers with a more economical and sustainable energy source.

DUAL FUEL CAPABILITY

Two Con Edison steam generating stations that were converted from oil to natural gas in 2013 cut CO₂ emissions by 21 percent (132,676 tons) in 2014. This reduction in emissions and fuel costs saved approximately \$90 million, resulting in about a 10-percent drop in costs for our steam customers. All converted units remain capable of burning an alternate fuel in a supply shortage. This capability is particularly important to maintaining reliability and moderating price impacts during periods of high demand for natural gas. In 2014, another Con Edison steam generating station upgraded its kerosene system for operational purposes and installed new NO_x burners to help lower the NO_x output of the station.

INFRASTRUCTURE UPGRADES



Key enhancements were made to the steam system in 2014 to help reduce Con Edison's environmental footprint and maintain compliance with more stringent NO_x RACT limits, which became effective July 1, 2014. Con Edison decreased the overall NO_x rate for steam generating units by 17 percent in 2014 through increased use of natural gas and operational changes such as installing new NO_x burners to certain steam generating stations to reduce NO_x emissions.

Resiliency



In November 2012, a commission was formed under the Moreland Act to investigate New York power utilities' preparation for and response to major storms affecting their service areas over the preceding two years. While reviewing the actions taken by these utilities during times of emergency, the commission issued specific recommendations to Governor Cuomo regarding what the commission felt were opportunities for improving storm preparation and response by the power sector. In June 2013, the City of New York, through the Office of the Mayor's Special Initiative for Rebuilding and Resiliency and PlaNYC, released a plan identifying recommendations for rebuilding communities ravaged by Superstorm Sandy, and improving the resiliency of infrastructure throughout the city going forward.

Con Edison of New York and Orange and Rockland's safe and reliable delivery of electricity, gas, and steam rely on urban and regional infrastructure. From 2013 to 2016, Con Edison has proposed to invest approximately \$1 billion to improve the resiliency of the electric and gas delivery systems and the electrical and steam generating stations. In 2014 we reached the halfway point toward meeting that goal. Con Edison's continued dedication to improving its service delivery during and after weather emergencies is discussed in this section.

Resiliency isn't limited to our ability to withstand severe weather; we must also be ready to withstand manmade threats against our systems. Cyber and physical security are equally important to Con Edison, and in this section we discuss some proactive measures we are taking to protect our business and our stakeholders.

CONTINUED POST-SANDY ENHANCEMENT



We have proposed \$1 billion in measures to fortify and protect our systems to withstand increasingly severe weather post-Superstorm Sandy. 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.

For Con Edison of New York's electric substations and electric and steam generating stations, the highest risk of damage during a severe weather event is from flooding due to storm surge. Prior to Sandy, Con Edison already had a specification in place to protect new facilities and critical equipment from higher-than-expected potential flood levels. The damage caused by Sandy's unprecedented flooding and the resulting impact to customers clearly identified the need to retrofit older facilities that were installed well before this specification was established.

Con Edison acted immediately following Sandy to protect its stations for the 2013 hurricane season. This involved, at minimum, effectively protecting each impacted station against a potential repeat event. In parallel, we developed protective plans through 2016 and presented these plans to the Public Service Commission in electric, gas, and steam rate cases, with storm hardening as a central focus. Con Edison convened a Storm Hardening Collaborative in parallel with the rate cases to provide parties an opportunity to fully examine our proposals.

A primary focus of the collaborative was the design standard for flood protection. Through discussions with the Public Service Commission, New York City officials, the Office of the Attorney General, and various other rate case parties including environmental groups, it was agreed that the company would revise its flood protection standard for the storm hardening program. Con Edison therefore established the most current FEMA 100-year flood level plus three feet as the new design standard for retrofitting stations and protecting critical equipment. This design standard will be applied to all future projects being pursued over the next three to four years.

The majority of our storm hardening work will be completed in 2016, to protect our at-risk substations and generating stations against flooding. Protective storm hardening measures will continue to be installed through 2020. Con Edison of New York will also pursue a Climate Change Vulnerability Study that will project future changes in climate, particularly in humidity, heat and heat waves, and identify mitigation options to protect equipment and maintain reliable service.

Orange and Rockland also faces reliability issues during severe weather. In Con Edison's most-inland service territory comprising 1,350 square miles, flooding is less of an impending force against the predominantly above-ground system. With over 550 circuit miles of transmission line and 3,800 pole miles of overhead distribution line, Orange and Rockland must maintain reliable customer service threatened by high winds, falling trees, and ice and snow accumulation.

Con Edison of New York completed approximately \$79 million in storm hardening investments between 2013 and 2014 to protect substations and generating stations against another severe coastal storm event. Storm hardening measures were installed at nine substations and five generating stations that were impacted by Sandy. Measures included reinforced concrete flood walls around critical equipment, submersible pumps to control water infiltration, flood doors and gates at station openings, and expansive foam sealant in cable conduits and troughs. In addition, work commenced in 2014 to install backup electric generators, additional flood walls, gates and pumps, and other protective measures.

For more information, please read on about Con Edison of New York's plans, and Orange and Rockland's plans to weather the next storm of the century.

CYBERSECURITY



Cybersecurity remains a priority at Con Edison, Orange and Rockland, and to the energy industry at large. The potential for a remote attacker to compromise customer accounts, gain access to protected information, affect physical equipment, and threaten system reliability has prompted a major change in utilities' approach to their information networks and users over the past decade.

At Con Edison and Orange and Rockland, we continue to expand our focus on cybersecurity in 2014. We expanded our cybersecurity which is based on ISO 27000's Cybersecurity Framework. Under that program, a suite of processes, procedures, working groups, and executive-level oversight formally manages and governs cybersecurity practices across the company. We also formally commissioned our new CyberSecurity organization comprised of dedicated cyber security professionals responsible for preventative cyber security control technologies and for continuous monitoring and response to security threats and vulnerabilities for the company's information networks.

We continued to strengthen our network architecture by deploying state-of-the-art technologies to create layers of security that either prevent attacks or detect malicious behaviors. Our Network Operations Center was expanded in 2013 to monitor alerts. In addition, we continue segmenting networks to fully separate critical system components from basic business functions, thereby mitigating some insider threats. Through this process, we are designing our networks using industry best practices, building response capabilities in from the ground up.

We are also continuing to build user awareness of "phishing" threats, where employees are tricked into downloading malware delivered via email. We conducted several drills targeting each employee and recording their responses. When an employee clicks on a link during an unannounced drill, they are presented with a "CyberAware" message instructing them why they should not have clicked on the link. We also continue to host and participate in various corporate and regional cyber exercises which expand participant awareness of potential cyber attacks and help develop response plans for each organization.

Public-Private Partnership

Con Edison and Orange and Rockland are both working hand-in-hand with federal and state agencies to keep abreast of new and evolving threats, benchmark best practices, evaluate our current defensive posture, and drill response to a potential event. We coordinate with the U.S. Departments of Energy (DOE) and Homeland Security (DHS), the Federal Bureau of Investigation (FBI), the Federal Energy Regulatory Commission (FERC), and the North American Electric Reliability Corporation (NERC) on a range of issues related to cybersecurity. In 2014, we participated in the FBI and Department of Homeland Security's New York City cross-sector cybersecurity drill and the co-led with the NY-ISO, the New York State electric specific cybersecurity drill.

We will continue to support and engage in public-private efforts to improve cybersecurity in our sector. More locally, we look forward to further engagement at the state level through a utility cybersecurity benchmarking group we recently helped to establish.

PHYSICAL SECURITY



Securing our critical infrastructure from physical damage or attack is an ongoing priority for Con Edison of New York and Orange and Rockland. To adequately safeguard our facilities, we continue to incorporate comprehensive security processes to protect the Company, its employees and its assets. We utilize the conceptual approach of deter, detect, delay, respond, and recover to build the foundation for securing our infrastructure.

Our methodology focusses on multiple layers of different types of security. Many of our facilities have security guards. Security enhancements, including intrusion detection systems, closed circuit television monitored locally and remotely, card access systems, and contact alarms are already in place at key sites including substations, natural gas terminals, and control centers across our territory. We have a Security Operations Center where we monitor them, on a 24-hour, seven-day-per-week basis. This provides a central point for coordinating response protocols for security events and alarms.

In addition, we are deploying a new enterprise security suite which will provide real-time monitoring of ingress and egress points within our facilities. This will incorporate all the different security systems into one platform. We are spending more than \$73 million over the next five years to further enhance physical security measures across our system.

Customers



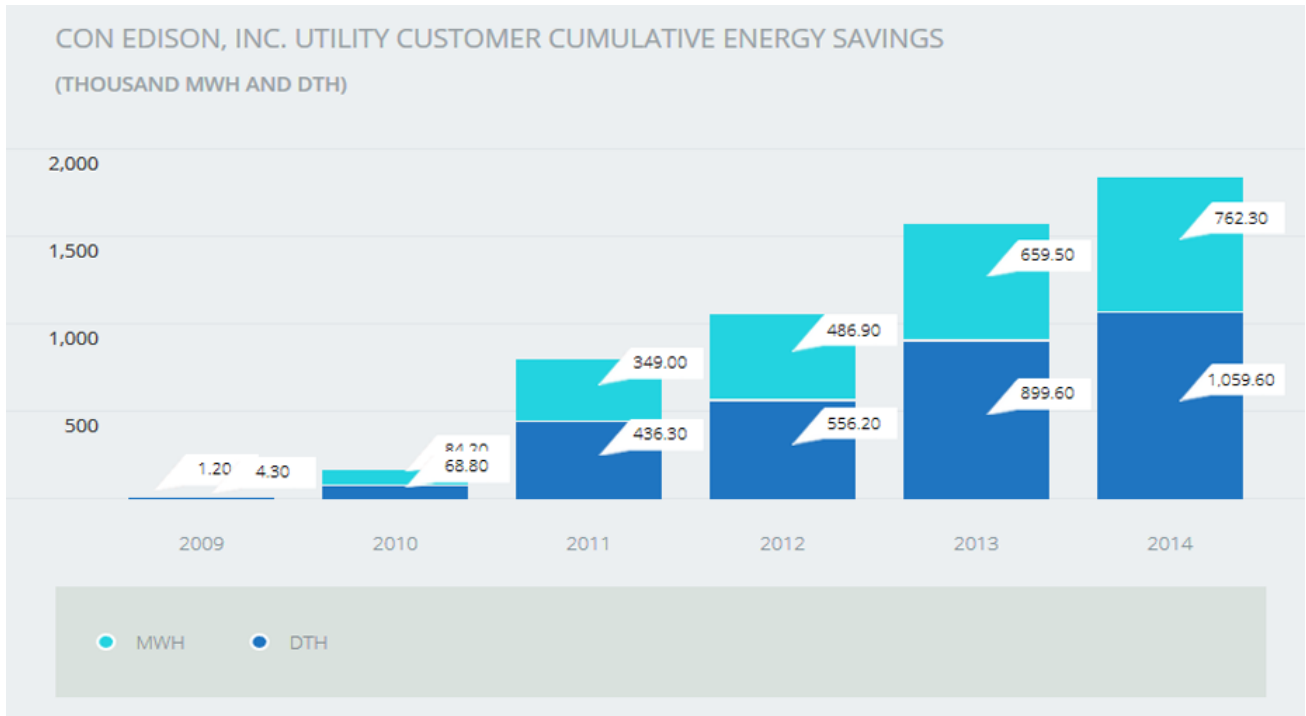
At Con Edison, we look to offer customers opportunities to manage their energy needs cost-effectively and provide consistently excellent customer service. Our suite of energy efficiency programs, the ability to convert from oil to gas, and our competitive business solutions are helping our customers to reduce their energy use, energy costs, and carbon footprint. We are also working to help our customers integrate new technologies like distributed generation and electric vehicles. Finally, we know our customers are interested in better communication, and in 2014, we made significant strides to make it easier for our customers to talk to us, whether online, through text messages, or on social media.



ENERGY EFFICIENCY



Our energy efficiency programs are a prime example of a sustainable effort – by reducing demand we reduce the cost burden for our customers (community), reduce emissions associated with electric generation (environment), and reduce our system peak, helping us defer large capital investments (business value).



ENERGY EFFICIENCY PORTFOLIO STANDARD AND DEMAND-SIDE MANAGEMENT

The New York State Energy Research and Development Authority (NYSERDA) and New York utilities are responsible for implementing the Energy Efficiency Portfolio Standard (EEPS) established by the New York Public Service Commission through energy efficiency, targeted demand-side management and demand-response programs. Through the utilities' energy-efficiency programs, customers reduced their annual energy use by a cumulative 762,270 MWh and 1,059,556 DTHs from the programs' inception in 2009 through 2014.

Con Edison's targeted demand-side management programs, which are designed for particular areas of the grid in need, assisted customers in reducing their annual energy use and resulted in the avoided release of greenhouse gases into the atmosphere every year. The following is a listing of the programs that we currently offer:

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 (Multifamily)
- Free smart thermostats
- Appliance recycling

Commercial Programs: These programs give business owners and facility 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)
- Energy surveys and studies (Small Business)(Large Commercial & Industrial)
- Free smart thermostat (Small Business)
- Lighten Up! Small Business energy assessment and efficiency
- upgrades (Orange and Rockland)
- Commercial System Relief Program
- Distribution Load Relief Program

We continually adjust our programs to respond to market conditions, which keeps our programs relevant and attractive to customers.

DEMAND RESPONSE

Demand response (DR) is another tool that can be used to help customers conserve in Con Edison's service territory. In 2014, approximately 735 participants enrolled in the Distribution Load Relief (DLRP) program and 450 participants enrolled in the Commercial System Relief (CSR) program with 200 MW and 145 MW of load reduction, respectively. Since the programs are generally called at different times, for different purposes, and may involve the same customer resources, the MW enrolled in the two programs cannot be considered additive. Nearly 33,000 residential and small business customers are enrolled in the Direct Load Control (DLC) and Residential Smart Appliance (RSAP) programs with approximately 50 MW of participation. Throughout the year, there were no days of events called across the DR programs, other than a one hour test event for each program.

Con Edison won a 2014 Innovation Award from the Utility Analytics Institute for a software program that helps the company to reduce customer electrical usage at times of high demand. The Innovation Award recognizes companies that use analytics to transform their business.

Con Edison's program lets the company study usage patterns in electric networks, groups of networks and other geographic areas. The company can use that information to decide where options like energy efficiency, demand response, distributed generation and energy storage can most help the electrical-delivery system. Reducing usage at times when demand is high, such as on hot summer days, can help the utility delay or avoid capital investments in its infrastructure. By holding down capital investments, Con Edison saves customers money.

COMPETITIVE SOLUTIONS

Con Edison Solutions is a leading energy services company that provides competitive electricity and natural gas supply, renewable energy, sustainability services, cost-effective energy efficiency solutions, and energy performance contracting. In 2014, the company signed a \$56 million contract with the U.S. Army Reserve's 99th Regional Support Command (RSC) to provide energy efficiency services and operations and maintenance support at 90 sites in 11 states.

The contract is a component of the U.S. Department of Energy's Energy Savings Performance Contract (ESPC) program. Under this initiative, a limited number of qualified, private-sector energy service providers — selected on a competitive basis — can provide energy efficiency, renewable energy and water conservation services to federally owned buildings and facilities.

According to federal officials, the Energy Department's ESPC program is designed to save energy, reduce federal energy costs, cut greenhouse gas emissions, bring more cutting-edge technologies to use, strengthen national security and help strengthen the economy.

DISTRIBUTED GENERATION AND MICROGRIDS



Throughout the service territories of the regulated utilities, we are working to empower customers' innovative energy choices, with an emphasis on targeting areas that maximize ratepayer benefits. There has been strong customer interest in distributed generation, and we are seeing rapid growth. As we strive to meet our customers' needs and expectations, a focus on distributed generation is critical.

The primary type of distributed generation (DG) in terms of MW installed is combined heat and power (CHP). At Con Edison of New York, 90 MW of large (greater than 1 MW) CHP projects came online between 2006 and 2011. Though large project installation slowed in 2011, there are multiple projects in development and we expect an additional 100 MW of large CHP by 2018. Small CHP (less than 1 MW) has also experienced increased growth thanks to a new, modular-CHP incentive program we developed with The New York State Energy Research and Development Authority (NYSERDA). In the Orange and Rockland territories, over 24 MW of CHP has been installed.

While CHP installations have been significant, Con Edison of New York and Orange and Rockland (O&R) customers have rapidly been installing solar photovoltaic (PV) panels as well. An additional 2,872 (Con Edison of New York – 2138, O&R – 734) customers installed solar PV last year alone, growing from 53 MW (Con Edison of New York – 34.8 MW, O&R- 18.2 MW) at the start of 2014 to 84.5 MW (Con Edison of New York – 59.8 MW, O&R – 24.7 MW) by the end of year throughout Con Edison of New York and O&R's territories. Solar power production has more than quadrupled across our service territory in the last four years, with a CAGR over 75 percent.

Additionally, more than 65 MW (CE – 45.1 MW, O&R – 19.9 MW) of solar PV development are in the queue for interconnection. Large customer solar installations are on the rise thanks to new NYSERDA incentives from the NY Sun Program, which has earmarked almost \$1 Billion for solar installations across the State by 2023.

The future growth of Distributed Generation in our service territories will be closely tied to the outcomes of the Public Service Commission's Reforming the Energy Vision (REV) Proceedings. One of the goals of REV is the creation of active markets where DG, and other forms of Distributed Energy Resources (DER), can provide services to the utility grid to help mitigate or alleviate traditional utility capital expenditures for infrastructure. An early example of these markets will be demonstrated by the Con Edison's Brooklyn-Queens Demand Management Program, where by active solicitation and integration of customer-sided DER into Substation Planning efforts we are aiming to defer the construction of a \$1 billion substation. In addition, O&R is requesting qualified and experienced vendors deliver innovative Demand Management ("DM") solutions that provide distribution system load relief in its Pomona Load Pocket, potentially deferring the construction of a \$56 million substation, which also includes the use of smart meters to allow customers to make more informed decisions about their energy use.

In addition to the REV initiatives, NY State is trying to further expand the opportunities for customer's to develop microgrid facilities through the NYSERDA NY Prize funding opportunity. A microgrid uses a mix of DG and DER technologies to provide resilient support to a portion of the utilities load which can also operate off-the-grid in times of natural disaster or utility need to provide basic services to the community. Both Con Edison and O&R will be working with various community groups and DG Developers who are participating in NY Prize in order to coordinate our electric system planning efforts as well as to drive value for all our ratepayers. Distributed Generation will continue to be an area of focus in 2015 and beyond. We will continue to identify ways that we can partner with our customers and regulators to ensure that customers are able to produce the power they want while keeping the distribution grid reliable and affordable for all.

OIL-TO-GAS 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 only used to heat large buildings. 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, permits for the use of #6 heavy heating oil will expire by the middle of 2015, and existing permits/renewals will expire 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 of New York estimated that 70 percent of the buildings in New York City that burn #4 or #6 heating oil were located within its gas distribution system's service territory (as of April 2011). 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.

We are seeing not only an increase in customers due to the NYC regulation requirements, but also an increase in #2 conversions due to customers' interest in a lower costing source of fuel. In 2014 we worked with customers to convert 824 New York City buildings burning #4 or #6 fuel oil and 618 from #2 oil, resulting in a reduction of 311 tons of fine particulate matter (PM2.5) since 2011. More than 4,000 conversions have occurred in New York City alone over the last three years.

Although Orange and Rockland counties in New York do not have any regulatory requirements associated with conversion, Orange and Rockland is also experiencing growth in oil-to-gas conversions. O&R converted nearly 6,000 customers in the last five years. In 2014, 266 conversions from oil or propane to natural gas were completed, representing one of the top three highest natural gas conversion rates in the last five years.

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. At Con Edison of New York, we strive to get all customers connected at zero cost. The traditional approach was to connect customers on an individual basis (85 percent of those requesting received zero cost); however, with the new Area Growth Strategy, 100 percent received zero cost connections.

Con Edison of New York's Area Growth Strategy started in 2012 (first zones constructed in 2013) but the existing tariff was limiting. Working for more than 18 months with New York State Public Service Commission Staff, we were granted permission to use our proposed tariff amendment. Approved by the Commission in November with an effective date December 1, 2013, the new Area Growth tariff allows us to aggregate customers in a new way and evaluates projects based on their economics. Customers who previously would have a very high cost are now able to benefit from aggregating a larger area and get service for no cost. If one customer makes the entire project uneconomical, the company has flexibility to revise the boundaries of the zone. In short, this new tariff amendment allows us to apply a new revenue test and more closely align capital costs with actual anticipated revenue.

Please visit our Oil-to-Gas Conversion website for more information, including how to begin the gas conversion process for your building.

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.

By end of year 2014, Con Edison had 3,622 electric vehicles throughout the Con Edison of New York and Orange and Rockland service territories – more than five times the population of 666 in 2012, and almost doubling the population of 2,040 in 2013. We anticipate that number to dramatically increase as consumer awareness rises and prices plateau. We anticipate over 5,800 electric vehicles on the system by the end of 2015, and we are preparing for over 16,400, electric vehicles to plug in by 2018.

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 SC1 Time of Use (TOU) rate with the PSC in January 2015. It provides an adequate amount of off-peak hours for charging all EVs and can be used by residential customers that have a dedicated service for their EV. As of March 1, 2014, Con Edison offers a one-year price guarantee for residential EV owners who switch to the new SC1 Time-of-Use Rate.

Additionally, Con Edison expanded its EV pilot program to 53 participants – 51 from Con Edison of New York, and two from O&R. The pilot focuses on evaluating the usefulness and accuracy of alternative meter technology to measure EV load separate from whole house load, as well as participants' responsiveness to peak demand information.

INFORMATION NEEDS



At both Con Edison and Orange and Rockland, we are doing more than ever to better communicate with our customers where they are and in the way they prefer to hear from us.

We made a major push in 2014 to proactively notify community boards, and elected officials when our work in their neighborhoods may be disruptive. We also send this information via email to customers living nearby, to help them plan around our work to minimize inconvenience.

As our customers increasingly turn to social media to communicate with businesses, we are now monitoring our Twitter and Facebook accounts around-the-clock, ready to respond to questions and concerns. We use social media to share information about energy safety, storm-related outages, and tips to save money and energy.

We are focused on meeting our customers' expectations and bringing them new ways to do business with us.

In 2015, we will begin rebuilding our website to improve customer interaction, improve self-service transactions, and make it easier to find information. That means improvements to welcome pages, menu structures, informational pages, secure login sections, and transactional processes. The improved online experience will cover our external website, mobile website, and mobile application interfaces.

An improved "My Account" service center will make it easier for customers to view and pay bills, review account information, and submit meter readings, among other tasks.

We also send monthly emails to customers with useful information about storm safety, energy conservation, rebate programs, and how to save money on their bills. A new video series, *How Much Juice Does It Use?*, was launched in 2014 to show customers how much energy is used by common household appliances. The videos are embedded in emails, shared on social media, and highlighted in customer newsletters.

Con Edison's quarterly Customer News is inserted in paper bills and sent electronically to approximately 1.7 million customers with email addresses on file. Orange and Rockland's newsletter, @ Home, is inserted in customer bills. Both newsletters include energy and storm-safety information, tips to conserve energy, details about energy efficiency rebate programs, and information about reporting outages.

In the aftermath of Superstorm Sandy, we are now doing more to communicate outage information during severe weather. According to their preference, customers can now opt-in to receive recorded telephone messages and text messages with estimates of when we expect to have their power restored.

ENERGY AFFORDABILITY



We recognize the importance of energy affordability and value for our customers. Our company continues to focus on the entire customer bill as well as the value customers get from our services, including the reliability of the system. We continue to make good progress on optimizing capital investment through supporting demand side management and employing new system designs and planning process improvements.

Non-delivery costs account for roughly two thirds of the customer bill, including supply costs and taxes and fees. We recognize that we must advocate for our customers in all of these areas in order to help control costs.

Low-income customers are eligible for discounts on their electric and gas service at both Con Edison of New York and O&R. Participants in Con Edison's low-income electric discount program receive a \$9.50 discount. For the low-income gas program, participants who use gas for heating receive a discount of \$7.25 on their monthly minimum charge, as well as a discount of \$0.4880 per therm for usage in the 4-90 therm block. Low-income program participants who only use gas for cooking receive a \$1.50 discount on their monthly minimum charge. At O&R, participants in the electric low income discount program who heat with electric receive a \$17.40 bill credit while all other electric customers will receive a \$8.00 bill credit. For the low-income gas program, participants receive a bill credit of \$11.63 on their monthly bill.

Both Con Edison of New York and Orange and Rockland provide funding through customer and employee contributions for programs that provide financial assistance to customers who find themselves temporarily unable to pay their utility or home-heating bills because of emergency conditions. Con Edison of New York's program is called EnergyShare, and it is administered by a local human services agency. The O&R program in New York State is called The Neighbor Fund. In New Jersey, program is called NJ Shares, and both are administered by human service agencies in the local communities.

In addition, both companies inform customers about the Home Energy Assistance Program, commonly referred to as HEAP. HEAP is a federally funded program that helps low-income residents struggling with heating costs. HEAP also offers an emergency benefit for households in a heat or heat-related energy emergency. The HEAP heating equipment repair and replacement component is available to help eligible low-income homeowners repair or replace primary heating equipment necessary to keep the home's primary heating source functional.

Strategic Partnerships



Con Edison has a long tradition of contributing to and maintaining the social, cultural, and economic vitality of our service areas. 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 who focus on Science, Technology, Engineering & Math (STEM) education, environment, civics, community, and arts and culture, looking to their ability to use education, training, and special programs and events to enrich the quality of life of all New Yorkers.

POWER OF GIVING

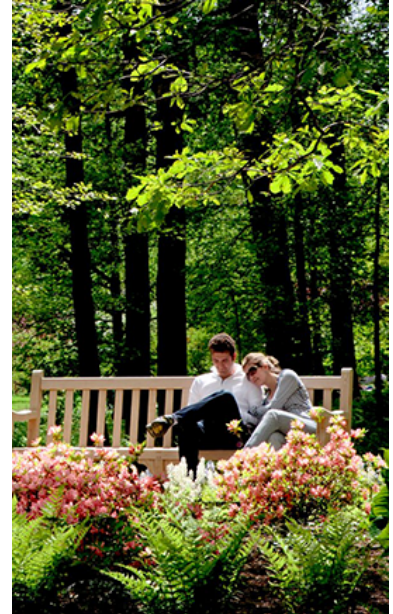


Con Edison's Power of Giving program extends beyond cash grants and is enhanced by a strong and loyal corps of employee and retiree volunteers, a robust board participation program, partnerships and collaborations and an employee matching gift program

CASH GRANTS

Con Edison supports:

- Education groups with programs in math, science, engineering, energy, and technology for students from kindergarten through college.
- Environmental stewardship partners with programs that focus on energy efficiency, preservation of natural resources and parklands, environmental education, and green careers.
- Community partnership groups that focus on youth, housing services, landmarks preservation, education, and diversity.
- Civic programs that engage youth in the democratic process by providing them with the skills necessary to voice their opinions, affect policy changes, and remain civically engaged throughout their lives.
- Arts and culture organizations that contribute to society in a variety of ways from presenting visual and performing arts to the public to providing arts in education.
- A volunteer program that gives company 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. 575 Con Edison employees and retirees donated 7,300 volunteer hours across New York City and Westchester County in 2014.
- The company's in-kind donation program which provides resources including use of facilities, cross marketing opportunities and pro-bono services totaled over \$1.7M.



Con Edison also has a Board Participation Program through which employees serve on the governing boards of more than 150 nonprofit groups we support. 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.

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

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

YEAR IN REVIEW

Con Edison supports hundreds of 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

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.



ORGANIZATIONS WE SUPPORT



Con Edison is a proud supporter of more than 930 nonprofit organizations throughout our service territory. Our support is focused on groups that contribute to education, arts and culture, civics, the environment, and community partnerships.

The Madison Square Park Conservancy is the not-for-profit organization dedicated to keeping historic Madison Square Park and the adjacent Worth Square bright, beautiful and lively public spaces. The Conservancy works in partnership with the City of New York Parks and Recreation to operate Madison Square Park and is responsible for raising funds necessary to operate the park, including horticulture, park maintenance, sanitation, security, and free cultural programs, including two music series, rotating public art exhibitions, and children's programming for park visitors.

Con Edison funding nurtures and heightens the quality of Madison Square Park's horticulture by making seasonal planting changes, while honoring the park's original Victorian design; and second, to support free, public horticulture programming for youth, and regular volunteer activities in the park, both of which facilitate community involvement.

For over 100 years, New Yorkers for Parks (NY4P) has built, protected, and promoted parks and open spaces in New York City. Today, NY4P is the citywide independent organization championing quality parks and open spaces for all New Yorkers in all neighborhoods. They achieve this mission through an integrated approach of research, advocacy, and strategic partnerships. New Yorkers for Parks conducts research and develops tangible policy recommendations around findings related to park development, management, and sustainability.

Con Edison supports NY4P Daffodil Project, founded in 2001 as a living memorial to September 11. With over five million free bulbs planted citywide by more than 100,000 school children, parks and gardening groups, civic organizations, corporate volunteers, and other New Yorkers, it is one of the largest volunteer efforts in the city's history. In 2014, over 500,000 more daffodils were planted throughout New York City. This would not have been possible without the support of Con Edison.

Trees New York (TreesNY) is an environmental and urban forestry nonprofit organization. Their mission is to plant, preserve, and protect New York City's urban forest through education, active citizen participation, and advocacy. TreesNY was founded in 1976 as a volunteer response to New York City's devastating cutbacks in forestry and tree-related community services.

Con Edison supports Trees New York's Youth Environmental Literacy Program that educates New York City youth about the urban forest through hands-on activities and classroom studies. Students expand their knowledge of the environment while advancing their reading, language, and investigative skills. When students are introduced to environmental education at a young age, it increases the chance that they will be more engaged in community and environmental activities as young adults.

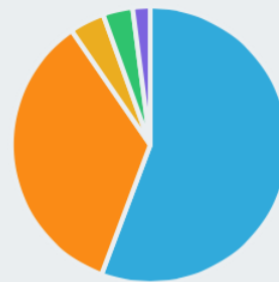
Employees



Con Edison recognizes that one of our most important resources is our people. We work hard to promote inclusion, ensuring that our employees represent the full vitality of the area we serve. Con Edison's corporate culture is built around a strong commitment to ethical business practices. We look to attract and retain our talented workforce through a competitive employee compensation program consisting of fair wages, augmented by a comprehensive benefits program.

CON EDISON, INC. EMPLOYEES BY COMPANY (COLLECTIVE BARGAINING UNITS AND MANAGEMENT)

• CECONY CBU	8,136
• CECONY MGMT	5,064
• O&R CBU	594
• O&R MGMT	509
• CEBS	298



TRAINING



Our current workforce has a median age of 43, and in the last 10 years has become younger, with a more equal distribution of employees over the various age spans. As of 2014, 28 percent of our workforce is 35 years of age or younger. More significantly, 48 percent of our workforce has 10 years of service or less. Much of our training and development programs address those employees who are within the first 10 years of service with us. In order to develop our changing workforce the company offers numerous ways for employees to develop their careers, both in the classroom, and on-the-job.

The Learning Center is Con Edison's training, meeting, and conference center in Long Island City, New York. The facility has 46 classrooms, 31 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. In 2014, employees spent 505,000 hours doing instructor-led skills-based and leadership training at the Learning Center. Additionally, employees spent over 100,000 hours doing eLearning on such topics as Enhancing Customer Relations, Standards of Business Conduct and Safety and Environment training. Many employees participated in multiple training courses. The Learning Center also coordinates periodic Technically Speaking Seminars and Strategic Issues Seminars which are designed to allow employees to learn more about what goes on around the company and industry related issues. Employees who attend Technically

Speaking Seminars are eligible to receive Continuing Education Units (CEUs) through the Institute of Electrical and Electronic Engineers (IEEE).

We recognize that training can't just happen at the Learning Center- some skills must be learned and refreshed on the job. Our Documented On-the- Job Training (DOJT) can be conducted at a workout location, yard, or jobsite. In 2014, our employees logged 216,000 hours of DOJT.

The company also offers three levels of mentoring programs – corporate, executive, and women-in-non-traditional-careers. These programs are designed to allow employees to share knowledge, and to foster career development at all levels of the company. In 2014, 139 employees took part in the mentorship program.

The company offers employees the benefit of a tuition-aid reimbursement program, allowing them to develop their skills in an academic setting. Employees qualify for up to 100-percent reimbursement of tuition costs after successfully completing a degree in a field related to the work of Con Edison. In 2014, 515 employees took advantage of tuition aid as they worked towards advanced degrees. Finally, the Career Center is an online site that provides employees the resources to achieve personal and professional success through Career Development. The site is designed to help employees learn how best to effectively use their strengths, how and when to network, and how to set short- and long-term career goals. In 2013, the first ever Talent Management Course Catalogue was released on the Career Center site. Designed to provide employees with key information about courses and programs that are available to help strengthen leadership and management skills, 34 courses, 12 programs, five workshops, five seminars, and four assessments are detailed as learning opportunities. This tool will be critical for employees to help themselves in their career development journey.

DIVERSITY



Con Edison is one of the nation's largest investor-owned energy companies. We provide a wide range of energy-related products and services to our customers through two regulated utilities and our competitive energy businesses:

- Con Edison of New York, which delivers electricity, natural gas, and steam to customers in New York City and Westchester
- Orange and Rockland Utilities, which delivers electricity and natural gas to customers in parts of New York, New Jersey, and Pennsylvania
- Con Edison Solutions, Con Edison Energy and Con Edison Development (collectively called our competitive energy businesses), which provide retail and wholesale electricity supply and energy services

As noted in its financial annual report, Con Edison had 14,601 employees in 2014. Of these employees, 46 percent are minorities and 20 percent are women. In 2014, minority representation increased from 45 to 46 percent, and the percentage of women remained steady at 20 percent. Of the 846 employees hired in 2014, 51 percent were minorities and 28 percent were women. Minorities accounted for 48 percent of all promotions in 2014. Twenty-four percent of promotions were earned by women.

Of the total women promoted, 68 percent were minorities. The percentage of minorities in officer positions increased from 26 to 32 in 2014, and women made up 25 percent of positions in officer positions.

Diversity report 2014 (<http://www.coned.com/diversity/diversity-report-2014.pdf>)



CORPORATE CULTURE



A company-wide Voice of the Employee survey for Con Edison of New York and Orange and Rockland employees allowed the company to identify three areas as cultural imperatives at Con Edison, Inc.:

- Openness, fairness, and trust
- Cost consciousness
- Enhancing stakeholder relationships

As the company strives to change our culture, our leadership is making significant efforts to address these three cultural imperatives. Every month, the Corporate Leadership Team meets for a full day to discuss the evolution of our culture change. A significant focus of 2014 was the integration of the business case and change management into “people systems.” For every change to programs or plans that in some way impacts our employees, leadership took special note to communicate the “why,” or business case, behind those changes. We strive to develop messages that are clear, include facts, and reach hearts.



We will continue to strive to be open, fair, trusted, and trusting, in all our relationships, both externally and internally. The company's efforts 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 throughout all levels of our business.

COMPENSATION AND BENEFITS



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 that included: leadership interviews, focus groups, and surveys to find out our management employees preferences for their benefits programs. The ensuing changes implemented as a result of this employee feedback include everything employees perceive 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.

To promote good health and wellness, the Company offers monetary incentives to union and management employees enrolled in a Cigna plan for completing a basic medical screening and/or health assessment (if applicable). Employees may also qualify for additional incentives if their spouse, also enrolled in a Cigna plan, completes a basic medical screening and/or health assessment (if applicable).

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.

Shareholders



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 14,600 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.

In 2014, Con Edison was again named [winner of the 2014 Outstanding System Reliability Award](http://www.coned.com/newsroom/news/pr20141119.asp) by PA Consulting, [top U.S. utility in the Newsweek Green Rankings](http://www.coned.com/newsroom/news/pr20140618.asp) and [winner of an Innovation Award](http://www.coned.com/newsroom/news/pr20141104.asp) from the Utility Analytics Institute for development of a software program that aids in identifying programs to reduce customer electrical usage in times of high demand.



Supply Chain



At Con Edison, we recognize that our suppliers are an important part of our value chain and their performance can impact our sustainability. While we have an established purchasing program and have made progress in a number of areas related to sustainability. In 2013, we joined the Electric Utility Industry Sustainable Supply Chain Alliance. We continue to partner with our utility peers to share and learn best practices to address sustainability issues throughout our supply chain as we look to improve our processes at Con Edison of New York and Orange Rockland, and better understand the social and environmental impact of our upstream suppliers.

VENDOR APPROVAL AND TRACKING

The regulated utilities have a strict vendor qualification process, ensuring that the companies we contract with are able to provide the highest quality goods and services at the most reasonable cost for our customers. Once approved, Con Edison monitors key risk indicators of all suppliers via periodic review of financial stability, sound policies and procedures regarding supplier performance and disclosure information, and monitoring of market trends and economic and financial forecasts.

Con Edison's Purchasing department defines select "critical suppliers" as critical component suppliers and non-substitutable suppliers. For these select critical suppliers, Purchasing collaborated with the Corporate ERM team and developed specific risk profiles outlining causes and consequences of loss of these critical suppliers and specific Key Risk Indicators and are continually monitored.

SUPPLIER DIVERSITY

Con Edison's award-winning supplier diversity program invites entrepreneurs and executives to partner with us in mutually beneficial business relationships. 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.

Our unique model is based on the premise that our company can not only have a positive impact through its direct operational and supply chain activities but also that our sustainability efforts can realize a multiplier effect through our interaction with internal and external stakeholders. Our initiative is a collaboration with the Supplier Diversity program, Public Affairs, and Energy Efficiency.

We have partnered with the non-profit organization Green City Force to develop a pipeline of employment for residents of the New York City Housing Projects to do energy efficiency related work. We have begun to receive commitments from minority-owned and women-owned business enterprises (MWBEs) to hire graduates of the Green City Force program and the first group of graduates has been hired.

We collaborated with Con Edison's Energy Efficiency team to host a "Tech Expo," in which we gave major real estate owners a chance to learn about Con Edison-funded incentives that can help them use less energy. We introduced them to MWBE contractors and MWBE businesses that have cutting-edge technology to dramatically reduce the cost of their buildings and enhance the value of their real estate.

We also worked with external groups to support our company's commitment to sustainability. Working with the New York/New Jersey chapter of the National Minority Supplier Development Council we co-sponsored a major "Sustainability Summit." This conference was organized with the purpose of identifying and promoting companies that foster a green supply chain and promote energy efficiency. Participants included representatives from major corporations, and investors interested in supporting the growth of companies in this field.

A cornerstone of the supplier diversity program is company expenditures. Goods and services purchased from minority- and women-owned business enterprises totaled more than \$277 million in 2014. Including fuel and gas, expenditures with minority- and women-owned businesses totaled more than \$286 million.

GREEN SPEND

Along with a commitment to invest in our supplier diversity program, we also recognize that as a Fortune 500 company, the money we spend can also help to develop emerging markets, such as the development and supply of green products. For this reason, we have committed to spend \$3 million annually on green products, which we exceeded in 2014.

AVOIDING COLLUSION

Ethical behavior is a priority at Con Edison, but in recent years we have been victimized by company employees and retirees as a result of several kickback schemes. The company immediately initiated an internal investigation after the uncovering of the first scheme and has cooperated with both federal and local authorities in their investigations. The company terminated employment of the arrested employees and ended its contracts with the vendors.

We have made numerous procedural and organizational changes to help prevent these issues from recurring in the future. After the initial scheme was discovered in 2009, the company began to re-evaluate how critical positions in our Purchasing, Construction Management, and Energy Services departments are filled, which resulted in implementing a rotational policy to ensure that employees in these organizations periodically shift work and responsibilities.

These changes reflect the company's commitment to maintaining the trust of our ratepayers, shareholders, and community stakeholders. Moving forward, we continue to aggressively investigate all allegations of fraud, misconduct, and unethical behavior of our employees, and will continue to work with law enforcement when necessary.

For more information on the company's commitment to ethical behavior with suppliers, please see our [Standards of Business Conduct \(http://www.conedison.com/investor/pdfs/standards-of-business-conduct.pdf\)](http://www.conedison.com/investor/pdfs/standards-of-business-conduct.pdf) and Business Ethics section of this report.

COMPANY OVERVIEW

Con Edison, Inc. (CEI) is one of the nation's largest investor-owned energy companies, with over \$12 billion in annual revenues and more than \$44 billion in assets. The principal business segments of Con Edison, Inc. are Consolidated Edison Company of New York, Inc. with regulated electric, gas, and steam utility activities; Orange and Rockland Utilities, Inc. 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.

COMPANY PROFILES

CON EDISON OF NEW YORK

Con Edison of New York (CECONY) is CEI's largest subsidiary. It is a regulated utility providing electric service to approximately 3.4 million customers throughout New York City (except for a small area of Queens) and most of Westchester County. Con Edison of New York also provides natural gas service to approximately 1.1 million customers 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 approximately 1,700 customers in 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 more than 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.

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. O&R provides electric service to approximately 0.3 million customers and gas service to over 0.1 million customers in its service territory of 1,350 square miles and population of roughly 740,000. For more information, visit the O&R website, oru.com.

Con Edison Solutions (CES) 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; Falls Church, Virginia; Houston, Texas; Tampa, Florida; Overland Park, Kansas; Nashville, Tennessee, and Bloomington, Minnesota. 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, Ohio, and the District of Columbia, and retail gas commodity customers in New York and New Jersey. For more information, visit the CES website, conedsolutions.com.

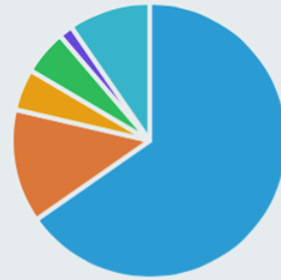
Con Edison Development (CED) develops, owns, and operates renewable and energy infrastructure projects. The company focuses its efforts on projects that provide stable earnings and leverage the core strengths of Consolidated Edison, Inc. CED functions as a growth vehicle for the Competitive Energy Businesses and focuses on renewable energy and gas assets as part of an overall corporate goal of responsible environmental stewardship. Through its deep resources and trusted relationships with a range of energy-related companies, Con Edison Development has built a robust pipeline of renewable energy projects, and has opportunistically grown its portfolio to more than 550 MW as of year-end 2014. For more information, visit the CED website, coneddev.com.

Con Edison Energy (CEE) manages the output and fuel requirements for 5,100 MW of third-party generating plants in the Northeast. The company also provides wholesale hedging and risk management services to CES and CED. In addition, the company contracts for and optimizes energy assets such as transmission, ISO interfaces, natural gas storage and transportation. For more information, visit the CEE website, conedenergy.com.

REVENUE BY BUSINESS

(MILLION \$)

• CECONY ELECTRIC	\$8,437
• CECONY GAS	\$1,721
• CECONY STEAM	\$628
• O&R ELECTRIC	\$680
• O&R GAS	\$212
• CEBS	\$1,241



BOARD OF DIRECTORS

	Audit Committee	Corporate Governance and Nominating Committee	Environment, Health and Safety Committee	Executive Committee	Finance Committee	Management Development and Compensation Committee	Operations Oversight Committee
Vincent Calarco	Chair	X		X		X	
George Campbell, Jr.		X		X		Chair	X
Michael J. Del Giudice	X	Chair		X		X	
Ellen V. Futter			Chair				X
John F. Killian	X	X				X	
John McAvoy				Chair			
Armando J. Olivera			X		X		X
Michael W. Ranger	X				X		Chair
Linda S. Sanford		X	X		X		
L. Frederick Sutherland	X				Chair	X	

OUR BUSINESS

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

(MILLION \$, EXCEPT PER-SHARE INFORMATION AND STATISTIC DATA)

	2013	2014
Operating revenues	\$12 354	\$12 919
Net income for common stock	\$1 062	\$1 092
Basic earnings per common share	\$3,62	\$3,73
Dividends per share	\$2,46	\$2,52
Dividend payout ratio	68%	68%
Average common shares outstanding	292,9	292,9
Total assets	\$40 647	\$44 377
Capital expenditures	\$2 648	\$2 721
Common equity ratio	53,9%	52,1%
Return on equity	8.9%	8.8%
Market capitalization	\$16 200	\$19 300
Stock price per share (year end)	\$55,28	\$66,01
Dividend yield (year end)	4,5%	3,8%
Total shareholder return	3,8%	24,8%

SHAREHOLDERS



WORKFORCE DEVELOPMENT

TRAINING

505,000 hours of instructor-led, skill-based and leadership training

100,000 hours of eLearning

216,000 hours of documents on-the-job-training

139 employees taking part in a mentoring program

515 employees taking advantage of tuition aid

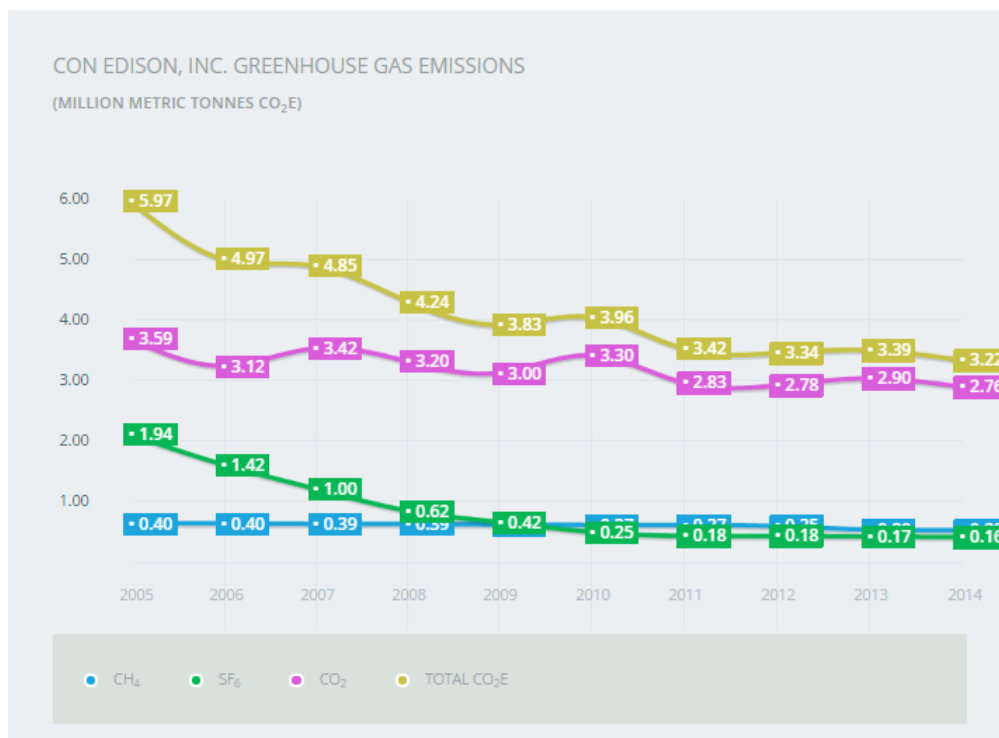
DIVERSITY

2013
2014

Total workforce	14 653	14 601
Minorities in the workforce	6 639	6 733
Minority share	45%	46%
Women in the workforce	2 942	2 920
Women share	20%	20%
Officer positions	59	57
Minorities in officer positions	15	18
Minority officer share	26%	32%
Women in officer positions	16	14
Women officer share	27%	25%

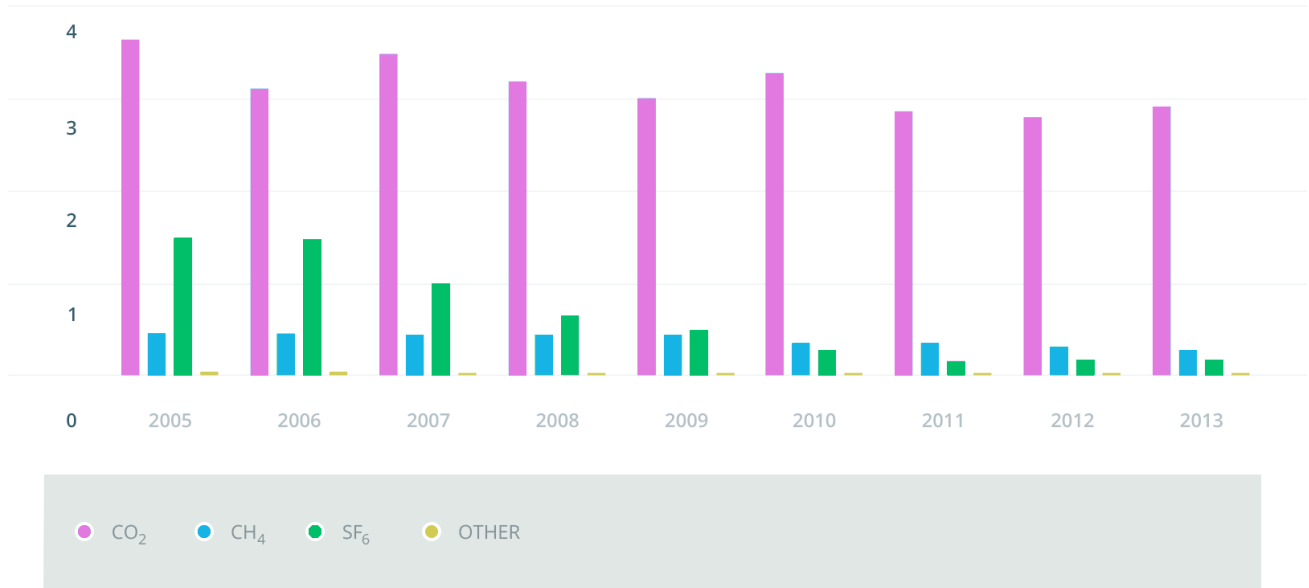
ENVIRONMENTAL PERFORMANCE

AIR



CON EDISON, INC. GREENHOUSE GAS EMISSIONS

(MILLION TONS)



DIRECT EMISSIONS

(THOUSAND METRIC TONNES)

	2013	2014
NO _x	1.90	1.65
SO ₂	0.54	0.33

INDIRECT EMISSIONS

(METRIC TONNES)

2013

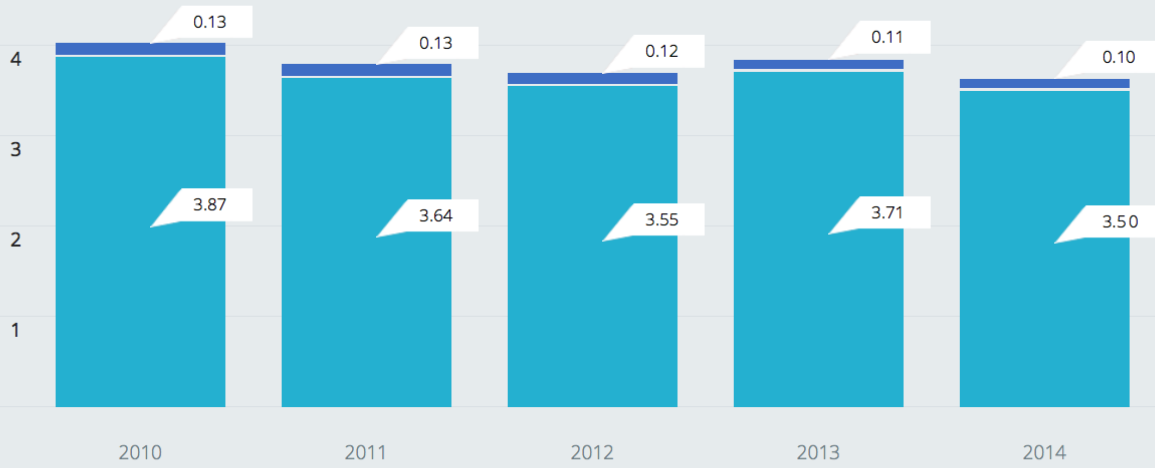
2014

Scope 3 total (million metric tonnes)	39.7	40.9
Energy efficiency reductions	176	135

WATER

CON EDISON OF NEW YORK DEP MUNICIPAL WATER USE

(BILLION GALLONS)



● FACILITY USE ● STEAM PRODUCTION

WATER QUALITY

2013

2014

SPDES exceedances

3

1

CON EDISON OF NEW YORK
HABITAT AND BIODIVERSITY

2013

2014

Dielectric fluid released to environment (gallons)

23,607

43,439

Reportable-quantity oil spills

663

569

Reportable-quantity chemical spills [2013 correction]

47

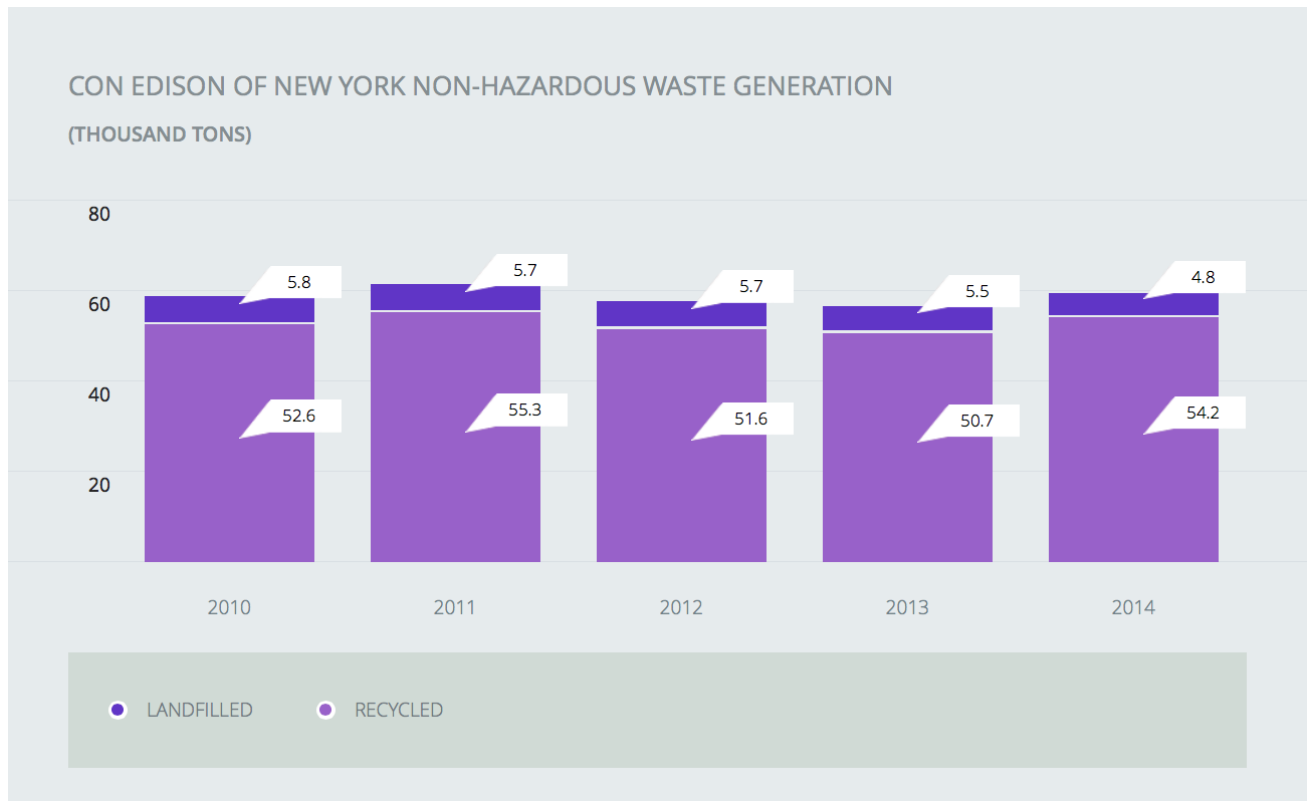
30

Remediation waste (tons)

10,730

545

RESOURCE CONSERVATION



CON EDISON OF NEW YORK WASTE
(TONS)

2013 2014

Non-hazardous waste generated	56,245	59,069
Non-hazardous waste recycled	50,718	54,234
Hazardous waste generated	8,720	17,435

CON EDISON OF NEW YORK ENERGY CONSUMPTION
(MILLION BTUS)**2013****2014**

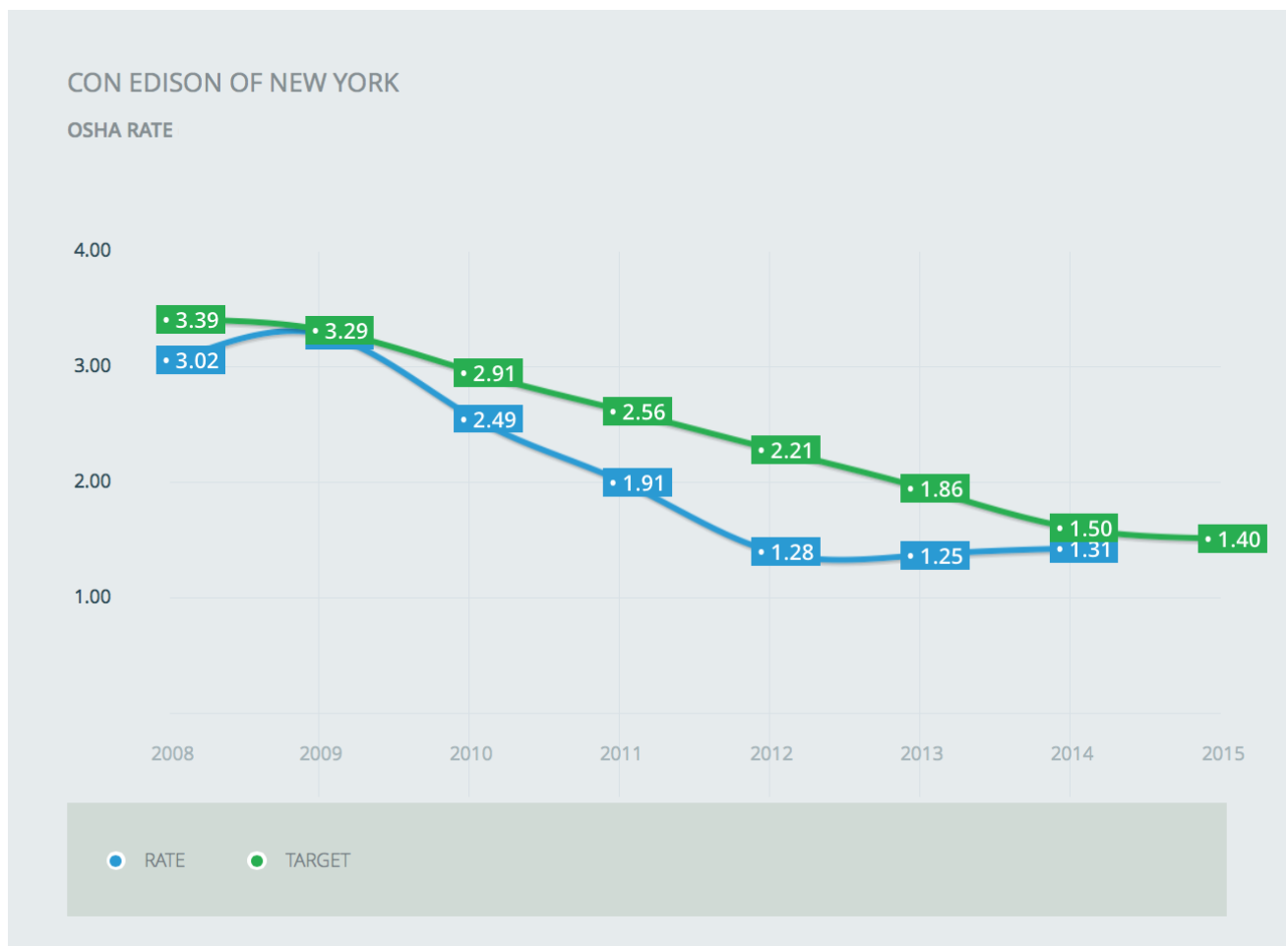
Facility electric consumption [2013 correction]

307,619**313,785**

Facility gas consumption

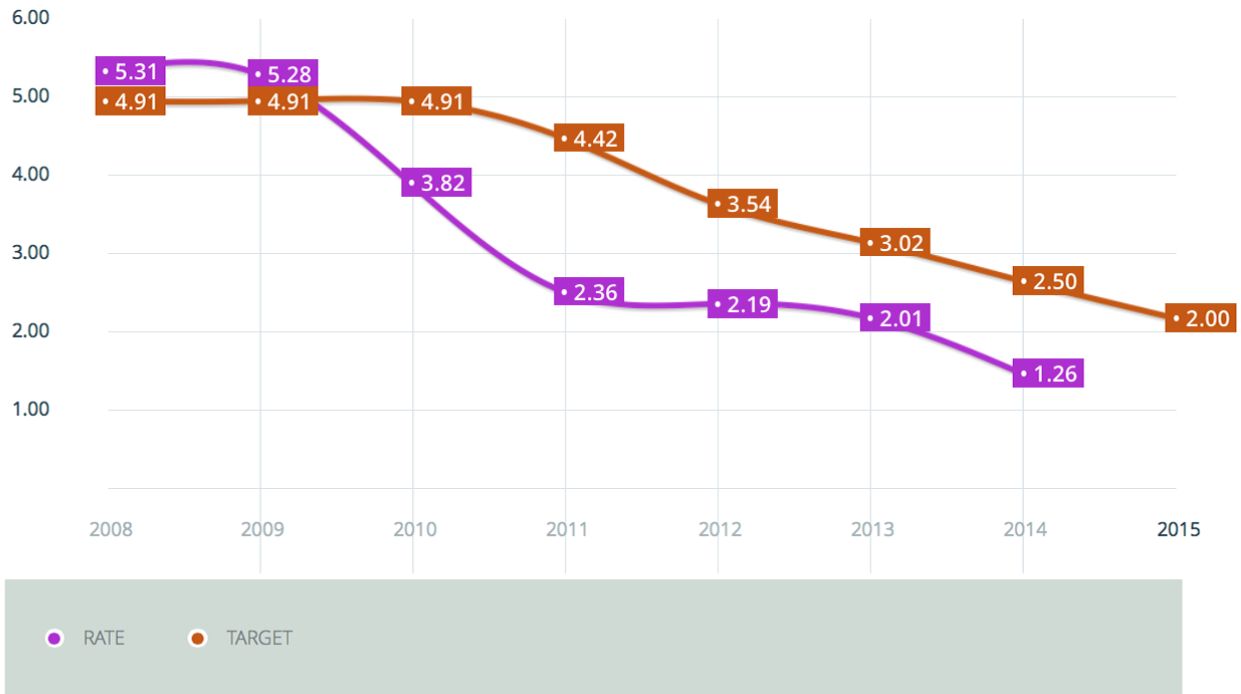
161,854**155,789**

STAKEHOLDER ENGAGEMENT



ORANGE AND ROCKLAND

OSHA RATE



CORPORATE CULTURE

CON EDISON OF NEW YORK CULTURAL IMPERATIVES

Openness, fairness and trust

Cost consciousness

Enhancing stakeholder relationships

SUPPLIER DIVERSITY

CON EDISON, INC. SUPPLIERS

2013

2014

Green spend

> \$3 million

> \$3 million

Minority / women-owned supplier spend

> \$288
million

> \$286
million