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.
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.
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.

CUSTOMERS

At Con Edison we look to offer customers opportunities to cost-effectively manage their energy needs and provide quality experiences that engender trust. Our suite of energy efficiency programs, integration of distributed generation, the ability to convert from oil to gas, our competitive business solutions, and the support of electric vehicle adoption are helping our customers to reduce their energy use, energy costs, and carbon footprint.

- Through the utilities' energy-efficiency programs, customers reduced their annual energy use by a cumulative 659,500 MWh and 899,600 Dth from the programs' inception in 2009 through 2013, resulting in their avoiding the release of approximately 258,000 tons of greenhouse gases into the atmosphere. Demand response (DR) is another tool that can be used to help customers conserve in Con Edison of New York’s service territory. In 2013, more than 28,000 participants were enrolled with 295 MW of load reduction. Additionally, Con Edison Solutions provides customers cost-effective energy solutions for commercial, industrial, residential, and government customers.

- Throughout the service territories of the regulated utilities, we are working to empower customers' innovative energy choices, with an emphasis on targeted areas. 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. In the Orange and Rockland territories, over 22 MW of CHP has been installed. While CHP installations have been significant, our customers have rapidly been installing solar photovoltaic (PV) panels as well. An additional 1,190 (CECONY – 745, O&R – 445) customers installed solar PV last year alone, growing from 33 MW (CECONY – 20.2 MW, O&R – 12.78 MW) at the start of 2013 to 53 MW (CECONY – 34.8 MW, O&R – 18.21 MW) end of year throughout CECONY and O&R's territories. Additionally, more than 50 MW (CECONY – 37.3 MW, O&R – 12.7 MW) of solar PV development are in the queue for interconnection. We also continue to lead by example in 2013 with the installation of more than 200 panels atop our corporate headquarters at 4 Irving Place in Manhattan.

- As part of the city's goals to reduce local pollutant emissions and improve air quality, the city will stop issuing new permits for #6 heavy fuel oil by the end of 2015, and will do the same for #4 fuel oil by the end of 2030. Con Edison anticipates that many of these large buildings will want to convert their primary fuel source to natural gas supplied from the company's gas distribution system. In 2013 we worked with customers to convert 780 New York City buildings burning #4 or #6 fuel oil and 513 from #2 oil, resulting in a reduction of 176 tons of fine particulate matter (PM2.5). Although Orange and Rockland counties in New York do not have any regulatory requirements associated with conversion, Orange and Rockland is also experiencing growth due to oil-to-gas conversion and in 2013, 353 conversions from oil or propane to natural gas were completed, representing the highest natural gas conversion rate in the last four years.

- Finally, we're seeing growth of electric vehicle adoption throughout our service territory. In 2013, Con Edison had 2,040 electric vehicles throughout the Con Edison of New York and Orange and Rockland service territories, more than tripling the 2012 population of 666. We anticipate that number to increase exponentially as consumer awareness rises and prices plateau. We anticipate 4,000 electric vehicles on the system by 2015, and we are preparing for as many as 40,000 electric vehicles to plug in by 2020.

In 2013 we also saw significant development in the way we communicate with our customers. Utilizing email, text messaging, and social media, we continue to broaden the methods by which we reach our customers to get them the most current information that they need.

Finally, we recognize the importance of energy value for our customers. Our company focuses 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. Additionally, for those customers having challenges making their payments, a full suite of assistance options are available to help them meet their needs.
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.

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.

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.
To Our Stakeholders:

Con Edison has been powering New York for 200 years, and we rely on our sustainability strategy to prepare us for the next 200. Keeping our company viable into the future allows us to continue to deliver the world-class service our customers expect and deserve. We know people are looking for more energy choices, and we must adjust our business model to meet their needs. All the while, we must operate in the most environmentally responsible way and continue to improve the quality of life of our communities.

Our primary mission is to provide the 10 million people living in our service area with safe, efficient, clean, and reliable energy.

We are still feeling the effects of Superstorm Sandy, which devastated our region and left more than a million of our customers without power. We are investing $1 billion to enhance our infrastructure, protecting our customers and our region from the next storm of the century. We are a year into our four-year Fortifying the Future plan, which will help our system withstand increasingly severe and damaging weather.

We are committed to helping New Yorkers breathe cleaner air, for our own sake and for future generations. Our focus on the environment helped us yield an approximately 43% reduction in greenhouse gas emissions from our 2005 baseline. We installed our first solar array at our Manhattan headquarters and have supported the installation of more than 50 MWs of solar systems across our service territory. To improve air quality, we completed more than 1,600 oil-to-gas conversions.

Con Edison is also committed to safety, for our employees and the public. Our work is paying off – we finished 2013 with record low OSHA incident rates at both of our regulated utilities.

We are working to advance strong, vibrant, and stable communities through our proud support of nonprofit organizations throughout our region. We work with organizations committed to education, the environment, civics, community, and the arts.

We tapped the power of our people to further this effort. Our Con Edison employee volunteers gave more than 5,900 hours to plant trees, mentor children, help disadvantaged women with resumes and interview skills, and feed the hungry.

This report outlines the moves we are making to align all that we do to contribute to a cleaner and brighter future. We will continue our commitment to provide safe and reliable service, protect the environment, and contribute to the vitality of our communities, for the benefit of our customers and our company.

- John McAvoy, chairman, president, and CEO, Consolidated Edison, Inc.
Utility of the Future

In December 2013, the New York State Public Service Commission announced that it would transform its regulation of the distribution system. This effort would drive change through five core policy objectives. They are:

- Empowering Customers
- Leveraging Customer Contributions
- System-wide Efficiency
- Fuel and Resource Diversity
- System Reliability and Resiliency

Significant investment is needed to meet these new policy objectives, to provide customers with the level of service they desire, and to compensate them for the service they may provide to the system. This includes investments in generation, transmission, distribution, demand-side resources, information technology, and communication infrastructure. Some of these provisions will enable and integrate customer- and third-party investment in distributed energy resources. These objectives actively promote the use of energy efficiency and renewable generation to further reduce customer greenhouse gas emissions.

Energy produced by customer-sited renewables, such as solar panels, offsets non-renewable energy consumption, resulting in overall energy savings. Although distribution costs and the total bill may increase over time, the objective is to minimize these increases to the extent possible while providing value-added services.

Con Edison established a Utility of the Future team to manage these efforts. This team will analyze the way customers use new technology and its impact on the electric distribution system. Many customers seek to control their energy costs by installing technologies that can temporarily or permanently reduce their energy use. These technologies include customer-sited supply (including solar and conventional generation), energy efficiency, and advanced demand response systems. The team will develop a strategy to accommodate new and shifting uses of the electric system, and will work collaboratively with regulators to find cost-effective solutions that appeal to customers.

The team will also provide input regarding regulatory structures for the industry. For utilities to thrive in the future, we must recover costs through regulated rates, and have the appropriate incentive mechanisms to encourage desired outcomes. The new industry model will need to encourage collaboration and innovation by utilities and third parties in developing new products and services. It is the nature of innovation to have successes and failures. Ultimately, we look to encourage a framework where innovation and partnerships can flourish and experimentation can occur without penalty.
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 200 years. A population of nearly ten million across New York City and nearby counties 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.

A breakdown of 2013 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.

<table>
<thead>
<tr>
<th>Business</th>
<th>Revenue (Million $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CECONY ELECTRIC</td>
<td>$8,131</td>
</tr>
<tr>
<td>CECONY GAS</td>
<td>$1,616</td>
</tr>
<tr>
<td>CECONY STEAM</td>
<td>$683</td>
</tr>
<tr>
<td>O&amp;R ELECTRIC</td>
<td>$628</td>
</tr>
<tr>
<td>O&amp;R GAS</td>
<td>$205</td>
</tr>
<tr>
<td>CEBS</td>
<td>$1,091</td>
</tr>
</tbody>
</table>
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 $40 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).
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 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 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 more than 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, CECONY 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 CECONY website, 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. Within its tri-state service territory, O&R provides service to a population of roughly 740,000 in a service territory of approximately 1,350 square miles. For more information, visit the O&R website, oru.com (http://oru.com).
CON EDISON SOLUTIONS

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; Chicago, Illinois; Falls Church, Virginia; Houston, Texas; Tampa, Florida; and Overland Park, Kansas. The company offers innovative products, financial stability, and a commitment to customer service. The firm’s dedicated team of energy professionals delivers a broad range of energy solutions. Con Edison Solutions offers programs and services designed to help customers achieve their individual energy objectives. It is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).


CON EDISON DEVELOPMENT

Con Edison Development (CED) is a leading developer, owner, and operator of renewable and energy infrastructure projects with a primary, but not exclusive, focus on grid-connected utility-scale solar facilities located in North America. The company’s investments include: ownership interests in solar energy projects in California, Arizona, Nevada, New Jersey, Pennsylvania, Rhode Island, and Massachusetts, with an aggregate capacity of 392 MW; a gas storage corporation; and an investment in an affordable-housing partnership. Through its deep resources and trusted relationships with a range of energy-related companies, CED continues to build its pipeline of renewable energy projects and opportunistically grow its portfolio. For more information, visit the CED website, coneddev.com (http://coneddev.com).
Con Edison Energy (CEE) manages the output and fuel requirements for over 7,300 MW of third-party generating plants in the northeastern United States. The company also provides wholesale hedging and risk management services to CES and CED. In addition, the company 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).
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 ten 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.

In 2014, the company will 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 view the full text of the Integrated Long Range Plan (http://www.coned.com/publicissues/PDF/Integrated%20Long-range%20Plan.pdf).
Con Edison's Corporate Leadership Team developed the company's first sustainability strategy in 2008. The strategy, which covered both the regulated utilities and competitive businesses, consisted of six principles, 14 strategic goals, and 35 initiatives throughout the company.

In 2013, significant effort was made to update the strategy to broaden its environmental focus. The new strategy balances the values of business, environment, and community – commonly referred to as the triple bottom line. We have identified six principles to guide our efforts:

**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). 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:
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 on pages 27-32 of Con Edison's 2013 Annual Report.

- The failure to operate energy facilities safely and reliably could adversely affect the companies
- The failure to properly complete construction projects could adversely affect the companies
- The failure of processes and systems and the performance of employees and contractors could adversely affect the companies
- The companies are extensively regulated and are subject to penalties
- The utilities' rate plans may not provide a reasonable return
- The companies may be adversely affected by changes to the utilities' rate plans
- The companies are exposed to risks from the environmental consequences of their operations
- 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
- A cyber attack could adversely affect the companies
- 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 Quality**: 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 efforts to reduce our air emissions and 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 gasses.
DIRECT EMISSIONS

We are committed to curbing our company’s greenhouse gas (GHG) emissions, and have reduced our emissions by 43 percent since 2005 – surpassing our goal to reduce 40 percent of 2005 levels by 2020. While emissions have decreased overall, we did have an increase of approximately 3 percent from 2012 emissions. Additionally, a change in EPA global warming potentials updated in November of 2013 has altered our reductions achieved. The following is an overview of our GHG emissions:

- **Carbon Dioxide**: The driver of Con Edison’s CO$_2$ emissions is the company’s steam business. In 2013, steam deliveries were 21,923 MMlbs, up from 19,741 MMlbs in 2012. Con Edison of New York produces the bulk of its steam deliveries at the company’s one steam-electric generating station and five steam-only generating stations. With increased demand and production, we also saw an increase in emissions related to our steam business. However, despite the increase in demand and fuel use, we did see a decrease in CO$_2$ lbs/MMBTU from 121.75 in 2012 to 121.32 in 2013, showing that we have made improvements in the efficiency of our processes.

  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 June and November 2013 respectively. As a result of these projects, we forecast to reduce CO$_2$ emissions by 148,000 tons annually.

  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. Information on RGGI and Con Edison’s involvement can be found in our [Regulatory Impact and Policy Management](page.html) section.

  Finally, Con Edison’s vehicle fleet contributes approximately one percent of the company’s total CO$_2$ 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**: CH$_4$ is a greenhouse gas with 21 times the heat-trapping potential of CO$_2$. Fugitive methane emissions originate from Con Edison of New York and Orange and Rockland’s natural-gas distribution systems.

  In 2013, CECONY replaced approximately 52 miles of leak-prone pipe against an annual target of 40 miles. This helped CECONY achieve the per-year average main replacement performance measure (of 50 miles per year) required under its 2011-2013 rate agreement. Under the terms of its new gas rate agreement, CECONY will be replacing 60 miles in 2014, 65 miles in 2015, and 70 miles in 2016. In 2013, O&R 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.

- **SF$_6$**: In 1999, Con Edison entered into a memorandum of understanding with the EPA, voluntarily agreeing to reduce its emissions of sulfur hexafluoride (SF$_6$), a colorless, odorless gas used in high-voltage circuit breakers and switches found chiefly in utility substations.

  SF$_6$ emissions from substations were estimated at 15,800 lbs. in 2013, well below the 2013 goal of 18,000 lbs. This value represents an approximate 9-percent decrease from 2012, and a 92-percent reduction since 2005.

  The company has already surpassed its goal to reduce its emissions below 25,000 lbs. of SF$_6$ by 2020, and is on target to meet its new goal set in 2012 to reduce SF$_6$ 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.

- NYSERDA 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 NYSERDA.

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 a renewable energy product 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 75 percent low-impact hydropower and 25 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 Green Power is Green-e certified. Green-e is a leading national labeling program that sets consumer protection and environmental standards for environmentally superior electricity products.

In 2013, CES enrolled over 2,500 new customers for a total of over 10,000 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 predominantly in Massachusetts and California, with an aggregate capacity of 18 MW (AC) and estimated annual production of 37.5 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).

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 eight solar projects in 2013, totaling 245 MW – bringing the total capacity of solar projects to 393 MW. These assets are located in New Jersey, Massachusetts, Rhode Island, Pennsylvania, and California. Con Edison Development has long-term power purchase agreements in place for the West Coast assets and has 3-10 year solar renewable energy certificates hedges in place for our Northeast assets.

Con Edison Development embarked on one of its largest projects to date in 2013, when it partnered with Sempra U.S. Gas & Power on the 150-MW Copper Mountain Solar 2 plant near Las Vegas, and the 150-MW Mesquite Solar 1 plant near Phoenix. Under the sales agreement, each company owns a 50-percent interest in the two solar facilities, which are among the largest photovoltaic plants in the nation. Sempra U.S. Gas & Power will continue to provide operations and maintenance services to both plants. 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).

Con Edison Development also completed several projects in New England, specifically in Northbridge and Merrimac, Massachusetts, and West Greenwich, Rhode Island. These three projects deliver a combined 5 MW, or enough electricity to power approximately 650 homes.

The Merrimac project was completed in the fall of 2013 and has 6,446 solar panels. The project's electricity is delivered to the Town of Merrimac Municipal Lighting Department under a 20-year agreement providing approximately eight percent of the town's electric load.

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 2012, 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 is also required to report direct emissions through the U.S. EPA Greenhouse Gas Reporting system. In 2013, the company reported emissions from steam and cogeneration stations where fuel is combusted to produce steam and/or electric energy. The company also reported the emissions resulting from the combustion of natural gas delivered to its customers. The company's reported emissions are accessible through the EPA's greenhouse gas data publication tool.

Voluntary reporting was also completed through disclosure to CDP.

WATER

As one of the 15 Key Sustainability Aspects, we strive to enhance the efficiency of our water use and seek opportunities to improve water quality. Con Edison is one of the largest consumers of municipal water in New York, driven by Con Edison of New York's steam business. In 2013, we consumed over 3.8 billion gallons of municipal water, approximately 110 million of which was used for basic water and sewage services at our facilities, with the rest used to generate steam for heating and cooling customers throughout the city.
In 2013, organizations throughout the company made strides in reducing our consumption of municipal water. Members of a team in Steam Operations conducted in-depth research to develop a water-conservation initiative for the 74th Street Steam Station that reduces water consumption and lowers operating costs. In particular, this team eliminated excess cooling water use during times when the boilers are offline, which would save up to $48,000 and 10 million gallons of water per month if the boilers were not in use.

In Substation Operations, a new process was piloted in 2013 for cleaning oil/water separators. The new process conserves fresh water and eliminates the need for contractors to cart away wastewater in tanker trucks. This process will save nearly 340,000 gallons of water, reduce costs by $90,000 to $100,000, and avoid 4,500 miles of truck travel per year. This project and the project at the 74th Street Steam station both won a 2013 Excellence Award – Con Edison's highest honor for Environment, Health and Safety initiatives.

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 State Pollutant Discharge Elimination System (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.

Finally, 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 Superstorm Sandy, which brought historic tidal surges. To learn more, visit the Resiliency section of this report.
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.

**WASTE**

Con Edison's goal is to manage materials at the beginning of their life cycle, therefore reducing waste down the line. In 2013, we worked to quantify how much material we were reusing 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. In 2013, approximately 13,950 pieces of equipment were refurbished to operating conditions as follows:

**CON EDISON OF NY ORGANIZATION**

**REFURBISHED EQUIPMENT UNITS (NUMBERS ROUNDED)**

<table>
<thead>
<tr>
<th>Shop</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformer Shop</td>
<td>1,850</td>
</tr>
<tr>
<td>Electric Meter Shop</td>
<td>4,800</td>
</tr>
<tr>
<td>Gas Meter Shop</td>
<td>7,000</td>
</tr>
<tr>
<td>Van Nest Shop</td>
<td>300</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>13,950</strong></td>
</tr>
</tbody>
</table>
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 is committed to protecting the environment and conserving our natural resources. The company participates in and promotes programs that focus on resource conservation and waste minimization, and continues to explore alternative sustainable practices.

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. Orange and Rockland then sells those parts to recyclers. The program also provides a useful work experience for ARC’s workforce.

Since the program’s inception in 1991, Orange and Rockland and its 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 2013, Con Edison of New York used 307.6 billion BTUs of electricity and 161.9 billion BTUs of gas for the purposes of powering, lighting, heating, and cooling company facilities. This represents a 7.5-percent decrease in electrical consumption, and a 5 percent increase in gas consumption over 2012 totals of 332.4 and 154.2 billion BTUs, respectively.
WATER

At Con Edison, we are committed to finding ways to use water more efficiently in our operating organizations and processes. To learn more about our water consumption and water-saving activities in 2013, click here.

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 practices:

- 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
Additionally, Con Edison of New York has worked with various NGOs to inventory flora and fauna on portions of our ROW and is currently working with a local university to study coyote populations along the rights-of-way.

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.

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.

Last year Con Edison also joined the New York City Audubon Society, the Chrysler Building, Rockefeller Center, the Time Warner Center, and others to make migration season safer for millions of birds by turning out the lights. From midnight to dawn, September 1 through November 1, Con Edison darkened the iconic clock tower at the company's Manhattan headquarters to help decrease the number of bird deaths caused by artificial lights. Migrating birds – confused by glass and light from tall buildings, and sometimes blinded by inclement weather – face the danger of colliding with a building or structure at night. Birds use the stars and moon to navigate, so light from urban structures can confuse their natural navigation instincts, often with deadly consequences. It is estimated that some 90,000 birds die each year in New York City after colliding with buildings.

**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, some of the byproducts of this production may be harmful to human health and the environment. Through the end of 2013, 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 five of those sites, one of which has been completed.

During 2013, Orange and Rockland spent approximately $6 million for its remediation programs, including approximately $4.8 million for its MGP program, and Con Edison of New York spent approximately $35 million for its remediation programs, including approximately $21 million for its MGP program.
Con Edison acknowledges that climate change is an important challenge, and we are designing our work with 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 to guide our efforts:

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 handle 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 (3b-resiliency.html) section of this report.
Safety

At Con Edison we are committed to safety, and we 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 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 1.25, and Orange and Rockland reducing their rate to 2.01. The safety of our contractors and members of the public are equally priorities for Con Edison. More about our efforts to keep contractors and the public safe are discussed in this report's Contractor and Public safety sections.

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 outfitting a company vehicle with new ergonomic tools that could be taken to various job locations and tested on-site for instant feedback, innovating a gas meter exchange process that allows employees to safely swap out gas meters without disrupting customer service, and modifying solar panel installation processes to improve safe performance.
Con Edison’s commitment to safety helped continue to drive performance improvement in 2013. 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 2013, the company surpassed its goal by achieving a rate of 1.25.
While our OSHA Incidence Rates were at an all-time low last year, we recognize that reducing the severity of injuries is most important. Four of Con Edison of New York's 157 injuries in 2013 were categorized as a “significant high-hazard.”

Orange and Rockland achieved an OSHA Incidence Rate of 2.01 in 2013, bettering its goal of 3.00 or lower. At Orange and Rockland, programs and processes are designed to heighten safety awareness while reducing occupational injuries and preventable motor vehicle accidents. In 2013, these programs and processes included the following:

- Use of the No Injury Program (Close Call) to identify and mitigate risks prior to an accident or incident
- Continued use of the Pro-Activity Injury Prevention Program to reduce injuries related to strains, sprains, and ergonomic stressors
- Supporting Safety Team ad-hoc committees in evaluating accident trends and developing recommendations for reductions in both occupational injuries and preventable motor vehicle accidents
- Promotion of the company's Forward First Program, which trains drivers to park vehicles in such a way that they can later leave the spot by driving forward – this simple concept reduces hazards associated with backing up
HUMAN PERFORMANCE IMPROVEMENT

Analysis of injury trends shows that the majority 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 avoid repeating errors by analyzing the lessons learned from past events. In order to manage human performance, our team uses error-avoidance tools such as:

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

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. For example, in 2009, we had 68 operating errors, compared to 2013 where we only had 41. This shows how 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, accidents, and injuries.

Going forward we are developing a human performance awareness e-learning module that could be used as an introduction for new employees and also as a refresher for existing employees. This 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 performance. We offer a number of means by which safety information can be communicated to employees, but also so that employees can communicate safety concerns to supervisors and subject matter experts who are able to address them quickly and effectively.

For example, Orange and Rockland communicates safety messages through health and safety training programs, skills-training programs, and daily job briefings by supervisors and crew chiefs. Animated safety messages are relayed on electronic bulletin boards throughout the facilities and “Safety Grams” are documents distributed to employees on timely issues such as recent accidents or seasonal safety concerns. We deployed the (THINK)(ASK)(PLAN) program to Orange and Rockland for the third year in 2013.
CONTRACTOR SAFETY

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

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

Con Edison's Purchasing Department issues a quarterly Newsletter for Contractors, covering recent violations, new regulations, 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. Our Purchasing Department uses a special committee to review contractor violations and assess disciplinary action (e.g. replace site manager or field personnel, undergo special training, or lose eligibility for further contracts for a specified period of time).

These steps help to ensure that contractors work safely on company assignments, and in compliance with applicable environment, health, and safety regulations. Achieving continuing improvement in contractor OSHA Incidence Rates is a key performance measure at Con Edison of New York. In 2013, the company's contractors collectively had an OSHA Incidence Rate of 1.57, surpassing the goal of 1.86 or lower established for the year.

Similarly, Orange and Rockland follows a defined procedure for ensuring that contractors follow safe and environmentally compliant practices. Orange and Rockland began tracking its contractor OSHA Incidence Rate in 2012, and in 2013, added the contractor OSHA rate as a Key Performance Indicator. O&R contractors recorded a rate of 2.97, which met their goal not to exceed a rate of 3.0.

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 the Orange and Rockland 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.
PUBLIC SAFETY

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 Customer News bill insert. Orange and Rockland customers receive an insert titled @home. These publications include energy safety information, seasonal safety tips, severe weather safety advice, and reminders about staying safe around downed power lines.

In addition, Orange and Rockland and Con Edison of New York offer safety tips on their websites, including information about residential electric and gas use, carbon monoxide, and generator safety. Con Edison also sends e-mails to customers with energy safety tips and storm safety information before and during severe weather to remind customers how to report outages.

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. The high-tech vehicles are dispatched throughout the company’s service territory year-round, and use sensors to detect voltage as low as 1 V. Contact voltage is also detected manually.

The mobile contact-voltage-detectors enable us to perform multiple scans of geographic areas more quickly than using manual testing alone. The vehicles have the advantage of not needing to make direct contact with a structure to test it for contact voltage. The manual testing program uses hand-held voltage detection equipment to survey structures in New York City and Westchester County once a year. The vehicles, however, are able to conduct system-wide surveys far more frequently. In 2013, our mobile detectors completed 13 system sweeps and found and eliminated 3,272 cases of contact voltage. Of these cases, 1,466, approximately 45 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 33,893 overhead and 3,687 underground distribution structures in 2013, along with 2,523 traffic signals and streetlights. In 2013, there was only one stray-voltage finding in excess of 1 V identified in the O&R service territory. It was corrected, and there were no associated injuries.
GAS DAMAGE PREVENTION

In 2013, Con Edison of New York continued to work toward reducing damages to our gas system during excavations by either company employees or contractors. In addition to holding our contractor’s financially responsible, we’ve also begun to use technology to identify our structures prior to excavation. Going beyond the typical mapping and mark-out approach, Con Edison of New York has partnered with the Gas Technology Institute to assess the effectiveness of radio-frequency identification (RFID) electronic markers in locating underground gas facilities in congested infrastructure areas. Use of these markers will allow company employees and contractors to identify gas facilities with greater precision. Additionally, a cross-functional team has been sharing best practices with personnel at Orange & Rockland focused on damage prevention.

STEAM REMOTE MONITORING

Water is a central element in the production of steam, but too much water can actually wreak havoc on New York’s steam system. Water that leaks into underground structures and submerges steam piping can severely impact its stability. The presence of enough water can cause the steam within the pipes to condense into a liquid state and damage the pipe’s integrity. This process, called water hammer, can lead to a failure of the infrastructure.

Con Edison of New York’s Steam Remote Monitoring System (RMS) detects water levels from external sources within manhole structures, and monitors condensate removal device functionality to prevent water hammer. The system alerts operators about unsafe water levels or failed equipment that could impact underground steam infrastructure. Depending on the intensity of the alarm and imminence of danger, crews can respond to investigate an alarming structure to assess the condition and take the necessary actions to make the situation safer. To date, over 660 locations have been equipped with the remote monitoring infrastructure. We plan to install an additional 125 in 2014.
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. 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.

The company is focused on 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.

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 Edicon
- 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 JP with two relatively minor modifications. The full Joint Proposal and PSC Order can be found on the New York Public Service Commission Site.
MORELAND COMMISSION INITIATIVES

The Moreland Commission made a number of suggestions to enhance utility response to extreme weather events. These include initiatives that result in new ways for the NY Public Service Commission (PSC) to measure utility performance during a catastrophic storm.

The PSC approved a storm scorecard in December 2013 to quantitatively assess electric utility performance after a “significant outage.” The scorecard will be applied for all outage events three days or longer, and others as deemed necessary by the PSC. For Con Edison, the only utility in the state with a significant underground network system, the scorecard will also be used during network outages. We expressed concern that some aspects of the new storm scorecard, including some performance measures will create perverse incentives for utilities to manage restoration to maximize scorecard results. While not opposing use of the scorecard to measure storm performance, the companies suggested that the relative weighting of different "areas of interest," e.g., safety, should be re-evaluated based on our operational experience with recent storms.

The PSC also approved a proposal by the state’s utilities to share information regarding stockpiled material during a storm recovery effort. Working with the other utilities in the state, Con Edison of New York and Orange and Rockland developed a methodology to establish a state-wide inventory of critical utility equipment and materials used for emergency restoration activities to support the reliability of the State’s electric system. In an emergency, this inventory can be accessed by utilities across the State, supporting efforts to restore customers more quickly during a wide-spread outage.
THE ENERGY HIGHWAY
AND THE INDIAN
POINT CONTINGENCY PLAN

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.
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 of New York 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 went into effect January 1, 2014.

Under the revised RGGI emissions cap New York will receive incremental revenues from allowance auctions, above and beyond the $620 million it has collected through the first 23 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

The New York State Energy Research and Development Authority (NYSERDA), as the State’s central procurement agency, is responsible for implementing the renewable portfolio standard (RPS) established by the PSC in 2004 with funds collected from the State’s electric utility customers through the RPS charge established by the PSC. For large renewable resources, NYSERDA enters into long-term agreements with developers, and pays the developers renewable premiums based on the facilities’ energy output. Large renewable resources are grid-connected and sell their energy output in the wholesale energy market administered by the New York Independent System Operator (NYISO).

For smaller, customer-sited resources, NYSERDA provides rebates when customers install eligible renewable technologies. The energy produced by customer-sited renewables reduces the overall level of non-renewable energy consumed. In 2013 the companies billed customers the PSC-mandated RPS charges of $109 million, up from $92 million in 2012 (and approximately $365 million cumulatively from 2006), to fund these RPS programs. The PSC has scheduled increases in the RPS charges reaching their maximum annual level of $151 million in 2015.

In 2013, NYSERDA reported that the environmental benefits of electricity generated by renewable generation from 2006 through 2012, as opposed to the State’s “system-mix,” amounts to reduced emissions of approximately 4,028 tons of nitrogen oxides, 8,853 tons of sulfur dioxides, and 4.1 million tons of carbon dioxide.

The PSC approved some programmatic adjustments to the RPS in 2013. These changes included expanding funding for customer-sited solar resources, and prohibiting out of state renewable resources from RPS eligibility. The companies supported expanded funding for solar, but questioned the ban on out-of-state resources because of the likely result of higher renewable energy prices for customers.

ENERGY EFFICIENCY PORTFOLIO STANDARD

The New York utilities and The New York State Energy Research and Development Authority (NYSERDA) are responsible for implementing energy efficiency programs through the Energy Efficiency Portfolio Standard (EEPS) established by the New York Public Service Commission (PSC). The utilities billed customers EEPS surcharges of approximately $100 million and $90 million in 2013 and 2012, respectively, to fund these programs. More information about the use of these funds and activities of the utilities related to the EEPS program can be found in the Energy Efficiency and Demand Response section of this report. In addition, Con Edison implements a targeted demand-side management program and demand response programs which are detailed here (4a-customers.html#s4a1).
SYSTEMS BENEFIT CHARGE

The System Benefits Charge (SBC) program funds technology and market development (T&MD) activities relevant to the energy system. The New York Public Service Commission (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 (NYSERDA) implements the program under the PSC’s supervision.

When the program was reauthorized by the PSC in 2011 through 2017, it was estimated that collections from our customers would 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 current phase of the SBC program (2012-2016) will focus on a number of areas that should provide benefits to our customers, including smart grid technologies, electric vehicles, advanced clean power systems, advanced building designs, and environmental monitoring and evaluation. Like the RPS program, the SBC T&MD program raises concerns of geographic balance in the program’s spending. Of particular concern is whether the program addresses the unique needs of electric customers in New York City and downstate. For example, research is needed to identify ways to incorporate the room air-conditioning units relied upon by residential customers in New York City into demand-response programs that currently use central thermostats to control temperatures.

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 New York Public Service Commission (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 Regional Greenhouse Gas Initiative (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 the New York State Energy Research and Development Authority (NYSERDA) and utility energy efficiency and renewable energy budgets, plus $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, but it has not been determined how the additional funds will be provided.
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, the companies exercise their 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 recognized 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 FOR EH&S**

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 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 EH&S vice president reports directly to Con Edison of New York's president.

Throughout 2013, the EH&S vice president headed an EH&S Leadership Team to oversee and implement the company's strategic plan. The team consists of EH&S managers from operating departments, and representatives from the Law Department, Purchasing, Occupational Health, Human Resources, Auditing, and Corporate EH&S. This team contributes to development of strategic and annual goals that help drive Con Edison of New York and Orange and Rockland toward EH&S excellence.

The EH&S vice president and appropriate EH&S leaders meet monthly with Con Edison's chairman and 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.

- **Equal Employment Opportunity Affairs (EEOA)** - The Company's EEO Policy is to provide equal employment opportunity without regard to race, color, creed, religion, sex, gender, age, national origin, marital status, sexual orientation, gender identity, gender expression, citizenship, eligible veteran status, disability, or any other status protected by law. Employment decisions must be non-discriminatory, and working environments must be free of discrimination or harassment. The Company is committed to promote diversity in the workplace and maintain a culture of respect, dignity, and inclusiveness. In order to ensure implementation of this EEO Policy, the Company maintains an Equal Employment Opportunity Affairs (EEOA) office that accepts and investigates, through the Director of EEOA and his or her staff, complaints of violations of the EEO Policy and implement appropriate actions for violations.

**BUSINESS ETHICS**
Strong business ethics are a core value for Con Edison. Company departments are responsible for conducting ethics training for weekly personnel. Our corporate Code of Conduct is based on our corporate values: service, honesty, concern, courtesy, excellence, and teamwork. We have developed six principles for managing our work and maintaining our corporate values. Known as “The Way We Work” these principles include:

- **Plan the Work and Work the Plan** – We plan all activities, track progress, monitor results, and implement lessons learned. Continuous improvement is the goal, helping us maintain high standards for productivity, quality, environmental protection, and safety.

- **Seek and Accept Responsibility** – Our personnel are not afraid to take initiative, to suggest and implement improvements. Our corporate culture empowers us to admit and learn from mistakes, focusing on solving problems rather than laying blame.

- **Communicate Openly** – Our culture is open. We have regular meetings with management and union staff. We share information among our operating areas and with our shareholders and customers freely.

- **Work in Teams** – Con Edison fosters teamwork by respecting the skills, knowledge, and experience of all our employees. We value a strong management-union relationship. We encourage diversity.

- **Improve Continuously** – We strive to increase our efficiency and effectiveness every day. All employees are free to ask questions, to look for ways to improve our work. Just as we maintain and upgrade our hard assets, we offer training to our workforce over the entire length of their careers to ensure that our employees have the knowledge and experience to do their jobs.

- **Celebrate Success** – We believe that success breeds success. We provide quick and positive feedback to all employees, recognizing individual milestones and achievements.

However, the company had been shaken by the criminal actions of employees in the past. In 2009, 14 construction employees were indicted for accepting kickbacks. During 2010, a former purchasing manager pleaded guilty to receiving more than $800,000 in bribes, and a section manager in was arrested for receiving $4 million in kickbacks from a contractor.

The company worked diligently to establish whether these incidents were isolated or whether they were systemic and suggestive of both a breakdown of the company's controls and an erosion of its culture of ethical conduct. It retained compliance consultants to exhaustively review all aspects of this issue. Even a single incident of this kind tarnishes every employee in the company, and such conduct must be purged from the work place.

In 2012, Con Edison appointed a vice president to serve as Chief Ethics and Compliance Officer at the head of a Business Ethics and Compliance group. Beginning with the fourth quarter of 2012, and every quarter since, the group has mounted a focused communications campaign with quarterly themes keyed to real-world ethics issues that may affect employees. In addition, the group distributed an up-to-date hard-copy edition of Con Edison's Standards of Business Conduct to all employees. All employees are also required to complete an online Ethics Training curriculum at regular intervals.

The Business Ethics and Compliance group maintains an intranet site that provides a central reference resource on ethics and the company's standards of business conduct. The group also provides individual guidance on matters of ethics and integrity for any employee requesting help.

Adherence to our Code of Conduct is a condition of employment for all of our employees. We do not tolerate violations of law or corporate policy. We encourage our employees to discuss any and all issues with their supervisors, and provide several ways for employees to confidentially report serious concerns.
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) and Avoiding Collusion (4e-supply_chain.html) section of this report.
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 Audit Committee of the Board. 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

Con Edison of New York runs a rigorous auditing program for all Con Edison subsidiaries. Both facility operations and company-wide programs (e.g., pollution prevention, right-to-know reporting) 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 all facilities and programs. The EH&S Auditing Group is staffed with dedicated personnel experienced in auditing protocols, regulatory requirements, and company procedures. The EH&S Auditing Group has developed standard protocols (including lists of questions) 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 as well as the EH&S Leadership Team. The ombudsman, independent auditors, and members of the Environmental Quality Review Board also receive EH&S audit reports. The Audit Committee of the Board receives a summary of all audits performed on a quarterly basis.

Environmental Factors

- Compliance  
- Management systems  
- PCBs  
- Asbestos, lead and mercury  
- Spill prevention  
- Air quality  
- Water quality  
- Solid/hazardous waste management  
- Storage tanks  
- Leaks and releases  
- Site remediation  
- Land use/fish and wildlife  
- Chemical use approval  
- Resource use (recycling/pollution prevention)

Health and Safety Factors

- Compliance  
- Management systems  
- Emergency response planning  
- Personnel safety  
- Transportation safety  
- Material/equipment safety  
- Industrial health and hygiene  
- Fire safety/emergency evacuation  
- Employee health and medical issues

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 its 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 a publicly traded company, 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.

Several years ago, Con Edison made a large technology investment in order to create a new online resource to manage suppliers, purchasing, delivery, inventory, and other aspects of the supply chain. The finance and supply-chain components of this system went live in 2012, and matured throughout 2013.

This new resource is called the Oracle Enterprise Business Suite (EBS). It replaced more than 60 former systems, including many that were developed in the 1960s and 1970s and coded in now obsolete computer languages, making them increasingly difficult to maintain.

Serving as a cornerstone of Con Edison’s cost-management resources, Oracle EBS is an enterprise-wide software system that is based on Oracle’s financial and supply chain Enterprise Resource Planning (ERP) system. It allows users to develop business plans and budgets, record financial transactions and analyze data, purchase materials and services, manage inventory, and report financial and purchasing data. In addition, data transparency and accountability at all levels have been integrated into the scope of these Oracle EBS capabilities.
Reliability

Maintaining service reliability is a top priority for Con Edison. This aspect of our sustainability is presented in terms of infrastructure investment by each company within Con Edison, the performance of our electric, gas and steam systems, and both the upgrades and lessons learned from key developments realized in 2013.

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 2013 ReliabilityOne award for the Northeast region. In 2013, the reliability of Con Edison of New York’s overhead power distribution system was 85 percent better than the industry average. When our underground system is included, the system is nine times more reliable than the national average. In 2013, Orange and Rockland set a company record for reliability performance, reflecting fewer non-storm-related service interruptions than ever before.
PEAK PERFORMANCE

Con Edison of New York’s e system performed very well in 2013, successfully serving a record peak demand of 13,322 MW on Friday July 19th, marking a recovery to pre-recession demand levels. Overall demand for electric energy exceeded 56,918,000 MWh in 2013, reflecting stronger weather patterns and growing economic activity. Demand for electricity grew fastest in Manhattan last year, at three percent year-over-year growth, compared to a range of 0.4 percent to 1.8 percent growth in the other boroughs and Westchester. Distribution feeder lines marked their best performance in 10 years and the system experienced fewer transformer failures than in any of the past five years, despite July weather that made the month the eighth warmest on record for the region.

Orange and Rockland successfully met a peak demand of 1,561 MW on July 18, 2013. Overall demand for electric energy on the Orange & Rockland system exceeded 5,721,000 MWh in 2013. The system performed remarkably well throughout the remainder of the year, cutting the frequency of non-storm-related service interruptions to the lowest level on record.

Con Edison of New York and Orange and Rockland completed key electric infrastructure improvement initiatives in 2013, fortifying lines and equipment across the service territory. As in years past, we employed innovative techniques to meet increased demand in growing communities. Through reconfiguring existing system components, we boosted capacity of distribution networks in the Fordham Heights section of the Bronx and in lower Manhattan, avoiding costly transformer upgrades and the installation of additional cable. The completion of a smart distribution automated loop system in the Park Slope section of Brooklyn also enabled greater operational flexibility, providing needed load relief during periods of high demand. Another network reconfiguration completed in 2013 is using new technology to enhance reliability for 120,000 customers in Flushing, Queens.

SMART GRID

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, synchrophasors, 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.

We also partnered with our customers to successfully demonstrate a distributed energy resource management platform that seamlessly integrates customer-sited resources into a grid operator’s toolkit. The pilot demonstration included distributed generation, building management systems, battery storage, photovoltaics, and electric vehicles.
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 (2c-policy.html) section of this report.

KEY EVENT: METRO NORTH

On September 13, 2013, Con Edison helped Metro North prepare for upgrades to their system by removing a key power delivery line from service. With the line out of service, Metro North and Con Edison planned to work on key system components and reconnect the line once upgrades were complete. The temporary system configuration left a key section of Metro North's system powered by a single power-delivery connection to Con Edison's system.

As work was nearing completion twelve days later, the single line serving the Metro North system was damaged during our ongoing work to upgrade the facility. The damaged line could no longer provide service to Metro North's system, leaving a portion of the New Haven line without electricity and disrupting train service for roughly 50,000 Metro North riders on September 25th, 26th, and 27th.

Con Edison worked hand-in-hand with Metro North to safely restore service as quickly as possible. When Metro North's original contingency plan to connect to Connecticut's power supply system failed, Con Edison designed an alternative. Within eight hours, we had begun physically re-configuring our local residential distribution system nearby to support the large amount of power Metro North required. Working together, Metro North and Con Edison successfully restored partial service to the affected train route by Monday the 28th and had restored full service by the following Monday.

As a result of the event, we have reviewed and enhanced work practices to mitigate the potential for a similar delivery line failure. Metro North has also upgraded its contingency plan resources.
GAS

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. 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 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.

SYSTEM PERFORMANCE

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. Leak response improved in 2013: our personnel were on location within 30 minutes for 89.0 percent of the total possible leaks reported, and within 45 minutes for 99.4 percent of possible leaks reported.

In Orange and Rockland, customer demand peaked at 202 million Dth on January 7. 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.
INFRASTRUCTURE UPGRADES

Key improvements were made to our natural gas transmission and distribution network in 2013 to meet growing demand and enhance system reliability. Con Edison’s main replacement program continued, replacing 52 miles of leak-prone iron and steel pipe. We have replaced 279 miles of leak-prone pipe over the past five years.

Significant upgrades were also made to Con Edison’s natural gas transmission interconnection infrastructure to increase capacity. A new interconnection to Con Edison of NY’s service territory was brought into lower Manhattan via the Texas Eastern Transmission (TETCO) pipeline. The project increases pipeline capacity into the Con Edison system and significantly improves system reliability in the event of an unexpected disruption at other transmission interconnections. Additional upgrades were made to pipeline system components serving the territory to increase capacity.

Orange and Rockland also continued to replace cast iron and steel mains in 2013. In 2013, they replaced 93,000 feet of main, surpassing their goal of installing at least 90,000 feet annually. It has replaced 83 miles of leak-prone pipe over the past four years, significantly enhancing customer safety in the region.

Both utilities survey their entire natural gas distribution infrastructure annually to detect outdoor leaks that may be emanating from underground pipes. We also conduct spot checks following major weather events to ensure storm water, salt, or road damage has not impacted our infrastructure. Both utilities also conduct annual customer awareness campaigns, sending scratch-and-sniff mailings to every customer to remind them what gas smells like and to encourage them to call as soon as they suspect a leak.

KEY EVENT: NYACK COLLEGE

On June 4, 2013, a grounds worker at Nyack College was leveling out some terrain on a hillside behind the college gymnasium. While digging with a backhoe, he struck and pulled a buried steel pipe with the bucket of the machine—setting in motion a chain of events that would injure eight people and destroy part of the historic campus.

The worker had struck a natural gas service line and pulled it from a coupling located several hundred feet away. Though he couldn’t smell gas—and noticed no damage to the pipe where he stood—a one-inch gap had opened up at the coupling. Natural gas began to leak through the gap and migrated into the sewer system beneath the college. Since he saw no damage, the worker decided not to report the incident. Within a few hours, significant amounts of natural gas had accumulated in the basements of several buildings via the sewer system. All it took was something as small as a spark from the flip of a light switch to cause an explosion in the campus’ historic Sky Island lodge.

Orange and Rockland responded to the event and took immediate action to reduce the risk of further injury to people or damage to the campus. With the help of the local fire and police departments, they evacuated students and faculty in the surrounding buildings, cut power to the campus, and discovered the source of the leak.

The event underscores the danger natural gas can pose when leaks or damage to underground infrastructure go unreported. Con Edison of New York and Orange and Rockland are members of Dig Safely New York, which provides a toll-free “Call Before You Dig” service for contractors and homeowners. Dial 8-1-1 to schedule a mark out before you dig.
STEAM

Con Edison provides steam service to customers in Manhattan, represented by about 1,700 accounts, through an underground network of steam pipes. By generating steam in large quantities at our generating stations, we increase the efficiency of steam production and reduce emissions that would otherwise be generated by customer-sited boilers and equipment. Con Edison’s steam system is changing to reduce costs to customers and to improve our environmental footprint.

Our steam system performed well in 2013, meeting a 2013 peak demand of 8.9 million pounds per hour on January 23. The system experienced no major service disruptions, maintaining its 100 percent reliability rate. Our focus on public safety continued in 2013, as we developed and integrated remote monitoring of structures prone to impact following major weather events.

GAS ADDITION

Two Con Edison steam generating stations were converted in 2013 to burn natural gas as a primary fuel instead of oil, reducing fuel costs and emissions. The changes will cut CO2 emissions from the two stations by 23 percent (148,000 tons) each year and reduce customer costs by about 8.5 percent. In 2013, 90.9% of our steam was generated by burning natural gas. The units remain capable of burning either fuel in a supply shortage, increasing Con Edison’s steam fleet’s dual-fuel capability to roughly 88 percent of generation from 62 percent. This capability is particularly important to maintaining reliability and moderating price impacts during periods of high demand for natural gas, such as those we recently experienced.

INFRASTRUCTURE UPGRADE

In addition to the steam generation upgrades discussed above, key enhancements were made to the steam distribution system in 2013. They included expanding the range of pressure used in the system. We consulted extensively with customers who would be affected by the change and ensured a smooth transition as the change was made. The new operating pressure will allow more efficient steam generation units to meet demand more of the time, reducing cost and emissions.
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 past 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.

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. Con Edison's continued dedication to improving its service delivery during and after weather emergencies is discussed in this section.

We must also be resilient to threats against our systems and customer service that are not rooted in weather conditions or extreme acts of nature. Cyber and physical security are equally important to Con Edison, and in this section we discuss initiative and some proactive measures we are taking to keep our business and our stakeholders protected.

**POST-SANDY ENHANCEMENT**

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

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 in the Storm Hardening program over the next three to four years.

In addition to preliminary measures already installed in 2013, protective storm hardening measures will be installed between 2014 and 2017 to protect our at-risk substations and generating stations against potential flooding from severe weather events exacerbated by future climate change and sea-level rise. 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.

In response to the effects of Superstorm Sandy, Orange and Rockland has committed to spending $35 million in storm-hardening measures to strengthen the electric system and make it more flexible when repairs are needed. The projects and initiatives are being undertaken to reduce the number, frequency and duration of electric service outages the utility's customers experience during severe storms, as well as to improve its information systems to more fully respond to customers' needs. In 2013, Orange and Rockland completed four underground feeder construction projects and ten overhead feeder construction projects. Four more underground and ten more overhead projects are planned for 2014. In total, these modifications will aid in service reliability for the lines which were previously above ground. Orange and Rockland's investment in storm hardening measures in 2013 reached $9.5 million, and is projected to be over $22 million in 2014.

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.
Milestones Achieved in 2013

Con Edison of New York completed approximately $36 million in storm hardening investments in 2013 to protect substations and generating stations against another severe coastal storm event. Storm hardening measures were installed at nine substations and three 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.

CYBERSECURITY

Cybersecurity remains a priority at Con Edison of New York, 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.
CONTINUOUS IMPROVEMENT

At Con Edison of New York and Orange and Rockland, we continued to expand our focus on cybersecurity in 2013. Our formal cybersecurity program uses 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 Network Operations Center (NOC)—the “control center” for the company’s information networks.

We continued to subject our networks to regular vulnerability assessments and network penetration tests, where “white hat” hackers are brought in to find any security flaws before they can be exploited by a malicious attacker. Lessons learned from these exercises are documented and addressed. We also continued to strengthen our network architecture by segmenting networks to fully segregate 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 working to build user awareness of “phishing” threats, where employees are targeted by e-mail and are tricked into downloading malware. 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 tabletop drills across the company, which inform the development of cyber event response plans in each organization.

PUBLIC-PRIVATE PARTNERSHIP

Con Edison of New York and Orange & 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 2013, we participated in NERC’s continent-wide cybersecurity drill GridEx II and in DOE’s “Poison Apple” 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 with state regulators and peer utilities through a cybersecurity benchmarking group we recently helped to establish.
2013 brought heightened awareness of the importance of physical security to our nation’s energy systems. A structured attack on PG&E’s Metcalf substation in California highlighted the impact an informed attacker could have on energy infrastructure.

Securing our critical infrastructure from physical damage or attack is an ongoing priority for Con Edison of New York and Orange and Rockland. 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 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 cost-effectively manage their energy needs and provide quality experiences that engender trust. 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 also are 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 2013 we made significant changes to the way we can conduct a two-way dialogue with our customers.
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. The utilities billed customers EEPS surcharges of approximately $100 million in 2013, up from $90 million in 2012, to fund these programs. Through the utilities’ energy-efficiency programs, customers reduced their annual energy use by a cumulative 659,500 MWh and 899,600 DTHs from the programs’ inception in 2009 through 2013, resulting in their avoiding the release of approximately 258,000 tons of greenhouse gases into the atmosphere.

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. In 2014, customers will see changes that include more favorable incentives for small businesses, LED lighting being offered for wider use, new incentives for household appliances, and free kits with energy-saving equipment.
DEMAND RESPONSE

Demand response (DR) is another tool that can be used to help customers conserve in Con Edison of New York’s service territory. In 2013, more than 28,000 participants enrolled with 295 MW of load reduction. Throughout the year, there were nine days of events called across the DR programs. These programs include:

- Commercial System Relief Program (CSRP) & Distribution Load Relief Program (DLRP)
- Residential Direct Load Control (DLC) & Residential Smart Appliance Program (RSAP)

Last year, Con Edison of New York and ThinkEco’s CoolNYC program won Outstanding Achievement in Residential Program Design and Implementation, and Outstanding Achievement in Pricing and Demand Response awards from The Association of Energy Services Professionals (AESP). CoolNYC is a demand response program for window air conditioners, which are one of the leading users of energy during New York City summers. New Yorkers can use a modlet and SmartAC technology to monitor their window air conditioner’s energy use and control it in real-time from any browser or smartphone.

In December, the company filed for a new demand response tariff that we believe will dramatically expand enrollment for many years to come. Our filing directly addresses customer concerns by easing certain program restrictions on time and length of curtailments, as well as increasing incentives.

COMPETITIVE SOLUTIONS

Con Edison Solutions provides customers cost-effective energy efficiency solutions for commercial, industrial, residential, and government customers. In 2013, one of the company’s major successes was the delivery of almost $1.3 million total in guaranteed, annual energy savings for eight Missouri school districts that have launched aggressive conservation initiatives. The company’s multi-faceted, cost-effective energy services performance contract (ESPC) program helps school districts replace old, inefficient, high-maintenance equipment with new energy-efficient equipment. The Missouri school district benefiting most from its energy initiative through is the Springfield Public School District, which saves $330,000 per year in reduced energy costs. The Harrisonville Cass R-IX School District in Harrisonville generates over $240,000 in annual savings.

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 targeted areas. 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 (CECONY), 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 and additional 100 MW of large CHP by 2018. Small CHP (less than 1 MW) has also experienced strong 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 (O&R) territories, over 22 MW of CHP has been installed.

While CHP installations have been significant, CECONY and O&R customers have rapidly been installing solar photovoltaic (PV) panels as well. An additional 1,190 (CECONY – 745, O&R – 445) customers installed solar PV last year alone, growing from 33 MW (CECONY – 20.2 MW, O&R – 12.78 MW) at the start of 2013 to 53 MW (CECONY – 34.8 MW, O&R – 18.21 MW) end of year throughout CECONY and O&R's territories. Solar power production has quadrupled across our service territory in the last three years, with a compound annual growth rate of 75 percent.

Additionally, more than 50 MW (CECONY – 37.3 MW, O&R – 12.7 MW) of solar PV development are in the queue for interconnection. Large customer solar installations are on the rise thanks to a new NYSERDA incentive for commercial installations greater than 200 kW.

We continue to lead by example in green business practices and recently installed more than 200 panels at our corporate headquarters at 4 Irving Place in Manhattan. The panels, manufactured in the United States, generate 40 kilowatts of clean, renewable power. The annual electricity savings – about $7,000 – will be available for other investments on behalf of ratepayers.

Along with assisting customers with the integration of DG projects onto our grid, the company has also worked toward other DG achievements in 2013 that included:

- The release of a new interconnection guide for large (2-20 MW) CHP projects
- Decreased PV interconnection processing time for residential customers through the utilization of a self-certification form in which the solar installer can self-perform the verification test for PV system 25 kW and under
- Leveraged smart-grid technology to implement multi-MW solar installations at locations such as Ramapo College and the Clarkstown Landfills in Orange and Rockland's territory, and a 1.6-MW installation at Jetro Cash & Carry in the Con Edison of New York territory
- Introduced a new offset tariff/rate for Con Edison of New York customers that reduces the installation cost of campus-style cogeneration (General Rule 20.2.1B(7)&(8))
- Advocated for “downstate balancing” and targeted incentives that are creating record incentive levels for DG.

Distributed generation will continue to be an area of growth and focus in 2014 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.
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, the city will stop issuing new permits for #6 heavy fuel oil by the end of 2015, and will do the same for #4 fuel oil by the end of 2030. Con Edison anticipates that many of these large buildings will want to convert their primary fuel source to natural gas supplied from the company's gas distribution system.

Con Edison 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. 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 2013 we worked with customers to convert 780 New York City buildings burning #4 or #6 fuel oil and 513 from #2 oil, resulting in a reduction of 176 tons of fine particulate matter (PM2.5), and over 140,000 tons of CO2e. A total of over 2,400 conversions have occurred in Con Edison of New York's system over the last three years, with projections for 2014 totaling more than 2,000 additional conversions.

Although Orange and Rockland counties in New York do not have any regulatory requirements associated with conversion, Orange and Rockland is also experiencing growth due to oil-to-gas (OTG) conversion, adding over 5,000 customers in the last 4 years due to OTG conversions and new development. In 2013, 353 conversions from oil or propane to natural gas were completed, representing the highest natural gas conversion rate in the last four 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, 97 percent received zero cost.

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 (http://www.coned.com/gasconversions/) for more information, including how to begin the gas conversion process for your building.
The federal government has pledged to invest significant funds in alternative-fuel vehicles to address climate change and reduce carbon emissions. Con Edison recognizes the benefits of plug-in electric vehicles (PEVs) as a green technology offering drivers greater fuel-economy or using no fuel at all. For these reasons, the company is committed to making the transition from gasoline to electric vehicles as simple and convenient as possible.

In 2013, Con Edison had 2,040 electric vehicles throughout the Con Edison of New York and Orange and Rockland service territories, more than tripling the population of 666 in 2012. We anticipate that number to increase exponentially as consumer awareness rises and prices plateau. We anticipate 4,000 electric vehicles on the system by 2015, and we are preparing for as many as 40,000 electric vehicles to plug in by 2020.

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 offers a new residential time of use rate as of March 1, 2013 with a one-year price guarantee for EV customers.

Additionally, Con Edison is expanding its EV Pilot Program to up to 50 participants. The objective of the pilot is to test alternative metering technology to measure EV load separate from whole house load, and to monitor charging habits of our customers. This will help us understand how customers charge their PEVs or if customers are willing and able to shift their charging to off-peak times. The information collected will help us develop future EV-specific time of use rates.
INFORMATION NEEDS

All Con Edison companies maintain web sites to provide useful information to customers and the public. We are working to provide expanded access for customers and we are increasing our use of various technologies to provide more dynamic, easier, quicker and more direct, interactions.

We have nearly 1.5 million customer e-mail addresses on file at Con Edison of New York and 86,500 at Orange and Rockland. This allows us to use e-mail for communicating with customers regarding storm preparations, energy-efficiency, and safety. We have also implemented a program to e-mail notices of routine and emergency work to customers in an affected area. During power outages, restoration updates are provided by e-mail. Also, customers can use e-mail to contact us to make inquiries and requests and receive account information such as account statements.

We recognize the potential of communicating with customers through their smartphones and we currently have about 740,000 cell phone numbers on file for Con Edison of New York customers. So far we are using text messaging to communicate outage information. Users can alert Con Edison that they are without power from any of the registered numbers associated with the account, request their estimated time of restoration (ETR) via text and receive the ETR in a text reply message. The application is being enhanced for customers to receive restoration notifications via text and be sent predictive and proactive text notifications regarding outages via text message. We foresee this capability being used by multiple family members who wish to receive updates on outages. Customer usage of the smartphone to interact with Con Edison of New York has increased exponentially. With the introduction of more self-service applications and the increasing customer ownership of smartphones, customer usage of our mobile version has grown from 148,000 visits in 2010, to just over 2 million visits in 2013. To date, mobile users accounted for roughly 23 percent of Con Edison of New York's overall web traffic.

We are focused on meeting our customers’ expectations and bringing them new ways to do business with us. Our daily conversations with customers on Twitter allow us to build our follower base and provide useful information about energy efficiency, storm preparations, community news, and renewable energy. The key to engagement is to keep the content appealing and interesting. Along with online and mobile initiatives, we are able to leverage our everyday paths of customer communication during storms or other emergencies.

As part of our post-Sandy effort to improve communications, we streamlined our online storm central site, making it easier for customers to report outages, check their restoration times, find valuable safety tips, and advice on how to prepare for a storm.

Online videos, posted on our website, sent out on twitter, embedded in e-blasts to customers and press releases to the media, have proven to be popular with our stakeholders. Our videos provide customers with information and advice ranging from how to save money on their bills to explaining how we restore power after a storm. More than 130,000 people have viewed them during 2013. Energy conservation tips consistently prove the most popular. We’re pleased that our successful engagement with customers using social media continues to gain recognition such as the Bulldog Reporter awarding Con Edison their Digital and Social PR Gold Medal for “Best Crisis Response” during Superstorm Sandy.
ENERGY AND VALUE

We recognize the importance of energy affordability 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.

Roughly two thirds of the customer bill is accounted for by non-delivery costs, including supply costs and taxes and fees, and we recognize that we must advocate for our customers in all of these areas in order to help control costs.

<table>
<thead>
<tr>
<th></th>
<th>Electric</th>
<th>Gas</th>
<th>Steam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>40%</td>
<td>37%</td>
<td>30%</td>
</tr>
<tr>
<td>Delivery</td>
<td>31%</td>
<td>36%</td>
<td>45%</td>
</tr>
<tr>
<td>Taxes&amp;Fees</td>
<td>29%</td>
<td>27%</td>
<td>25%</td>
</tr>
</tbody>
</table>

For those customers who have challenges making their payments, there are options for assistance. Low-income customers are eligible for discount programs for both the Con Edison of New York and Orange and Rockland Electric and Gas services. Participants in the Con Edison of New York electric low income discount program will now receive a $9.50 discount (an increase of $1.00 from last year). For the low-income gas program, participants who use gas for heating receive a discount of $7.25 discount 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 Orange and Rockland, participants in the electric low income discount program who heat with electric will receive a $17.40 bill credit while all other electric customers will receive a $8.00 bill credit (an increase of $1.00 from last year). 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 provides financial assistance to customers who find themselves temporarily unable to pay their utility or home-heating bills because of emergency conditions. The Con Edison of New York 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, and in New Jersey the program is called NJ Shares. Both are administered by human service agencies in the local communities.

In addition, both company web sites provide information for customers to contact the Home Energy Assistance Program, commonly referred to as HEAP. HEAP is a federally funded program that assists low-income individuals with the cost of heating their homes. 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, looking to their ability to use education, training, and special programs and events, to enrich the quality of life of all New Yorkers.

As an example of recognition for our community partnership activity, in a speech in Brooklyn on October 25 President Obama recognized Con Edison for our partnership with Energy Tech High School, which prepares young people for careers in the energy industry.

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 education 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, law enforcement, housing services, landmarks preservation, education, and diversity.
- Civic programs that provide young people ages 8 to 18 with the skills and opportunities for lifelong civic engagement. We seek to create interest in the democratic process by providing young people with the skills necessary to voice their opinions, affect policy changes, and remain civically engaged throughout their lives.
- 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. Con Edison employees and retirees donated more than 5,900 volunteer hours across New York City and Westchester County in 2013.

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

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 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.

Con Edison provides a double match for employee and retiree academic 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.
YEAR IN REVIEW

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

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

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.

---

**CON EDISON, INC. CHARITABLE CONTRIBUTIONS PROGRAM FUNDING**

(MILLION $)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARTS &amp; CULTURE</td>
<td>$2.54</td>
</tr>
<tr>
<td>COMMUNITY PARTNERSHIPS</td>
<td>$1.98</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td>$1.54</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>$1.12</td>
</tr>
<tr>
<td>MATCHING GIFTS</td>
<td>$0.6</td>
</tr>
<tr>
<td>CIVICS</td>
<td>$0.17</td>
</tr>
</tbody>
</table>
ORGANIZATIONS WE SUPPORT

Con Edison is a proud supporter of more than 1,000 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. A full list of organizations Con Edison supports is available here.

Green City Force - since 2010 (City-Wide)

Green City Force provides workforce training in the green field for urban young adults. Corps membership is open to 18-24 year-olds who live in NYC public housing, have a GED or high school diploma, but lack the experience, networks, and academics to succeed in securing career-track employment or getting into and staying in college. They do this through a six-month program combining national service, academics, training, and work experience related to the clean energy economy and sustainability. Throughout the program, Corps members are supported through monthly stipends, transportation, and case management. Upon completion, they receive an AmeriCorps educational award and assistance on their college or career paths. Con Edison's support helps to abate youth unemployment in low-income communities and increases the impact of energy efficiency in such neighborhoods. Green City Force's focus on energy efficiency exposes Corps members to a field with entry-level opportunities, transferable skills (such as sales and marketing) that can apply to other sectors, as well as potential to advance along a career path.

The Forest Park Trust - since 2003 (Queens)

Con Edison funds the Landscape Stewardship Program which teaches young adults garden maintenance and forest restoration. The program will give participants a better awareness of the problems that plague their local urban park through projects where they will take personal responsibility in its protection and improvement. The program offers young adults a positive physical bond to their local park, while learning how to restore and maintain landscapes.

Brooklyn Navy Yard - since 2003 (Brooklyn)

Con Edison supports the Brooklyn Navy Yard's exhibitions and programs highlighting the sustainability initiatives of the LEED Platinum Building 92, and education and innovation in the economic development of Brooklyn's new manufacturing class, as well as the rich and unique role of the Navy Yard in the history of the borough.

Staten Island Historical Society - since 1990

The mission of the Staten Island Historical Society is to create opportunities for the public to explore the diversity of the American experience, especially that of Staten Island and its neighboring communities, from the colonial period to the present day. To accomplish this, the Society engages in the following activities: operating and interpreting Historic Richmond Town, the largest and most comprehensive historic museum complex in New York City; collecting and preserving the materials of everyday life, including the artifacts, archives, and buildings that tell the story; conducting and promoting research based on the museum's collections; and sharing the collection and knowledge with the public through creative and engaging interpretive activities. In addition to Richmond Town, the Society operates the Decker Farm – one of only two fully-functioning farms in NYC. Con Edison is a corporate member of the Staten Island Historical Society.

Neighborhood Housing Services of Staten Island, Inc. - since 2009

Neighborhood Housing Services of Staten Island (NHSSI) is an independent (not part of NHS of NYC), not-for-profit organization whose mission is to create and maintain sustainable and livable communities where families are in homes that are affordable, well-designed, rehabilitated, and maintained in a manner that supports the health and safety of residents. They envision a place where housing is not a financial burden and families are financially secure. Con Edison supports NHS Home Maintenance Sustainability Workshops which educate homeowners on the value, benefits, incentives, and skills for performing home energy improvements.

Greenburgh Nature Center - since 1994 (Westchester)
The mission of the Greenburgh Nature Center, also known as Nunataks, Ltd., is to offer inspiring, hands-on environmental education experiences, foster an appreciation of nature, and promote sustainable practices. Its vision is to be an educational leader in the region that advances environmental literacy, and to be a model of best sustainable practices while providing enriching hands-on visitor experiences and a venue for community activities. Con Edison supports “Teaching Trails” programming, which builds on the Nature Center's network of green education experiences for inter-generational exploration. This includes the Nature's Discovery Playground, the Sustainable Barnyard, and the Green Roof Educational Exhibit. Con Edison's support helps to promote natural experiences through science and environmental education and opportunities for outdoor exploration.
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. 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.

<table>
<thead>
<tr>
<th>CON EDISON, INC. EMPLOYEES BY COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(COLLECTIVE BARGAINING UNITS AND MANAGEMENT)</td>
</tr>
</tbody>
</table>

- CECONY CBU  8,200
- CECONY MGMT  5,035
- O&R CBU  618
- O&R MGMT  815
- CEBS  299
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 2013, 33 percent of our workforce is 35 years of age or younger. More significantly, 49 percent of our workforce has less than 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 35 classrooms, 39 laboratories, a library, auditorium, and cafeteria. The Learning Center offers more than 800 classes, covering technical courses, as well as skills enhancement and leadership development for Con Edison of New York and Orange and Rockland employees. 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. 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 2013, our employees logged 212,000 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 2013, 112 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 2013, 509 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 play to 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

We are committed to making every voice heard and 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.

Valuing diversity and inclusion is not only the right thing to do, it is vital to our success in delivering energy products and services to our customers safely, reliably, efficiently, and in an environmentally sound manner. As our customers, the communities we serve, and our employees continue to change, so do we.

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. Of the total women promoted, 68 percent were minorities. The percentage of minorities in upper-management positions increased from 25 in 2012, to 26 in 2013. The percentage of women in band-4 and above positions is 29 percent. For more information on these and the other activities that support the diversity of our workforce, please visit the company's 2013 Diversity Annual Report (http://www.coned.com/diversity/diversity-report-2013.pdf).
Diversity is a part of our recruitment strategy – the company uses a portfolio of Internet resources, job fairs, partnerships, search firms, and its internship programs to find the right employees to join our company. Once hired, they have access to a number of employee organizations including Women in the Field, LGBT Pride, and Moms ON IT, groups which have been designed to promote inclusion and a safe place to share experiences and advice.

For more information on these and the other activities that support the diversity of our workforce, please visit the company's 2013 Diversity Annual Report (http://www.coned.com/diversity/diversity-report-2013.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 2013 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.

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. One example was the development of a culture team in EH&S. This team, with representatives of all levels from each of its five departments, met bi-weekly to discuss culture and identify activities that could improve overall morale and move the department in a positive direction. Results included the establishment of career development seminars for the EH&S organization, a review of the department's work-life balance guidelines, and an increase in networking opportunities. The team is looking forward to progressing more in 2014 with the development of an EH&S culture survey and focus groups.

Our Central Operations group has also exemplified what it means to evolve our culture. They’ve established “Excellence Teams” which are teams that cut across Central Operations' organizations to drive performance in particular areas of focus. In 2013, there were nine Central Operations Excellence Teams which included teams looking at safety, improving union/management relations, and enhancing the customer experience. This program continues to evolve and will certainly achieve continued success in 2014.

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.
CONSENSATION 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 which included: leadership interviews, focus groups, and surveys to find out our management employees preferences for their benefits programs. The ensuing changes, which went into effect in 2013, 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.

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 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. Each year the magazine ranks publicly traded electric and gas companies, naming those that provide the greatest value for shareholders. Con Edison was selected from 82 of the country's utilities with major assets in energy production, transportation, and retail delivery, plus positive shareholder equity value for the past four years. The magazine measures each utility on financial performance — profitability, dividend yield, cash flow, return on equity, and return on assets — together with a sustainable growth-rate calculation, to produce an overall picture of a company's value and long-term prospects.
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, we are excited for what 2014 will bring as we join for the first time the Electric Utility Industry Sustainable Supply Chain Alliance. We are looking forward to partnering 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 Program, and Energy Efficiency Program.

Most recently 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 have been hired.

We collaborated with the Con Edison 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 reduce their energy consumption and 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 also investors interested in supporting the growth of companies in this field.

Through our affiliation with the national Utility trade association Edison Electric Institute, we organized a tour of Silicon Valley at their 2013 National Conference held in California, in which we visited MWBE firms with cutting edge technologies in the area of energy efficiency. This tour was part of our efforts to promote sustainable solutions that are developed by MWBE firms throughout the utility industry.

A cornerstone of the supplier diversity program is company expenditures. Goods and services purchased from minority- and women-owned business enterprises totaled more than $270 million in 2013. Including fuel and gas, expenditures with minority- and women- owned businesses totaled more than $288 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 2013.
AVOIDING COLLUSION

Ethical behavior is a priority at Con Edison, but in recent years we have been victimized by 16 company employees and retirees as a result of three separate 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 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) and Business Ethics (2d-governance.html#s2d2) 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 $40 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 & 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).

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 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 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 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, CECONY 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 CECONY website, conEd.com (http://www.coned.com).

ORANGE AND ROCKLAND UTILITIES

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

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; Chicago, Illinois; Falls Church, Virginia; Houston, Texas; Tampa, Florida; and Overland Park, Kansas. The company offers innovative products, financial stability, and a commitment to customer service. The firm's dedicated team of energy professionals delivers a broad range of energy solutions. Con Edison Solutions offers programs and services designed to help customers achieve their individual energy objectives. It is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).


CON EDISON DEVELOPMENT

Con Edison Development (CED) is a leading developer, owner, and operator of renewable and energy infrastructure projects with a primary, but not exclusive, focus on grid-connected utility-scale solar facilities located in North America. The company's investments include: ownership interests in solar energy projects in California, Arizona, Nevada, New Jersey, Pennsylvania, Rhode Island, and Massachusetts, with an aggregate capacity of 392 MW; a gas storage corporation, and an investment in an affordable-housing partnership. Through its deep resources and trusted relationships with a range of energy-related companies, CED continues to build its pipeline of renewable energy projects and opportunistically grow its portfolio. For more information, visit the CED website, coneddev.com (http://coneddev.com).

CON EDISON ENERGY

Con Edison Energy (CEE) manages the output and fuel requirements for over 7,300 MW of third-party generating plants in the northeastern United States. The company also provides wholesale hedging and risk management services to CES and CED. In addition, the company 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).
### REVENUE BY BUSINESS

(MILLION $)

- **CECONY ELECTRIC** $8,131
- **CECONY GAS** $1,616
- **CECONY STEAM** $683
- **O&R ELECTRIC** $628
- **O&R GAS** $205
- **CEBS** $1,091

---

### BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th></th>
<th>Audit Committee</th>
<th>Corporate Governance and Nominating Committee</th>
<th>Environmental, Health and Safety Committee</th>
<th>Executive Committee</th>
<th>Finance Committee</th>
<th>Management Development and Compensation Committee</th>
<th>Operations Oversight Committee</th>
<th>Planning Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kevin Burke</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Vincent Calarco</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>George Campbell, Jr.</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Michael J. Del Giudice</td>
<td>×</td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ellen V. Futter</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>John F. Hennessy III</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>John F. Killian</td>
<td>×</td>
<td>×</td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John McAvoy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Armando J. Olivera</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sally H. Pinero</td>
<td>×</td>
<td>×</td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td>×</td>
</tr>
<tr>
<td>Michael W. Ranger</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L. Frederick Sutherland</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Board committee composition and membership as of July 1, 2014
## OUR BUSINESS

### FINANCIAL HIGHLIGHTS

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$12,354</td>
<td>$12,188</td>
</tr>
<tr>
<td>Net income for common stock</td>
<td>$1,062</td>
<td>$1,138</td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$3.62</td>
<td>$3.88</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$2.46</td>
<td>$2.42</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>68%</td>
<td>62%</td>
</tr>
<tr>
<td>Average common shares outstanding</td>
<td>292.9</td>
<td>292.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>$40,647</td>
<td>$41,209</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$2,648</td>
<td>$2,538</td>
</tr>
<tr>
<td>Common equity ratio</td>
<td>53.9%</td>
<td>54.1%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>8.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Market capitalization</td>
<td>$16,200</td>
<td>$16,300</td>
</tr>
<tr>
<td>Stock price per share (year end)</td>
<td>$55.28</td>
<td>$55.54</td>
</tr>
<tr>
<td>Dividend yield (year end)</td>
<td>4.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Total shareholder return</td>
<td>3.8%</td>
<td>(6.7%)</td>
</tr>
</tbody>
</table>
SHAREHOLDERS

CON EDISON, INC. EARNINGS AND DIVIDENDS
(PER SHARE)

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$3.16</td>
<td>$2.36</td>
</tr>
<tr>
<td>2010</td>
<td>$3.49</td>
<td>$2.38</td>
</tr>
<tr>
<td>2011</td>
<td>$3.59</td>
<td>$2.40</td>
</tr>
<tr>
<td>2012</td>
<td>$3.88</td>
<td>$2.42</td>
</tr>
<tr>
<td>2013</td>
<td>$3.62</td>
<td>$2.46</td>
</tr>
</tbody>
</table>

WORKFORCE DEVELOPMENT

TRAINING

- 565,000 hours of instructor-led, skill-based and leadership training
- 145,000 hours of eLearning
- 212,000 hours of documents on-the-job-training
- 112 employees taking part in a mentoring program
- 509 employees taking advantage of tuition aid
## DIVERSITY

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total workforce</td>
<td>14,653</td>
<td>14,526</td>
</tr>
<tr>
<td>Minorities in the workforce</td>
<td>6,639</td>
<td>6,471</td>
</tr>
<tr>
<td>Minority share</td>
<td>45.3%</td>
<td>44.6%</td>
</tr>
<tr>
<td>Women in the workforce</td>
<td>2,942</td>
<td>2,791</td>
</tr>
<tr>
<td>Women share</td>
<td>20.1%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Officer positions</td>
<td>59</td>
<td>60</td>
</tr>
<tr>
<td>Minorities in officer positions</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Minority officer share</td>
<td>25.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Women in officer positions</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Women officer share</td>
<td>27.1%</td>
<td>23.3%</td>
</tr>
</tbody>
</table>

## ENERGY SOURCING AND RELIABILITY

### CON EDISON OF NEW YORK INFRASTRUCTURE INVESTMENTS
(MILLION $)

<table>
<thead>
<tr>
<th>Year</th>
<th>CEONY ELECTRIC</th>
<th>CEONY GAS</th>
<th>CEONY STEAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$1,447</td>
<td>$473</td>
<td>$1,110</td>
</tr>
<tr>
<td>2014</td>
<td>$1,617</td>
<td>$524</td>
<td>$82</td>
</tr>
<tr>
<td>2015</td>
<td>$1,801</td>
<td>$586</td>
<td>$94</td>
</tr>
<tr>
<td>2016</td>
<td>$1,622</td>
<td>$627</td>
<td>$98</td>
</tr>
</tbody>
</table>
## INNOVATION AND TECHNOLOGY

<table>
<thead>
<tr>
<th>RESEARCH AND DEVELOPMENT CONTRIBUTIONS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects started</td>
<td>86</td>
<td>46</td>
</tr>
<tr>
<td>Projects completed</td>
<td>52</td>
<td>78</td>
</tr>
<tr>
<td>Budget</td>
<td>$15.9 m</td>
<td>$17.1 m</td>
</tr>
</tbody>
</table>
ENVIRONMENTAL PERFORMANCE

AIR

Emissions data shown reflects EPA global warming potentials updated in November of 2013.
CON EDISON, INC. GREENHOUSE GAS EMISSIONS
(MILLION TONS)

DIRECT EMISSIONS
(METRIC TONNES)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOx</td>
<td>1,898</td>
<td>1,618</td>
</tr>
<tr>
<td>SO2</td>
<td>540</td>
<td>509</td>
</tr>
</tbody>
</table>

INDIRECT EMISSIONS
(THOUSAND METRIC TONNES EXCEPT WHERE INDICATED)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 3 Total (million metric tonnes)</td>
<td>39.7</td>
<td>39.3</td>
</tr>
<tr>
<td>Energy Efficiency Reductions</td>
<td>234</td>
<td>221</td>
</tr>
<tr>
<td>Oil-to-Gas PM 2.5 Reductions</td>
<td>160</td>
<td>61</td>
</tr>
<tr>
<td>Oil-to-Gas CO2e Reductions</td>
<td>143</td>
<td>71</td>
</tr>
</tbody>
</table>
WATER

CON EDISON OF NEW YORK DEP MUNICIPAL WATER USE
(BILLION GALLONS)

WATER QUALITY

SPDES Exceedances

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

CON EDISON OF NEW YORK
HABITAT AND BIODIVERSITY

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dielectric fluid released to environment</td>
<td>23,607</td>
<td>27,914</td>
</tr>
<tr>
<td>Reportable-quantity chemical spills</td>
<td>663</td>
<td>1,098</td>
</tr>
<tr>
<td>Remediation waste</td>
<td>10,729</td>
<td>15,686</td>
</tr>
</tbody>
</table>
RESOURCE CONSERVATION

CON EDISON OF NEW YORK NON-HAZARDOUS WASTE GENERATION
(THOUSAND TONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Recycled</th>
<th>Landfilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>66.6</td>
<td>6</td>
</tr>
<tr>
<td>2010</td>
<td>52.6</td>
<td>5.8</td>
</tr>
<tr>
<td>2011</td>
<td>55.3</td>
<td>5.7</td>
</tr>
<tr>
<td>2012</td>
<td>51.6</td>
<td>5.7</td>
</tr>
<tr>
<td>2013</td>
<td>50.7</td>
<td>5.5</td>
</tr>
</tbody>
</table>

CON EDISON OF NEW YORK WASTE
(SHORT TONS)

<table>
<thead>
<tr>
<th>Type</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-hazardous waste generated</td>
<td>56,245</td>
<td>57,310</td>
</tr>
<tr>
<td>Non-hazardous waste recycled</td>
<td>50,718</td>
<td>51,571</td>
</tr>
<tr>
<td>Hazardous waste generated</td>
<td>8,718</td>
<td>4,601</td>
</tr>
</tbody>
</table>
## CON EDISON OF NEW YORK ENERGY CONSUMPTION (MILLION BTUS)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility electric consumption</td>
<td>280,283</td>
<td>332,418</td>
</tr>
<tr>
<td>Facility gas consumption</td>
<td>161,854</td>
<td>154,165</td>
</tr>
</tbody>
</table>

## CLIMATE CHANGE

### CON EDISON OF NEW YORK CAPITAL EXPENDITURES FOR STORM HARDENING (MILLION $)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Substations</td>
<td>$30</td>
<td>$60</td>
<td>$70</td>
<td>$80</td>
</tr>
<tr>
<td>Electric Network Dist.</td>
<td>$21</td>
<td>$72.5</td>
<td>$60.5</td>
<td>$52</td>
</tr>
<tr>
<td>Electric Overhead Dist.</td>
<td>$19.6</td>
<td>$15</td>
<td>$115</td>
<td>$112</td>
</tr>
<tr>
<td>Transformers</td>
<td>$10</td>
<td>$12.5</td>
<td>$11.3</td>
<td>$11.4</td>
</tr>
<tr>
<td>Electric Trans.</td>
<td>$3.9</td>
<td>$4.9</td>
<td>$2</td>
<td>$2</td>
</tr>
<tr>
<td>Electric / Steam Gen.</td>
<td>$18.4</td>
<td>$42.8</td>
<td>$51.5</td>
<td>$52.3</td>
</tr>
<tr>
<td>Gas / Tunnels</td>
<td>$2.1</td>
<td>$6.8</td>
<td>$41.6</td>
<td>$51.7</td>
</tr>
<tr>
<td>Telecomm.</td>
<td>$0</td>
<td>$1.3</td>
<td>$2.7</td>
<td>$2.6</td>
</tr>
<tr>
<td>Facilities</td>
<td>$0</td>
<td>$0</td>
<td>$5</td>
<td>$5</td>
</tr>
</tbody>
</table>
CORPORATE CULTURE

CON EDISON OF NEW YORK CULTURAL IMPERATIVES

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

SUPPLIER DIVERSITY

<table>
<thead>
<tr>
<th>CON EDISON, INC. SUPPLIERS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green spend</td>
<td>&gt; $3 m</td>
<td>&gt; $3 m</td>
</tr>
<tr>
<td>Minority / Women-owned Supplier Spend</td>
<td>288.6</td>
<td>323.5</td>
</tr>
</tbody>
</table>